

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

Form 10-Q  
Quarterly Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

For Quarter Ended September 30, 1998

Commission File Number 0-10436

L. B. Foster Company  
(Exact name of Registrant as specified in its charter)

Pennsylvania 25-13247733  
(State of Incorporation) (I.R.S. Employer Identification No.)

415 Holiday Drive, Pittsburgh, Pennsylvania 15220  
(Address of principal executive offices) (Zip Code)

(412) 928-3417  
(Registrant's telephone number, including area code)

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

Yes  No

Indicate the number of shares of each of the registrant's classes of common stock as of the latest practicable date.

Class -----	Outstanding at October 27, 1998 -----
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Class A Common Stock, Par Value \$.01	9,981,343 Shares
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L.B. FOSTER COMPANY AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

L. B. FOSTER COMPANY AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(In Thousands)

	September 30, 1998	December 31, 1997
	-----	-----
ASSETS	(Unaudited)	
Current Assets:		
Cash and cash equivalents .....	\$ 3,493	\$ 1,156
Accounts and notes receivable:		
Trade .....	35,262	45,022
Other .....	3,288	2,564
	-----	-----
	38,550	47,586
Inventories .....	40,889	43,365
Current deferred tax assets .....	567	123
Other current assets .....	696	557
Property held for resale .....		3,461
Total Current Assets .....	84,195	96,248
	-----	-----
Property, Plant & Equipment-At Cost .....	43,775	42,134
Less Accumulated Depreciation .....	(22,845)	(21,359)
	-----	-----
	20,930	20,775
Property Held for Resale .....	615	615
	-----	-----
Other Assets:		
Goodwill and Intangibles .....	5,960	4,484
Investments .....	1,707	1,693
Other Assets .....	3,398	3,154
Total Other Assets .....	11,065	9,331
	-----	-----
TOTAL ASSETS .....	\$ 116,805	\$ 126,969
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt .....	\$ 1,174	\$ 1,309
Short-term borrowings .....		18,111
Accounts payable .....	18,765	12,524
Accrued payroll and employee benefits .....	3,748	3,008
Other accrued liabilities .....	1,183	1,219
Total Current Liabilities .....	24,870	36,171
	-----	-----
Long-Term Borrowings .....	11,000	15,000
Other Long-Term Debt .....	4,074	2,530
Deferred Tax Liabilities .....	1,518	554
Other Long-Term Liabilities .....	1,991	2,206
	-----	-----
Stockholders' Equity:		
Class A Common stock .....	102	102
Paid-in capital .....	35,426	35,434
Retained earnings .....	38,985	35,625
Treasury stock .....	(1,161)	(653)
Total Stockholders' Equity .....	73,352	70,508

TOTAL LIABILITIES AND	-----	-----
STOCKHOLDERS' EQUITY .....	\$ 116,805	\$ 126,969
	=====	=====

See Notes to Condensed Consolidated Financial Statements.

L. B. FOSTER COMPANY AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(In Thousands, Except Per Share Amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1997	1998	1997
	(Unaudited)			
Net Sales .....	\$ 50,368	\$ 56,935	\$ 158,585	\$ 165,145
Cost of Goods Sold .....	43,155	48,836	135,355	143,152
	-----	-----	-----	-----
Gross Profit .....	7,213	8,099	23,230	21,993
Selling and Admin- istrative Expenses ...	5,849	5,624	17,783	16,484
Interest Expense .....	308	665	1,377	1,845
Other (Income) Expense	(130)	(209)	(1,533)	(316)
	-----	-----	-----	-----
	6,027	6,080	17,627	18,013
	-----	-----	-----	-----
Income Before Income Taxes	1,186	2,019	5,603	3,980
Income Tax Expense .....	473	807	2,243	1,490
	-----	-----	-----	-----
Net Income .....	\$ 713	\$ 1,212	\$ 3,360	\$ 2,490
	=====	=====	=====	=====
Basic Earnings Per Common Share .....	\$0.07	\$0.12	\$0.33	\$0.24
	=====	=====	=====	=====
Diluted Earnings Per Common Share	\$0.07	\$0.12	\$0.33	\$0.24
	=====	=====	=====	=====
Cash Dividend per Common Share ....	\$--	\$--	\$--	\$--
	=====	=====	=====	=====

See Notes to Condensed Consolidated Financial Statements.

L. B. FOSTER COMPANY AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In Thousands)

	Nine Months Ended September 30,	
	1998	1997
	----- (Unaudited) -----	
Cash Flows from Operating Activities:		
Net Income .....	\$ 3,360	\$ 2,490
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Deferred income taxes .....	520	1,437
Depreciation and amortization .....	2,197	1,943
Gain on sale of property, plant and equipment .....	(1,271)	(113)
Change in operating assets and liabilities:		
Accounts receivable .....	10,499	5,373
Inventories .....	(1,196)	(5,192)
Property held for resale .....	200	(32)
Other current asset .....	(128)	(9)
Other non-current assets .....	(494)	(317)
Accounts payable .....	7,492	(5,911)
Accrued payroll and employee benefits .....	830	(857)
Other current liabilities .....	(36)	(1,029)
Other liabilities .....	(215)	64
	-----	-----
Net Cash Provided (Used) by Operating Activities .....	21,758	(2,153)
	-----	-----
Cash Flows from Investing Activities:		
Proceeds from sale of property, plant and equipment .	687	1,542
Proceeds from sale of Fosterweld .....	7,258	
Capital expenditures on property, plant and equipment	(1,953)	(1,505)
Purchase of DM&E stock .....		(1,500)
Acquisition of business .....	(3,774)	(2,500)
	-----	-----
Net Cash Provided (Used) by Investing Activities .....	2,218	(3,963)
	-----	-----
Cash Flows from Financing Activities:		
(Repayments) proceeds from issuance of revolving credit agreement borrowings .....	(22,111)	7,000
Proceeds from industrial revenue bond .....	2,045	
Exercise of stock options .....	308	540
Treasury share transactions .....	(909)	(513)
Issuance (repayments) of other long-term debt .....	(972)	(1,056)
	-----	-----
Net Cash (Used) Provided by Financing Activities .....	(21,639)	5,971
	-----	-----
Net (Decrease) Increase in Cash and Cash Equivalents ....	2,337	(145)
Cash and Cash Equivalents at Beginning of Period .....	1,156	1,201
	-----	-----
Cash and Cash Equivalents at End of Period .....	\$ 3,493	\$ 1,056
	=====	=====
Supplemental Disclosures of Cash Flow Information:		
Interest Paid .....	\$ 1,488	\$ 1,788
	=====	=====
Income Taxes Paid .....	\$ 1,578	\$ 585
	=====	=====

During 1998 and 1997, the Company financed the purchase of certain capital expenditures totaling \$336,000 and \$33,500, respectively, through the issuance of capital leases.

See Notes to Condensed Consolidated Financial Statements.

L. B. FOSTER COMPANY AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all estimates and adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included, however, actual results could differ from those estimates. The results of operations for these interim periods are not necessarily indicative of the results that may be expected for the year ended December 31, 1998. Certain items previously reported in specific financial statement captions were reclassified in 1997. The reclassifications had no effect on income. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1997. The acquisitions of business in the third quarter of 1998 were not material to the financial statements of the Corporation.

2. ACCOUNTING PRINCIPLES

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income" and SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information". The Company has had no material transactions under the provisions of SFAS No. 130 and the Company does not anticipate that the reporting requirements of SFAS No. 131 will have a material impact on existing disclosures.

Financial Accounting Standards Board Statement No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits," was issued in February 1998. This statement revises employers' disclosures about pension and postretirement benefit plans. It does not change the measurement or recognition of those plans. The Company will adopt this statement in 1998.

Financial Accounting Standards Board Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" was issued in June 1998. This statement establishes accounting and reporting standards for derivative instruments and hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. This statement is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. The effect of adopting this statement is not expected to be material to the Company.

3. ACCOUNTS RECEIVABLE

Credit is extended on an evaluation of the customer's financial condition and, generally, collateral is not required. Credit terms are consistent with industry standards and practices. Trade accounts receivable at September 30, 1998 and December 31, 1997 have been reduced by an allowance for doubtful accounts of \$1,516,000 and \$1,468,000, respectively. Bad debt expense was \$34,000 and \$224,000 for the nine month periods ended September 30, 1998 and 1997, respectively.

#### 4. INVENTORIES

Inventories of the Company at September 30, 1998 and December 31, 1997 are summarized as follows in thousands:

	September 30, 1998	December 31, 1997
Finished goods .....	\$ 32,794	\$ 30,380
Work-in-process .....	3,429	7,826
Raw materials .....	4,971	8,369
Total inventories at current costs .....	41,194	46,575
(Less):		
Current costs over LIFO stated values .....	(2,610)	(2,610)
Reserve for the decline in market value of inventories .....	(600)	(600)
	\$ 37,984	\$ 43,365
	=====	=====

Inventories of the Company are generally valued at the lower of last-in, first-out (LIFO) cost or market. Other inventories of the Company are valued at average cost or market, whichever is lower. An actual valuation of inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations must necessarily be based on management's estimates of expected year-end levels and costs.

#### 5. REVOLVING CREDIT AGREEMENT

On August 13, 1998 the Company entered into a senior secured revolving credit facility for \$45,000,000 with its banks. The amended agreement replaces the November, 1995 revolving credit agreement that had a maturity date of July, 1999.

The interest rate is, at the Company's option, based on the prime rate, the domestic certificate of deposit rate (CD rate) or the Euro-bank rate. The interest rates are adjusted quarterly based on the ratio of total indebtedness to Earnings Before Income Taxes, Depreciation and Amortization (EBITDA) as defined in the agreement. The ranges are prime to prime plus 0.125%, the CD rate plus 0.35% to the CD rate plus 1.375%, and the Euro-bank rate plus 0.35% to the Euro-bank rate plus 1.375%. Borrowings under the agreement, which expires July 31, 2002, are secured by accounts receivable and inventory.

The agreement includes financial covenants requiring a minimum net worth, a fixed charge coverage ratio, and a maximum ratio of total indebtedness to EBITDA.

#### 6. OTHER (INCOME)/EXPENSE

Other income included a gain of \$1,700,000 for the sale of the Fosterweld facility, a gain of \$185,000 for the sale of a Navasota, Texas facility, and a write-down of \$900,000 for a Houston, Texas property currently under a sale agreement. In 1998 and 1997, the Fosterweld Division had revenues of \$5,188,000 and \$12,225,000 with operating profit of \$702,000 and \$1,365,000, respectively.

#### 7. EARNINGS PER COMMON SHARE

In 1997, the Company adopted Financial Accounting Standards Board Statement No. 128, "Earnings Per Share" (SFAS No. 128). Statement No. 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants and certain convertible securities. Diluted earnings per share uses the average market prices during the period in calculating the dilutive effect of options under the treasury stock method.

The following table sets forth the computation of basic and diluted net income per common share (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1997	1998	1997
Numerator:				
Numerator for basic and diluted net income per common share - net income available to common stockholders .....	\$ 713 =====	\$ 1,212 =====	\$ 3,360 =====	\$ 2,490 =====
Denominator:				
Weighted average shares .....	10,003	10,129	10,003	10,141
	-----	-----	-----	-----
Denominator for basic net income per common share .....	10,003	10,129	10,003	10,141
Effect of dilutive securities:				
Employee stock options .....	213	231	224	135
	-----	-----	-----	-----
Dilutive potential common shares	213	231	224	135
Denominator for diluted net income per common share - adjusted weighted average shares and assumed conversions	10,216 =====	10,360 =====	10,227 =====	10,276 =====
Basic net income per common share .	\$ 0.07 =====	\$ 0.12 =====	\$ 0.33 =====	\$ 0.24 =====
Diluted net income per common share	\$ 0.07 =====	\$ 0.12 =====	\$ 0.33 =====	\$ 0.24 =====

#### 8. COMMITMENTS AND CONTINGENT LIABILITIES

The Company is subject to laws and regulations relating to the protection of the environment and the Company's efforts to comply with environmental regulations may have an adverse effect on the Company's future earnings. In the opinion of management, compliance with the present environmental protection laws will not have a material adverse effect on the financial condition, competitive position, or capital expenditures of the Company.



The Company is subject to legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, the amounts of ultimate liability with respect to these actions will not materially effect the financial position of the Company. At September 30, 1998, the Company had outstanding letters of credit of approximately \$2,902,000.

Management's Discussion and Analysis of Financial Condition  
and Results of Operations

	Three Months Ended September 30, =====		Nine Months Ended September 30, =====	
	1998	1997	1998	1997
	=====			
	(Dollars in thousands)			
Net Sales:				
Rail Products	\$26,085	\$30,654	83,076	79,803
Construction Products	13,054	11,981	38,232	45,164
* Tubular Products	11,229	14,301	37,251	40,179
Other			26	
	-----			
Total Net Sales	50,368	56,936	158,585	165,146
	=====			
Gross Profit:				
Rail Products	4,229	4,038	12,427	10,332
Construction Product	1,604	2,569	6,920	7,413
** Tubular Products	1,615	1,677	4,544	4,525
Other	(235)	(185)	(661)	(277)
	-----			
Total Gross Profit	7,213	8,099	23,230	21,993
	-----			
Expenses:				
Selling and administrative expenses	5,849	5,624	17,783	16,484
Interest expense	308	665	1,377	1,845
Other (income) expense	(130)	(209)	(1,533)	(316)
	-----			
Total Expens	6,027	6,080	17,627	18,013
	-----			
Income Before Income T	1,186	2,019	5,603	3,980
Income Tax Expense	473	807	2,243	1,490
	-----			
Net Income	\$713	\$1,212	\$3,360	\$2,490
	=====			
Gross Profit %:				
Rail Products	16.2%	13.2%	15.0%	12.9%
Construction Products	12.3%	21.4%	18.1%	16.4%
Tubular Products	14.4%	11.7%	12.2%	11.3%
Total Gross Profit%	14.3%	14.2%	14.6%	13.3%
	=====			
* Net Sales				
Coated and Threaded Pipe	11,198	11,370	32,055	31,246
Fosterweld	31	2,931	5,196	8,933
	-----			
Total Tubular Products	11,229	14,301	37,251	40,179
	=====			
** Gross Profit				
Coated and Threaded Pipe	1,458	1,244	3,667	3,234
Fosterweld	157	433	877	1,291
	=====			
Total Tubular Products	1,615	1,677	4,544	4,525
	=====			

### Third Quarter 1998 Results of Operations

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Net income for the 1998 third quarter was \$0.7 million or \$0.07 per share on net sales of \$50.4 million. This compares to a 1997 third quarter net income of \$1.2 million or \$0.12 per share on net sales of \$56.9 million.

