

LAW OFFICES
NACHMAN, MUNITZ & SWEIG
115 SOUTH LA SALLE STREET
CHICAGO 60603

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RECORDATION NO.

Filed & Recorded

FEB 4 1987 10:35 AM

INTERSTATE COMMERCE COMMISSION

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LESLIE H. VERCOE
ROBERT R. BARNES
SUSAN NACHMAN

January 22, 1987

2/4/87
10.00
CC Washington, D. C.

Ms. Mildred Lee
Room 2303
Interstate Commerce Commission
12th & Constitution N.W.
Washington, D.C. 20423

Dear Ms. Lee:

Enclosed please find for recording the original and two notarized copies of a security agreement dated December 31, 1986 and a \$10 check payable to the order of the Interstate Commerce Commission. Please record the security agreement and return it to my attention.

The parties to the security agreement are as follows:

<u>Secured Party</u>	<u>Debtor</u>
Sanwa Business Credit Corp. One South Wacker Drive Chicago, Illinois 60606	Copperweld Steel Company 4000 Mahoning Avenue N.W. P.O. Box 351 Warren, Ohio 44483

If you have any questions or need further information, please call me. Thank you for your assistance.

Very truly yours,
NACHMAN, MUNITZ & SWEIG, LTD.

By Robert R. Barnes
Robert R. Barnes

RRB:das
Enclosures

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

2/5/87

ROBERT R. BARNES
NACHMAN, MUNITZ & SWEIG, LTD
115 SOUTH LASALLE STREET
CHICAGO, ILLINOIS 60603

Dear SIR:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 2/4/87 at 10:35am, and assigned re-
recording number(s). 15163

Sincerely yours,

Noreta R. McGehee
Secretary

Enclosure(s)

SE-30
(7/79)

LOAN AND SECURITY AGREEMENT FEB 4 1987 10- 8 5 AM

THIS LOAN AND SECURITY AGREEMENT is made ^{INTERSTATE COMMERCE COMMISSION} as of the 31st day of December, 1986, by and between Sanwa Business Credit Corporation, a Delaware corporation ("Lender") and Copperweld Steel Company, an Ohio corporation ("Borrower").

W I T N E S S E T H:

WHEREAS, Borrower desires to borrow funds and obtain other financial accommodations from Lender, and Lender is willing to make certain loans and provide other financial accommodations to Borrower upon the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the terms and conditions contained herein, and of any loans or extension of credit heretofore, now or hereafter made to or for the benefit of Borrower by Lender, the parties hereto hereby agree as follows:

1. DEFINITIONS

When used herein, the following terms shall have the following meanings:

1.1 "Accounts" shall mean all accounts, contract rights, chattel paper, instruments, documents, and other rights to payment for goods sold or leased by Borrower or for services rendered by Borrower, whether now owned or hereafter acquired by Borrower.

1.2 "Account Debtor" shall mean any Person who is or who may become obligated to Borrower under, with respect to, or on account of an Account.

1.3 "Accounts Report" shall mean a report delivered to Lender by Borrower in the form set forth on Exhibit K, as required by Section 6.2.

1.4 "Affiliate" shall mean any and all Persons which, in the judgment of Lender, directly or indirectly, own or control, are controlled by or are under common control with Borrower, and any and all Persons from whom, in the judgment of Lender, Borrower has not or is not likely to exhibit independence of decision or action. For the purpose of this definition, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of

management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

1.5 "Agreement" shall mean this Loan and Security Agreement and all amendments and supplements thereto and all extensions, modifications, renewals and waivers thereof.

1.6 "Ancillary Agreements" shall mean all Security Documents and all agreements, instruments and documents, including, without limitation, notes, guaranties, mortgages, deeds of trust, chattel mortgages, pledges, powers of attorney, consents, assignments, contracts, notices, security agreements, leases, financing statements, subordination agreements, trust account agreements and all other written matter whether heretofore, now, or hereafter executed by or on behalf of Borrower or any other Person or delivered to Lender or any Participant with respect to this Agreement.

1.7 "Business Day" shall mean any day, other than a Saturday or Sunday, on which the main lobby of the Depository Bank is open for business with the general public.

1.8 "Charges" shall mean all national, federal, state, county, city, municipal, or other governmental (including, without limitation, the Pension Benefit Guaranty Corporation) taxes, levies, assessments, charges, liens, claims or encumbrances upon or relating to (i) the Collateral, (ii) the Liabilities, (iii) Borrower's employees, payroll, income or gross receipts, (iv) Borrower's ownership or use of any of its assets, or (v) any other aspect of Borrower's business.

1.9 "Collateral" shall mean all of the property and interests in property described in Section 5.1 and all other property and interests in property which shall, from time to time, secure any part of the Liabilities.

1.10 "Collateral Availability" shall have the meaning ascribed to it in Section 2.1.

1.11 "Credit Availability Charge" shall have the meaning ascribed to it in Section 2.5.

1.12 "Default" shall mean the occurrence or existence of any one or more of the events described in Section 11.1.

1.13 "Depository Bank" shall mean the banking institution which is referred to in Section 4.3 and which shall be the signatory to the Special Deposit Agreement which is attached hereto as Exhibit A.

1.14 "Eligible Accounts" shall mean those Accounts included in an Accounts Report which, as of the date of such

Accounts Report and at all times thereafter, (i) satisfy the requirements for eligibility as described in Section 3.1, (ii) do not violate the negative covenants and other provisions of this Agreement and do satisfy the affirmative covenants, warranties and other provisions of this Agreement and (iii) Lender, in its sole and absolute credit judgment, deems to be Eligible Accounts.

1.15 "Eligible Inventory" shall mean those items of Inventory included in an Inventory Report which, as of the date of such Inventory Report and at all times thereafter, (i) satisfy the requirements for eligibility as described in Section 3.2, (ii) do not violate the negative covenants and other provisions of this Agreement and do satisfy the affirmative covenants, warranties and other provisions of this Agreement and (iii) Lender, in its sole and absolute credit judgment, deems to be Eligible Inventory.

1.16 "Equipment" shall mean all of Borrower's now owned and hereafter acquired goods and other tangible property (other than Inventory) used or useable by Borrower in its business, wherever the same are located, including, without limitation, fixtures, furniture, machinery, equipment (including, without limitation, the railroad equipment set forth in Exhibit B attached hereto), vehicles and trade fixtures, together with any and all accessories, parts, supplies and appurtenances thereto, substitutions, renewals and improvements therefor and replacements thereof.

1.17 "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

1.18 "Event of Default" shall mean any event or condition which, with the passage of time or the giving of notice, or both, would constitute a Default.

1.19 "Financials" shall mean those financial statements of Borrower attached hereto as Exhibit C or delivered to Lender pursuant to Section 10.1.

1.20 "General Intangibles" shall mean all choses in action, general intangibles, causes of action and all other intangible personal property of Borrower of every kind and nature (other than Accounts) now owned or hereafter acquired by Borrower. Without in any way limiting the generality of the foregoing, General Intangibles specifically includes, without limitation, all corporate or other business records, deposits (whether collected or uncollected), security deposits, inventions, designs, patents, patent applications, trademarks, trade names, trade secrets, trade styles, service marks, goodwill, copyrights, registrations, licenses, franchises, insurance policies and tax refund claims owned by Borrower and all letters of credit, guarantee claims, security interests or other security held by or granted to Borrower to secure payment by an Account Debtor of any Accounts.

1.21 "Guarantor" shall mean any Person, other than Borrower, who is liable for the payment of any of the Liabilities, either primarily or secondarily (as a guarantor or an accomodation party).

1.22 "Indebtedness" shall mean all of Borrower's liabilities, obligations and indebtedness to any Person of any and every kind and nature, whether primary, secondary, direct, indirect, absolute, contingent, fixed, or otherwise, heretofore, now or hereafter owing, due, or payable, however evidenced, created, incurred, acquired or owing and however arising, whether under written or oral agreement, by operation of law, or otherwise. Without in any way limiting the generality of the foregoing, Indebtedness specifically includes (i) the Liabilities, (ii) all obligations or liabilities of any Person that are secured by any lien, claim, encumbrance, or security interest upon property owned by Borrower, even though Borrower has not assumed or become liable for the payment thereof, (iii) all obligations or liabilities created or arising under any lease of real or personal property, or conditional sale or other title retention agreement with respect to property used or acquired by Borrower, even though the rights and remedies of the lessor, seller or lender thereunder are limited to repossession of such property, (iv) all unfunded pension fund obligations and liabilities and (v) deferred taxes.

1.23 "Initial Term" shall have the meaning ascribed to it in Section 2.4.

1.24 "Inventory" shall mean all goods, inventory, merchandise and other personal property, including, without limitation, goods in transit, wherever located and whether now owned or hereafter acquired by Borrower which are or may at any time be held for sale or lease, furnished under any contract of service or held as raw materials, work in process, finished goods, supplies or materials used or consumed in Borrower's business, and all such property the sale or other disposition of which has given rise to Accounts and which has been returned to or repossessed or stopped in transit by Borrower.

1.25 "Inventory Report" shall mean a report delivered to Lender by Borrower, as required by Section 7.3, consisting of a detailed listing of all Inventory as of the date of such Inventory Report describing the kind, type, quality, quantity, location and the lower of cost (computed on the basis of a first-in, first-out cost flow assumption) or market value of such Inventory.

1.26 "Liabilities" shall mean all of Borrower's liabilities, obligations and indebtedness to Lender of any and every kind and nature, whether primary, secondary, direct, indirect, absolute, contingent, fixed, or otherwise

(including, without limitation, principal, interest, charges, expenses, attorneys' fees and other sums chargeable to Borrower by Lender, future advances made to or for the benefit of Borrower and obligations of performance), whether arising under this Agreement, under any of the Ancillary Agreements or acquired by Lender from any other Person, whether heretofore, now or hereafter owing, arising, due or payable from Borrower to Lender, however evidenced, created, incurred, acquired or owing and howsoever arising, whether under written or oral agreement, operation of law, or otherwise.

1.27 "Loan Account" shall have the meaning ascribed to it in Section 4.1.

1.28 "Participant" shall mean any Person, now or at any time or times hereafter, participating with Lender in the loans made by Lender to Borrower pursuant to this Agreement and the Ancillary Agreements.

1.29 "Person" shall mean any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, institution, entity, party, or government (whether national, federal, state, county, city, municipal or otherwise, including, without limitation, any instrumentality, division, agency, body or department thereof).

1.30 "Prime Rate" shall have the meaning ascribed to it in Section 2.3.

1.31 "Reportable Event" shall have the meaning ascribed to it in Section 9.1(0).

1.32 "Revolving Loan" shall have the meaning ascribed to it in Section 2.1.

1.33 "Section" means a numbered section of this Agreement, unless another document is specifically referenced.

1.34 "Security Documents" shall mean this Agreement and all other agreements, instruments, documents, financing statements, warehouse receipts, bills of lading, notices of assignment, schedules, assignments, mortgages and other written matter necessary or requested by Lender to create, perfect and maintain perfected Lender's security interest in the Collateral.

1.35 "Special Collateral" shall have the meaning ascribed to it in Section 5.3.

1.36 "Stock" shall mean all shares, options, interests, participations or other equivalents (however designated) of or in a corporation, whether voting or non-voting, including, without limitation, common stock, warrants, preferred stock,

convertible debentures and all agreements, instruments and documents convertible, in whole or in part, into any one or more or all of the foregoing.

1.37 "Total Facility" shall have the meaning ascribed to it in Section 2.1.

Any accounting terms used in this Agreement which are not specifically defined shall have the meanings customarily given them in accordance with generally accepted accounting principles in effect from time to time.

All other terms contained in this Agreement which are not otherwise defined in this Section 1 or in any other Section shall, unless the context indicates otherwise, have the meanings provided for by the Uniform Commercial Code of the State of Illinois (the "Code") to the extent the same are used or defined therein.

2. LOANS: GENERAL TERMS

2.1 Total Facility. Lender may, in its sole and absolute discretion, make available for Borrower's use from time to time during the term of this Agreement, upon Borrower's request therefor, certain loans and other financial accommodations (the "Total Facility"). The Total Facility shall be subject to all of the terms and conditions of this Agreement and shall consist of a revolving line of credit consisting of advances against Eligible Accounts and Eligible Inventory (the "Revolving Loan") in an aggregate principal amount not to exceed, at any time outstanding, the lesser of (i) \$20,000,000 or (ii) the outstanding amount of Collateral Availability. As used in this Agreement, "Collateral Availability" shall mean and, at any particular time and from time to time, be equal to the sum of (i) up to eighty percent (80%) of the net amount (after deduction of such reserves as Lender deems proper and necessary) of Eligible Accounts plus (ii) up to fifty percent (50%) of the aggregate value of Eligible Inventory (determined on the basis of the lower of first-in, first-out cost or market value, both net of such reserves as Lender deems proper and necessary), provided that Collateral Availability as to Eligible Accounts shall not at any time exceed Fifteen Million Dollars (\$15,000,000) and provided further that Collateral Availability as to Eligible Inventory shall not at any time exceed Ten Million Dollars (\$10,000,000). The Revolving Loan shall be repayable on demand and as provided in Section 4.2.

It is expressly understood and agreed by Borrower that nothing contained in this Agreement shall, at any time, require Lender to make loans or other extensions of credit to Borrower and the making and amount of such loans or other extensions of credit to Borrower under this Agreement shall at

all times be in Lender's sole and absolute discretion. Lender may, in the exercise of such discretion, at any time and from time to time, increase or decrease the advance percentages to be applied to Eligible Accounts and Eligible Inventory which are contained in this Section 2.1. In the event such percentages are decreased, such decrease shall become effective immediately for the purpose of calculating the amount which Lender may be willing to advance, or allow to remain outstanding, against Eligible Accounts and Eligible Inventory.

2.2 Advances to Constitute One Loan; Loan Purpose. All loans and advances by Lender to Borrower under this Agreement and the Ancillary Agreements (whether made as a Revolving Loan or otherwise), shall constitute one loan and all indebtedness and obligations of Borrower to Lender under this Agreement and the Ancillary Agreements shall constitute one general obligation secured by the Collateral and by all other security interests, liens, claims and encumbrances heretofore, now and or from time to time hereafter granted by Borrower to Lender.

2.3 Interest Rate. Unless otherwise provided in a writing evidencing such Liabilities, Borrower shall pay Lender interest on the outstanding principal balance of the Liabilities at a rate per annum equal to three percent (3%) above the Prime Rate. Interest shall be computed on the basis of a year of 365 days and actual days elapsed and shall be payable as provided in Section 4.2. The "Prime Rate" shall mean the prime rate of interest quoted, from time to time, by The Wall Street Journal as the "base rate on corporate loans at large U.S. money center commercial banks," provided, however, that in the event that The Wall Street Journal ceases quoting a prime rate of the type described, "Prime Rate" shall mean the per annum rate of interest quoted as the "Bank Prime Loan" rate for "This week" in Statistical Release H.15 (519) published from time to time by the Board of Governors of the Federal Reserve System. The Prime Rate shall change effective on the date of the publication of any change in the applicable index by which such "Prime Rate" is determined. The rate of interest will change as of the effective date stated in the announcement of a change in the Prime Rate. In no contingency or event whatsoever shall the rate or amount of interest paid by Borrower under this Agreement or any of the Ancillary Agreements exceed the maximum amount permissible under any law which a court of competent jurisdiction shall, in a final determination, deem applicable hereto. In the event that such a court determines that Lender has received interest hereunder or under any Ancillary Agreement in excess of the maximum amount permitted by such law, (i) Lender shall apply such excess to any unpaid principal owed by Borrower to Lender or, if the amount of such excess exceeds the unpaid balance of such principal, Lender shall promptly refund such excess interest to Borrower and (ii) the provisions hereof shall be

deemed amended to provide for such permissible rate. All sums paid, or agreed to be paid, by Borrower which are, or hereafter may be construed to be, compensation for the use, forbearance or detention of money shall, to the extent permitted by applicable law, be amortized, prorated, spread and allocated throughout the full term of all such indebtedness until the indebtedness is paid in full.

2.4 Term of Agreement; Liquidated Damages. This Agreement shall be in effect until two (2) years from the date hereof (the "Initial Term") and shall be automatically renewed thereafter for successive periods of one year (the "Renewal Term") unless terminated as provided below. Either party shall have the right to terminate this Agreement at the end of the Initial Term or at the end of any Renewal Term by giving the other party at least sixty (60) days' prior notice of such termination. This Agreement may also be terminated by Lender upon the occurrence of a Default as provided in Section 11. Upon the effective date of termination, all of the Liabilities shall become immediately due and payable without presentment, notice or demand. Notwithstanding any termination, until all of the Liabilities shall have been fully paid and satisfied, Lender shall be entitled to retain its security interest in the Collateral, Borrower shall continue to remit collections of Accounts and proceeds of Collateral as provided in this Agreement, and Lender shall retain all of its rights and remedies under this Agreement. If, during the Initial Term or any Renewal Term, this Agreement is terminated by Borrower other than as permitted in this Section 2.4, Borrower shall pay to Lender, for loss of the bargain and not as a penalty, as liquidated damages and compensation for the costs of Lender being prepared to make funds available to Borrower under this Agreement, an amount (the "Prepayment Fee") equal to fifty percent (50%) of the average monthly interest charges and Credit Availability Charges during the elapsed portion of the Initial Term or the Renewal Term, as the case may be, multiplied by the number of full or partial months remaining between the date of such termination and the end of the Initial Term or the Renewal Term, as the case may be.

2.5 Credit Availability Charge. Lender has determined that it cannot profitably continue to extend financial accommodations to Borrower unless Lender earns at least \$60,000 in interest upon the Total Facility during each month of the Initial Term and each Renewal Term. To compensate Lender for the costs of being prepared to make funds available to Borrower, Borrower agrees that if, during any such month, the total amount of interest earned with respect to the Total Facility is less than the lesser of (a) \$60,000 or (b) the maximum interest possible to be earned during such month based upon Collateral Availability during such month ("Availability Interest"), then Borrower shall pay to Lender at the end of each such month a Credit Availability Charge equal to the

difference between (i) the amount of interest accrued during such month and (ii) \$60,000 or the Availability Interest, as applicable. The aforesaid Credit Availability Charge is in addition to any other applicable fees and charges and shall be payable for the entire period covered by the Initial Term and each Renewal Term, unless this Agreement is terminated by Borrower pursuant to Section 2.4 above and Borrower has paid the applicable Prepayment Fee, and shall be payable monthly during the Initial Term and during each Renewal Term or immediately upon termination if this Agreement is terminated prior to the end of the Initial Term or a Renewal Term.

3. ELIGIBLE ACCOUNTS; ELIGIBLE INVENTORY

3.1 Eligible Accounts. Upon Borrower's delivery to Lender of an Accounts Report, Lender shall determine, in its sole and absolute discretion, which individual Accounts listed thereon are Eligible Accounts. In making this determination, Lender will consider the following requirements:

(A) If the individual Account arises from the sale of goods, such goods have been shipped or delivered on open account and on an absolute sale basis and not on consignment, on approval or on a sale-or-return basis or subject to any other repurchase or return agreement and no material part of such goods has been returned (other than returns described in Section 7.4), repossessed, rejected, lost or damaged;

(B) The individual Account is not evidenced by chattel paper or an instrument of any kind;

(C) The Account Debtor obligated on such individual Account is not insolvent or the subject of any bankruptcy or insolvency proceeding of any kind and Lender is satisfied with the creditworthiness of such Account Debtor;

(D) If the individual Account is owing from an Account Debtor located outside the United States, such Account Debtor has furnished Borrower with an irrevocable letter of credit which has been issued or confirmed by a financial institution acceptable to Lender, is in form and substance acceptable to Lender, has been pledged to Lender, and is payable in United States dollars in an amount not less than the face value of the individual Account;

(E) The individual Account is a valid, legally enforceable obligation of the relevant Account Debtor and such Account Debtor has not asserted any offset, counterclaim or defense denying liability thereunder; provided, however, that if such offset, counterclaim or defense has been asserted, such Account shall be ineligible only to the extent of such asserted offset, counterclaim or defense;

(F) The individual Account is subject to and covered by Lender's perfected security interest and is not subject to any other lien, claim, encumbrance or security interest;

(G) The individual Account is evidenced by an invoice or other documentation in form acceptable to Lender;

(H) The individual Account has not remained unpaid for a period exceeding ninety (90) days after the date of the related invoice and not more than fifty percent (50%) of the balance of all individual Accounts owing from the Account Debtor obligated under such individual Account has remained unpaid for more than ninety (90) days after such invoice date;

(I) If the Account Debtor is located in the State of New Jersey, Borrower has filed a Notice of Business Activities Report with the New Jersey Division of Taxation for the then current year;

(J) The individual Account is not owing from an employee, officer, agent, director, stockholder of Borrower or any Affiliate (other than the Ohio Steel Tube Division of Copperweld Tube Products Company) or from the United States of America or any department, agency or instrumentality thereof;

(K) Each of the warranties and representations set forth in Section 9.2 has been reaffirmed with respect to such individual Account at the time that the most recent Accounts Report was delivered to Lender; and

(L) The individual Account is one against which Lender is legally permitted to make loans and advances.

3.2 Eligible Inventory. Upon Borrower's delivery to Lender of an Inventory Report, Lender shall determine, in its sole and absolute discretion, which items of Inventory listed thereon is Eligible Inventory. In making this determination, Lender will consider the following requirements:

(A) The item of Inventory is in good condition for its intended use, meets all standards imposed by any governmental agency, or department or division thereof, having regulatory authority over such goods, their use or sale and is either currently useable or currently saleable in the ordinary course of Borrower's business and is not otherwise unacceptable to Lender due to age, type, category or quantity;

(B) The item of Inventory is located at one of the locations listed on Exhibit D attached hereto, is subject to and covered by Lender's perfected security interest and is not subject to any other lien, claim, encumbrance or security interest;

(C) The item of Inventory has not been consigned, sold or leased to any Person;

(D) Each of the warranties and representations set forth in Section 9.3 has been reaffirmed with respect such item of Inventory at the date that the most recent Inventory Report was delivered to Lender; and

(E) The item of Inventory was not purchased by Borrower in or as part of a "bulk" transfer or sale of assets unless Borrower, and the seller of such item, have complied with all applicable bulk sales or bulk transfer laws.

4. PAYMENTS

4.1 Loan Account; Method of Making Payments. Lender shall maintain a loan account (the "Loan Account") on its books in which shall be recorded (i) all loans and advances made by Lender to Borrower pursuant to this Agreement, (ii) all payments made by or on behalf of Borrower on all such loans and advances and (iii) all other appropriate debits and credits as provided in this Agreement, including, without limitation, all fees, charges, expenses and interest. All entries in the Loan Account shall be made in accordance with Lender's customary accounting practices as in effect from time to time. Unless otherwise agreed to in writing from time to time hereafter, all payments which Borrower is required to make to Lender under this Agreement or under any of the Ancillary Agreements shall be made by appropriate debits to the Loan Account. Lender may, in its sole and absolute discretion, elect to bill Borrower for such amounts in which case the amount shall be immediately due and payable with interest thereon at the rate set forth in Section 2.3.

4.2 Payment Terms. All of the Liabilities shall be payable on demand to Lender at the address set forth in Section 12.10. Absent demand, the Liabilities will be repayable as follows: (i) interest shall be payable on the first day of each month (for the immediately preceding month) out of the first collections received with respect to any proceeds of Collateral, (ii) fees, costs, expenses and similar charges shall be payable as and when provided for in this Agreement or the Ancillary Agreements and (iii) the principal balance of the Liabilities shall be payable from collections received with respect to any proceeds of Collateral as such proceeds are received; provided, however, that if at any time the outstanding principal balance of the Revolving Loan exceeds the Collateral Availability or the outstanding principal balance of all of the Liabilities exceeds the Total Facility, Borrower shall immediately pay to Lender such amount as is necessary to eliminate such excess. In the event demand has not been made earlier, the Revolving Loan shall be payable in full in any event at the end of the Initial Term or Renewal

Term, as applicable. Nothing contained in this Section 4.2 shall authorize Borrower to sell, lease or otherwise dispose of any Collateral other than as expressly set forth in Sections 6.4, 7.1 and 8.3.

4.3 Collection of Accounts and Payments. Borrower shall establish a special account in Borrower's name with each of Pittsburgh National Bank of Pittsburgh, Pennsylvania and Harris Trust and Savings Bank of Chicago, Illinois ("Depository Banks") to which Borrower will immediately deposit all remittances and proceeds of the Collateral in the identical form in which such payment was made, whether by cash or check. Depository Banks shall acknowledge and agree, in a manner satisfactory to Lender, that all payments made to such special account are the sole and exclusive property of Lender, that Depository Banks has no right of setoff against the funds in such special account and that Depository Banks will wire, or otherwise transfer immediately available funds in a manner satisfactory to Lender, funds deposited in such special account to Lender on a daily basis as soon as such funds are collected. Borrower hereby agrees that all payments made to such special account or otherwise received by Lender, whether on the Accounts or as proceeds of other Collateral or otherwise, will be the sole and exclusive property of Lender and will be applied on account of the Liabilities. After allowing one (1) Business Day for collection after such funds are received by Lender, Lender will credit (conditional upon final collection) all payments received through the special account to the Loan Account. Borrower and any Affiliates, shareholders, directors, officers, employees, agents of Borrower and all Persons acting for or in concert with Borrower shall, acting as trustee for Lender, receive, as the sole and exclusive property of Lender, any monies, checks, notes, drafts or any other payments relating to or proceeds of Accounts or other Collateral which come into their possession or under their control and immediately upon receipt thereof, shall remit the same or cause the same to be remitted, in kind, to Lender, at Lender's address set forth in Section 12.10. Borrower agrees to pay to Lender any and all fees, costs and expenses (if any) which Lender incurs in connection with opening and maintaining the special account and depositing for collection by Lender any check or item of payment received or delivered to Depository Banks or Lender on account of the Liabilities and Borrower further agrees to reimburse Lender for any claims asserted by Depository Banks in connection with the special account or any returned or uncollected checks received by Depository Banks for deposit in the special account.

4.4 Application of Payments and Collections. Borrower irrevocably waives the right to direct the application of payments and collections received by Lender from or on behalf of Borrower, and Borrower agrees that Lender shall have the

continuing exclusive right to apply and reapply any and all such payments and collections against the Liabilities in such manner as Lender may deem appropriate, notwithstanding any entry by Lender upon any of its books and records. To the extent that Borrower makes a payment or payments to Lender or Lender receives any payment or proceeds of the Collateral for Borrower's benefit, which payment(s) or proceeds or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party under any bankruptcy act, state or federal law, common law or equitable cause, then, to the extent of such payment or proceeds received, the Liabilities or part thereof intended to be satisfied shall be revived and shall continue in full force and effect, as if such payments or proceeds had not been received by Lender.

4.5 Statements. All advances to Borrower, and all other debits and credits provided for in this Agreement, shall be evidenced by entries made by Lender in its internal data control systems showing the date, amount and reason for each such debit or credit. Until such time as Lender shall have rendered to Borrower written statements of account as provided herein, the balance in the Loan Account, as set forth on Lender's most recent statement, shall be rebuttably presumptive evidence of the amounts due and owing to Lender by Borrower. Not less than ten (10) days after the final day of each calendar month, Lender shall render to Borrower a statement setting forth the balance of the Loan Account, including principal, interest, expenses and fees. Each such statement shall be subject to subsequent adjustment by Lender and Lender's right to reapply payments in accordance with Section 4.4, but shall, absent manifest errors or omissions, be presumed correct and binding upon Borrower and shall constitute an account stated unless, within thirty (30) days after receipt of any statement from Lender, Borrower shall deliver to Lender written objection thereto specifying the error or errors, if any, contained in such statement.

5. COLLATERAL: GENERAL TERMS

5.1 Security Interest. To secure the prompt payment and performance to Lender of the Liabilities, Borrower hereby grants to Lender a continuing security interest in and to all of the following property and interest in property of Borrower, whether now owned or existing or hereafter acquired or arising and wherever located: (i) all Accounts, Inventory, Equipment, General Intangibles, tax refunds, letters of credit and documents of title; (ii) real estate and

leasehold and other interests in real property together with all purchase options and other rights related to such leaseholds or other interests; (iii) all of the Borrower's deposit accounts (general or special and whether collected or uncollected) with and credits and other claims against Depository Banks or Lender, or any other financial institutions with which Borrower maintains deposits; (iv) all of Borrower's now owned or hereafter acquired monies, and any and all other property of Borrower now or hereafter coming into the actual possession, custody or control of Lender or any agent, bailee or affiliate of Lender in any way or for any purpose (whether for safekeeping, deposit, custody, pledge, transmission, collection or otherwise); (v) all insurance proceeds of or relating to any of the foregoing; (vi) all of Borrower's books and records relating to any of the foregoing; and (vii) all accessions and additions to, substitutions for, and replacements, products and proceeds of any of the foregoing.

5.2 Disclosure of Security Interest. Borrower shall make appropriate entries upon its financial statements and books and records disclosing Lender's security interest in the Collateral.

5.3 Special Collateral. Immediately upon Borrower's receipt of any Collateral which is evidenced or secured by an agreement, chattel paper, letter of credit, instrument or document, including, without limitation, promissory notes, documents of title and warehouse receipts, (the "Special Collateral"), Borrower shall deliver the original thereof to Lender or to such agent of Lender as Lender shall designate, together with appropriate endorsements, the documents required to draw thereunder (as may be relevant to letters of credit) or other specific evidence (in form and substance acceptable to Lender) of assignment thereof to Lender.

5.4 Further Assurances. At Lender's request, Borrower shall, from time to time, (i) execute and deliver to Lender all Security Documents that Lender may reasonably request, in form and substance acceptable to Lender and pay the costs of any recording or filing of the same and (ii) take such other actions as Lender may request in order to fully effect the purposes of this Agreement and to protect Lender's interest in the Collateral. Upon the occurrence of any Default, Borrower hereby irrevocably makes, constitutes and appoints Lender (and all Persons designated by Lender for that purpose) as Borrower's true and lawful attorney and agent-in-fact to sign the name of Borrower on any of the Security Documents and to deliver any of the Security Documents to such Persons as Lender, in its sole discretion, may elect. Borrower agrees that a carbon, photographic, photostatic, or other reproduction of this Agreement or of a financing statement is sufficient as a financing statement.

5.5 Inspection. Lender (by any of its officers, employees or agents) shall have the right, at any time or times during Borrower's usual business hours, without prior notice, to inspect the Collateral, all records related thereto (and to make extracts from such records) and the premises upon which any of the Collateral is located, to discuss Borrower's affairs and finances with any Person and to verify the amount, quality, value and condition of, or any other matter relating to, the Collateral.

5.6 Perfection and Priority; Location of Collateral. Borrower's chief executive office, principal place of business and all other offices and locations of the Collateral and books and records related thereto (including, without limitation, computer programs, printouts and other computer materials and records concerning the Collateral) are set forth on Exhibit D attached hereto. Borrower shall not change its name or its mailing address or remove its books and records or the Collateral from any such locations (except for removal of items of Inventory upon its sale in accordance with the terms of this Agreement) and shall not open any new offices or relocate or keep any of its books and records or the Collateral except within the continental United States of America with at least thirty (30) days' prior notice thereof to Lender.