Rail products' 1998 third quarter net sales were \$26.1 million or a decrease of 15% over the same period last year. This decrease was due primarily to delays in shipments of transit products and a decrease in relay rail sales over the prior year which offset increased sales of Allegheny Rail Products. Construction products' net sales increased 9% from the year earlier quarter as a result of sales generated by the Foster Geotechnical Division acquired in August of 1998, which offset the declines in piling sales. Tubular products' sales decreased 22% from the same quarter of 1997 due to the June 1998 sale of the Company's Fosterweld Division. Changes in net sales are primarily the result of changes in volume rather than changes in prices.

The gross margin percentage for the total Company was 14% in the 1998 and 1997 third quarters. Rail products' gross margin percentage in the third quarter of 1998 was 16% versus 13% in the year earlier quarter primarily due to record sales and profits of Allegheny Rail Products. The gross margin percentage for construction products declined 9% from the year earlier quarter primarily due to a \$0.9 million write-down of certain catenary sign structure contracts. Tubular products' gross margin percentage in the third quarter of 1998 increased 2% from the same period last year.

The Monitor Group had development expenses totaling \$0.3 million including \$0.1 million for amortization of intangible assets. Revenues for the quarter were negligible and below management expectations.

Selling and administrative expenses increased 4% in the 1998 third quarter in comparison to the same period last year principally due to expenses associated with the operation of the Company's recently acquired, Precise and Geotechnical Divisions. Interest expense decreased 46% over the year earlier quarter due to reduction in outstanding borrowings principally resulting from the receipt of Fosterweld sale proceeds. Other income included a gain of \$0.2 million from the sale of a Navasota, Texas facility. The provision for income taxes was recorded at 40% in the third quarters of 1998 and 1997.

### First Nine Months of 1998 Results of Operations

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Net income for the first nine months of 1998 was \$3.4 million or \$0.33 per share on sales of \$158.6 million. This compares to a net income of \$2.5 million or \$0.24 per share for the same period last year on net sales of \$165.1 million.

Rail products' net sales in the first nine months of 1998 were \$83.1 million compared to \$79.8 million in 1997. This 4% increase resulted from higher volume sales of new rail and Allegheny Rail products. Construction products' net sales declined 15% to \$38.2 million compared to \$45.2 million in the first nine months of 1997 as the loss of sheet piling sales more than offset the increase in bridge and highway product sales. Net sales of tubular products for the first nine months of 1998 declined 7.0% from the year earlier period as a result of the sale of the Company's Fosterweld Division.

The gross margin percentage for the Company during the first nine months of 1998 increased to 15% from 13% in the same period last year. Rail products' gross margin percentage increased to 15% from 13% primarily due to relay rail's lower cost of sales from certain projects and the previously mentioned higher volume

of Allegheny Rail Products' sales. The gross margin percentage for construction products increased to 18% from 16% as a result of high demand for a limited supply of piling products and the addition of the Foster Geotechnical Division. Tubular products' gross margin percentage was 12% in first nine months of 1998 compared to 11% in 1997 primarily due to higher margins on coated pipe products.

The Monitor Group had development expenses totaling \$0.8 million including \$0.2 million for amortization of intangible assets. Revenues for the period were negligible and below management expectations.

Selling and administrative expenses for the first nine months of 1998 increased 8% from the same period of 1997. The increase was due to added expenses associated with the operation of the Company's recently acquired Precise and Geotechnical Divisions. Interest expense decreased 25% due to reduction in outstanding borrowings principally resulting from the receipt of Fosterweld sale proceeds. The provision for income taxes is recorded at 40% versus 37% in 1997.

#### Liquidity and Capital Resources

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The Company generates internal cash flow from the sale of inventory and the collection of accounts receivable. During the first nine months of 1998 the average turnover rate for accounts receivable was lower than the same period last year due to slower collections of certain transit contracts. The average turnover rate for inventory was higher in 1998 than in 1997, primarily in new rail and Allegheny Rail products. Working capital at September 30, 1998 was \$59.3 million compared to \$60.1 million at December 31, 1997.

Year to date, the Company had total capital expenditures of \$2.0 million. In addition, the Company repurchased \$0.9 million of its common stock in accordance with the Company's previously announced program to repurchase 500,000 shares. Since inception of this program, the Company repurchased 288,744 shares at \$1.5 million. Capital expenditures in 1998, excluding acquisitions, are expected to be consistent with 1997 and are anticipated to be funded by cash flows from operations.

Total revolving credit agreement borrowings at September 30, 1998 were \$11.0 million, or a decrease of \$22.1 million from the end of the prior year. At September 30, 1998 the Company had \$31.1 million in unused borrowing commitment. The Company borrowed \$2.0 million through an industrial revenue bond to finance part of the Precise Fabricating Corporation acquisition. Outstanding letters of credit at September 30, 1998 were \$2.9 million. Management believes its internal and external sources of funds are adequate to meet anticipated needs.

On August 13, 1998 the Company amended its \$45,000,000 senior secured revolving credit agreement. The amended agreement replaces the November, 1995 revolving credit agreement that had a maturity date of July, 1999. This amended agreement expires July 31, 2002 and can be extended under certain conditions.

The interest rate is, at the Company's option, based on the prime rate, the domestic certificate of deposit rate (CD rate) or the Euro-bank rate. The interest rates are adjusted quarterly based on the ratio of total indebtedness to EBITDA as defined in the agreement. The ranges are prime to prime plus 0.125%, the CD rate plus 0.35% to the CD rate plus 1.375%, and the Euro-bank rate plus 0.35% to the Euro-bank rate plus 1.375%. Borrowings under the agreement are secured by accounts receivable and inventory. The agreement includes financial covenants requiring a minimum net worth, a fixed charge coverage ratio, and a maximum ratio of total indebtedness to EBITDA.

## Other Matters

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The Company owns 13% of the Dakota, Minnesota & Eastern Railroad Corporation (DM&E), a privately held, regional railroad which operates over 1,100 miles of track in five states. The Company's investment in the stock is recorded in the Company's accounts at its historical cost of \$1.7 million, comprised of \$0.2 million of common stock and \$1.5 million of the DM&E's Series B Preferred Stock and warrants. Although this investment's market value is not readily determinable, management believes that this investment, without taking into account the DM&E's proposed Powder River Basin project discussed below, would be worth significantly more than its historical cost.

The DM&E announced in June 1997 that it plans to build an extension from the DM&E's existing line into the low sulfur coal market of the Powder River Basin in Wyoming and to rebuild approximately 600 miles of existing track (the "Project"). The DM&E has also announced that the estimated cost of this project is \$1.4 billion. The Project is subject to approval by the Surface Transportation Board (STB).

In February 1998, the DM&E filed its application with the Surface Transportation Board seeking authority to construct approximately 280 miles of new railroad line. The DM&E has indicated that this new railroad line could be available to carry Powder River Basin coal within two years after regulatory approval is obtained. The DM&E anticipates that the STB will reach a preliminary decision in December 1998. This approval would be subject to completion of the Environmental Impact Statement (EIS) and acceptable mitigation of environmental issues that may arise in the EIS.

Morgan Stanley & Co., Inc., has been retained by the DM&E to assist in identifying strategic partners or potential acquirers of all or a portion of the equity of the DM&E. The DM&E has stated that the DM&E could repay project debt and cover its operating costs if it captures a 5% market share in the Powder River Basin. If the Project proves to be viable, management believes that the value of the Company's investment in the DM&E could increase dramatically.

In May of 1998, with the approval of its shareholders, the Company reincorporated from Delaware to Pennsylvania. The principal reason for reincorporating the Company in Pennsylvania is to eliminate the Company's liability of approximately \$50,000 per year under the Delaware franchise tax. Pennsylvania corporations that have a class of stock registered under the Securities Exchange Act of 1934 are automatically subject to certain antitakeover provisions of the Pennsylvania Business Corporation Law of 1988, as amended, unless the articles of incorporation provide that those provisions shall not apply to the corporation. The Company has opted out of those antitakeover provisions by having its articles of incorporation expressly state that they shall not apply to the corporation.

In June of 1998, the Company sold to Northwest Pipe Company of Portland, Oregon, the plant, equipment, inventory, leasehold and contract rights and miscellaneous assets related to its Fosterweld pipe manufacturing facility in Wood County, West Virginia. The purchase price for the plant, buildings, equipment, leasehold and contract rights and miscellaneous assets was \$5.3 million and inventory net of payables of approximately \$2.0 million. Also in June of 1998, the Company

agreed, subject to certain contingencies, to sell certain Houston, Texas property for approximately \$3.8 million. This property is currently under a sales agreement and the Company has accrued \$0.9 million for the loss on the projected sale. Management expects this transaction to be completed in the first quarter of 1999.

In July of 1998, the Company purchased, for approximately \$1.5 million, assets primarily comprised of intellectual property related to the business of supplying rail signaling and communication devices.

In August of 1998, the Company purchased \$1.1 million of fixed assets and patents and \$1.0 million of associated working capital of the Geotechnical Division of VSL Corporation. The Geotechnical Division is a leading designer and supplier of mechanically-stabilized earth wall systems.

In September of 1998, the Company suspended production at its Newport, Kentucky pipe coating facility due to unfavorable market conditions. Management is currently evaluating the long term viability of this operation.

Management continues to evaluate the overall performance of certain operations. A decision to terminate an existing operation could have a material adverse effect on near-term earnings but would not be expected to have a material adverse effect on the financial condition of the Company.

#### Year 2000 Impact on Computer Systems

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Because many existing computer programs have been programmed to use a two digit number to represent the year (e.g., "98" for "1998"), the Company has analyzed its computer software systems to ensure that they are capable of correctly identifying the year "2000" and beyond in all computer transactions. The Company understands the seriousness of this issue and its Board of Directors has requested an update of the Company's year 2000 compliance at each Board Meeting.

The Company completed the installation of new integrated accounting and distribution software licensed from a national vendor in 1992 and has periodically installed updated releases of the software to take advantage of technological advances and improvements over prior releases in the ordinary course of business. The current releases of this vendor's software are year 2000 compliant. The Company installed the year 2000 compliant release including modifications unrelated to the year 2000 issue to suit the Company's business in May 1998. The Company expects to complete the testing of these modifications and to place these systems in production in 1998. Management believes that this schedule is achievable and does not anticipate any adverse impact in becoming year 2000 compliant. The costs associated with the installation of the year 2000 compliant release are considered by Management to be in the ordinary course of business and are not material to its financial results.

In addition, the Company has conducted a review of its production equipment and has determined that it is year 2000 compliant. The Company has also surveyed key vendors and suppliers to determine the extent of their year 2000 compliance readiness and planned action to become year 2000 compliant.

The Company has minimal direct or indirect computer data transfers with outside customers, vendors, and suppliers other than major banks, whose year 2000 compliance efforts are well underway. Based on this fact as well as internal assessments, and formal and informal communications with customers, vendors, and suppliers, the Company presently believes that the year 2000 compliance issue should not pose significant operating problems or have a material impact on the Company's consolidated financial position, results of operations or cash flow. A failure of third party vendors or suppliers to be year 2000 compliant could affect these beliefs and is not quantifiable.

## Outlook

- - - - -

The Company has not had a domestic sheet piling supplier since March 1997. Revenues from piling products have declined and will continue to be at reduced levels as the Company's remaining piling inventory is liquidated. The Company, however, will become Chaparral Steel's exclusive domestic distributor of steel sheet piling when Chaparral Steel's manufacturing facility, being constructed in Richmond, Virginia, begins operations in 1999.

The rail segment of the business depends on one source for fulfilling certain trackwork contracts. The Company has provided \$9.0 million of working capital to this supplier in the form of loans and progress payments. If, for any reason, this supplier is unable to perform, the Company could experience a short-term negative effect on earnings.

During 1995, the Company entered into an interest rate swap agreement to reduce the impact of changes in interest rates on a portion of its revolving credit borrowings. The LIBOR interest rate on the \$10.0 million swap agreement, which expires June 1999, is 6.142%. The Company believes that the credit and market risks associated with this agreement are not material. Any additional interest expense incurred under the agreement is accrued and paid quarterly.

The Company's operations are, in part, dependent on governmental funding of infrastructure projects. Significant changes in the level of government funding of these projects could have a favorable or unfavorable impact on the operating results of the Company. Additionally, governmental actions concerning taxation, tariffs, the environment or other matters could impact the operating results of the Company. The Company is also dependent on the availability of rail cars and weld trains to ship its products. The Company has experienced delays in certain projects due to the lack of availability of rail cars. The current merger activities in the railroads have exacerbated this problem. The Company can provide no assurances that a solution to the problem will occur in the near-term. The Company's operating results may also be affected by adverse weather conditions.