5.7 Lender's Payment of Claims Asserted Against Borrower. Lender may, but shall not be obligated to, at any time or times hereafter, in its sole discretion, and without waiving any Default or waiving or releasing any obligation, liability or duty of Borrower under this Agreement or the Ancillary Agreements, pay, acquire or accept an assignment of any security interest, lien, claim or other encumbrance asserted by any Person against the Collateral. All sums paid by Lender under this Section 5.7, including all costs, fees (including without limitation reasonable attorney's and paralegals' fees and court costs), expenses and other charges relating thereto, shall be payable by Borrower to Lender on demand and shall be additional Liabilities secured by the Collateral.

6. COLLATERAL: ACCOUNTS

6.1 Verification of Accounts. Any of Lender's officers, employees or agents shall have the right, at any time or times hereafter, in Lender's or Borrower's name or in the name of a firm of independent certified public accountants acceptable to Lender, to verify the validity, amount or any other matters relating to any Accounts by mail, telephone, telegraph or otherwise.

6.2 Assignments, Records and Accounts Report. Borrower shall keep accurate and complete records of its Accounts and

as frequently as Lender shall require, but not less frequently than twice weekly with respect to Accounts Reports, Borrower shall deliver to Lender an Accounts Report and formal written assignments of all Accounts, together with copies of the invoices related thereto. Borrower shall deliver to Lender, within 15 days of the end of each month, an aged trial balance of all Accounts existing as of the end of such month, specifying for each Account Debtor obligated on the Accounts, such Account Debtor's name, address and outstanding balance and aging of such outstanding balance. Borrower shall also deliver to Lender, upon demand, the original copy of all documents, including, without limitation, repayment histories, present status reports and shipment reports, relating to the Accounts included in any Accounts Report and such other matters and information relating to the status of then existing Accounts as Lender shall reasonably request.

6.3 Notice Regarding Disputed Accounts. Borrower shall give Lender prompt notice of any Accounts in excess of \$50,000 which are in dispute between any Account Debtor and Borrower. Each Accounts Report shall identify all disputed Accounts and disclose with respect thereto, in reasonable detail, the reason for the dispute, all claims related thereto and the amount in controversy.

6.4 Sale or Encumbrance of Accounts. Borrower shall not, without the prior written consent of Lender, sell, transfer, grant a security interest in or otherwise dispose of or encumber any of its Accounts to any Person other than Lender.

7. COLLATERAL: INVENTORY

7.1 Sale of Inventory. Unless a Default occurs, Borrower may sell Inventory in the ordinary course of its business (which does not include a transfer in partial or total satisfaction of Indebtedness, sales in bulk, sales on a consignment, sale or return, or approval basis). All proceeds of such sales shall be part of the Collateral and remitted to the special account referred to in Section 4.3. Borrower shall not sell, rent, lease or otherwise transfer or dispose of any of the Inventory without Lender's prior written consent, except as set forth in this Section 7.1.

7.2 Safekeeping of Inventory; Inventory Covenants. Borrower shall maintain all Inventory in good and saleable condition for its intended use at all times. Lender shall not be responsible for (i) the safekeeping of the Inventory; (ii) any loss or damage thereto or destruction thereof occurring or arising in any manner or fashion from any cause; (iii) any diminution in the value of Inventory or (iv) any act or default of any carrier, warehouseman, bailee or forwarding

agency or any other Person in any way dealing with or handling the Inventory. All risk of loss, damage, distribution or diminution in value of the Inventory shall be borne by Borrower.

7.3 Records and Schedules of Inventory. Borrower shall keep correct and accurate daily records on a first-in, first-out basis, itemizing and describing the kind, type, quality and quantity of Inventory, Borrower's cost therefor and selling price thereof, and the daily withdrawals therefrom and additions thereto and Inventory then on consignment (if any, provided that Lender's prior written consent to such consignment must be obtained), and shall furnish to Lender, no later than 30 days after the end of each month, a current updated Inventory Report for the month then ended, based on the FIFO cost assumption. A physical count of the Inventory shall be conducted in accordance with generally accepted accounting principles no less often than annually and, upon request of Lender, a report based on such count of the Inventory shall promptly thereafter be provided to Lender together with such supporting information including, without limitation, invoices relating to Borrower's purchase of goods listed in said report, as Lender shall, in its sole discretion, request.

7.4 Returned and Repossessed Inventory. If at any time prior to the occurrence of a Default, any Account Debtor returns any of the Inventory to Borrower, Borrower shall promptly determine the reason for such return and, if Borrower accepts such return, issue a credit memorandum (with a copy to be immediately sent to Lender) in the appropriate amount to such Account Debtor; provided, however, that Borrower shall not, without the prior notice to Lender, accept on any single day, returned Inventory the sale price of which was in excess of \$100,000 in the aggregate. After the occurrence of a Default, Borrower shall hold all returned Inventory in trust for Lender, shall segregate all returned Inventory from all other property of Borrower or in Borrower's possession and shall conspicuously label such returned Inventory as the property of Lender. Borrower shall, in all cases, immediately notify Lender of the return of any Inventory, specifying the reason for such return and the location and condition of the returned Inventory.

7.5 Evidence of Ownership of Inventory. Borrower shall, upon Lender's request, deliver to Lender all evidence of ownership of the Inventory.

8. COLLATERAL: EQUIPMENT

8.1 Maintenance of the Equipment. Borrower shall keep and maintain the Equipment in good operating condition and repair and shall make all necessary replacements thereof so

that the value, utility and operating efficiency thereof shall at all times be maintained and preserved and shall promptly inform Lender of any additions to or deletions from the Equipment.

8.2 Evidence of Ownership of Equipment. Borrower shall, upon Lender's request, deliver to Lender all evidence of ownership of the Equipment (including, without limitation, bills of sale, certificates of title and applications for title).

8.3 Proceeds of the Equipment. Borrower shall not sell, transfer, lease, grant a security interest in or otherwise dispose of or encumber the Equipment or any part thereof to any Person other than Lender; provided, however, that in any fiscal year of Borrower, Borrower may sell or otherwise dispose of Equipment with an aggregate net book value not to exceed \$100,000. In the event any Equipment is sold, transferred or otherwise disposed of as permitted in this Section 8.3, Borrower shall promptly notify Lender of such fact and deliver all of the cash proceeds of such sale, transfer or disposition to Lender, which proceeds shall be applied to the repayment of the Liabilities; provided, however, that with Lender's prior written consent Borrower may use the proceeds of such sale, transfer or disposition to finance the purchase of replacement Equipment in which Lender has a first, perfected security interest documented to the satisfaction of Lender and its counsel. Borrower shall deliver to Lender written evidence of the use of the proceeds for such purchase. All replacement Equipment purchased by Borrower shall be free and clear of all liens, claims, security interests and other encumbrances, except for the security interest granted to Lender or purchase money security interests consented to in writing by Lender.

9. WARRANTIES AND REPRESENTATIONS

9.1 General Warranties and Representations. Borrower warrants and represents that:

(A) Borrower is a corporation duly organized and validly existing and in good standing under the laws of the state of its incorporation, and is qualified or licensed as a foreign corporation to do business in all other countries, states and provinces in which the laws thereof require Borrower to be so qualified or licensed;

(B) Borrower has not used, during the five (5) year period preceding the date of this Agreement, and does not intend to use, any other corporate or fictitious name, except as disclosed in Exhibit E attached hereto;

(C) Borrower has the right and power and is duly authorized and empowered to enter into, execute, deliver and

perform this Agreement and the Ancillary Agreements executed concurrently herewith; this Agreement and the Ancillary Agreements have been duly executed and delivered by Borrower to Lender and constitute the legal, valid and binding obligations of Borrower enforceable in accordance with their respective terms;

(D) The execution, delivery and performance by Borrower of this Agreement and the Ancillary Agreements shall not, by their execution or performance, the lapse of time, the giving of notice or otherwise, constitute a violation of any applicable law, rule, regulation, judgment, order or decree or a breach of any provision contained in Borrower's charter documents or by-laws or contained in any agreement, instrument, indenture or other document to which Borrower is now a party or by which it is bound or result in (other than in favor of Lender) the creation of any lien, claim, encumbrance or security interest upon or with respect to any of Borrower's now owned or hereafter acquired properties or assets;

(E) Borrower's use of the proceeds of any advances made by Lender are, and will continue to be, legal and proper corporate uses (duly authorized by its board of directors, in accordance with applicable law, rule or regulation) and such uses are consistent with all applicable laws, rules and regulations, as in effect as of the date hereof;

(F) To the best of its knowledge, Borrower has, and is current and in good standing with respect to, all governmental approvals, permits, certificates, inspections, consents and franchises necessary to conduct and to continue to conduct its present business as heretofore conducted by it and to own or lease and operate its properties as now owned or leased and operated by it;

(G) None of said approvals, permits, certificates, consents or franchises contain any term, provision, condition or limitation more burdensome than such as are generally applicable to Persons engaged in the same or similar business as Borrower;

(H) Borrower now has capital sufficient to carry on its business and transactions and all businesses and transactions in which it is about to engage and is now solvent and able to pay its debts in accordance with their scheduled maturities and Borrower now owns property the fair valuation of which is greater than the amount required to pay Borrower's debts;

(I) Except as disclosed on Exhibit F attached hereto and in the Financials, Borrower has no litigation or other proceedings of any nature pending, or to the best of its knowledge, threatened, and no Indebtedness (except for trade

payables arising in the ordinary course of its business since the dates reflected in the Financials) and has not guaranteed the obligations of any other Person;

(J) Borrower is not a party to any contract or agreement or subject to any charge, restriction, judgment, decree or order materially and adversely affecting its business, property, assets, operations or condition, financial or other, and is not a party to any labor dispute; there are no lockouts, strikes or walkouts relating to any labor contracts and no such contract is scheduled to expire during the Initial Term, except as disclosed on Exhibit G attached hereto;

(K) Borrower has good, indefeasible and merchantable title to and ownership of the Collateral, free and clear of all liens, claims, security interests and other encumbrances, except those of Lender and those, if any, described on Exhibit H attached hereto;

(L) To the best of its knowledge, Borrower is not in violation of any applicable statute, rule, regulation or ordinance of any governmental entity, including, without limitation, the United States of America, any state, city, town, municipality, county or of any other jurisdiction, or of any agency thereof, in any respect materially and adversely affecting the Collateral or Borrower's business, property, assets, operations or condition, financial or other; except for the filing under the Uniform Commercial Code, no consent or authorization of, filing with, or any other act by or in respect of any Person is required in connection with the execution, delivery, performance, enforceability or validity of this Agreement or the Ancillary Agreements;

(M) Borrower is not in default under any indenture, loan agreement, mortgage, lease, trust deed, deed of trust or other similar agreement relating to the borrowing of monies to which it is a party or by which it is bound;

(N) The Financials were prepared in accordance with generally accepted accounting principles in effect on the date the Financials were prepared and fairly present the assets, liabilities and financial condition and results of operations of Borrower and such other Persons described therein as of the dates thereof; there are no omissions or other facts or circumstances which are or may be material and there has been no material and adverse change in the assets, liabilities or financial or other condition of Borrower since the date of the Financials; all other information hereafter furnished by or on behalf of Borrower to Lender will be true and accurate on the date delivered and will not contain any material misstatement of fact or omit to state a material fact; there exist no equity or long term investments in or outstanding advances to any Person not reflected in the Financials; there are no

actions or proceedings which are pending or, to the best of Borrower's knowledge, threatened, against Borrower or any other Person which might result in any material adverse change in Borrower's financial condition or materially and adversely affect Borrower's operations, its assets or the Collateral;

(O) Borrower has received no notice to the effect that it is not in full compliance with any of the requirements of ERISA and the regulations promulgated thereunder and, to the best of its knowledge there exists no event described in Section 4043 of ERISA, excluding subsections 4043(b)(2) and 4043(b)(3) thereof (a "Reportable Event");

(P) Borrower has filed all federal, state and local tax returns and other reports, or has been included in consolidated returns or reports filed by an Affiliate, which Borrower is required by law, rule or regulation to file and all Charges that are due and payable have been paid;

(Q) Borrower's execution and delivery of this Agreement or any of the Ancillary Agreements does not directly or indirectly violate or result in a violation of any applicable laws, rules or regulations, including without limitation, the Securities Exchange Act of 1934, as amended, and Regulation U of the Board of Governors of the Federal Reserve System, and Borrower does not own or intend to purchase or carry any "margin security," as defined in such Regulations; and

(R) Upon the proper filing or recording thereof, the Security Documents will create a valid and perfected first priority lien upon and security interest in the Collateral prior in right to any security interest, lien, charge or other encumbrance of any Person other than Lender in or with respect to the Collateral.

9.2 Account Warranties and Representations. Borrower warrants and represents that Lender may rely, in determining which Accounts listed on any Accounts Report are Eligible Accounts, without independent investigation, on all statements, warranties and representations made by Borrower on or with respect to any such Accounts Report and, unless otherwise indicated in writing by Borrower, that

(A) Such Accounts are genuine, are in all respects what they purport to be, are not reduced to a judgment and, if evidenced by any instrument, item of chattel paper, agreement, contract or documents, are evidenced by only one executed original instrument, item of chattel paper, agreement, contract, or document, which original has been endorsed and delivered to Lender; all records relating to the Accounts are maintained on the premises listed on Exhibit D attached hereto;

(B) Such Accounts represent undisputed, bona fide transactions completed in accordance with the terms and provisions contained in any documents related thereto;

(C) Except for credits issued to any Account Debtor in the ordinary course of Borrower's business for Inventory returned pursuant to Section 7.4, the amounts shown on the Accounts Report, and all invoices and statements delivered to Lender with respect to any Account, are actually and absolutely owing to Borrower and are not contingent for any reason;

(D) To the best of Borrower's knowledge, except as may be disclosed on such Accounts Report, there are no setoffs, counterclaims or disputes existing or asserted with respect to any Accounts included on an Accounts Report, and Borrower has not made any agreement with any Account Debtor for any deduction from such Account, except for discounts or allowances allowed by Borrower in the ordinary course of its business for prompt payment, which discounts and allowances have been disclosed to Lender and are reflected in the calculation of the invoice related to such Account;

(E) To the best of Borrower's knowledge, there are no facts, events or occurrences which in any way impair the validity or enforcement of any of the Accounts or tend to reduce the amount payable thereunder from the amount of the invoice shown on any Accounts Report, and on all contracts, invoices and statements delivered to Lender with respect thereto; no payments have been or shall be made on the Accounts except payments immediately delivered to the Depository Banks pursuant to this Agreement;

(F) To the best of Borrower's knowledge, all Account Debtors are solvent and had the capacity to contract at the time any contract or other document giving rise to or evidencing the Accounts was executed;

(G) The goods, the sale of which gave rise to the Accounts, (i) were produced in full compliance with the Federal Labor Standards Act, 29 U.S.C. 207 et seq. as amended from time to time, and (ii) are not, and were not at the time of the sale thereof, subject to any lien, claim, security interest or other encumbrance, except those of Lender, and those removed or terminated prior to the date hereof;

(H) Borrower has no knowledge of any fact or circumstance which would impair the validity or collectibility of any of the Accounts;

(I) To the best of Borrower's knowledge, there are no proceedings or actions which are threatened or pending against

any Account Debtor which might result in any material adverse change in its financial or other condition; and

(J) The Accounts have not been pledged or sold to any other Person or otherwise encumbered and Borrower is the owner of the Accounts free of all liens and encumbrances except those of Lender.

9.3 Inventory Warranties and Representations. Borrower warrants and represents that Lender may rely, in determining which items of Inventory listed on any Inventory Report are Eligible Inventory, without independent investigation, on all statements, warranties and representations made by Borrower on or with respect to any such Inventory Report and, unless otherwise indicated in writing by Borrower, that

(A) All Inventory is located on premises listed on Exhibit D attached hereto or is Inventory which is in transit and is so identified on the relevant Inventory Report;

(B) The Inventory has been produced in full compliance with all requirements of the Federal Labor Standards Act, 29 U.S.C. Section 207 et seq., as amended from time to time;

(C) Except as specified on Exhibit D, no Inventory is now, and shall not at any time or times hereafter be, stored with a bailee, warehouseman or similar party without Lender's prior written consent and, if Lender gives such consent, Borrower will concurrently therewith cause any such bailee, warehouseman or similar party to issue and deliver to Lender, in form and substance acceptable to Lender, warehouse receipts or other agreements therefor in Lender's name; and

(D) Borrower is the owner of all of the Inventory free and clear of all claims, liens and encumbrances except those of Lender and none of the Inventory has been leased, rented, transferred or sold, either on consignment, on a sale or return basis, on approval, or otherwise.

9.4 Equipment Warranties and Representations. Borrower warrants and represents that

(A) All Equipment is located on premises listed on Exhibit D attached hereto;

(B) Except as otherwise disclosed to the Lender in writing, no Equipment is covered by any certificate of title; and

(C) Borrower is the owner of all of the Equipment free and clear of all claims, liens and encumbrances except those of Lender and except as disclosed on Exhibit H.

9.5 Automatic Warranty and Representation and Reaffirmation of Warranties and Representations. Each request for an advance made by Borrower pursuant to this Agreement or the Ancillary Agreements shall constitute (i) an automatic warranty and representation by Borrower to Lender that there does not then exist a Default or an Event of Default and (ii) a reaffirmation as of the date of said request of all of the warranties and representations of Borrower contained in this Agreement and in the Ancillary Agreements.

9.6 Survival of Warranties and Representations. Borrower covenants, warrants and represents to Lender that all representations and warranties of Borrower contained in this Agreement and the Ancillary Agreements shall be true at the time of Borrower's execution of this Agreement and the Ancillary Agreements, and shall survive the execution, delivery and acceptance hereof and thereof by the parties thereto and the closing of the transactions described herein and therein or related hereto or thereto. Borrower and Lender expressly agree that any misrepresentation or breach of any representation or warranty whatsoever contained in this Agreement or in any of the Ancillary Agreements shall be deemed material.

10. COVENANTS AND CONTINUING AGREEMENTS

10.1 Affirmative Covenants. Borrower covenants that it shall:

(A) Carry on and conduct its business in substantially the same manner as it is presently conducted and do all things necessary to remain duly incorporated, validly existing and in good standing as a domestic corporation in its jurisdiction of incorporation and maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted;

(B) Pay to Lender, on demand, any and all fees, costs or expenses which Lender or any Participant pays to a bank or other similar institution arising out of or in connection with (i) the forwarding to Borrower or any other Person on behalf of Borrower, by Lender or any Participant, of proceeds of loans made by Lender to Borrower pursuant to this Agreement and (ii) the depositing for collection, by Lender or any Participant, of any check or item of payment received or delivered to Lender or any Participant on account of the Liabilities;

(C) At its sole cost and expense, keep and maintain the Collateral insured for its actual current value against loss or damage by fire, theft, explosion, sprinklers and all other hazards and risks which are specified by Lender from time to time by obtaining policies naming Lender as loss payee (none

of which shall be cancelable or subject to modification without at least thirty (30) days notice to Lender) in coverage, form and amount and with companies satisfactory to Lender and, at Lender's request, will deliver each policy or certificate of insurance together with the applicable loss payee endorsement to Lender. In addition, Borrower will deliver evidence satisfactory to Lender of continuation of insurance coverage prior to the expiration date of the subject policy. Without limiting the generality of the foregoing, unless otherwise agreed in writing by Lender, all of such policies shall (i) provide that no act of any Person other than Lender will affect Lender's right to recover under such policies; (ii) be in amount at least equal to the greater of (a) the Liabilities or (b) actual current value of the Collateral covered thereby; and (iii) contain an agreed value clause sufficient to eliminate any risk of co-insurance;

(D) Notify Lender promptly of any event or occurrence causing a material loss or decline in value of the Collateral and the estimated (or actual, if available) amount of such loss or decline;

(E) Promptly upon Borrower's learning thereof, notify Lender of (i) any material delay in Borrower's performance of any of its obligations to any Account Debtor and of any assertion of any claims, offsets, defenses or counterclaims by any Account Debtor and of any allowances or credits granted (including all credits issued for returned or repossessed Inventory) or other monies advanced by Borrower to any Account Debtor and (ii) all material adverse information relating to the financial or other condition of any Account Debtor;

(F) Keep books of account and prepare financial statements and furnish to Lender the following (all of the foregoing and following to be kept and prepared in accordance with generally accepted accounting principles applied on a basis consistent with the Financials, unless Borrower's independent certified public accountants concur in any changes therein and such changes are disclosed to Lender and are consistent with then generally accepted accounting principles):

(i) as soon as available, but not later than one hundred twenty (120) days after the close of each fiscal year of Borrower, financial statements of Borrower (including a balance sheet and profit and loss statement with supporting footnotes) as at the end of such year and for the year then ended all in reasonable detail as requested by Lender and examined by a firm of independent certified public accountants of recognized national standing selected by Borrower and containing the unqualified opinion of such independent certified public accountants with respect to the financial statements;

(ii) as soon as available, but not later than thirty (30) days after the end of each month, an unaudited financial statement of Borrower (including a statement of profit and loss and of surplus for the month then ended and a balance sheet as at the end of such month) as at the end of the portion of Borrower's fiscal year then elapsed, all in reasonable detail as requested by Lender and certified by Borrower's principal financial officer as prepared in accordance with generally accepted accounting principles and fairly presenting the financial position and results of operations of Borrower for such period;

(iii) as soon as available, but not later than sixty (60) days before the beginning of each fiscal year, a monthly cash flow projection for such fiscal year, together with appropriate supporting documents reasonably acceptable to Lender; and

(iv) such other data and information (financial and other) as Lender, from time to time, may reasonably request, bearing upon or related to the Collateral, Borrower's financial condition or results of its operations, or the financial condition of any Person who is a Guarantor of any of the Liabilities;

(G) Notify Lender promptly upon, but in no event later than five (5) days after, Borrower's learning thereof, that any Eligible Account or Eligible Inventory has ceased to be an Eligible Account or Eligible Inventory, respectively, and the reason(s) for such ineligibility;

(H) Notify Lender, promptly upon Borrower's learning of (i) any litigation affecting Borrower, whether or not the claim is considered by Borrower to be covered by insurance; and (ii) the institution of any suit or administrative proceeding which may materially and adversely affect the operations, financial condition or business of Borrower or which may affect Lender's security interest in the Collateral;

(I) Provide Lender with copies of all agreements between Borrower and any warehouse at which Inventory may, from time to time, be kept and all leases or similar agreements between Borrower and any Person, whether Borrower is lessor or lessee thereunder;

(J) Maintain (a) product liability insurance in an amount customary for the business conducted by Borrower; and (b) general public liability insurance in an amount satisfactory to Lender but in no event less than \$1,000,000 per occurrence, for bodily injury and property damage, by obtaining policies (none of which shall be cancelable or subject to modification without at least thirty (30) days notice to Lender) in coverage and form and with companies

satisfactory to Lender and, at Lender's request, will deliver each policy or certificate of insurance to Lender. In addition, Borrower will deliver evidence satisfactory to Lender of continuation of insurance coverage prior to the expiration date of the subject policy;

(K) Notify Lender promptly (a) upon acquiring any interest hereafter in (i) Equipment covered by any certificate of title and (ii) Collateral that is the type which a security interest or lien may be filed, or notice thereof given, under any federal statute or regulation or (b) of the use of any Collateral in any state other than a state in which Borrower shall have previously advised Lender such Collateral will be used; and

(L) Maintain all franchises, license and permits necessary for the conduct of its business, and comply with all laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject including, without limitation, (i) all provisions of ERISA, (ii) all provisions of the Occupational Safety and Health Act of 1970, as amended, and the rules and regulations thereunder, and (iii) applicable statutes, regulations, orders and restrictions relating to environmental standards or controls, except to the extent that any of the foregoing are contested in good faith by appropriate proceedings.

10.2 Negative Covenants. Borrower covenants that it shall not:

(A) Merge or consolidate with or acquire any Person;

(B) Other than in the ordinary course of its business, make any investment in the securities of any Person other than as set forth on Exhibit J;

(C) Declare or pay dividends upon any of Borrower's Stock or make any distribution of Borrower's property or assets without prior consent of Lender; provided that Borrower may issue stock dividends upon its Stock so long as the same is in accordance with all applicable laws;

(D) Make any loans, advances or other extension of credit (other than salary) to any Person including, without limitation, employees, officers, directors, stockholders or Affiliates of Borrower other than existing indebtedness owing from John G. Roberts in the original principal amount of \$250,000;

(E) Without prior consent of Lender, redeem, retire, purchase or otherwise acquire, directly or indirectly, any of Borrower's Stock or make any material change in Borrower's capital structure or in any of its business objectives,

purposes and operations which might in any way adversely affect the repayment of the Liabilities;

(F) Enter into, or be a party to, any transaction with any Affiliate, director, officer or stockholder of Borrower, except in the ordinary course of and pursuant to the reasonable requirements of Borrower's business and upon fair and reasonable terms which are fully disclosed to Lender and are no less favorable to Borrower than would obtain in a comparable arm's length transaction with a Person not an Affiliate, director, officer or stockholder of Borrower;

(G) Enter into any transaction which materially and adversely affects the Collateral or Borrower's ability to repay the Indebtedness or permit or agree to any extension, compromise or settlement or make any change or modification of any kind or nature with respect to any Account, including any of the terms relating thereto, except for credits given for Inventory returned pursuant to Section 7.4;

(H) Guarantee or otherwise, in any way, become liable with respect to the obligations or liabilities of any Person, except (i) its Affiliates' obligations to Lender and (ii) by endorsement of instruments or items of payment for deposit to the general account of Borrower or for delivery to Lender on account of the Liabilities;

(I) Make deposits to or withdrawals from any of its deposit accounts for the benefit of any Affiliate;

(J) Except as otherwise expressly permitted herein or in the Ancillary Agreements, encumber, pledge, mortgage, grant a security interest in, encumber, assign, sell, lease or otherwise dispose of or transfer, whether by sale, merger, consolidation, liquidation, dissolution, or otherwise, any of Borrower's assets;

(K) Incur any Indebtedness for borrowed money (other than the Liabilities), except for Indebtedness which is set forth in Exhibit I attached hereto;

(L) Permit any Accounts to be owing to Borrower from any Affiliate other than the Ohio Steel Tube Division of Copperweld Tube Products Company.

10.3 Contesting Charges. Notwithstanding anything to the contrary herein, Borrower may dispute any Charges without prior payment thereof, even if such non-payment may cause a lien to attach to Borrower's assets, provided that Borrower shall give Lender prompt notice of such dispute and shall be diligently contesting the same in good faith and by an appropriate proceeding and there is no danger of a loss or forfeiture of any of the Collateral and provided further that,

if the same are potentially or actually in excess of \$100,000 in the aggregate at any time hereafter, Borrower shall give Lender such additional collateral and assurances as Lender, in its sole discretion, deems necessary under the circumstances, immediately upon demand by Lender.

10.4 Payment of Charges. Subject to the provisions of Section 10.3, Borrower shall pay promptly when due all of the Charges. In the event Borrower, at any time or times hereafter, shall fail to pay the Charges or to promptly obtain the satisfaction of such Charges, Borrower shall promptly so notify Lender thereof and Lender may, without waiving or releasing any obligation or liability of Borrower hereunder or any Default, in its sole discretion, at any time or times thereafter, make such payment or any part thereof, (but shall not be obligated so to do) or obtain such satisfaction and take any other action with respect thereto which Lender deems advisable. All sums so paid by Lender and any expenses, including reasonable attorneys' fees, court costs, expenses and other charges relating thereto, shall be payable by Borrower to Lender upon demand and shall be additional Liabilities.

10.5 Insurance; Payment of Premiums. All policies of insurance on the Collateral or otherwise required hereunder shall be in form and amount satisfactory to Lender and with insurers reasonably recognized as adequate by Lender. Borrower shall deliver to Lender the original (or a certified copy) of each policy of insurance and evidence of payment of all premiums therefor and shall deliver evidence satisfactory to Lender of continuation of insurance coverage prior to their expiration dates. Such policies of insurance (except those of public liability and property damage) shall contain an endorsement, in form and substance acceptable to Lender, showing all losses payable to Lender. Such endorsement shall provide that the insurance companies will give Lender at least thirty (30) days' prior written notice before any such policy shall be altered or cancelled and that no act or default of Borrower or any other person shall affect the right of Lender to recover under such policy in case of loss or damage. Borrower shall direct all insurers under such policies (except those of public liability and property damage) to pay all proceeds payable thereunder directly to Lender. Upon the occurrence of a Default, Borrower irrevocably makes, constitutes and appoints Lender (and all officers, employees or agents designated by Lender) as Borrower's true and lawful attorney and agent-in-fact for the purpose of making, settling and adjusting claims under such policies (provided that Lender shall consult with Borrower prior to finally making, settling or adjusting claims under such policies), endorsing the name of Borrower in writing or by stamp on any check, draft, instrument or other item of payment for the proceeds of such policies and for making all determinations and decisions with

respect to such policies. If Borrower shall fail to obtain or maintain any of the policies required by this Section 10.5 or to pay any premium relating thereto, then Lender, without waiving or releasing any obligation or default by Borrower hereunder, (but shall be under no obligation to do so) may obtain and maintain such policies of insurance and pay such premiums and take any other action with respect thereto which Lender, in its sole discretion, deems advisable. All sums so disbursed by Lender, including reasonable attorneys' fees, court costs, expenses and other charges relating thereto, shall be payable by Borrower to Lender upon demand and shall be additional Liabilities.

10.6 Survival of Obligations Upon Termination of Agreement. Except as otherwise expressly provided for in this Agreement and in the Ancillary Agreements, no termination or cancellation (regardless of cause or procedure) of this Agreement or the Ancillary Agreements shall in any way affect or impair the powers, obligations, duties, rights, and liabilities of Borrower or Lender in any way or respect relating to any transaction or event occurring prior to such termination or cancellation, the Collateral, or any of the undertakings, agreements, covenants, warranties and representations of Borrower or Lender contained in this Agreement or the Ancillary Agreements. All such undertakings, agreements, covenants, warranties and representations shall survive such termination or cancellation.