Although backlog is not necessarily indicative of future operating results, total Company backlog at September 30, 1998, was approximately \$87.5 million. The following table provides the backlog by business segment as adjusted for the exclusion of the Fosterweld Division.

Backlog

	September 30, 1998	September 30, 1997	December 31, 1997
(Dollars in thousands)			
Rail Products .....	\$58,519	\$38,359	\$51,584
Construction Products	22,585	21,599	23,284
Tubular Products ....	6,427	6,989	3,955
Less Fosterweld ...		2,940	2,295
	-----	-----	-----
Tubular Products Net	6,427	4,049	1,660
	-----	-----	-----
Total Backlog .....	\$87,531	\$64,007	\$76,528
	=====	=====	=====

Forward-Looking Statements

Statements relating to the potential value or viability of the DM&E or the Project, or management's belief as to such matters, are forward-looking statements and are subject to numerous contingencies and risk factors. The Company has based its assessment on information provided by the DM&E and has not independently verified such information. In addition to matters mentioned above, factors which can adversely affect the value of the DM&E, its ability to complete the Project or the viability of the Project include the following: labor disputes, any inability to obtain necessary environmental and government approvals for the Project in a timely fashion, an inability to obtain financing for the Project, competitor's response to the Project, market demand for coal or electricity and changes in environmental laws and regulations. The Company wishes to caution readers that various factors could cause the actual results of the Company to differ materially from those indicated by forward-looking statements made from time to time in news releases, reports, proxy statements, registration statements and other written communications (including the preceding sections of this Management's Discussion and Analysis), as well as oral statements made from time to time by representatives of the Company. Except for historical information, matters discussed in such oral and written communications are forward-looking statements that involve risks and uncertainties, including but not limited to general business conditions, the availability of material from major suppliers, the impact of competition, the seasonality of the Company's business, taxes, inflation and governmental regulations.

PART II OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

See Note 8, "Commitments and Contingent Liabilities", to the Condensed Consolidated Financial Statements.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

a) EXHIBITS

Unless marked by an asterisk, all exhibits are incorporated by reference:



- 3.1 Restated Certificate of Incorporation as amended to date, filed as Appendix B to the Company's April 17, 1998 Proxy Statement.
- 3.2 Bylaws of the Registrant, as amended to date, filed as Exhibit 3B to Form 8-K on May 21, 1997.
- 4.0 Rights Agreement, dated as of May 15, 1997, between L.B. Foster Company and American Stock Transfer & Trust Company, including the form of Rights Certificate and the Summary of Rights attached thereto, filed as Exhibit 4A to Form 8-A dated May 23, 1997.
- 4.0.1 Amended Rights Agreement dated as of May 14, 1998, between L. B. Foster Company and American Stock Transfer & Trust Company, filed as Exhibit 4.0.1 to Form 10-Q for the quarter ended June 30, 1998.
- \* 4.1 Second Amended and Restated Loan Agreement by and among the Registrant and Mellon Bank, N.A., PNC Bank, National Association, and First Union National Bank dated as of August 13, 1998.
- 10.15 Lease between the Registrant and Amax, Inc. for manufacturing facility at Parkersburg, West Virginia, dated as of October 19, 1978, filed as Exhibit 10.15 to Registration Statement No. 2-72051.
- 10.16 Lease between Registrant and Greentree Building Associates for Headquarters office, dated as of June 9, 1986, as amended to date, filed as Exhibit 10.16 to Form 10-K for the year ended December 31, 1988.
- 10.16.1 Amendment dated June 19, 1990 to lease between Registrant and Greentree Building Associates, filed as Exhibit 10.16.1 to Form 10-Q for the quarter ended June 30, 1990.
- 10.16.2 Amendment dated May 29, 1997 to lease between Registrant and Greentree Building Associates, filed as Exhibit 10.16.2 to Form 10-Q for the quarter ended June 30, 1997.
- 10.19 Lease between the Registrant and American Cast Iron Pipe Company for Pipe-Coating facility in Birmingham, Alabama dated December 11, 1991, filed as Exhibit 10.19 to Form 10-K for the year ended December 31, 1991.
- 10.19.1 Amendment to Lease between the Registrant and American Cast Iron Pipe Company for Pipe-Coating facility in Birmingham, Alabama dated April 15, 1997, filed as Exhibit 10.19.1 to Form 10-Q for the quarter ended March 31, 1997.
- 10.20 Asset Purchase Agreement, dated June 5, 1998, by and among the Registrant and Northwest Pipe Company, filed as Exhibit 10.0 to Form 8-K on June 18, 1998.
- 10.33.2 Amended and Restated 1985 Long-Term Incentive Plan, as amended and restated February 26, 1997, filed as Exhibit 10.33.2 to Form 10-Q for the quarter ended June 30, 1997. \*\*
- \* 10.34 1998 Long-Term Incentive Plan for Officers and Directors.

- 10.45 Medical Reimbursement Plan, filed as Exhibit 10.45 to Form 10-K for the year ended December 31, 1992. \*\*
- 10.46 Leased Vehicle Plan, as amended to date, filed as Exhibit 10.46 to Form 10-K for the year ended December 31, 1997. \*\*
- 10.49 Lease agreement between Newport Steel Corporation and Registrant dated as of October 12, 1994 and filed as Exhibit 10.49 to Form 10-Q for the quarter ended September 30, 1994.
- 10.49.1 Amendment to lease between Registrant and Newport Steel Corporation dated March 13, 1998 and filed as Exhibit 10.49.1 to Form 10-K for the year ended December 31, 1997.
- 10.50 L.B. Foster Company 1998 Incentive Compensation Plan, filed as Exhibit 10.50 to Form 10-K for the year ended December 31, 1997. \*\*
- 10.51 Supplemental Executive Retirement Plan, filed as Exhibit 10.51 to Form 10-K for the year ended December 31, 1994. \*\*
- 19 Exhibits marked with an asterisk are filed herewith.
- \* 27 Financial Data Schedule as of September 30, 1998.
- \*\* Identifies management contract or compensatory plan or arrangement required to be filed as an Exhibit.

b) Reports on Form 8-K

On May 21, 1998, the Registrant filed a Current Report on Form 8-K announcing the reincorporation of the Company from Delaware to Pennsylvania effective May 14, 1998.

On June 18, 1998, the Registrant filed a Current Report on Form 8-K and an Amended Current Report on Form 8-K/A announcing that L. B. Foster Company sold its spiralweld pipe manufacturing facility to Northwest Pipe Company.

On June 24, 1998, the Registrant filed an Amended Current Report on Form 8-K/A, amending the Current Report filed on Form 8-K on June 18, 1998. The Amended Current Report provides pro forma financial information.

SIGNATURE

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

L.B. FOSTER COMPANY

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(Registrant)

Date: November 5, 1998

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By /s/ Roger F. Nejes

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Roger F. Nejes  
Sr. Vice President-  
Finance and Administration  
& Chief Financial Officer  
(Principal Financial Officer  
and Duly Authorized Officer  
of Registrant)

SECOND AMENDED AND RESTATED LOAN AGREEMENT  
by and among

L. B. FOSTER COMPANY

as Borrower

and

MELLON BANK, N.A.,  
PNC BANK, NATIONAL ASSOCIATION  
and  
FIRST UNION NATIONAL BANK  
(the "Banks")

and

MELLON BANK, N.A.,  
as Agent for the Banks

Dated as of August 13, 1998

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## EXHIBITS AND SCHEDULES

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Exhibit B Form of Letter of Credit Agreement  
Exhibit C-1 Form of Application For Documentary Letter of Credit  
Exhibit C-2 Form of Application For Standby Letter of Credit  
Exhibit D Form of Letter of Credit Summary  
Exhibit E Form of Agreement Regarding Bailments  
Exhibit F Form of Accounts Receivable - Inventory Report  
Exhibit G Form of Subsidiary Guaranty and Suretyship Agreement  
Exhibit H Form of Guarantor Security Agreement

Schedule 3.04 Litigation  
Schedule 3.11 ERISA Plans  
Schedule 3.13 Compliance with Laws  
Schedule 5.02(b) Existing Indebtedness  
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SECOND AMENDED AND RESTATED LOAN AGREEMENT

THIS SECOND AMENDED AND RESTATED LOAN AGREEMENT (this "Agreement") made as of this 13th day of August, 1998, by and among L. B. FOSTER COMPANY, a Pennsylvania corporation (hereinafter referred to as "Foster" or as the "Borrower"), and MELLON BANK, N.A., PNC BANK, NATIONAL ASSOCIATION and FIRST UNION NATIONAL BANK (separately called a "Bank" and collectively the "Banks") and MELLON BANK, N.A., as agent for the Banks (in such capacity the "Agent");

WITNESSETH THAT:

WHEREAS, the Borrower and the Banks are parties to a Loan Agreement dated as of February 15, 1990, as amended by the First Amendment to Loan Agreement dated November 29, 1990, by the Second Amendment to Loan Agreement dated May 22, 1991, by the Third Amendment to Loan Agreement dated as of January 29, 1992, by the Fourth Amendment to Loan Agreement dated as of May 11, 1992, by the Fifth Amendment to Loan Agreement dated as of September 25, 1992, by the Sixth Amendment to Loan Agreement dated April 20, 1993, by the Seventh Amendment to Loan Agreement dated as of December 31, 1993, by the Eighth Amendment to Loan Agreement dated as of February 22, 1995 and by the Ninth Amendment to Loan Agreement dated as of May 3, 1995 (as so amended, the "Original Loan Agreement");

- 240 WHEREAS, the Borrower and the Banks are parties to that certain Amended and Restated Loan Agreement, dated as of November 1, 1995, as amended by that certain First Amendment to Amended and Restated Loan Agreement dated as of January 1, 1996, by that certain Second Amendment to Amended and Restated Loan Agreement dated as of December 31, 1996, by that certain Third Amendment to Amended and Restated Loan Agreement dated as of April 9, 1997, by that certain Fourth Amendment to Amended and Restated Loan Agreement dated as of November 12, 1997 and by that certain Fifth Amendment to Amended and Restated Loan Agreement dated as of April 27, 1998 (as so amended, the "Amended and Restated Loan Agreement").

WHEREAS, the Borrower and the Banks desire to amend and restate the Amended and Restated Loan Agreement to, among other things, provide for an extension of the Expiration Date; and

WHEREAS, it is the intention of the Borrower and the Banks that this Agreement and the execution and delivery of substituted promissory notes by the Borrower not effectuate a novation of the obligations of the Borrower to the Banks under either the Original Loan Agreement or the Amended and Restated Loan Agreement, but merely a restatement and, where applicable, a substitution of the terms governing, evidencing and securing the Borrower's obligations thereunder.

NOW, THEREFORE, in consideration of the terms and provisions herein contained and subject to the terms and conditions hereof, the Amended and Restated Loan Agreement is hereby amended, consolidated and restated in its entirety, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

CERTAIN DEFINITIONS; ACCOUNTING PRINCIPLES

Section 1.01. Definitions. In addition to the words and terms defined elsewhere in this Agreement, as used in this Agreement, the following terms shall have the following meanings (all terms defined in this Section 1.01 or in other provisions of this Agreement in the singular to have the same meanings when used in the plural and vice versa):

"Accounts Receivable - Inventory Report" shall mean the Accounts Receivable - Inventory Reports to be delivered to the Agent pursuant to Section 4.01(a) hereof, in substantially the form attached as Exhibit F hereto, as amended and supplemented by the Borrower and each Guarantor from time to time hereafter pursuant to Section 5.03(b) hereof.

"Affiliate" of a person or entity (the "Specified Person") shall mean (a) any person or entity which directly or indirectly controls, or is



controlled by, or is under common control with, the Specified Person, (b) any director or officer (or, in the case of a person or entity which is not a corporation, any individual having analogous powers) of the Specified Person or of a person or entity who is an Affiliate of the Specified Person within the meaning of the preceding clause (a), and (c) for each individual who is an Affiliate of the Specified Person within the meaning of the foregoing clauses (a) or (b), any other individual related to such Affiliate by consanguinity within the third degree or in a step or adoptive relationship within such third degree or related by affinity with such Affiliate or any such individual. For purposes of the preceding sentence, "control" of a person or entity means (a) the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such person or entity, whether through the ownership of voting securities, by contract or otherwise and (b) in any case shall include direct or indirect ownership (beneficially or of record) of, or direct or indirect power to vote, 5% or more of the outstanding shares of any class of capital stock of such person or entity (or in the case of a person or entity that is not a corporation, 5% or more of any class of equity interest).

"Agreement" shall mean this Second Amended and Restated Loan Agreement and all exhibits, schedules, documents and instruments attached hereto, as any or all of the foregoing may be amended, modified or supplemented from time to time.

"Anniversary Date" shall mean each August 13th during the term of this Agreement.

"Applicable Margin" shall have the meaning set forth in Section 2.05(h) hereof.