11. DEFAULT; RIGHTS AND REMEDIES ON DEFAULT

11.1 Default. The occurrence of any one or more of the following events shall constitute a Default:

(A) Borrower fails to pay any part of the Liabilities when due and payable or declared due and payable or is in default in the payment of any of the Indebtedness;

(B) Borrower or any Affiliate or any Guarantor fails or neglects to perform, keep or observe any other term, provision, condition or covenant contained in this Agreement or in the Ancillary Agreements, which is required to be performed, kept or observed by Borrower or such Affiliate or Guarantor and the same is not cured to Lender's satisfaction within ten (10) days after Lender gives Borrower notice identifying such Default;

(C) A default or event of default shall occur, and continue beyond the cure period, if any, related thereto, under any agreement, document or instrument, other than this Agreement or any of the Ancillary Agreements, now or hereafter existing, to which Borrower is a party;

(D) Any statement, warranty, representation, report, financial statement, or certificate made or delivered by

Borrower or by any Guarantor, or any of their officers, employees or agents, to Lender is not true and correct in any material respect;

(E) There shall occur any material uninsured damage to or loss, theft, or destruction of any of the Collateral;

(F) The Collateral or any of Borrower's or any Guarantor's other assets are attached, seized, levied upon or subjected to a writ or distress warrant, or come within the possession of any receiver, trustee, custodian or assignee for the benefit of creditors and the same is not cured within thirty (30) days thereafter; an application is made by any Person other than Borrower or a Guarantor for the appointment of a receiver, trustee, or custodian for any of the Collateral or any of Borrower's or any Guarantor's other assets and the same is not dismissed within thirty (30) days after the application therefor;

(G) An application is made by Borrower or any Guarantor for the appointment of a receiver, trustee or custodian for any of the Collateral or any of Borrower's or any Guarantor's other assets; a petition under any section or chapter of the Bankruptcy Code or any similar state or federal law or regulation is filed by or against Borrower or any Guarantor and, if such petition is filed against Borrower or any Guarantor, the same is not dismissed within thirty (30) days after filing; Borrower or any Guarantor makes an assignment for the benefit of its creditors or any case or proceeding is filed by or against Borrower or any Guarantor for its dissolution, liquidation, or termination; Borrower or any Guarantor ceases to conduct its business as now conducted or is enjoined, restrained or in any way prevented by court order from conducting all or any material part of its business affairs;

(H) Except as permitted in Section 10.3, a notice of lien, levy or assessment is filed of record with respect to all or any substantial portion of Borrower's or any Guarantor's assets by the United States, or any department, agency or instrumentality thereof, or by any state, county, municipal or other governmental agency including, without limitation, the Pension Benefit Guaranty Corporation, or any taxes or debts owing to any of the foregoing becomes a lien or encumbrance upon the Collateral or any of Borrower's or any Guarantor's other assets and such lien or encumbrance is not released within thirty (30) days after its creation;

(I) Judgment is rendered against Borrower in excess of \$100,000 and Borrower fails to pay such judgment within thirty (30) days or fails to commence appropriate proceedings to appeal such judgment within the applicable appeal period or, after such appeal is filed, Borrower fails to diligently prosecute such appeal or such appeal is denied;

(J) Borrower or any Guarantor becomes insolvent or fails generally to pay its debts as they become due;

(K) Borrower fails within fifteen (15) days after the occurrence of any of the following events, to furnish Lender with appropriate notice thereof: (i) the happening of a Reportable Event with respect to any profit sharing or pension plan governed by ERISA (such notice shall contain the statement of the chief financial officer of Borrower setting forth details as to such Reportable Event and the action which Borrower proposes to take with respect thereto and a copy of the notice of such Reportable Event to the Pension Benefit Guaranty Corporation), (ii) the termination of any such plan, (iii) the appointment of a trustee by an appropriate United States District Court to administer any such plan, or (iv) the institution of any proceedings by the Pension Benefit Guaranty Corporation to terminate any such plan or to appoint a trustee to administer any such plan;

(L) Borrower fails to: (i) furnish to Lender a copy of each report which is filed by Borrower with respect to any profit sharing or pension plan governed by ERISA promptly after the filing thereof with the Secretary of Labor or the Pension Benefit Guaranty Corporation or (ii) notify Lender promptly upon receipt by Borrower of any notice of the institution of any proceeding or other actions which may result in the termination of any such plans;

(M) Lender shall not have a valid and perfected first priority lien on the Collateral.

(N) If any individual who is a Guarantor shall die or become incompetent;

(O) If any Guarantor revokes or terminates any guaranty relating to any of the Liabilities or defaults under the terms of any such guaranty;

(P) If a default occurs under any agreement, instrument or document relating to any of the Liabilities and heretofore, now or at any time or times hereafter executed by, or delivered to Lender by Borrower or by any Guarantor;

(Q) If Copperweld Corporation revokes or terminates any guaranty relating to any of Borrower's presently existing industrial development bonds or industrial revenue bonds or any replacements or substitutions therefor;

(R) Borrower fails to have all governmental approvals, permits, certificates, inspections, consents and franchises necessary to conduct and to continue to conduct its business as heretofore conducted by it and to own or lease and operate its properties as now owned or leased and operated by it;

(S) Borrower is in violation of any applicable statute, rule, regulation or ordinance of any governmental entity in any respect materially and adversely affecting the Collateral or Borrower's business, property, assets, operations or condition, financial or other; or

(T) Borrower fails to have any consent or authorization or other action by or in respect of any Person required in connection with the execution, delivery, performance, enforceability or validity of this Agreement or the Ancillary Agreements.

11.2 Acceleration of the Liabilities. Upon and after the occurrence of a Default, at the option of Lender and without presentment, demand, notice, or legal process of any kind, all of which are hereby waived, all of the Liabilities may be declared, and immediately shall become, due and payable.

11.3 Remedies. Upon and after the occurrence of a Default, Lender shall have all of the following rights and remedies:

(A) All of the rights and remedies of a secured party under the Illinois Uniform Commercial Code or other applicable law, all of which rights and remedies shall be cumulative, and none exclusive, to the extent permitted by law, and in addition to any other rights and remedies contained in this Agreement and in any of the Ancillary Agreements;

(B) The right to (i) peacefully enter upon the premises of Borrower or any other place or places where the Collateral is located and kept, without any obligation to pay rent to Borrower or any other person, through self-help and without judicial process or first obtaining a final judgment or giving Borrower notice and opportunity for a hearing on the validity of Lender's claim, and remove the Collateral from such premises and places to the premises of Lender or any agent of Lender, for such time as Lender may require to collect or liquidate the Collateral, and/or (ii) require Borrower to assemble and deliver the Collateral to Lender at a place to be designated by Lender;

(C) The right to (i) open Borrower's mail and collect any and all amounts due from Account Debtors, (ii) notify Account Debtors that the Accounts have been assigned to Lender and that Lender has a security interest therein and (iii) direct such Account Debtors to make all payments due from them upon the Accounts, including the Special Collateral, directly to Lender or to a lock box designated by Lender. Lender shall promptly furnish Borrower with a copy of any such notice sent and Borrower hereby agrees that any such notice in Lender's sole discretion, may be sent on Lender's stationery, in which

event, Borrower shall, upon demand, co-sign such notice with Lender;

(D) The right to sell, lease or to otherwise dispose of all or any Collateral in its then condition, or after any further manufacturing or processing thereof, at public or private sale or sales, with such notice as provided in Section 11.4, in lots or in bulk, for cash or on credit, all as Lender, in its sole discretion, may deem advisable. Lender shall not be obligated to make any sale of Collateral regardless of the notice of sale having been given. At any such sale or sales of the Collateral, the Collateral need not be in view of those present and attending the sale, nor at the same location at which the sale is being conducted. Lender shall have the right to conduct such sales on Borrower's premises or elsewhere and shall have the right to use Borrower's premises without charge for such sales for such time or times as Lender may see fit. Lender is hereby granted a license or other right to use, without charge, Borrower's labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks and advertising matter, or any property of a similar nature, as it pertains to the Collateral, in advertising for sale and selling any Collateral and Borrower's rights under all licenses and all franchise agreements shall inure to Lender's benefit but Lender shall have no obligations thereunder. Lender may purchase all or any part of the Collateral at public or, if permitted by law, private sale and, in lieu of actual payment of such purchase price, may setoff the amount of such price against the Liabilities. Borrower agrees that Lender, at its sole discretion, may postpone or adjourn any such sale of the Collateral from time to time by an announcement at the time and place of sale or such postponed or adjourned sale, without being required to give a new notice of sale. Borrower further agrees that Lender has no obligation to preserve any rights against prior parties to the Collateral. The proceeds realized from the sale of any Collateral shall be applied first to the reasonable costs, expenses and attorneys' and paralegal fees and expenses incurred by Lender for collection and for acquisition, completion, protection, removal, storage, sale and delivery of the Collateral; second to interest due upon any of the Liabilities; and third to the principal of the Liabilities. Lender shall account to Borrower for any surplus. If any deficiency shall arise, Borrower shall remain liable to Lender therefor; and

(E) In any action hereunder, Lender shall be entitled to the appointment of a receiver to take possession of all or any portion of the Collateral and to exercise such power as the court shall confer upon the receiver.

11.4 Notice. Borrower agrees that any notice required to be given by Lender of a sale, lease, other disposition of any of the Collateral or any other intended action by Lender, which is personally delivered to Borrower or which is deposited in the United States mail, postage prepaid and duly addressed to Borrower at the address set forth in Section 12.10, at least ten (10) days prior to any such public sale, lease or other disposition or other action being taken, or the time after which any private sale of the Collateral is to be held, shall constitute commercially reasonable and fair notice thereof to Borrower.

12. MISCELLANEOUS

12.1 Appointment of Lender as Borrower's Lawful Attorney-In-Fact. Borrower, irrevocably designates, makes, constitutes and appoints Lender (and all Persons designated by Lender) as Borrower's true and lawful attorney and agent in-fact to act in the limited capacities set forth in this Agreement and Lender, or Lender's agent, may, without notice to Borrower:

(A) At any time hereafter, endorse by writing or stamp Borrower's name on any checks, notes, drafts or any other payment relating to and/or proceeds of the Collateral which come into the possession of Lender or under Lender's control and deposit the same to the account of Lender for application to the Liabilities;

(B) At any time after the occurrence of a Default, in Borrower's or Lender's name: (i) demand payment of the Collateral; (ii) enforce payment of the Collateral, by legal proceedings or otherwise; (iii) exercise all of Borrower's rights and remedies with respect to the collection of the Collateral; (iv) settle, adjust, compromise, extend or renew the Accounts and the Special Collateral; (v) settle, adjust or compromise any legal proceedings brought to collect the Collateral; (vi) if permitted by applicable law, sell or assign the Collateral upon such terms, for such amounts and at such time or times as Lender deems advisable; (vii) satisfy and release the Accounts and Special Collateral; (viii) take control, in any manner, of any item of payment or proceeds referred to in Section 4.3; (ix) prepare, file and sign Borrower's name on any proof of claim in Bankruptcy or similar document against any Account Debtor; (x) prepare, file and sign Borrower's name on any notice of lien, assignment or satisfaction of lien or similar document in connection with the Collateral; (xi) do all acts and things necessary, in Lender's sole discretion, to fulfill Borrower's obligations under this Agreement; (xii) endorse by writing or stamp the name of Borrower upon any chattel paper, document, instrument, invoice, freight bill, bill of lading or similar document or agreement relating to the Collateral; and (xiii) use the

information recorded on or contained in any data processing equipment and computer hardware and software relating to the Collateral to which Borrower has access; and

(C) At any time after the occurrence of a Default, notify the post office authorities to change the address for delivery of Borrower's mail to an address designated by Lender and receive, open and dispose of all mail addressed to Borrower.

All acts of said attorney or designee are hereby ratified and approved and said attorney or designee shall not be liable for any acts of commission or omission, nor for any error of judgment or mistake of fact or law, other than its own gross negligence or wilful misconduct.

12.2 Modification of Agreement; Waiver; Sale of Interest. This Agreement and the Ancillary Agreements may not be modified, altered or amended, except by an agreement in writing signed by Borrower and Lender. No delay or omission of Lender to exercise any right or remedy granted under this Agreement or any Ancillary Agreement shall impair such right or remedy or be construed to be a waiver of any Default or the acquiescence therein, and any single or partial exercise of any such right or remedy shall not preclude other or further exercise thereof or the exercise of any other right or remedy. Borrower may not sell, assign or transfer this Agreement or the Ancillary Agreements or any portion hereof or thereof, including, without limitation, Borrower's right, title, interest, remedies, powers, or duties hereunder or thereunder. With Borrower's consent, Lender may participate, sell, assign, transfer or otherwise dispose, at any time or times hereafter, this Agreement or the Ancillary Agreements or of any portion hereof or thereof, including, without limitation, Lender's right, title, interest, remedies, powers, or duties hereunder or thereunder.

12.3 Attorneys' Fees and Expenses; Lender's Out-of-Pocket Expenses. If, at any time or times, whether prior or subsequent to the date hereof and regardless of the existence of a Default or an Event of Default (except as provided in (E) below), Lender incurs legal or other costs and expenses or employs counsel, accountants or other professionals for advice or other representation or services in connection with:

(A) The preparation, negotiation and execution of this Agreement, all Ancillary Agreements, any amendment of or modification of this Agreement or the Ancillary Agreements or any sale or attempted sale of any interest herein to a Participant;

(B) Any litigation, contest, dispute, suit, proceeding or action (whether instituted by Lender, Borrower or any other Person) in any way relating to the Collateral, this Agreement, the Ancillary Agreements or Borrower's affairs;

(C) Any attempt to enforce any rights of Lender or any Participant against Borrower or any other Person which may be obligated to Lender or such Participant by virtue of this Agreement or the Ancillary Agreements, including, without limitation, the Account Debtors;

(D) Any attempt to inspect, verify, protect, collect, sell, liquidate or otherwise dispose of any of the Collateral; or

(E) Upon the occurrence of a Default, any inspection, verification, protection, collection, sale, liquidation or other disposition of any of the Collateral, including without limitation, Lender's periodic or special audits of Borrower's books and records;

then, in any such event, the reasonable attorneys' and paralegals' fees and expenses arising from such services and all other reasonably incurred expenses, costs, charges and other fees of or paid by Lender in any way or respect arising in connection with or relating to any of the events or actions described in this Section 12.3 shall be payable by Borrower to Lender upon demand and shall be additional Liabilities. Without limiting the generality of the foregoing, such expenses, costs, charges and fees may include accountants' fees, costs and expenses; court costs, fees and expenses; photocopying and duplicating expenses; court reporter fees, costs and expenses; long distance telephone charges; air express charges; telegram charges; secretarial over-time charges; and expenses for travel, lodging and food paid or incurred in connection with the performance of all such services.

12.4 Waiver by Lender. Lender's failure, at any time or times hereafter, to require strict performance by Borrower of any provision of this Agreement or of any Ancillary Agreement shall not constitute a waiver, or affect or diminish any right of Lender thereafter to demand strict compliance and performance therewith. Any suspension or waiver by Lender of a Default under this Agreement or any Ancillary Agreement shall not suspend, waive or affect any other Default under this Agreement or the Ancillary Agreements, whether the same is prior or subsequent thereto and whether of the same or of a different type. None of the undertakings, agreements, warranties, covenants and representations of Borrower contained in this Agreement or the Ancillary Agreements and no Default under this Agreement or the Ancillary Agreements shall be deemed to have been suspended or waived by Lender, unless

such suspension or waiver is by an instrument in writing signed by an officer of Lender and directed to Borrower specifying such suspension or waiver.

12.5 Severability. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

12.6 Parties; Entire Agreement. This Agreement and the Ancillary Agreements shall be binding upon and inure to the benefit of the respective successors and assigns of Borrower and Lender. Borrower's successors and assigns shall include, without limitation, a trustee, receiver or debtor in possession of or for Borrower. Nothing contained in this Section 12.6 shall be deemed to modify Section 12.2. This Agreement is the complete statement of the agreement by and between Borrower and Lender and supersedes all prior negotiations, understandings and representations between them with respect to the subject matter of this Agreement.

12.7 Conflict of Terms. The provisions of the Ancillary Agreements are incorporated in this Agreement by this reference. Except as otherwise provided in this Agreement and except as otherwise provided in the Ancillary Agreements by specific reference to the applicable provision of this Agreement, if any provision contained in this Agreement is in conflict with, or inconsistent with, any provision in any Ancillary Agreement, the provision contained in this Agreement shall govern and control.

12.8 Waiver by Borrower. Except as otherwise provided for in this Agreement, Borrower waives (i) presentment, demand and protest, notice of protest, notice of presentment, default, non-payment, maturity, release, compromise, settlement, extension or renewal of any or all commercial paper, accounts, contract rights, documents, instruments, chattel paper and guaranties at any time held by Lender on which Borrower may in any way be liable and hereby ratifies and confirms whatever Lender may do in this regard; (ii) all rights to notice and a hearing prior to Lender's taking possession or control of, or to Lender's replevy, attachment or levy upon the Collateral or any bond or security which might be required by any court prior to allowing Lender to exercise any of Lender's remedies; (iii) the benefit of all valuation, appraisal, extension and exemption laws; and (iv) any right to a trial by jury concerning any matter relating to this Agreement or any Ancillary Document. Borrower acknowledges that it has been advised by its own

counsel with respect to this Agreement and the transactions evidenced by this Agreement.