"Application" shall mean, (i) with respect to Letters of Credit issued prior to November 1, 1995, in the case of Documentary Letters of Credit, a duly executed and completed Application and Agreement for Documentary Letter of Credit in substantially the form attached as Exhibit B to the Original Loan Agreement and, in the case of Standby Letters of Credit, a duly executed and completed Application and Agreement for Standby Letter of Credit in substantially the form attached as Exhibit C to the Original Loan Agreement, as either such form of application or agreement may be amended, modified or supplemented from time to time, (ii) with respect to Letters of Credit issued prior to August 13, 1998 but on or after November 1, 1995, a duly executed and completed Letter of Credit Agreement in the form attached as Exhibit B to the Amended and Restated Loan Agreement together with a duly executed and completed Application for Documentary Letter of Credit in substantially the form attached as Exhibit C1 to the Amended and Restated Loan Agreement or a duly executed and completed Application for Standby Letter of Credit in substantially the form attached as Exhibit C2 to the Amended and Restated Loan Agreement, as the case may be, as either such form of agreement or application may be amended, modified or supplemented from time to time, and (iii) with respect to Letters of Credit issued on or after August 13, 1998, a duly executed and completed Letter of Credit Agreement in the form attached hereto as Exhibit B together with a duly executed and completed Application for Documentary Letter of Credit in substantially the form attached hereto as Exhibit C-1 or a duly executed and completed Application for Standby Letter of Credit in substantially the form attached hereto as Exhibit C-2, as the case may be, as either such form of agreement or application may be amended, modified or supplemented from time to time.

"Base Rate" shall mean at any time the interest rate per annum equal to the higher of (a) the Prime Rate or (b) the sum of 1/2 of 1% plus the Federal Funds Effective Rate for such day; provided, however, if the Federal Reserve Bank of New York (or its successor) does not announce such rate on any day, the Federal Funds Effective Rate for such day shall be equal to the Federal Funds Effective Rate for the last day on which such rate was announced by the Federal Reserve Bank of New York (or its successor).

"Base Rate Funding Period" shall have the meaning assigned to such term in Section 2.05(b) hereof.

"Base Rate Loan" shall mean a Loan bearing interest at any time under the Base Rate Option.

"Base Rate Option" shall have the meaning assigned to such term in Section 2.05(a)(i) hereof.

"Base Rate Portion" shall mean, at any time, the portion, including the whole, of a loan bearing interest under the Base Rate Option at such time, or at a rate calculated by reference to the Base Rate under Section 2.05(a) hereof.

"Business Day" shall mean (a) in the case of an outstanding or proposed Base Rate Portion or CD Rate Portion of a Loan, any day other than a Saturday, Sunday or other day on which commercial banks in Pittsburgh,

Pennsylvania are required or authorized to close under applicable law, and (b) in the case of an outstanding or proposed EuroRate Portion of a Loan, any day on which dealings for Dollar deposits are transacted in the London interbank market and commercial banks are open for domestic and international business in Pittsburgh, Pennsylvania.

"Capitalized Lease" shall mean a lease under which the obligations of the lessee would, in accordance with GAAP, be included in determining total liabilities as shown on the liability side of a balance sheet of the lessee. The term "Capitalized Lease Obligations" shall mean the amount of the liability reflecting the aggregate discounted amount of future payments under all Capitalized Leases calculated in accordance with GAAP.

"CD Rate" and "CD Rate Option" shall have the meanings assigned to such terms in Section 2.05(a)(ii) of this Agreement.

"CD Rate Funding Period" shall mean an interest period applicable to a Loan bearing interest at the CD Rate, as determined in accordance with Section 2.05(b) of this Agreement.

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"CD Rate Loan" shall mean a Loan bearing interest at any time under the CD Rate Option.

"CD Rate Portion" shall mean, at any time, that portion, including the whole, of a Loan bearing interest under the CD Rate Option at such time, or at a rate calculated by reference to Section 2.05(a) hereof.

"Change of Control" shall mean any person or group of persons (as used in Sections 13 and 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations thereunder) shall have become the beneficial owner (as defined in Rules 13d-3 and 13d-5 promulgated by the Securities and Exchange Commission (the "SEC") under the Exchange Act) of 20% or more of the combined voting power of all the outstanding voting securities of the Borrower and, at any time following any merger, consolidation, acquisition, sale of assets or other corporate restructuring of Borrower, during any period of six consecutive calendar months, individuals who were directors of the Borrower on the first day of such period, together with individuals elected as directors by not less than two-thirds of the individuals who were directors of the Borrower on the first day of such period, shall cease to constitute a majority of the members of the board of directors of the Borrower.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and any successor statute, and the rules and regulations promulgated thereunder. References to sections or provisions of the Code shall be deemed to also refer to corresponding or similar sections or provisions of any successor statute or of the Internal Revenue Code of 1954, as amended.

"Collateral" means, collectively, all of the Borrower's and each Guarantor's present and future right, title and interest in and to the following property, whether now or hereafter existing or acquired and wherever located: (a) all inventory (including returned or repossessed goods but excluding any inventory of third parties which has been consigned to the Borrower or such Guarantor (as the case may be) and material owned by third parties for which the Borrower has performed coating or other services), accounts, open accounts, chattel paper, receivables, and other amounts owing to the Borrower or such Guarantor (as the case may be) and arising out of the sale or lease of goods or the rendition of services, whether or not they arise or are acquired in the Borrower's or such Guarantor's ordinary course of business, including without limitation, all such property described specifically or by type in the Accounts Receivable Inventory Report; (b) all Guarantees, letters of credit, collateral security, claims, rights, remedies and privileges relating to any of the foregoing; and (c) all products and proceeds of any of the foregoing (including, without limitation, any and all instruments, notes, drafts, chattel paper and insurance policies and proceeds).

"Commitment" shall mean, at any time, with respect to each Bank, the commitment of such Bank hereunder as set forth in Section 2.01 hereof, as such commitment may have been reduced by termination or reduction under Section 2.10(b) hereof.

"Consolidated Capital Expenditures" shall mean all amounts debited to the fixed asset accounts on the consolidated balance sheet of Borrower and its Consolidated Subsidiaries (or required to be so debited in accordance with GAAP) in respect of the acquisition, construction, improvement, replacement or betterment of land, buildings, machinery, equipment or of any other fixed assets or leaseholds, and shall include, without limitation, all amounts so debited in respect of Capitalized Lease Obligations, but shall exclude all amounts so debited in respect of inventory constituting equipment acquired for the purpose of leasing or resale to others.

"Consolidated EBIT" for any period, with respect to the

Borrower and its Consolidated Subsidiaries, shall mean the sum of (a) Consolidated Net Income for such period (provided that, in the event that the Borrower realizes a net loss on the disposition of its Langfield, Texas property, a maximum of \$1,000,000 of such net loss shall be excluded from calculating Consolidated Net Income in determining Consolidated EBIT as of the end of each of the twelve consecutive months beginning with the month in which such disposition occurs), (b) Consolidated Interest Expense for such period, (c) charges against income for foreign, federal, state and local income taxes for such period, (d) extraordinary losses to the extent included in determining such Consolidated Net Income, minus (e) extraordinary gains to the extent included in determining such Consolidated Net Income, minus (f) equity earnings (or plus any losses) of Affiliates to the extent included in Consolidated Net Income for such period, all as determined on a consolidated basis in accordance with GAAP.

"Consolidated EBITDA" for any period, with respect to the Borrower and its Consolidated Subsidiaries, shall mean the sum of (a) Consolidated EBIT for such period, (b) depreciation expense for such period, and (c) amortization expense for such period, all as determined on a consolidated basis in accordance with GAAP.

"Consolidated Fixed Charge Coverage Ratio" shall mean, as to any period for which such amount shall be determined, the ratio of (a) the sum of Consolidated EBITDA for such period minus Consolidated Capital Expenditures (other than expenditures related to permitted Investments in the nature of acquisitions, whether by stock or asset purchase, consolidation or merger) for such period, to (b) the sum of Consolidated Interest Expense for such period plus amount of all Distributions (other than intercompany Distributions between any Subsidiary of the Borrower and the Borrower) by the Borrower or any Subsidiary of the Borrower for such period plus payments actually made in respect of federal, state and foreign income taxes during such period.

"Consolidated Interest Expense" shall mean, for any period for which such amount shall be computed, all interest accrued during such period on the Indebtedness, including without limitation all interest required under GAAP to be capitalized during such period, determined on a consolidated basis for Borrower and its Consolidated Subsidiaries.

"Consolidated Net Income" shall mean, for any period, the consolidated net income after taxes of Borrower and its Consolidated Subsidiaries for such period determined in accordance with GAAP; provided, however, that Consolidated Net Income shall not include any gain or loss attributable to extraordinary items or any taxes or tax savings as a result thereof; and provided, further, that net income of any Subsidiary shall not be included for any period prior to the time at which such Subsidiary first becomes a Subsidiary.

"Consolidated Subsidiary" shall mean any Subsidiary of Borrower whose accounts are consolidated with the accounts of Borrower in accordance with the Borrower's policy of consolidation in effect from time to time and with GAAP.

"Consolidated Tangible Net Worth" means the stockholders' equity of Borrower and its Consolidated Subsidiaries, determined, both as to classification of items and amounts, in accordance with GAAP, except that there shall be deducted from stockholders' equity all intangible assets of Borrower and its Consolidated Subsidiaries, including, but not limited to, organization costs, securities issuance costs, unamortized debt discount and expense, goodwill, excess of purchase price over net assets acquired, agreements not to compete, patents, trademarks, copyrights, trade secrets, know-how, licenses, franchises, research and development expenses and any amount reflected as treasury stock.

"Consolidated Total Indebtedness" shall mean: (a) all obligations of Borrower and its Consolidated Subsidiaries on account of money borrowed by, or credit extended to or on behalf of, or for or on account of deposits with or advances to, Borrower or its Consolidated Subsidiaries; (b) all obligations of Borrower and its Consolidated Subsidiaries evidenced by bonds, debentures, notes or similar instruments; (c) all obligations of Borrower and its Consolidated Subsidiaries for the deferred purchase price of property or services; (d) all obligations secured by a Lien on property owned by Borrower and its Consolidated Subsidiaries (whether or not assumed); (e) all obligations of Borrower and its Consolidated Subsidiaries under Capitalized Leases (without regard to any limitation of the rights and remedies of the holder of such Lien or the lessor under such Capitalized Lease to repossession or sale of such property); (f) the face amount of all letters of credit issued for the account of Borrower and its Consolidated Subsidiaries and, without duplication, the unreimbursed amount of all drafts drawn thereunder, and all other obligations of Borrower and its Consolidated Subsidiaries associated with such letters of credit or draws thereon; (g) all obligations of Borrower and its Consolidated Subsidiaries in respect of acceptances or similar obligations issued for the account of Borrower and its Consolidated Subsidiaries; (h) all obligations of

Borrower and its Consolidated Subsidiaries under a product financing or similar arrangement described in paragraph 8 of FASB Statement of Accounting Standards No. 49 or any similar requirement of GAAP; (h) all obligations and liability of Borrower and its Consolidated Subsidiaries under any Guarantee, and (i) all obligations of Borrower and its Consolidated Subsidiaries under any interest rate or currency protection agreement, interest rate or currency future, interest rate or currency option, interest rate or currency swap or cap or other interest rate or currency hedge agreement. For the purpose of calculating Consolidated Total Indebtedness, (a) Consolidated Total Indebtedness shall not include any obligation of the Borrower and its Consolidated Subsidiaries under any performance, supply or payment bond posted by the Borrower and its Consolidated Subsidiaries in connection with any construction project undertaken by the Borrower and its Consolidated Subsidiaries, and (b) the items in clause (i) of the foregoing definition shall be calculated on an annual basis as of the end of the Borrower's most recent fiscal year just ended.

"Consolidated Total Indebtedness to EBITDA Ratio" shall mean, as to any period for which such amount shall be determined, the ratio of (i) Consolidated Total Indebtedness as of the last day of such period to (ii) Consolidated EBITDA for such period.

"Controlled Group" shall mean a "controlled group of corporations" as that term is defined in Section 1563 of the Code, of which Borrower is a part from time to time, and all "trades or businesses (whether or not incorporated) which are under common control" as that term is defined in Section 414 of the Code, of which Borrower is a part from time to time.

"Controlling Person" shall mean any person or entity who is, or is an associate of any person or entity who either alone or with one or more of its associates is, in control of Borrower, including any executive officer and any person who is both an employee and director of Borrower. A person, entity or group of persons or entities shall be deemed to be in control of another person or entity (including Borrower) when the first person, entity or group of persons or entities possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of such other person or entity, whether through the ownership of voting securities, by contract or otherwise. A person or entity shall not be deemed to be in control of another person or entity (including Borrower) by reason of the fact that such person or entity serves as a member of the board of directors but not as an employee of such other person or entity. A person or entity shall be deemed to be an associate of another person or entity when (a) either shall be in control of the other, (b) either shall be an officer, an employee and director, a partner or a manager of the other, or (c) there shall exist between them any contract, arrangement or understanding (express or otherwise) with respect to the actual or potential exercise of control of the other.

"Corresponding Source of Funds" shall mean (a) in the case of any Funding Segment of a CD Rate Portion, the proceeds of hypothetical issuances by a Bank of one or more of its certificates of deposit at the beginning of the CD Rate Funding Period corresponding to such Funding Segment, having maturities approximately equal to such CD Rate Funding Period and in an aggregate amount approximately equal to such Funding Segment; and (b) in the case of any Funding Segment of a EuroRate Portion, the proceeds of hypothetical receipts by a Notional EuroRate Funding Office or by a Bank through a Notional EuroRate Funding Office of one or more Dollar deposits in the interbank eurodollar market at the beginning of the EuroRate Funding Period corresponding to such Funding Segment, having maturities approximately equal to such EuroRate Funding Period and in an aggregate amount approximately equal to such Funding Segment.

"Debt" means, collectively, (a) all loans and advances made hereunder by any Bank to or at the request of Borrower, including all interest and other charges thereon, (b) all obligations of Borrower arising out of the issuance of Letters of Credit by the Agent at Borrower's request, (c) all covenants, agreements, liabilities and other obligations of Borrower hereunder, and (d) all costs, expenses, liabilities and obligations, including attorneys' fees and expenses, incurred by the Agent or any Bank enforcing any or all of this Agreement or the Debt, in collecting any or all of the Debt or in taking any other action permitted under this Agreement.