12.9 Governing Law. This Agreement shall be interpreted, and the rights and liabilities of the parties hereto determined, in accordance with the internal laws (as opposed to conflicts of law provisions) of the State of Illinois but excluding perfection of liens and security interests which shall be governed by the laws of the relevant jurisdiction, and, as consideration for new value this day received, Borrower hereby consents to the jurisdiction of any state or federal court located within Cook County, Illinois and waives personal service of any and all process upon Borrower, and consents that all such service of process be made by messenger or registered mail directed to Borrower at the address set forth in Section 12.10 and service so made shall be deemed to be completed upon the earlier of actual receipt or five (5) days after the same shall have been posted to Borrower's address. Borrower waives any objection based on improper venue or forum non conveniens to the conduct of any proceeding instituted hereunder and consents to the granting of such legal or equitable relief as is deemed appropriate by the court. Nothing contained in this Section 12.9 shall affect the right of Lender to serve legal process in any other manner permitted by law or affect the right of Lender to bring any action or proceeding against Borrower or its property in the courts of any other jurisdiction.

12.10 Notice. Except as otherwise provided herein, any notice required hereunder shall be in writing and shall be deemed to have been validly served, given or delivered upon deposit in the United States certified or registered mails, with proper postage prepaid, addressed to the party to be notified as follows:

(a) If to Lender, at:

Sanwa Business Credit Corporation
One South Wacker Drive
Chicago, Illinois 60606
Attn: First Vice President
Asset Based Lending Division,
Commercial Financial Services Group

with a copy to:

Nachman, Munitz & Sweig, Ltd.
115 South LaSalle Street
Chicago, Illinois 60603
Attn: Allan G. Sweig

(b) If to Borrower, at:

Copperweld Steel Company
4000 Mahoning Avenue N.W.
P.O. Box 351
Warren, Ohio 44483
Attn: Chief Financial Officer

with a copy to:

Kirkpatrick & Lockhart
1500 Oliver Building
Pittsburgh, Pennsylvania 15222
Attn: Charles M. Grimstad, Esq.

or to such other address as each party may designate for itself by like notice.

12.11 Section Titles, Etc.. The section titles and table of contents, if any, contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto. All references herein to Sections, paragraphs, clauses and other subdivisions refer to the corresponding Sections, paragraphs, clauses and other subdivisions of this Agreement; and the words "herein", "hereof", "hereby", "hereto", "hereunder", and words of similar import refer to this Agreement as a whole and not to any particular Section, paragraph, clause or subdivision hereof. All Exhibits which are referred to herein or attached hereto are hereby incorporated by reference.

IN WITNESS WHEREOF, this Agreement has been duly executed as of the day and year specified at the beginning hereof.

ATTEST:

Donald P. Gracie
Assistant Secretary

COPPERWELD STEEL COMPANY

By Donald P. DeLuca
Title TREASURER

SANWA BUSINESS CREDIT
CORPORATION

By Allen D. Zuhle
Title 1ST. Vice Pres

EXHIBIT A
TO
LOAN AND SECURITY AGREEMENT
DATED DECEMBER 31, 1986
SPECIAL DEPOSIT AGREEMENT (Ref. 1.13, 4.3)

December 31, 1986

Sanwa Business Credit Corporation
1 South Wacker Drive
Chicago, Illinois 60606

Gentlemen:

1. _____ (herein the "Bank") whose address is _____, is advised that you are making loans to Copperweld Steel Company (herein the "Customer"), an Ohio corporation, whose address is _____

_____ against the security, among other things, of a security interest in the accounts of Customer, and that as a normal requirement to such financing, all original remittances received by Customer should be forwarded to you daily on the day of receipt. You have been requested by Customer to allow it to deposit such original remittances in a special account set up by Customer in the Bank. You have indicated that you would be agreeable to this special arrangement, providing Customer's right to withdrawal from the special account is strictly limited and Bank waives any rights of offset it may have with respect to such special account.

2. Customer and Bank hereby confirm to you that a special bank account number _____ has been established by Customer with the Bank on which only wire transfers payable to your order may be drawn. In addition, Customer and Bank agree that you may draw on said special account by drafts payable to your order, and the same will be accepted and honored by Bank at any time without the necessity of approval by Customer. Bank hereby further agrees, with knowledge that your continued acceptance of this procedure will be in reliance hereon, that it will not exercise or claim any rights of offset against such special bank account in which such remittances are deposited that will in any way affect the payment of wire transfers to you, and Bank further waives and releases to you any right or claim which it may have in any of the funds deposited in such special bank account.

3. Customer hereby assigns and pledges to you, as additional collateral security for its obligations to you under the Loan and Security Agreement between you and Customer of even date herewith, and otherwise, all amounts from time to time deposited in said special bank account and directs Bank to hold the same as bailee for you, and to make distribution to you therefrom either in accordance with wire transfers from time to time payable to your order, or as specifically directed by you in writing to Bank, and Bank hereby agrees to act as such bailee.

4. Customer hereby instructs Bank to charge any and all returned items arising out of deposits by Customer in said special bank account against Customer's regular account number _____ at Bank and not against said special bank account, provided there are sufficient funds therein to cover the amount of such returned items. If Customer's regular account is insufficient, Bank will immediately notify you of such returned items and you will reimburse Bank for any loss it may suffer if such items cannot be collected.

This Agreement shall be non-terminable by Customer and Bank so long as any obligations of Customer to you are outstanding and unpaid.

(Bank)

By: _____
Title: _____

COPPERWELD STEEL COMPANY

By: _____
Title: _____

Accepted at Chicago, Illinois, as of the date hereof.

SANWA BUSINESS CREDIT
CORPORATION

By: _____
Title: _____

EXHIBIT B
TO
LOAN AND SECURITY AGREEMENT
DATED: DECEMBER 31, 1986
Equipment (Ref. 1.16)

<u>Date Purchased</u>	<u>Description</u>
1980	1000 Horsepower G.E. 115 ton Diesel Locomotive
1970	45 ton G.E. Diesel Locomotive
1960	600 Horsepower G.E. Class BB/190 95 ton Model 4GE747 (Diesel)
1972	#3 Locomotive 95 ton G.E. Diesel
1956	#10 Baldwin Westinghouse Diesel Locomotive 50 Ton Narrow Gauge
1956	#11 Baldwin Westinghouse Diesel Locomotive 50 Ton Narrow Gauge
1952	600 Horsepower G.E. 95 ton Diesel Locomotive Class BB/190 DL6793260G1
1977	40-50 ton Diesel-Electric Locomotive Crane
1982	40-50 ton Diesel Locomotive Crane

EXHIBIT C
TO
LOAN AND SECURITY AGREEMENT
DATED: DECEMBER 31, 1986
FINANCIAL STATEMENTS (Ref. 1.19, 10.1)

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
Copperweld Corporation

We have examined the accompanying consolidated balance sheets of CSC Industries, Inc. (formerly Copperweld Steel Company), a wholly-owned subsidiary of Copperweld Corporation, at December 31, 1985 and 1984, and the related consolidated statements of operations and retained earnings and changes in financial position for each of the three years in the period ended December 31, 1985. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of CSC Industries, Inc. at December 31, 1985 and 1984, and the consolidated results of operations and changes in financial position for each of the three years in the period ended December 31, 1985 in conformity with generally accepted accounting principles applied on a consistent basis during the period.



ARTHUR YOUNG & COMPANY

Pittsburgh, Pennsylvania
January 29, 1986

CSC INDUSTRIES, INC.
CONSOLIDATED BALANCE SHEETS
(In Thousands)

	June 30, <u>1986</u>	<u>December 31.</u>	
	(Unaudited)	<u>1985</u>	<u>1984</u>
ASSETS			
CURRENT ASSETS:			
Cash	\$ 870	\$ 522	\$ 1,051
Accounts Receivable, Less Allowance of \$708 ((\$558 in 1985 and \$286 in 1984))	15,126	9,570	13,273
Inventories	21,123	25,857	35,758
Prepaid Expenses	<u>1,615</u>	<u>2,493</u>	<u>3,121</u>
TOTAL CURRENT ASSETS	38,734	38,442	53,203
PROPERTY, PLANT & EQUIPMENT:			
Land and Land Improvements	1,980	1,980	1,978
Buildings and Building Equipment	20,889	20,829	20,372
Machinery and Equipment	114,133	114,276	113,307
Construction in Progress	<u>1,382</u>	<u>570</u>	<u>317</u>
	138,384	137,655	135,974
LESS: ACCUMULATED DEPRECIATION	<u>(74,691)</u>	<u>(71,938)</u>	<u>(66,629)</u>
NET PROPERTY, PLANT & EQUIPMENT	63,693	65,717	69,345
OTHER ASSETS:			
Other	<u>133</u>	<u>143</u>	<u>169</u>
	133	143	169
	<u><u>\$102,560</u></u>	<u><u>\$104,302</u></u>	<u><u>\$122,717</u></u>

See Accompanying Accounting Policies and Notes to Consolidated Financial Statements.

CSC INDUSTRIES, INC.
CONSOLIDATED BALANCE SHEETS
(In Thousands)

	June 30, <u>1986</u>	<u>December 31,</u>	
		<u>1985</u>	<u>1984</u>
	(Unaudited)		
LIABILITIES & STOCKHOLDER'S EQUITY			
CURRENT LIABILITIES:			
Accounts Payable	\$ 9,666	\$ 7,073	\$ 10,429
Current Maturities of Long-Term Debt	1,046	1,048	42
Accrued Liabilities	<u>18,271</u>	<u>17,675</u>	<u>22,623</u>
TOTAL CURRENT LIABILITIES	28,983	25,796	33,094
LONG TERM DEBT	7,177	8,198	9,245
OTHER LIABILITIES AND CREDITS:			
Unfunded Retirement Costs	1,433	1,433	1,819
Deferred Compensation	272	335	11
Deferred Income Taxes	471	3,725	14,108
Liability to Copperweld Corporation and Consolidated Subsidiaries	19,693	14,785	2,444
STOCKHOLDER'S EQUITY:			
Common Stock, \$1 Par Value 10,000 Shares			
Authorized, Issued and Outstanding	10	10	10
Additional Paid-in Capital	22,990	22,990	22,990
Retained Earnings	<u>21,531</u>	<u>27,030</u>	<u>38,996</u>
	<u>44,531</u>	<u>50,030</u>	<u>61,996</u>
	<u>\$102,560</u>	<u>\$104,302</u>	<u>\$122,717</u>

See Accompanying Accounting Policies and Notes to Consolidated Financial Statements.

CSC INDUSTRIES, INC.
CONSOLIDATED
STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
(In Thousands)

	<u>Six Months</u> <u>Ended June 30,</u>		<u>Years Ended December 31,</u>		
	<u>1986</u>	<u>1985</u>	<u>1985</u>	<u>1984</u>	<u>1983</u>
	(Unaudited)				
SALES AND REVENUES:					
Net Sales:					
Unaffiliated Customers	\$70,749	\$81,327	\$138,787	\$205,538	\$131,971
Copperweld Corporation and Consolidated Subsidiaries	6,888	6,149	11,720	15,219	11,245
Other Income	71	34	71	166	419
	<u>77,708</u>	<u>87,510</u>	<u>150,578</u>	<u>220,923</u>	<u>143,635</u>
COSTS AND EXPENSES:					
Cost of Products Sold	74,578	82,012	146,977	203,913	131,388
Selling and Administrative	2,488	3,000	6,465	9,865	8,924
Administrative Charge from Copperweld Corporation & Consolidated Subsidiaries	5,421	5,677	11,567	8,681	5,480
Depreciation	2,838	3,086	5,547	5,308	5,088
Interest:					
Unaffiliated Debtors	409	424	849	851	816
Copperweld Corporation and Consolidated Subsidiaries	727	761	1,522	1,590	1,658
	<u>86,461</u>	<u>94,960</u>	<u>172,927</u>	<u>230,208</u>	<u>153,354</u>
LOSS BEFORE PROVISION (BENEFIT) FOR INCOME TAXES	(8,753)	(7,671)	(22,349)	(9,285)	(9,719)
PROVISIONS FOR INCOME TAXES (BENEFIT)	(3,254)	(3,564)	(10,383)	(4,841)	(4,751)
NET LOSS	(5,499)	(4,107)	(11,966)	(4,444)	(4,968)
Retained Earnings, at Beginning of Period . .	27,030	38,996	38,996	43,440	48,408
Retained Earnings, at End of Period	<u>\$21,531</u>	<u>\$34,889</u>	<u>\$ 27,030</u>	<u>\$ 38,996</u>	<u>\$ 43,440</u>

See Accompanying Accounting Policies and Notes to Consolidated Financial Statements.

CSC INDUSTRIES, INC.
CONSOLIDATED
STATEMENTS OF CHANGES IN FINANCIAL POSITION
(In Thousands)

	Six Months Ended June 30,		Years Ended December 31,		
	1986	1985	1985	1984	1983
	(Unaudited)				
Funds Provided (Used) by:					
Operations:					
Loss	\$(5,499)	\$(4,107)	\$(11,966)	\$(4,444)	\$(4,968)
Items Not Involving Working Capital:					
Depreciation	2,838	3,086	5,547	5,308	5,088
Deferred Income Taxes	(3,254)	(3,564)	(10,383)	406	2,234
Other	(63)	0	324	0	(45)
Funds Provided (Used) by Operations ...	(5,978)	(4,585)	(16,478)	1,270	2,309
Funds Provided (Used) by Changes in Working Capital	3,243	(1,173)	6,934	(3,643)	(9,910)
Funds Provided by Copperweld Corporation and Consolidated Subsidiaries	4,908	5,709	12,341	1,570	14,807
Other Sources	(75)	2,242	152	802	390
Total Funds Provided (Used)	2,098	2,194	2,949	(1)	7,597
Funds Used For:					
Additions to Property, Plant and Equipment .	729	717	2,045	2,420	5,153
Reduction in Unfunded Retirement Costs ...	0	193	386	42	166
Reduction in Long Term Debt	1,021	968	1,047	38	43
Total Funds Used	1,750	1,878	3,478	2,500	5,362
Increase (Decrease) in Cash	<u>\$ 348</u>	<u>\$ 315</u>	<u>\$ (529)</u>	<u>\$(2,501)</u>	<u>\$ 2,235</u>

See Accompanying Accounting Policies and Notes to Consolidated Financial Statements.

CSC INDUSTRIES, INC.
Notes to Consolidated Financial Statements
 (All references to June 30, 1986 and 1985 and the
 six months then ended are unaudited)

Accounting Policies

Operations are in a single industry, the manufacture of specialty bar products.

In August of 1986 Copperweld Corporation formed CSC Industries, Inc. a wholly owned subsidiary. The common stock of Copperweld Steel Company, also a wholly owned subsidiary of Copperweld Corporation, was contributed at net book value to CSC Industries, Inc. The effects of this transaction, which were not significant, have been included in the historical financial statements on a retroactive basis. All intercompany transactions have been eliminated in the consolidated presentation.

Inventories: Inventories are valued at the lower of cost, determined principally by the last-in, first-out (LIFO) method, or market (net realizable value). Other inventories are valued primarily at average cost.

Property, Plant and Equipment: Properties are stated at cost. Depreciation is calculated on the straight-line method for financial statement purposes based upon estimated useful lives as follows:

	Years
Land improvements	20-40
Buildings and building equipment	20-40
Machinery and equipment	5-25

Income taxes: Deferred income taxes are provided to recognize the tax effect of timing differences between financial and income tax reporting. Federal income taxes are reduced by investment tax credits using the flow-through method.