"Designated Subsidiary" shall have the meaning assigned to such term in Section 5.04 hereof.

"Distribution" shall mean (a) the declaration or payment of any Dividend on or in respect of any shares of any class of capital stock of Borrower or any Subsidiary, other than Dividends payable solely in shares of common stock of the corporation involved; (b) the purchase, redemption or other acquisition of any shares of any class of capital stock of Borrower or any Subsidiary directly or indirectly through a Subsidiary or otherwise.

"Dividend" shall mean a distribution of cash, securities or other property (other than capital stock) on capital stock of the corporation

involved.

"Documentary Letters of Credit" shall mean documentary letters of credit issued pursuant to an Application and Section 2.02(a) hereof.

"Documentary Letter of Credit Limit" shall have the meaning assigned to such term in Section 2.02(a) hereof.

"Dollar" and the symbol "\$" shall mean lawful money of the United States of America, and the symbol "CAN\$" shall mean lawful money of Canada.

"Eligible Accounts" shall mean trade accounts receivable created or acquired by Borrower and each Guarantor (as the case may be) in the ordinary course of business in which the Agent has a Prior Security Interest for the benefit of the Banks, which are not more than ninety (90) days past due from the date of the invoice or sales journal entry therefor and which are and at all times continue to be acceptable to the Agent in the exercise of the Agent's reasonable judgment; provided, however, without limiting the generality of the foregoing, that, if 50% or more of the accounts of an account debtor are more than ninety (90) days past due from the date of invoice or sales journal entry therefor, any other accounts of such account debtor shall also be ineligible.

"Eligible Inventory" means Borrower's and each Guarantor's (as the case may be) inventory, excluding works in process, of saleable raw materials and finished goods manufactured or acquired by Borrower and each Guarantor (as the case may be) in the ordinary course of business, subject to the Borrower's and each Guarantor's (as the case may be) control or sole possession, stored in an Eligible Location and in a manner acceptable to the Agent, valued at the lower of cost or market value, which inventory is and at all times continues to be acceptable to the Agent in the exercise of the Agent's reasonable judgment and in which the Agent has a Prior Security Interest at all times. Standards of acceptability shall be fixed and may be revised from time to time solely by the Agent in its exclusive judgment.

"Eligible Location" shall mean one of the addresses listed on Schedule1 to the Security Agreement or any Guarantor Security Agreement at which Borrower or any Guarantor, as the case may be, maintains, keeps or stores Collateral. The Borrower and the Agent and the Banks may agree jointly to add other addresses of the Borrower to such list at any time by substituting an amended Schedule1 to either the Security Agreement or any Guarantor Security Agreement. The Agent may in its reasonable discretion, at any time after thirty (30) days' notice to the Borrower, delete any address from the list of Eligible Locations.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as the same may from time to time be amended including, but not limited to, the Multiemployer Pension Plan Amendments Act of 1980, and the rules and regulations promulgated thereunder by any governmental agency or authority, as from time to time in effect, and any successor statute.

"EuroRate" and "EuroRate Option" shall have the meanings assigned to such terms in Section 2.05(a)(iii) of this Agreement.

"EuroRate Funding Period" shall mean any interest period applicable to a Loan bearing interest at the EuroRate, as determined in accordance with Section 2.05(b) of this Agreement.

"EuroRate Loan" shall mean a Loan bearing interest at any time under the EuroRate Option.

"EuroRate Portion" shall mean, at any time, that portion, including the whole, of a Loan bearing interest under the EuroRate Option at such time, or at a rate calculated by reference to Section 2.05(a) hereof.

"Event of Default" or "Default" shall mean any of the events of default described in Section 6.01 of this Agreement.

"Expiration Date" shall mean August 13, 2002, unless extended pursuant to Section 2.11 hereof.

"Extension Request" shall have the meaning assigned to such term in Section 2.11(a) hereof.

"Facility Fees" shall mean the Facility Fees described in Section 2.10(a) hereof.

"Federal Funds Effective Rate" shall mean for any day the weighted average of the rates on overnight federal funds transactions arranged on such day by Federal Funds Brokers computed and released by the Federal Reserve Bank of New York (or any successor) in substantially the same manner as

such Federal Reserve Bank currently computes and releases the weighted average it refers to as the "Federal Funds Effective Rate."

"Financial Provisions" shall have the meaning assigned to such term in Section 1.02(d) hereof.

"Funding Period Maturity Date" shall have the meaning assigned to such term in Section 2.05(b) hereof.

"Funding Periods" shall have the meaning assigned to such term in Section 2.05(b) of this Agreement.

"Funding Segment" of a CD Rate Portion or a EuroRate Portion, as the case may be, at any time shall mean the entire principal amount of such Portion to which at such time there is applicable a particular Funding Period beginning on a particular day.

"GAAP" shall have the meaning assigned to such term in Section 1.02 hereof.

"Guarantee" shall include any guarantee of the payment or performance of any Indebtedness or other obligation and any other arrangement whereby credit is extended to one obligor on the basis of any promise of another person, firm or corporation, whether that promise is expressed in terms of an obligation to pay the Indebtedness of such obligor, or to purchase an obligation owed by such obligor, or to purchase goods and services from such obligor pursuant to a take-or-pay contract, or to maintain the capital, working capital, solvency or general financial condition of such obligor, whether or not any such arrangement is listed in the balance sheet of such other person, firm or corporation, or referred to in a footnote thereto, but shall not include endorsements of items for collection in the ordinary course of business.

"Guarantor Security Agreement" shall mean a Security Agreement (in substantially the form of Exhibit H to this Agreement) executed and delivered by a Guarantor and "Guarantor Security Agreements" shall mean all of them.

"Guarantor" shall at any time mean any Subsidiary of the Borrower other than a Designated Subsidiary and "Guarantors" shall mean all of them.

"Guaranty and Suretyship Agreement" shall mean the Guaranty and Suretyship Agreement, dated as of May 11, 1992 and executed and delivered by Borrower in favor of the Banks, as the same may be amended, modified or supplemented from time to time.

The phrases "herein", "hereof", "hereunder", and the like mean this Agreement as a whole and not any particular section or other subdivision.

"Holding Company Subsidiary" shall mean Natmaya, Inc., a Delaware corporation which is a Wholly-Owned Subsidiary of the Borrower.

"Indebtedness" shall include all obligations, contingent or otherwise, which in accordance with GAAP should be classified on the obligor's balance sheet as liabilities.

"Intercreditor Agreement" shall mean the agreement described in Section 5.02(b)(6) hereof.

"Interest Rate Option" shall have the meaning set forth in Section 2.05(a) of this Agreement.

"Investments" means amounts paid or agreed to be paid, whether in cash or in other consideration, for stock, securities, liabilities or assets of, or loaned, advanced or contributed to others (including, without limitation, to a joint venture partnership or trust). The term Investments shall not include any increase or decrease in the assets of any corporation derived from the earnings or losses thereof or any assets purchased in the ordinary course of business but shall include the acquisition of a business. If any Investment is made by the transfer or exchange of property other than cash, the amount of such Investment shall be deemed to have been made in an original principal or capital amount equal to the fair market value of such property.

"Law" shall mean any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, order, injunction, writ, decree or award of any Official Body.

"Letters of Credit" shall mean Documentary Letters of Credit and Standby Letters of Credit issued by the Agent pursuant to Section 2.02 hereof together with (i) Documentary Letters of Credit and Standby Letters of Credit outstanding on the date hereof and issued by the Agent pursuant to

Section 2.02 of the Original Loan Agreement and (ii) Documentary Letters of Credit and Standby Letters of Credit outstanding on the date hereof and issued by the Agent pursuant to Section 2.02 of the Amended and Restated Loan Agreement.

"Lien" shall mean any mortgage, pledge, security interest, bailment, encumbrance, claim, lien or charge of any kind, including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, and any lease in the nature thereof.

"Loan" or "Loans" shall mean the revolving credit loans made by the Banks to the Borrower under this Agreement as described in Article II of this Agreement.

"Loan Documents" shall mean this Agreement, the Notes, the Security Agreement, the Guaranty and Suretyship Agreements, the Applications and Letters of Credit, the Guarantor Security Agreements, the Subsidiary Guaranty and Suretyship Agreements, and all other instruments, certificates and agreements and documents contemplated by or delivered or required to be delivered under this Agreement or in connection herewith, in each instance as the same may be amended, modified or supplemented from time to time.

"Margin Stock" shall mean all margin stock as that term is from time to time defined in Regulation U of the Board of Governors of the Federal Reserve System, or any regulations, interpretations or rulings thereunder.

"Measurement Period" shall have the meaning assigned to such term in Section 5.02(f)(5).

"Note" or "Notes" shall mean the fourth amended and restated promissory note(s) of Borrower executed and delivered under this Agreement, together with all extensions, renewals, refinancings, or refundings of any thereof in whole or in part.

"Notice of Borrowing" shall have the meaning assigned to such term in Section 2.03 of this Agreement.

"Notice of Conversion" shall have the meaning assigned to such term in Section 2.05(e) of this Agreement.

"Notice of Renewal" shall have the meaning assigned to such term in Section 2.05(e) of this Agreement.

"Notional EuroRate Funding Office" shall have the meaning assigned to such term in Section 2.09(a) of this Agreement.

"Office" shall mean the office of the Agent located at Three Mellon Bank Center, Pittsburgh, Pennsylvania 15259-0003.

"Official Body" shall mean the United States of America or any foreign government or state, any state and any political subdivision thereof, and any agency, department, court, commission, board, bureau or instrumentality of any of them.

"Operating Lease" shall mean any lease other than a Capitalized Lease.

"Option" shall mean, when used in conjunction with CD Rate, EuroRate or Base Rate, an Interest Rate Option bearing interest at such specified rate.

"PBGC" shall mean the Pension Benefit Guaranty Corporation established under ERISA, or any successor to the PBGC.

"Percentage Share" of any Bank, when used with reference to any Letter of Credit, shall mean an undivided participating interest in such Letter of Credit in the proportion that such Bank's Commitment at such time bears to the total Commitments of all the Banks hereunder at such time, and when used in any other context, shall mean such Bank's pro rata share of the amount involved, determined in the proportion that such Bank's Commitment at such time bears to the total Commitments of all the Banks hereunder at such time.

"Plan" shall mean any plan, including a single employer plan, multiple employer plan or multiemployer plan, established, sponsored or maintained at any time or from time to time by or for a Plan Employer for its employees to which Section 4021(a) of ERISA applies.

"Plan Employer" shall mean Borrower, any Subsidiary or any member of a Controlled Group which is the sponsor of or contributor to a Plan for the benefit of some or all of its or their employees.

"Portion" shall mean a Base Rate Portion or a EuroRate Portion, as the case may be.

"Potential Event of Default" shall mean an event, condition, act or omission to act constituting a default in the performance or observance of an act, covenant, agreement or provision of this Agreement, the other Loan Documents or any Note, which event, condition, act or omission to act with the passage of time or the giving of notice, or both, and without subsequent cure within any applicable period of time, would become or constitute an Event of Default or Default.

"Prime Rate" shall mean the interest rate per annum announced from time to time by Mellon Bank, N.A., at its principal office in Pittsburgh, Pennsylvania, as its Prime Rate. The Prime Rate is determined from time to time by Mellon Bank, N.A. as a means of pricing some loans to its customers, is not tied to any external rate of interest, and does not necessarily reflect the lowest rate of interest actually charged by Mellon Bank, N.A. to any particular category of customers.

"Prior Security Interest" means an enforceable, perfected security interest under the UCC which is prior to all Liens, except Liens for taxes not yet due and payable to the extent given priority by statute.

"Private Placement Debt" shall mean Indebtedness of Borrower in an aggregate principal amount not to exceed an amount equal to the difference between (a) the sum of \$60,000,000 and (b) the Commitment, which is purchased by and placed with an entity which is acceptable to, and has been approved by, the Agent on behalf of the Banks, and which involves such terms and conditions which are acceptable to the Agent on behalf of the Banks.

"RPF" shall have the meaning set forth in Section 5.02(f) hereof.

"Relevant Date" shall have the meaning set forth in Section 1.02(a) hereof.

"Reportable Event" shall mean any of the events described in paragraphs (5) or (6) of Section 4043(b) of ERISA.

"Required Banks" shall mean, until and including the Expiration Date, Banks whose Commitments aggregate at least 66 2/3% of the total Commitments of all the Banks and thereafter the holders of at least 66 2/3% of the aggregate unpaid principal amount of all Loans outstanding at such time.

"Responsible Officer" of Borrower shall mean the president, chief financial officer, treasurer or controller of Borrower.

"Rollover Loan" shall mean any Loan made on the Funding Period Maturity Date of any preceding Loan or Loans, with the aggregate principal amount of such Rollover Loan being less than or equal to the aggregate principal amount of such preceding Loan or Loans, as the case may be.

"Security Agreement" shall mean the Security Agreement dated as of January 29, 1992, by and between the Borrower and the Banks, as the same may be amended, modified or supplemented from time to time.

"Standby Letters of Credit" shall mean standby letters of credit issued by the Agent pursuant to an Application and Section 2.02(b) hereof.

"Standby Letter of Credit Limit" shall have the meaning assigned to such term in Section 2.02(b) hereof.

"Stock Purchase" means any redemption, acquisition or other retirement of any capital account or other equity interest in the Borrower or of warrants, rights or other options to purchase any such capital account or other equity interest.