The Company is a member of the Copperweld Corporation consolidated group for federal income tax purposes. For financial statement presentation, taxes are computed as if CSC Industries, Inc. was a separate taxable entity.

Unaudited Information: The unaudited information as of June 30, 1986 and the six month periods ended June 30, 1986 and 1985 include all adjustments which in the opinion of the Company are necessary for a fair presentation of the respective periods.

Note 1—Inventories

Inventories (in thousands of dollars) are classified as follows:

	June 30, 1986	December 31,	
		1985	1984
Work-in-process	\$23,299	\$22,916	\$28,855
Raw materials	4,422	6,315	11,785
Supplies, rolls and molds	3,753	3,607	4,477
Total inventories at cost	31,474	32,838	45,117
Less excess of cost over LIFO stated values	10,351	6,981	9,359
Net inventories	\$21,123	\$25,857	\$35,758

Inventories valued on the basis set forth under Accounting Policies were as follows:

Inventories valued on the LIFO method	\$17,370	\$22,250	\$31,281
Supplies, rolls and molds	3,753	3,607	4,477
Total	\$21,123	\$25,857	\$35,758

CSC INDUSTRIES, INC.
Notes to Consolidated Financial Statements—(Continued)
(All references to June 30, 1986 and 1985 and the
six months then ended are unaudited)

Note 2—Accrued Liabilities

Accrued liabilities (in thousands of dollars) consisted of the following:

	<u>December 31,</u>	
	<u>1985</u>	<u>1984</u>
Salaries, wages and vacation pay	\$ 6,379	\$ 7,745
Pension contributions	3,602	6,017
Interest	214	214
Income and other taxes	5,386	5,337
Other	2,094	3,310
Total	<u>\$17,675</u>	<u>\$22,623</u>

Note 3—Long-Term Debt

Long-term debt (in thousands of dollars) is summarized by type of borrowing as follows:

	<u>December 31,</u>	
	<u>1985</u>	<u>1984</u>
Air Quality and Water Development Revenue Bonds, interest rate 11%, due 2002	\$2,675	\$2,675
Air Quality Development Revenue Bonds, average interest rate 7.72%, payable 1986 through 1991	5,400	6,400
Other, interest rate 13% payable through 1989	174	222
	8,249	9,297
Less unamortized discount	51	52
	<u>\$8,198</u>	<u>\$9,245</u>

The Company has satisfied its financing needs through borrowings from Copperweld Corporation and Consolidated Subsidiaries. The net intercompany amounts at December 31, consists of the following:

	<u>Payable (Receivable)</u>		
	<u>1985</u>	<u>1984</u>	<u>1983</u>
Interest bearing	\$17,610	\$ 18,410	\$ 19,210
Non-interest bearing	(2,825)	(15,966)	(18,336)
	<u>\$14,785</u>	<u>\$ 2,444</u>	<u>\$ 874</u>

The interest bearing portion carries an interest rate of 8½% and requires annual principal payments of \$800,000.

The annual maturities, exclusive of the amounts owed to Copperweld Corporation and Consolidated Subsidiaries, for the next five years on long-term debt outstanding at December 31, 1985 are as follows: 1986-\$1,048,000; 1987-\$1,054,000; 1988-\$1,062,000; 1989-\$1,058,000; and 1990-\$1,000,000.

Total annual interest expense was \$2,371,000 (\$2,441,000 in 1984 and \$2,474,000 in 1983). No interest expense was capitalized in 1985, interest expense of \$276,000 and \$143,000 was capitalized in 1984 and 1983, respectively.

CSC INDUSTRIES, INC.
Notes to Consolidated Financial Statements—(Continued)
(All references to June 30, 1986 and 1985 and the
six months then ended are unaudited)

Certain assets having an original cost of \$9,075,000, financed by the Air Quality Development Revenue Bonds, are pledged as security to the holders of the Bonds. This debt is guaranteed by Copperweld.

Note 4—Employee Benefit Plans

Substantially all employees are covered by plans which provide non-contributory retirement benefits. Pension costs of \$3,609,000 were charged to income in 1985 (\$6,017,000 in 1984 and \$6,913,000 in 1983), including current service costs and amortization of prior service costs over a 30-year period. Amounts funded were \$6,059,000 in 1985 (\$7,078,000 in 1984 and \$5,792,000 in 1983). The reduction in pension costs during 1985 is attributable to a change in the assumed rate of return used in the actuarial computations.

A comparison of the present value of accumulated plan benefits to plan assets (in thousands of dollars) for defined benefit plans at March 31, 1985 and 1984, the latest benefit information dates, is as follows:

	<u>1985</u>	<u>1984</u>
Actuarial present value of accumulated plan benefits:		
Vested	\$80,197	\$75,822
Nonvested	13,434	11,720
Total	<u>\$93,631</u>	<u>\$87,542</u>
Plan net assets available for benefits	<u>\$91,326</u>	<u>\$86,747</u>

Included in accumulated plan benefits and net assets available for benefits are \$21,229,000 and \$22,941,000 at March 31, 1985 that are actuarial allocations associated with the Copperweld salaried pension plan, as to which CSC salaried Steel Company employees are participants.

The rate used in determining the actuarial present value of accumulated plan benefits was 9 1/2% for 1985 and 1984.

In addition to providing pension benefits, the company provides certain health and life insurance benefits for retired employees. Those benefits are provided through insurance contracts whose premiums are based on the benefits paid during the year. The company recognizes the cost of providing these benefits by charging expense (\$2,064,000 in 1985 and \$1,443,000 in 1984) for the annual insurance premiums.

During 1985 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 87, which supersedes previous standards for employers accounting for pensions, beginning in 1987. The effect of this new standard on CSC's financial statements has not been determined.

Note 5—Income Taxes

The composition of income tax (benefit), the components of deferred tax expense (benefit), in thousands of dollars and the reconciliation of the federal statutory tax rate are presented below:

CSC INDUSTRIES, INC.
Notes to Consolidated Financial Statements—(Continued)
(All references to June 30, 1986 and 1985 and the
six months then ended are unaudited)

	<u>1985</u>	<u>1984</u>	<u>1983</u>
Income tax expense (benefit):			
Current:			
Federal	\$ 0	\$(5,247)	\$(6,985)
	<u>0</u>	<u>(5,247)</u>	<u>(6,985)</u>
Deferred:			
Federal	(10,383)	406	2,234
Total	<u>\$(10,383)</u>	<u>\$(4,841)</u>	<u>\$(4,751)</u>

The components of deferred income tax (benefit) are:

Depreciation	\$ 2,055	\$ 1,631	\$ 2,135
Other taxes	(77)	43	(163)
Investment tax credit	(110)	(1,038)	—
Unfunded retirement costs	172	19	76
Vacation pay currently deductible for tax purposes	(759)	87	(376)
Capitalized interest—net	—	93	66
Other—net	(176)	(429)	496
Net operating loss carryforward	(11,488)	—	—
	<u>\$(10,383)</u>	<u>\$ 406</u>	<u>\$ 2,234</u>

Income taxes are reconciled with the federal statutory rate as follows:

Federal statutory rate	(46.0)%	(46.0)%	(46.0)%
Investment tax credit	(0.5)	(6.1)	(2.9)
Effective tax rate	<u>(46.5)%</u>	<u>(52.1)%</u>	<u>(48.9)%</u>

The provision for income taxes has benefited from investment tax credits of \$110,000 (\$570,000 in 1984 and \$281,000 in 1983). At December 31, 1985 for tax purposes, investment tax credit and operating loss carryforwards of approximately \$1,141,000 and \$20,454,000 respectively are available to reduce future federal income taxes. If not used, these carryforwards will expire between 1996 and 2000.

At December 31, 1985 for state tax purposes CSC has available net operating loss carryforwards of \$46,000,000 which are available to reduce future state income franchise taxes. If not used, this carryforward will expire between 1987 & 1990.

Note 6—Working Capital

Funds provided (used) by changes in working capital (in thousands of dollars) other than cash were:

	<u>December 31.</u>		
	<u>1985</u>	<u>1984</u>	<u>1983</u>
Accounts receivable	\$ 3,703	\$ 6,160	\$(10,598)
Inventories	9,901	(3,444)	(10,683)
Prepaid expenses	628	(373)	1,347
Accounts payable	(3,356)	(4,925)	9,455
Current maturities of long-term debt	1,006	5	37
Accrued liabilities	(4,948)	(1,066)	532
	<u>\$ 6,934</u>	<u>\$(3,643)</u>	<u>\$ (9,910)</u>

CSC INDUSTRIES, INC.
Notes to Consolidated Financial Statements—(Continued)
(All references to June 30, 1986 and 1985 and the
six months then ended are unaudited)

Note 7—Selling and Administrative

The composition of the selling, general and administrative (in thousands of dollars) is presented below:

	<u>1985</u>	<u>1984</u>	<u>1983</u>
Selling and Administrative	\$ 6,465	\$ 9,865	\$ 8,924
Selling, General and Administrative charged from Copperweld Corporation and Consolidated Subsidiaries:			
Corporate allocation	6,055	6,165	3,916
Copperweld data processing charge	936	1,310	1,564
Marketing and sales charge	4,576	1,206	0
	<u>11,567</u>	<u>8,681</u>	<u>5,480</u>
	<u>\$18,032</u>	<u>\$18,546</u>	<u>\$14,404</u>

During 1984 the marketing and sales function, which was previously a part of CSC Industries, Inc.'s organization staff, was centralized at the Copperweld corporate level.

Selling General and Administrative charges from Copperweld Corporation are allocations. Management of Copperweld believes that the allocation method used results in a fair allocation of total costs to the individual entities within the Copperweld Corporation consolidated group.

Note 8—Intercompany Transactions

CSC Industries, Inc. sells steel bar products to Copperweld Tubing Products Company, a member of the Copperweld Corporation consolidated group. The total purchases are as follows (in thousands of dollars):

	<u>Years Ending</u>		
	<u>1985</u>	<u>1984</u>	<u>1983</u>
Sales	\$11,720	\$14,651	\$11,165
Cost of Sales	9,004	11,629	8,524
Gross Profit	<u>\$ 2,716</u>	<u>\$ 3,022</u>	<u>\$ 2,641</u>

The Company uses the Copperweld Corporation central cash management system. As such, sufficient cash has been allocated to CSC Industries, Inc. to pay outstanding checks that are classified in accrued liabilities.

Note 9—Supplemental Information

Supplemental income statement information (in thousands of dollars) for the three years ended December 31, is as follows:

	<u>1985</u>	<u>1984</u>	<u>1983</u>
Maintenance and repairs	<u>\$12,681</u>	<u>\$21,969</u>	<u>\$13,390</u>
Taxes other than payroll and income			
Property	1,987	1,637	1,811
Other	325	427	491
Total	<u>\$ 2,312</u>	<u>\$ 2,064</u>	<u>\$ 2,302</u>

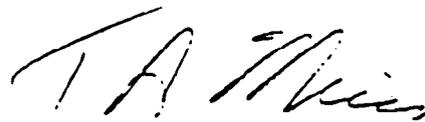
COPPERWELD STEEL COMPANY

DATE: November 19, 1986

TO: D. E. Young
FROM: T. A. Micco
SUBJECT: Financial Statements

pc: J. G. Roberts
J. R. Karovic
E. B. Glass
R. F. Green
Arthur Young & Co.
File (2)

Enclosed are copies of the Financial Statements for the
month of October 1986.



T. A. Micco

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COPPERWELD STEEL COMPANY
COMPARATIVE INCOME STATEMENT
10 Months ended October 1986
(Dollars in thousands)

	Actual	Plan	Last Year	Increase/(Decrease) From	
				Plan	Last Year
Net Sales - Customers	\$116,606	\$116,057	\$123,859	\$549	(\$7,253)
- Divisional	10,222	13,494	10,488	(3,272)	(266)
	126,828	129,551	134,347	(2,723)	(7,519)
Cost of Sales at Actual	119,522	127,781	130,538	(8,259)	(11,016)
LIFO Adjustment	729	0	0	729	729
Total Cost of Sales	120,251	127,781	130,538	(7,530)	(10,287)
Gross Profit	6,577	1,770	3,809	4,807	2,768
Selling	3,731	3,908	4,443	(177)	(712)
General & Administrative	4,203	4,465	5,089	(262)	(886)
Depreciation	4,730	4,980	5,144	(250)	(414)
Research & Development	120	360	131	(240)	(11)
Total	12,784	\$13,713	14,807	(929)	(2,023)
Operating Income	(6,207)	(11,943)	(10,998)	5,736	4,791
Other (Net)	(690)	30	12	(720)	(702)
Corporate Charge	(5,300)	(5,230)	(5,556)	(70)	256
Income Before Tax	(\$12,197)	(\$17,143)	(\$16,542)	\$4,946	\$4,345
Dollars/Net Ton					
Net Sales	564	634	671	(70)	(107)
Cost of Sales	535	625	652	(90)	(117)
Gross Profit	29	9	19	20	10
Selling	17	19	22	(2)	(5)
General & Administrative	19	22	25	(3)	(6)
Operating Income	(28)	(58)	(55)	30	27
Income Before Tax	(54)	(84)	(83)	30	29
Unit Shipments (Net Tons)					
Alloy	200,722	176,567	178,783	24,155	21,939
Carbon	23,973	27,846	21,439	(3,873)	2,534
	224,695	204,413	200,222	20,282	24,473
Ave Selling Price (Net Tons)					
Alloy	\$574	\$652	\$685	(\$78)	(\$111)
Carbon	481	518	556	(37)	(75)

COPPERWELD STEEL COMPANY
COMPARATIVE INCOME STATEMENT

October 31, 1986
(Dollars in thousands)

	Actual	Plan	Last Year	Increase/(Decrease) From	
				Plan	Last Year
Net Sales - Customers	\$13,955	\$11,213	\$10,298	\$2,742	\$3,657
- Divisional	1,382	1,304	1,344	78	36
	15,337	12,517	11,642	2,820	3,695
Cost of Sales at Actual	13,250	12,312	12,186	938	1,064
LIFO Adjustment	0	0	0	0	0
Total Cost of Sales	13,250	12,312	12,186	938	1,064
Gross Profit	2,087	205	(544)	1,882	2,631
Selling	276	390	427	(114)	(151)
General & Administrative	399	433	532	(34)	(133)
Depreciation	473	498	515	(25)	(42)
Research & Development	8	36	104	(28)	(96)
Total	1,156	1,357	1,578	(201)	(422)
Operating Income	931	(1,152)	(2,122)	2,083	3,053
Other (Net)	(46)	3	(19)	(49)	(27)
Corporate Charge	(473)	(523)	(560)	50	87
Income Before Tax	\$412	(\$1,672)	(\$2,701)	\$2,084	\$3,113
Dollars/Net Ton					
Net Sales	533	634	626	(101)	(93)
Cost of Sales	461	623	655	(162)	(194)
Gross Profit	73	10	(29)	63	102
Selling	10	20	23	(10)	(13)
General & Administrative	14	22	29	(8)	(15)
Operating Income	32	(58)	(114)	90	146
Income Before Tax	14	(85)	(145)	99	159
Unit Shipments (Net Tons)					
Alloy	25,136	17,060	16,169	8,076	8,967
Carbon	3,632	2,690	2,434	942	1,198
	28,768	19,750	18,603	9,018	10,165
Ave Selling Price (Net Tons)					
Alloy	\$544	\$652	\$634	(\$108)	(\$90)
Carbon	461	518	572	(57)	(111)

~~A. King~~ D. DeLo

COPPERWELD STEEL COMPANY

TO: D. E. Young
FROM: T. A. Micco
SUBJECT: Financial Statements

DATE: September 19, 1986

pc: J. G. Roberts
J. R. Karovic
E. B. Glass
R. F. Green
Arthur Young & Co.
File (2)

Enclosed are copies of the Financial Statements for the month of August 1986.