"Subsidiary" shall mean any corporation of which a majority of the outstanding capital stock entitled to vote for the election of directors (otherwise than as the result of a default) is owned by Borrower directly or indirectly through Subsidiaries. The term "Wholly-Owned Subsidiary" shall mean any Subsidiary of which Borrower shall at the time own, directly or indirectly through a Wholly-Owned Subsidiary, 100% of the outstanding voting stock or other voting interest, other than directors' qualifying shares.

"Subsidiary Guaranty and Suretyship Agreement" shall mean a guaranty and suretyship agreement (in substantially the form of Exhibit G to this Agreement) executed and delivered by a Guarantor and "Subsidiary Guaranty and Suretyship Agreements" shall mean all of them.



"UCC" shall mean the Uniform Commercial Code (or any successor statute thereto) as in effect in the Commonwealth of Pennsylvania or in such other jurisdiction where a security interest shall be granted to the Agent in the Collateral. Terms and phrases defined in the UCC are used herein as therein defined except where the context otherwise requires.

#### 1.02. Accounting Principles.

(a) As used herein, "GAAP" shall mean generally accepted accounting principles as such principles shall be in effect at the Relevant Date, subject to the provisions of this Section 1.02. As used herein, "Relevant Date" shall mean the date a relevant computation or determination is to be made or the date of relevant financial statements, as the case may be.

(b) Except as otherwise provided in this Agreement, all computations and determinations as to accounting or financial matters shall be made, and all financial statements to be delivered pursuant to this Agreement shall be prepared, in accordance with GAAP (including principles of consolidation where appropriate), and all accounting or financial terms shall have the meanings ascribed to such terms by GAAP.

## ARTICLE II

### THE CREDITS

Section 2.01. Commitments. Subject to the terms and conditions hereof, and relying upon the representations and warranties of the Borrower herein set forth, each Bank severally agrees to make Loans to Borrower, on any Business Day, at any time or from time to time prior to the Expiration Date, in an aggregate principal amount not exceeding at any one time outstanding the amount set forth opposite its name below (such amount, as the same may be reduced from time to time hereafter in accordance with Section 2.10(b) hereof, being herein referred to as the "Commitment"):

Name and Address of Bank	Commitment until Expiration Date	Percentage
MELLON BANK, N.A. One Mellon Bank Center Pittsburgh, PA 15258	\$19,406,250	43.125%
PNC BANK, N.A. PNC Bank Building Fifth & Wood Streets Pittsburgh, PA 15222	\$12,796,875	28.4375%
FIRST UNION NATIONAL BANK Broad & Chestnut Streets Philadelphia, PA 19101	\$12,796,875	28.4375%
Total	\$45,000,000	100%

provided, that if for any day when the Borrower's Consolidated Fixed Charge Coverage Ratio for the period of twelve consecutive months ending on the day before the first day of the then most recently completed month is less than or equal to 1.75 to 1, the aggregate amount of Debt attributable to the Loans outstanding on such day shall not exceed an amount equal to the sum of (a)75% of Eligible Accounts plus (b)45% of Eligible Inventory (the sum of such percentage of Eligible Accounts and Eligible Inventory being referred to herein collectively as the "Borrowing Base"); provided, further, that the sum of all Loans outstanding at any one time plus the face amount of all outstanding Letters of Credit shall not exceed the sum of the Banks' Commitments; provided, further, that the sum of the face amounts of all outstanding Letters of Credit shall not exceed \$15,000,000 at any time.

It is the intention of the parties that (a)the aggregate outstanding principal balances of all Loans hereunder shall at no time exceed the lesser of (i)the sum of the Banks' Commitments less the face amounts of all outstanding Letters of Credit and (ii)the Borrowing Base, and if, at any time, an excess shall for any reason exist, the Borrower shall forthwith repay to the Agent for the ratable account of the Banks, in funds immediately available, the amount of such excess, together with all interest on the amount so repaid.

Within such limits of time and amount and provided that the conditions of lending set forth in Section4.02 hereof are satisfied and that no Event of Default or Potential Event of Default has occurred and is continuing or exists, Borrower may borrow, prepay, repay and reborrow hereunder until the Expiration Date, when the Commitment of each Bank shall cease and all Loans shall become immediately due and payable in full. The proceeds of the Loans shall be used by Borrower for working capital, general corporate purposes.

Section 2.02. Letters of Credit.

(a) Documentary Letters of Credit. At the request of Borrower (which shall be made at least five (5) Business Days prior to the date, which shall be a Business Day, on which such Letter of Credit is proposed to be issued), and pursuant to an Application duly executed by Borrower, one or more Documentary Letters of Credit will be issued by the Agent for the account of Borrower in an aggregate face amount not exceeding the lesser of (i) an amount equal to the Borrowing Base at such time minus the aggregate principal amount of all then outstanding Loans (including the aggregate face amount of outstanding Letters of Credit, as the same may be changed from time to time by amendment or otherwise pursuant to the terms thereof) and (ii) \$15,000,000 (the "Documentary Letter of Credit Limit"). The aggregate face amount of outstanding Documentary Letters of Credit, as the same may be changed from time to time by amendment or otherwise pursuant to the terms thereof, shall be charged against the Documentary Letter of Credit Limit and against the total Commitments of the Banks hereunder. The Banks shall participate in such Documentary Letters of Credit as provided in Section 2.02(f) hereof.

(b) Standby Letters of Credit. At the request of Borrower (which shall be made at least five (5) Business Days prior to the date, which shall be a Business Day, on which such Letter of Credit is proposed to be issued), and pursuant to an Application duly executed by Borrower one or more Standby Letters of Credit will be issued by the Agent for the account of Borrower in an aggregate face amount not exceeding the lesser of (i) an amount equal to the Borrowing Base at such time minus the aggregate principal amount of all then outstanding Loans (including the aggregate face amount of outstanding Letters of Credit, as the same may be changed from time to time by amendment or otherwise pursuant to the terms thereof) and (ii) \$15,000,000 (the "Standby Letter of Credit Limit"). The aggregate face amount of outstanding Standby Letters of Credit, as the same may be changed from time to time by amendment or otherwise pursuant to the terms thereof, shall be charged against the Standby Letter of Credit Limit and against the sum of the Banks' Commitments. The Banks shall participate in such Standby Letters of Credit as provided in the Section 2.02(f) hereof.

(c) Letter of Credit Fees. In lieu of any letter of credit fronting fees provided for in the Applications or otherwise, the Borrower agrees to pay to the Agent upon the issuance of each Standby Letter of Credit a fee equal to 1/10 of 1% of the face amount of such Standby Letter of Credit, and the Borrower further agrees to pay to the Agent from time to time any issuance, amendment, payment, telex, postage and courier fees, at the Agent's standard rates (a schedule of which has been provided to the Borrower), in respect of Letters of Credit. The Borrower agrees that upon and following the issuance of a Standby Letter of Credit, the Agent shall be paid a fee per annum based upon the amount of the Standby Letter of Credit issued, which fee shall be calculated at a rate per annum for each day equal to the Applicable Margin with respect to the Euro-Rate in effect pursuant to Section 2.05(h) hereof for such day. Such letter of credit commission shall be payable on the last Business Day of each calendar quarter, and on the last date on which any Standby Letter of Credit issued hereunder expires, in each case for the preceding period from which such fee has not been paid. The Borrower agrees that upon the issuance of a Documentary Letter of Credit, the Agent shall be paid a fee equal to 1/2 of 1% of the face amount of the Documentary Letter of Credit issued; provided, however, that in the case of the acceptance by the Agent of any time draft with respect to a Documentary Letter of Credit issued hereunder, the Borrower agrees to pay to the Agent an acceptance fee per annum based upon the amount of the Documentary Letter of Credit issued, which acceptance fee shall be calculated at a rate per annum for each day during the period from the acceptance of such draft through its maturity equal to the Applicable Margin with respect to the Euro-Rate in effect pursuant to Section 2.05(h) hereof at the time of the acceptance of any such time draft.

(d) Payments with Respect to Letters of Credit. As to each Letter of Credit:

(i) Reimbursement. Borrower shall reimburse the Agent, forthwith and otherwise in accordance with the terms of any related Application or reimbursement or other like agreement, for any payment made by the Agent under a Letter of Credit issued for the benefit of such entity. Any such reimbursement to the Agent shall be made absolutely and unconditionally and without any set-off, counterclaim or reduction and free and clear of any withholding or similar taxes other than any tax, levy, impost or duty based, in whole or in part, upon the income, revenues or operations of the Agent. Borrower shall pay to the Agent interest on any unreimbursed portion of each such payment made by the Agent from the date of such payment by the Agent until reimbursement in full therefor at a rate per annum equal to 2.0% above the rate applicable to the Base Rate Option from time to time.

(ii) Funding. If at any time the Agent honors a draft drawn under a Letter of Credit in accordance with the terms of such Letter of Credit and is not reimbursed therefor on the same Business Day, the Agent shall promptly notify each other Bank of such payment. Forthwith upon and not later than one Business Day after its receipt of such notice, each other Bank shall transfer to the Agent, in immediately available funds, an amount equal to such other Bank's Percentage Share of such payment. If any Bank shall fail to so transfer to the Agent its percentage of any unreimbursed payment made by the Agent on account of any Letter of Credit, such Bank shall pay to the Agent interest on its Percentage Share of such unreimbursed payment from the date of such Bank's receipt of such notice from the Agent until payment by such Bank of such Percentage Share in full at a rate per annum for each day equal to the Federal Funds Effective Rate for such day, such interest rate to change automatically from time to time effective as of the date of each change in the Federal Funds Effective Rate.

(e) Pro Rata Treatment of Payments. If at any time after the Agent has made a payment on account of any Letter of Credit and has received from any other Bank such Bank's Percentage of such payment, the Agent shall hold any reimbursement (in whole or in part) for such payment, any other amount received from the account party, Borrower or any other person in respect of such payment (including any payment of interest or fees, any payment under any guarantee of the obligations of the account party and any amount received by way of set-off, but excluding any funds received by the Agent from any other Bank pursuant to Section 2.02(c)(ii) hereof), any documents evidencing the right to reimbursement for such payment for the pro rata benefit of the Agent and any other Bank from whom the Agent has received such Bank's Percentage Share of such payment and shall forthwith transfer to such other Bank such other Bank's Percentage Share of such reimbursement or other amount; provided, however, that in the event that the receipt by the Agent of such reimbursement or other amount is found to have been a transfer in fraud of creditors or a preferential payment under the United States Bankruptcy Code or is otherwise required to be returned pursuant to a final order of a court of competent jurisdiction, such other Bank shall, upon demand therefor by the Agent, return to the Agent any portion thereof previously transferred by the Agent to such other Bank.

(f) Participating Interests in Letters of Credit. Subject to the terms and conditions and relying upon the representations and warranties herein set forth, effective as of the date hereof in the case of outstanding Letters of Credit and effective as of the date of issuance of other Letters of Credit, the Agent agrees to allot and does allot, and each Bank severally and irrevocably agrees to take and does take, such Bank's Percentage Share of each such Letter of Credit. Within five Business Days after the issuance of any Letter of Credit by the Agent under this Agreement, the Agent shall send to each Bank and to the Borrower a letter of credit summary substantially in the form of Exhibit D hereto.

Notwithstanding anything to the contrary contained herein, in any other Loan Document or in any document to be delivered in connection herewith or therewith, Borrower acknowledges and agrees that all rights of the Agent under any Application and any reimbursement or like agreement with respect to any Letter of Credit shall inure to the benefit of each Bank to the extent of its Percentage Share as fully as if such Bank was a party to such Application or such reimbursement or like agreement.

(g) Additional Understandings Regarding Letters of Credit. In order to induce the Agent to establish each Letter of Credit and to induce each other Bank to take its Percentage Share thereof:

(i) Borrower agrees that neither the Agent nor any other Bank shall be responsible or liable for, and the obligation of Borrower to reimburse the Agent for any payment made by the Agent under or in respect of any Letter of Credit shall not be affected by (A) the validity, enforceability or genuineness of any instrument or document (or any endorsement thereof) presented under such Letter of Credit which, upon examination by the Agent and in the absence of gross negligence or willful misconduct, appears on its face to be in accordance with the terms and conditions of such Letter of Credit, even if such instrument or document (or such endorsement) is proven to be invalid, unenforceable, fraudulent or forged, or (B) any dispute between Borrower and the beneficiary or beneficiaries under such Letter of Credit;

(ii) Borrower agrees that any action taken or omitted to be taken by the Agent in connection with any Letter of Credit, if taken or omitted to be taken in good faith and in the absence of gross negligence or willful misconduct, shall be binding upon Borrower and shall not create any liability for the Agent or any other Bank to the Borrower and agrees

that no other Bank shall be liable to the Borrower for any such action taken or omitted to be taken by the Agent in bad faith or constituting gross negligence or willful misconduct;

(iii) Borrower agrees that the provisions of each Application and each reimbursement or like agreement in respect of any Letter of Credit, including provisions providing for reimbursement to the Agent in the event of the imposition or implementation of, or increase in, any reserve, special deposit or similar requirement in respect of the Letter of Credit relating thereto, shall apply equally to each other Bank in respect of its Percentage Share in such Letter of Credit as fully as if such Bank was a party to such Application or reimbursement or like agreement;

(iv) Borrower agrees that (A)drawings under any Letter of Credit issued hereunder may be made only upon presentation of an appropriate sight draft or upon presentation of a time draft which requires payment at no later than 180 days, (B)no Letter of Credit will be issued hereunder at or after the Expiration Date and (C)no Letter of Credit will be issued hereunder which expires later than the Expiration Date, after giving effect to the foregoing provision for time drafts requiring payment not later than 180 days after the issuance thereof;

(v) Each Bank severally and not jointly agrees to reimburse the Agent for all expenses (including, without limitation, reasonable counsel fees and the expenses incurred by officers or employees of the Agent's assetbased lending division or credit recovery group) incurred by the Agent and not reimbursed by Borrower in enforcing the obligations and liabilities of Borrower under any Application or other reimbursement agreement relating to a Letter of Credit in accordance with such Bank's Percentage Share. Each Bank further severally and not jointly agrees to indemnify the Agent (to the extent not reimbursed by Borrower) against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including, without limitation, reasonable counsel fees and expenses incurred by officers or employees of the Agent's asset-based lending division or credit recovery group) or disbursements of any kind or nature whatsoever (A)which may at any time be imposed on, incurred by or asserted against the Agent in any way relating to any Letter of Credit or any action taken or omitted by the Agent under or in connection with any of the foregoing, and (B)which would not have been imposed on, incurred by or asserted against the Agent but for its having entered into any Application; provided, however, that the Banks shall in no event be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements resulting from the gross negligence or willful misconduct of the Agent. In determining whether to pay any drawing under a Letter of Credit, the Agent shall have no obligation to the Banks other than to confirm in good faith that any documents required to be delivered under such Letter of Credit appear to have been delivered in compliance and that they appear to comply on their face with the requirements of such Letter of Credit. The agreements in the three preceding sentences shall survive the termination of any Application or this Agreement; and

(vi) Each Bank by its execution hereof represents and warrants that its participation in Letters of Credit is without recourse to the Agent, that it expressly assumes all risk of loss in connection with its participation therein as if it had issued said Letters of Credit, that it has not relied upon any statement, information or representation furnished or made by the Agent and that it has made, and will continue to make, its own independent investigation, evaluation and analysis of Borrower. Except as otherwise expressly provided herein, the Agent has no duty or responsibility, either initially or on a continuing basis, to provide any Bank with any credit, financial or other information with respect to Borrower, whether coming into its possession prior to the issuance of any Letter of Credit or at any time thereafter.

Section 2.03. Making of Revolving Credit Loans. All Loans shall be made ratably from the Banks in proportion to their respective

Commitments; provided, however, that the failure of any Bank to make a Loan shall not relieve any other Bank of its obligation to lend hereunder. Whenever Borrower desires that the Banks make Loans (including Rollover Loans), Borrower shall give to the Agent at its Office at least three (3) Business Days' notice in the case of a EuroRate Loan, two (2) Business Days' notice in the case of a CD Rate Loan, and notice on the same Business Day in the case of a Base Rate Loan, of the date, which shall be a Business Day, on which such Loans are to be made. Each notice (a "Notice of Borrowing") required pursuant to this Section 2.03 shall be given no later than 11:00 a.m., Pittsburgh time, in the case of Base Rate Loans, or no later than 10:00 a.m., Pittsburgh time, in the case of CD Rate Loans or EuroRate Loans, on the last date permitted for such Notice of Borrowing, shall be signed by a Responsible Officer of Borrower, and shall state (a) the date on which the Loan is to be made, (b) the amount of the Loan, which shall be the sum of the principal amounts selected pursuant to subsection (c) of this Section 2.03 and, (c) the Interest Rate Option or Options selected in accordance with Section 2.05(a) hereof and the principal amounts of Portions selected in accordance with Section 2.05(c) hereof and, in the case of a EuroRate Portion or a CD Rate Portion, the EuroRate Funding Period or CD Rate Funding Period, as the case may be. Each Notice of Borrowing shall be irrevocable and shall be written, telecopied, by telephone confirmed in writing or by electronic request. The rights and obligations of the parties set forth in this Agreement, including without limitation all representations, warranties and covenants, shall not be affected by the medium chosen by Borrower to make a Loan request, except that Borrower assumes all liability for any and all losses, liabilities, obligations, costs or damages ("Losses") arising from the chosen medium, including without limitation, in the case of electronic Loan requests, any Losses arising from transmission errors, delayed transmissions, transmissions not received or unauthorized transmissions. The Agent shall promptly give telecopied or telexed notice or telephoned notice confirmed in writing to each Bank of its Percentage Share and the date of such borrowings. On the date specified in such Notice of Borrowing, each Bank shall make the proceeds of its Loan available at the Office of the Agent, no later than 12:00 noon, Pittsburgh time, in immediately available funds, and upon fulfillment of all applicable conditions set forth herein (and against delivery to the Agent of an appropriate Note for the initial Loans, with payment schedules attached thereto, for each Bank, payable to the order of such Bank as provided in Section 2.04 hereof), the Agent shall pay or deliver the proceeds of the borrowing to or upon the order of Borrower. Upon making the initial Loans, the Agent shall deliver each such Note to or upon the order of the Bank to, which it is payable.

Section 2.04. Notes. The obligations of Borrower to repay the aggregate unpaid principal amount of the Loans made by the Banks shall be evidenced by three amended and restated promissory notes of Borrower payable to the respective Banks in the aggregate amount of each Bank's Commitment, dated the date of this Agreement (hereinafter called a "Note" or the "Notes") in substantially the form attached hereto as Exhibit A with the blanks appropriately filled, payable at the Office of the Agent to the order of each Bank in a face amount equal to each Bank's initial Commitment, and bearing interest as provided in Section 2.05 hereof and in said form of Note, and maturing as provided in said form of Note. Each Note of Borrower payable to each Bank shall be dated, and shall be delivered to the Agent on behalf of such Bank, on or prior to the date of the initial Loans to Borrower hereunder. Each holder shall, and is hereby authorized by Borrower to, endorse on the schedule annexed to its Note an appropriate notation evidencing the date and amount of each Loan made by such Bank as well as the date and amount of each payment by Borrower with respect thereto; provided, however, that the failure to make any such notation shall not limit or otherwise affect the obligations of Borrower under any such Note.

#### Section 2.05. Interest Rates.

(a) Interest Rate Options. Borrower agrees to pay interest upon the unpaid principal balance of the Loans disbursed and outstanding from time to time on a basis selected by Borrower from one of the three interest rate options set forth below (each an "Interest Rate Option" and, collectively, the "Interest Rate Options"), it being understood that subject to the provisions of this Agreement, Borrower may select any number of such Interest Rate Options to apply simultaneously to different parts of a Loan and may select any number of different Funding Segments to apply simultaneously to different parts of the EuroRate Portion of a Loan:

(i) Base Rate Option. Interest shall accrue on Base Rate Loans at a rate per annum for each day equal to the Base Rate for such day plus the Applicable Margin for such day.

Loans accruing interest pursuant to the Base Rate Option shall be referred to herein as "Base Rate Portions". The rate of interest on Base Rate Portions shall be calculated on the basis of a year of 365 or 366 days, as the case may be, and shall change automatically from time

to time effective on and as of the effective date of each change in the Base Rate. The Agent shall promptly notify the Borrower and each Bank of any such change in the Base Rate and the effective date thereof; however, any failure of the Agent to so notify shall not relieve the Borrower of its obligations hereunder or under the Notes.

(ii) CD Rate Option. Interest shall accrue on CD Rate Loans at a rate per annum (based on a year of 360 days and actual days elapsed) for each day at a rate equal to the CD Rate plus the Applicable Margin for such day.

"CD Rate" for any day, as used herein, shall mean for each Funding Segment of the CD Rate Portion corresponding to a proposed or existing CD Rate Funding Period the rate per annum determined by the Agent by adding:

(A) the rate per annum obtained by dividing (the resulting quotient to be rounded upward to the nearest 1/100 of 1%) (1) the rate of interest (which shall be the same for each day in such CD Rate Funding Period) determined in good faith by the Agent in accordance with its usual procedures (which determination shall be conclusive absent manifest error) to be the average of the secondary market bid rates at or about 11:00 a.m., Pittsburgh time, on the first day of such CD Rate Funding Period by dealers of recognized standing in negotiable certificates of deposit for the purchase at face value of negotiable certificates of deposit of the Agent for delivery on such day in amounts comparable to such Funding Segment and having maturities comparable to such CD Rate Funding Period by (2) a number equal to 1.00 minus the CD Rate Reserve Percentage; and

(B) the Assessment Rate.

The "CD Rate" described in this Section 2.05(a)(ii) may also be expressed by the following formula:

$$\text{CD Rate} = \frac{\text{[average of the secondary market]}}{\text{[bid rates determined by the Agent]}} \times \text{[per subsection (ii)(A)(1) of this Section 2.05(a)]} + \text{AssessmentRate} \times \text{[1.00 - CD Rate Reserve Percentage]}$$

The "CD Rate Reserve Percentage" for any day is the maximum effective percentage (expressed as a decimal, rounded upward to the nearest 1/100 of 1%), as determined in good faith by the Agent (which determination shall be conclusive absent manifest error), which is in effect on such day as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including without limitation supplemental, marginal and emergency reserve requirements) for a member bank of such system in respect of nonpersonal time deposits in Dollars in the United States. The CD Rate shall be adjusted automatically as of the effective date of each change in the CD Rate Reserve Percentage.

The "Assessment Rate" for any day is the rate per annum (rounded upward to the nearest 1/100 of 1%) determined in good faith by the Agent in accordance with its usual procedures (which determination shall be conclusive absent manifest error) to be the maximum effective assessment rate per annum payable by a bank insured by the Federal Deposit Insurance Corporation (or any successor) for such day for insurance on Dollar time deposits, exclusive of any credit allowed against such annual assessment on account of assessment payments made or to be made by such bank. The CD Rate shall be adjusted automatically as of the effective date of each change in the Assessment Rate.

The Agent shall give prompt notice to Borrower of the CD Rate so determined or adjusted, which determination or adjustment shall be conclusive if made in good faith and absent manifest error.

(iii) EuroRate Option. Interest shall accrue on EuroRate Loans at a rate per annum (based on a year of 360 days and actual days elapsed) for each day at a rate equal to the Euro-Rate plus the Applicable Margin for such day.

"EuroRate" as used herein shall mean, for each Funding Segment of a proposed or existing EuroRate Portion of the Loans corresponding to a proposed or existing EuroRate Funding Period, the rate per annum obtained by dividing (the resulting quotient to be rounded upward to the nearest 1/100 of 1%) (A) the rate per annum (which shall be the same for each day in such EuroRate Funding Period)

determined in good faith by the Agent in accordance with its usual procedures (which determination shall be conclusive absent manifest error) to be the average of the rates per annum for deposits in Dollars offered to the Agent in the London interbank market at approximately 11:00 a.m., London time, two (2) Business Days prior to the first day of such EuroRate Funding Period for delivery on the first day of such EuroRate Funding Period in amounts comparable to such Funding Segment and having maturities comparable to such EuroRate Funding Period by (B)a number equal to 1.00 minus the EuroRate Reserve Percentage.

The "EuroRate" may also be expressed by the following formula:

$$\text{EuroRate} = \frac{\text{[(iii) of this Section 2.05(a)]} \times \text{[average of the rates offered to the Agent estimated by the Agent per subsection of this Section 2.05(a)]}}{\text{[1.00 - EuroRate Reserve Percentage]}}$$

The "EuroRate Reserve Percentage" for any EuroRate Funding Period for each Bank's EuroRate Loan applicable to such EuroRate Funding Period bearing interest as provided in this Section 2.05(a)(iii) is that percentage which is specified on the first day of such EuroRate Funding Period in Regulation D of the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement with respect to Eurocurrency Liabilities (as defined in such Regulation D), but only to the extent demonstrated to have been actually incurred by such Bank, such Bank's determination thereof to be conclusive in the absence of manifest error.

The Agent shall give prompt notice to Borrower of the EuroRate so determined, which determination shall be conclusive if made in good faith and absent manifest error.

(b) Funding Periods. At any time when the Borrower shall select, convert to or renew the CD Rate Option, EuroRate Option or Base Rate Option to apply to any part of the Loans, Borrower shall fix one or more periods during which such Option shall apply, such periods (the "Funding Periods") being set forth in the chart below:

Interest Rate Option	Available Funding Periods
CD Rate Option	30, 60 or 90 days or other period as agreed to among Borrower, the Agent and the Banks ("CD Rate Funding Period")
EuroRate	Option One, two, three or six month or other period as agreed to among Borrower, the Agent and the Banks ("EuroRate Funding Period")
Base Rate Option	One (1) day

The selection of Funding Periods shall be subject to the following limitations:

(i) Each CD Rate Funding Period which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day.

(ii) The initial EuroRate Funding Period for any EuroRate Portion shall begin on the day the EuroRate Portion is made (including the day of any conversion from another Interest Rate Option to a EuroRate Portion) and each renewed EuroRate Funding Period thereafter in respect of such EuroRate Portion shall begin on the day upon which the next preceding EuroRate Funding Period expires. Interest payable with respect to any EuroRate Funding Period shall include the first day, but not the last day, of such Funding Period, provided that (to the extent not repaid on such last day) interest under another Interest Rate Option is accruing on and after the last day on the Funding Segment in respect of which a EuroRate Funding Period is terminating.

(iii) If any EuroRate Funding Period would otherwise end on a day which is not a Business Day, such EuroRate Funding Period shall expire on the next succeeding Business Day unless such next succeeding Business Day falls in another calendar month, in which case such EuroRate Funding Period shall end on the next preceding Business Day.

(iv) Borrower may not fix a Funding Period that would end after the Expiration Date.

Each Loan made hereunder shall mature, and the principal amount thereof shall become due and payable, on the last day of each CD Rate Funding Period, EuroRate Funding Period or Base Rate Funding Period (each such date being referred to herein as a "Funding Period Maturity Date") for such Loan.