T. A. Micco

T. A. Micco

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COPPERWELD STEEL COMPANY
COMPARATIVE INCOME STATEMENT

August 31, 1986
(Dollars in thousands)

	Actual	Plan	Last Year	Increase/(Decrease) From	
				Plan	Last Year
Net Sales - Customers	\$11,480	\$11,775	\$12,161	(\$295)	(\$681)
- Divisional	628	1,368	1,089	(740)	(461)
	12,108	13,143	13,250	(1,035)	(1,142)
Cost of Sales at Actual LIFO Adjustment	10,802 ^a 729 ^b	12,973 0	13,108 0	(2,171) 729	(2,306) 729
Total Cost of Sales	11,531 ^c	12,973	13,108 ^d	(1,442)	(1,577)
Gross Profit	577 ^e	170	142	407	435
Selling	379 ^f	380	400	(1)	(21)
General & Administrative	424 ^g	439	516	(15)	(92)
Depreciation	473 ^h	498	514	(25)	(41)
Research & Development	10 ⁱ	36	(35)	(26)	45
Total	1,286	1,353	1,395	(67)	(109)
Operating Income	(709)	(1,183)	(1,253)	474	544
Other (Net)	(62)	3	17	(65)	(79)
Corporate Charge	(473)	(523)	(454)	50	(19)
Income Before Tax	(\$1,244)	(\$1,703)	(\$1,690)	\$459	\$446
Dollars/Net Ton	(444) ^j	130 ^k	126 ^l		
Net Sales	584	634	662	(50)	(78)
Cost of Sales	556	626	655	(70)	(99)
Gross Profit	28	8	7	20	21
Selling	18	18	20	0	(2)
General & Administrative	20	21	26	(1)	(6)
Operating Income	(34)	(57)	(63)	23	29
Income Before Tax	(60)	(82)	(84)	22	24
Unit Shipments (Net Tons)					
Alloy	18,674	17,912	18,425	762	249
Carbon	2,050	2,826	1,587	(776)	463
	20,724	20,738	20,012	(14)	712
Ave Selling Price (Net Tons)					
Alloy	\$597	\$652	\$669	(\$55)	(\$72)
Carbon	472	518	583	(46)	(111)

COPPERWELD STEEL COMPANY
COMPARATIVE INCOME STATEMENT
8 Months ended August 1986
(Dollars in thousands)

	Actual	Plan	Last Year	Increase/(Decrease) From	
				Plan	Last Year
Net Sales - Customers	\$89,949	\$93,631	\$104,667	(\$3,682)	(\$14,718)
- Divisional	7,915	10,886	8,174	(2,971)	(259)
	97,864	104,517	112,841	(6,653)	(14,977)
Cost of Sales at Actual	94,107	103,116	107,455	(9,009)	(13,348)
LIFO Adjustment	729	0	0	729	729
Total Cost of Sales	94,836	103,116	107,455	(8,280)	(12,619)
Gross Profit	3,028	1,401	5,386	1,627	(2,358)
Selling	3,102	3,144	3,596	(42)	(494)
General & Administrative	3,333	3,596	4,127	(263)	(794)
Depreciation	3,784	2,988	4,115	796	(331)
Research & Development	99	288	28	(189)	71
Total	10,318	\$10,016	11,866	302	(1,548)
Operating Income	(7,290)	(8,615)	(6,480)	1,325	(810)
Other (Net)	(590)	24	25	(614)	(615)
Corporate Charge	(3,784)	(4,184)	(4,436)	400	652
Income Before Tax	(\$11,664)	(\$12,775)	(\$10,891)	\$1,111	(\$773)
Dollars/Net Ton					
Net Sales	573	634	680	(61)	(107)
Cost of Sales	555	625	648	(70)	(93)
Gross Profit	18	8	32	10	(14)
Selling	18	19	22	(1)	(4)
General & Administrative	19	22	25	(3)	(6)
Operating Income	(43)	(52)	(39)	9	(4)
Income Before Tax	(68)	(77)	(66)	9	(2)
Unit Shipments (Net Tons)					
Alloy	153,230	142,447	148,702	10,783	4,528
Carbon	17,696	22,466	17,211	(4,770)	485
	170,926	164,913	165,913	6,013	5,013
Ave Selling Price (Net Tons)					
Alloy	\$582	\$652	\$694	(\$70)	(\$112)
Carbon	489	518	557	(29)	(68)

COPPERWELD STEEL COMPANY
BALANCE SHEET - 1986 (\$M)

	DEC. 1985	JAN.	FEB.	MARCH	APRIL	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.
FS	3	4	4	3	4	4	5	5	5				
Receivable	9,570	12,629	14,843	15,036	13,676	13,459	15,126	12,429	14,361				
Stores	25,857	24,913	24,837	24,393	23,421	22,682	21,123	23,730	25,680				
Fixed Expenses	2,392	2,370	2,150	2,018	1,897	1,893	1,615	1,734	1,767				
Net Cur. Assets	37,822	39,916	41,834	41,450	38,998	38,038	37,869	37,898	41,813	0	0	0	0
Stock Investment	0	0	0	0	0	0	0	0	0				
Property	137,086	137,085	137,085	137,088	137,088	137,088	137,002	137,002	137,002				
Construction	569	635	774	856	1,048	1,219	1,382	1,911	2,139				
Depreciation	137,655	137,720	137,859	137,944	138,136	138,307	138,384	138,913	139,141	0	0	0	0
Property - Net	71,938	72,436	72,884	73,345	73,818	74,291	74,691	75,164	75,637				
Current Assets	65,717	65,284	64,975	64,599	64,318	64,016	63,693	63,749	63,504	0	0	0	0
Total Assets	0	0	0	0	0	134	132	130	129				
Total Assets	103,539	105,200	106,809	106,049	103,316	102,188	101,694	101,777	105,446	0	0	0	0
STOCKHOLDER EQUITY													
Preferred Portion -													
Capital Lease	48	48	48	48	48	1,046	1,046	1,046	1,046				
Dividends Payable	7,073	8,184	10,594	12,105	9,908	9,234	9,666	8,842	11,340				
Reserves	0	167	369	590	793	896	1,043	823	831				
Accr. Acct. Liab.	519	800	358	333	1,211	894	865	420	289				
Provisioned Liabilities:													
Wages/Vacation	6,379	6,803	7,333	7,915	7,854	6,641	6,356	6,794	7,441				
Provisions	2,674	2,910	1,594	1,830	2,066	2,925	3,245	3,565	3,885				
Taxes (not Fed.)	5,386	5,359	5,328	5,480	4,834	4,957	4,914	4,705	4,840				
Interest and Other	1,282	1,406	1,479	1,677	1,644	1,898	1,847	1,919	1,930				
Total	23,361	25,677	27,103	29,978	28,358	28,491	28,982	28,114	31,602	0	0	0	0
Long-term Debt	174	170	167	163	159	7,181	7,177	7,177	7,170				
Other Liab. & Credits	12	12	12	12	12	18,075	18,066	7,674	7,665				
Due (From) Affil.	29,962	31,087	33,299	30,176	30,404	5,810	6,192	20,050	21,613				
Shareholders' Equity:													
Capital Stock	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000				
Retained Earnings	27,030	25,254	23,228	22,720	21,383	19,631	18,277	15,762	14,396				
Total S'holder Eq.	50,030	48,254	46,228	45,720	44,383	42,631	41,277	38,762	37,396	0	0	0	0
Liab./S'holder	103,539	105,200	106,809	106,049	103,316	102,188	101,694	101,777	105,446	0	0	0	0
Working Capital	14,461	14,239	14,731	11,472	10,640	9,547	8,887	9,784	10,211	0	0	0	0
Net Gross Assets	176,035	178,219	180,301	180,027	177,792	177,162	177,093	177,674	181,850				
Net Gross Assets	185,790	177,127	178,185	178,646	178,475	178,256	178,090	178,038	178,461				
Net Inv. Capital	152,116	143,931	145,901	145,796	146,630	147,219	148,104	151,210	153,400				
Net Inv. Capital	152,116	148,024	147,316	146,936	146,875	146,932	147,100	147,613	148,256				

EXHIBIT D
TO
LOAN AND SECURITY AGREEMENT
DATED: DECEMBER 31, 1986
Accounts Locations (Ref. 9.2(A))
4000 Mahoning Avenue N.W.
P.O. Box 351
Warren, Ohio 44483

Inventory Locations (Ref. 9.3(A))
4000 Mahoning Avenue N.W.
P.O. Box 351
Warren, Ohio 44483

Equipment Locations (Ref. 9.4(A))
4000 Mahoning Avenue N.W.
P.O. Box 351
Warren, Ohio 44483

Chief Executive Office (Ref. 3.2(B), 5.6)
4000 Mahoning Avenue N.W.
P.O. Box 351
Warren, Ohio 44483

EXHIBIT E
TO
LOAN AND SECURITY AGREEMENT
DATED: DECEMBER 31, 1986
OTHER CORPORATE OR FICTITIOUS NAMES USED (Ref. 9.1(B))

No other corporate or fictitious names have been used during the prior five-year period. It is possible that, subject to Section 10.2(A), Copperweld Steel Company would be merged into or with CSC Industries, Inc. and the resulting corporation might thereafter be named or adopt a trade name of CSC Industries, Inc. or some derivative thereof.

EXHIBIT E
IO
LOAN AND SECURITY AGREEMENT
DATED: DECEMBER 31, 1986
PENDING LITIGATION, OTHER INDEBTEDNESS;
GUARANTIES (Ref. 9.1 (I))

Pending Litigation

Copperweld Steel Company has been named as a defendant in an action brought by the U.S. Environmental Protection Agency under "CERCLA" to recover the costs of a remedial investigation and feasibility study and any remedial measures required to be undertaken at a waste disposal site to which Copperweld Steel Company transported spent lubricating oil.

Other Indebtedness

1. \$25,000,000 debt to Copperweld Steel Company.
2. Air Quality Development Revenue Bonds, average interest rate 7.72%, payable 1986 through 1991, present principal balance \$4,400,000.
3. Air Quality and Water Development Revenue Bonds, interest rate 11%, due 2002, present principal balance \$2,675,000.
4. Telephone System - leasehold obligation payable through 1989, balance as of December 31, 1985 was \$174,000.
5. Operating and capital equipment leases currently in effect.

EXHIBIT G
TO
LOAN AND SECURITY AGREEMENT
DATED: DECEMBER 31, 1986
JUDGMENTS; ORDERS; LABOR DISPUTES;
LABOR PROBLEMS AND AGREEMENT
(Ref. 9.1(J))

The following labor contracts will expire during the
Initial Term:

- Bricklayers
- Guards
- Office and Clerical

EXHIBIT H
TO
LOAN AND SECURITY AGREEMENT
DATED: DECEMBER 31, 1986
OTHER LIENS, CLAIMS, SECURITY INTERESTS
AND ENCUMBRANCES (Ref. 9.1(K))

1. Liens related to items 2 and 3 in "Other Indebtedness" listed on Exhibit F, attached hereto.
2. Claims of the equipment lessor with respect to the indebtedness identified as item 4 in "Other Indebtedness" listed on Exhibit F, attached hereto.
3. Easements, rights of way, existing gas well leases, existing equipment storage arrangement with the Luntz firm and other real property title encumbrances which do not interfere in a material adverse manner with the operation of the business of Copperweld Steel Company.
4. Liens for taxes not yet due and payable.

EXHIBIT I
TO
LOAN AND SECURITY AGREEMENT
DATED: DECEMBER 31, 1986
INDEBTEDNESS
(Ref. 10.2(K))

None

EXHIBIT J
TO
LOAN AND SECURITY AGREEMENT
DATED: DECEMBER 31, 1986
INVESTMENTS (Ref. 10.2(B))

Approved Investments

- A. U.S. Government Obligations:
 - 1. U.S. Treasury Bills
 - 2. U.S. Treasury Notes
 - 3. U.S. Treasury Cash Management Bills

- B. U.S. Government Agency Obligations:
 - 1. Federal Agency Discounted Notes
 - 2. Federal Agency Bonds
 - 3. Federal Agency Securities

- C. Commercial Bank Overseas Investments:
 - 1. Euro Certificates of Deposit
 - 2. Euro Time Deposit

- D. Domestic Money Market Securities:
 - 1. Certificates of Deposit (Primary & Secondary)
 - 2. Bankers Acceptances
 - 3. Commercial Paper

Investment Restrictions

- A. U.S. Government Obligations with no limitation or restriction

- B. U.S. Government Obligations with no limitation or restriction

- C. Euro Dollar Deposits - Bank must have capital and surplus accounts combined of at least (U.S.) \$100,000,000

- D. Domestic Money Market Certificates:
 - 1. Certificates of Deposit - Same as Euro Dollar Investments
 - 2. Bankers Acceptances - Same as Euro Dollar Investments
 - 3. Commercial Paper Notes - Notes must be rated no less than A2 Quality by Standard & Poors Corporation, and P2 by Moody's Investor Services.

EXHIBIT K
TO
LOAN AND SECURITY AGREEMENT
DATED: DECEMBER 31, 1986
ACCOUNTS REPORT (Ref. 1.3)

Sanwa Business Credit Corporation

DAILY COLLATERAL REPORT AND ADVANCE REQUEST

REPORT NUMBER	CLIENT NO.	DATE PREPARED			
INVOICE NUMBERS	INVOICES DATED	DATE RECEIVED			
A	B	C	D	E	F
PREVIOUS BALANCE	SALES	COLLECTIONS	ADJUSTMENTS	PRESENT BALANCE	AS OF (DATE)
1. RECEIVABLES					
PREVIOUS BALANCE	SALES	COST OF SALES	ADJUSTMENTS	PRESENT BALANCE	AS OF (DATE)
2. INVENTORY					
		RECEIVABLES	INVENTORY	TOTAL	
3. Collateral Total (Col. E Above)					
4. Ineligible – Regular (Subtract)					
5. Ineligible – Special (Subtract)					
6. Eligible – Collateral					
7. Advance Rate			%		
8. Advance Availability					
9. Line Limits					
10. Available to Borrow (Lesser of Line 8 or 9)					
			LOAN	TOTAL	
11. Previous Loan Balance					
12. Less Collections (1-C)					
13. Add: Advance Requested					
14. Adjustments					
15. New Loan Balance					
16. Availability Not Borrowed (Line 10 Less Line 15)					

The undersigned represents and warrants that the foregoing information is true, complete and correct, and the receivables reflected herein comply with the representations and warranties set forth in the Security Agreement and supplements or amendments, if any, thereto between the undersigned and Sanwa Business Credit Corporation, which are incorporated herein by reference; and to the extent that the advance herein made by Sanwa Business Credit Corporation to the undersigned will be used in whole or in part for the payment of wages, the undersigned has paid or deposited or is able to pay and intends to make timely payment or deposit of all taxes required to be deducted and withheld from said wages.

The undersigned promises to pay to the order of Sanwa Business Credit Corporation on demand, the New Loan Balance reflected above, plus interest as set forth in the Security Agreement and supplements or amendments, if any, thereto.

SBCC USE ONLY	
CHECKED	APPROVED
WIRE	CONTROL

BORROWER NAME	
AUTHORIZED SIGNATURE	TITLE

Certificate of Notary Public

I, Deborah A. Schmitz, a notary public in the State of Illinois, hereby state that I have compared the attached copy of that certain Loan and Security Agreement between Sanwa Business Credit Corp. and Copperweld Steel Company dated as of December 31, 1986, and that it is a true and correct copy in all respects.

January 22, 1987

Deborah A. Schmitz
Notary Public