(c) Transactional Amounts. Every selection of, conversion from, conversion to or renewal of an Interest Rate Option and every payment in respect of the Loans (other than a payment in full) shall be in a principal amount such that after giving effect thereto the principal amount of each Portion of the Loans or of each Funding Segment of such Portion of the Loans, as the case may be, shall be as set forth in the table below:

Portion or Funding Segment	Allowable Principal Amounts
Base Rate Portion	\$100,000 minimum;
Each Funding Segment of the CD Rate Portion	\$1,000,000 or an integral multiple thereof; and
Each Funding Segment of the EuroRate Portion	\$1,000,000 or an integral multiple thereof.

If: (d) CD Rate or EuroRate Unascertainable; Impracticability

(i) on any date on which a CD Rate or a EuroRate would otherwise be set a Bank shall have in good faith determined (which good faith determination shall be conclusive) that:

(A) adequate and reasonable means do not exist for ascertaining such CD Rate or EuroRate, or

(B) a contingency has occurred which materially and adversely affects the secondary market for negotiable certificates of deposit maintained by dealers of recognized standing or the interbank eurodollar market, as the case may be, or

(C) the effective cost to such Bank of funding a proposed Funding Segment of a CD Rate Portion or a EuroRate Portion of the Loans from a Corresponding Source of Funds shall exceed the CD Rate or the EuroRate, as the case may be, applicable to such Funding Segment, or

(ii) at any time a Bank shall have determined in good faith (which good faith determination shall be conclusive) that the making, maintenance or funding of any part of a CD Rate Portion or a EuroRate Portion of the Loans has been made impracticable or unlawful by (A) the occurrence of a contingency which materially and adversely affects the interbank eurodollar market, or (B) compliance by such Bank or a Notional EuroRate Funding Office in good faith with any Law or guideline or interpretation or administration thereof by any Official Body charged with the interpretation or administration thereof or with any request or directive of any such Official Body (whether or not having the force of Law);

then, and in any such event, such Bank (a "Terminating Bank") may notify Borrower and the Agent of such determination. Upon such date as shall be specified in such notice (which shall not be earlier than the date such notice is given) the obligation of the Terminating Bank to allow Borrower to select, convert to or renew the CD Rate Option or the EuroRate Option, as the case may be, shall be suspended until the Terminating Bank shall have later notified Borrower of the Terminating Bank's determination in good faith (which good faith determination shall be conclusive) that the circumstances giving rise to such previous determination no longer exist.

If the Terminating Bank notifies Borrower of a determination under this Section 2.05(d) with respect to the maintenance of any part of the CD Rate Portion or the EuroRate Portion of the Loans, as the case may be, Borrower shall, as to such part of the CD Rate Portion or the EuroRate Portion of the Loans, as the case may be, on the date specified in such notice either convert such Portion of the Loans to the Base Rate Option in accordance with Section



2.05(e) hereof or prepay such Portion of the Loans in accordance with Section 2.06 hereof. Absent due notice from Borrower of conversion or prepayment the CD Rate Portion or the EuroRate Portion of the Loans, as the case may be, shall automatically be converted to the Base Rate Option upon such specified date.

If at the time the Terminating Bank makes a determination under this Section 2.05(d) Borrower has previously notified the Agent that Borrower wishes to select, convert to or renew the CD Rate Option or the EuroRate Option, as the case may be, but such Option has not yet gone into effect, such notification shall be deemed to provide for selection, conversion to or renewal of the Base Rate Option instead of the CD Rate Option or EuroRate Option, as the case may be.

(e) Conversion or Renewal. Subject to the provisions of Sections 2.05(c) and (d) hereof Borrower may convert any part of the Loans from any Interest Rate Option or Options to one or more different Interest Rate Options and may renew the CD Rate Option or the EuroRate Option as to any Funding Segment of a CD Rate Portion or a EuroRate Portion of the Loans:

(i) at any time with respect to conversion from the Base Rate Option;

(ii) at the expiration of any Funding Period with respect to conversions from or renewals of the CD Rate Option or EuroRate Option, as the case may be, as to the Funding Segment corresponding to such expiring Funding Period; or

(iii) on the date specified in a notice by a Terminating Bank pursuant to Section 2.05(d) hereof with respect to conversions from the CD Rate Option or EuroRate Option, as the case may be.

Whenever Borrower desires to convert or renew any Interest Rate Option or Options, Borrower shall provide to the Agent at its Office a notice (a "Notice of Conversion" or "Notice of Renewal," respectively) setting forth the following information:

(iv) the date, which shall be a Business Day (not earlier than the second Business Day after such notice is given, in the case of a conversion to or renewal of a EuroRate Option), on which the proposed conversion or renewal is to be made;

(v) the principal amounts selected in accordance with Section 2.05(c) hereof of the Base Rate Portion, and each Funding Segment of the CD Rate Portion or EuroRate Portion of the Loans, as the case may be, to be converted from or renewed;

(vi) the Interest Rate Option or Options selected in accordance with Section 2.05(a) hereof and the principal amounts selected in accordance with Section 2.05(c) of the Base Rate Portion, and each Funding Segment of the CD Rate Portion or EuroRate Portion of the Loans, as the case may be, to be converted to or renewed; and

(vii) with respect to each Funding Segment of a Loan to be converted to or renewed, the Funding Period selected in accordance with Section 2.05(b) hereof to apply to such Funding Segment.

Notice of Conversion or Notice of Renewal having been so provided, after the date specified in such Notice interest shall be calculated upon the principal amount of the Loans as so converted or renewed. Interest on the principal amount of any part of the Loans required to be converted or renewed (automatically or otherwise) shall be due and payable on the conversion or renewal date.

(f) Failure to Convert or Renew. Absent due notice from Borrower of conversion or renewal in the circumstances described in Section 2.05(e) hereof, any part of the CD Rate Portion or EuroRate Portion of the Loans for which such notice is not received automatically shall be converted to the Base Rate Option on the last day of the expiring Funding Period. Any part of the Base Rate Portion of the Loans which is outstanding on the applicable Funding Period Maturity Date shall be renewed automatically under the Base Rate Option on the last day of the expiring Funding Period.

(g) Effect of Funding Periods on Loan Maturities. Without limiting the effects of Article VI hereof, each Loan hereunder shall mature and the principal amount thereof shall become due and payable on the applicable Funding Period Maturity Date. On each day on which a Loan so matures, Borrower may request that a Rollover Loan be made in the same principal amount by

exercising its rights to convert or renew the applicable Interest Rate Option under Section 2.05(e) hereof for such principal amount; provided, however, that (i) the making of each such Rollover Loan shall be subject to the conditions set forth in Section 4.02 hereof, and (ii) the proceeds of each Rollover Loan shall simultaneously and automatically be applied on the applicable Funding Period Maturity Date to the payment of the principal of such Loan maturing on such Funding Period Maturity Date.

(h) Changes in Interest Rates; Consolidated Total Indebtedness to EBITDA Ratio. The Applicable Margin for any day and for each type of Loan shall be determined with reference to the Consolidated Total Indebtedness to EBITDA Ratio for the period of four consecutive fiscal quarters most recently completed prior to such day, as follows:

Consolidated Total Indebtedness to EBITDA Ratio (X)	Applicable Margin		
	Base Rate	CD Rate	Euro-Rate
X > 4.25	0.125	1.375%	1.375%
3.75 < X < 4.25	0		1.15%
3.25 < X < 3.75	0		0.90%
2.75 < X < 3.25	0		0.70%
2.00 < X < 2.75	0		0.50%
1.25 < X < 2.00	0		0.425%
X < 1.25	0		0.35%

Borrower shall provide evidence of the Consolidated Total Indebtedness to EBITDA Ratio to the Agent and the Banks within twenty days of the end of each fiscal quarter.

Section 2.06. Prepayment of Loans. Subject to the provisions of Section 2.08(b) hereof, Borrower shall have the right at Borrower's option from time to time to pay the Loans in whole or part:

(a) with respect to any part of the Base Rate Portion, at any time without premium or penalty; provided, however, that the minimum prepayment amount with respect to payment of a Base Rate Portion shall be \$100,000;

(b) with respect to payment of any Funding Segment of the CD Rate Portion or the Euro-Rate Portion of the Loans:

(i) at the expiration of any CD Rate Funding Period or Euro-Rate Funding Period without premium or penalty;

(ii) on the date specified in a notice by a Terminating Bank pursuant to Section 2.05(d) hereof, with respect to any part of the CD Rate Portion or the Euro-Rate Portion, without premium or penalty; or

(iii) at any time prior to the expiration of any CD Rate Funding Period or any Euro-Rate Funding Period, as the case may be, by giving not less than five(5) Business Days' prior telecopied or telexed notice or telephone notice confirmed in writing to such effect to the Agent; provided, however, that in such event the Borrower shall forthwith pay to the Agent for the ratable account of the Banks an amount equal to the sum of any costs, expenses and lost profits incurred by any of the Banks as a result of such voluntary prepayment, as determined in the sole discretion of the Banks;

provided, however, that the minimum prepayment amount with respect to payment or prepayment of the Funding Segment of the CD Rate Portion or the Euro-Rate Portion shall be \$1,000,000 and any prepayment amounts in excess of \$1,000,000 shall be integral multiples of \$500,000.

Section 2.07. Payments.

(a) Interest Payment Dates. Interest on the Loans shall be due and payable monthly in arrears on the first day of each month and on the Expiration Date. After maturity of any part of the Loans by demand or otherwise, interest on such part of the Loans shall be due and payable on demand.

(b) Principal Payment Dates. Loans shall be due and payable on the Expiration Date without demand or, after the occurrence of an Event of Default, immediately upon demand made by the Agent and the Banks at any time under Section 6.02(a) hereof or automatically under Section 6.02(b) hereof, as the case may be.

(c) Place, Time and Amounts. All payments to be made in respect of principal, interest, Facility Fees, Administrative Fee, or other charges or amounts due from the Borrower hereunder shall be payable at the Agent's Office at 12:00 Noon, Pittsburgh time, on the day when due without

presentment, demand, protest or notice of any kind, all of which are hereby expressly waived, and an action therefor shall immediately accrue. Such payments shall be, made to the Agent in Dollars in immediately available funds without setoff, counterclaim or other deduction of any nature. After the principal amount of any part of the Base Rate Portion of the Loans shall have become due (by acceleration or by maturity at the Expiration Date, but excluding Funding Period Maturity Dates), such amounts shall bear interest for each day until paid (before and after judgment), payable on demand, at a rate per annum (based on a year of 365 or 366 days, as the case may be) equal to two percent (2%) above the rate applicable to the Base Rate Option, such interest rate to change automatically from time to time effective on and as of the effective date of each change in the Prime Rate. After the principal amount of any part of the CD Rate Portion or the EuroRate Portion of the Loans shall have become due (by acceleration or by maturity at the Expiration Date, but excluding Funding Period Maturity Dates), such amounts shall bear interest for each day until paid (before and after judgment), payable on demand, (i) until the end of the applicable then current Funding Period at a rate per annum equal to two percent (2%) above the rate otherwise applicable to such amounts and (ii) thereafter in accordance with the immediately preceding sentence. All payments to the Agent shall be made in the amount due, absolutely free, clear and net of any charges, taxes or other amounts withheld. -240

Section 2.08. Additional Compensation in Certain

Circumstances.

(a) Compensation for Taxes, Reserves and Expenses on Outstanding Loans. If any Law or guideline or interpretation or application thereof by any Official Body charged with the interpretation or administration thereof or compliance with any request or directive of any central bank or other Official Body (whether or not having the force of Law):

(i) subjects any Bank (including the Agent) or any Notional EuroRate Funding Office to any tax, or changes the basis of taxation with respect to this Agreement, the Notes, the Loans, or payments by Borrower of principal, interest or other amounts due from Borrower hereunder or under the Notes (except for taxes on the overall net income of such Bank or such Notional EuroRate Funding Office imposed by the jurisdiction in which such Bank's principal executive office or Notional EuroRate Funding Office is located);

(ii) imposes, modifies or deems applicable any reserve, special deposit or similar requirement against assets held by, credit extended by, deposits with or for the account of, or other acquisition of funds by, any Bank or any Notional EuroRate Funding Office (other than requirements expressly included herein in the determination of the CD Rate or EuroRate, as the case may be, hereunder); or

(iii) imposes upon any Bank or any Notional EuroRate Funding Office any other condition or expense with respect to this Agreement, the Notes, the Commitment, or its making, maintenance or funding of any part of the Loans, including, without limitation, any capital adequacy or similar requirement;

and the result of any of the foregoing is to increase the cost to, reduce the income receivable by, or impose any expense upon any Bank or any Notional EuroRate Funding Office with respect to this Agreement, the Notes, or the making, maintenance or funding of any part of the Loans by an amount which any Bank deems to be material (such Bank being deemed for this purpose to have made, maintained or funded each Funding Segment of the CD Rate Portion and the EuroRate Portion of the Loans from a Corresponding Source of Funds), such Bank shall from time to time notify Borrower of the amount determined in good faith (using any averaging and attribution methods employed in good faith) by such Bank (which determination shall be conclusive) to be necessary to compensate such Bank or such Notional EuroRate Funding Office for such increase in cost, reduction in income or additional expense. Such amount shall be due and payable by Borrower to such Bank ten (10) Business Days after such notice is given. Such notice shall be given to the Borrower within a reasonable time following such Bank's determination of the amount owed.

(b) Indemnity. In addition to the compensation required by Section 2.08(a) hereof, Borrower shall indemnify the Banks against any loss or expense (including loss of margin) which any Bank has sustained or incurred as a consequence of any:

(i) payment, prepayment or conversion (other than a prepayment or conversion made pursuant to Section 2.05(d) hereof) of any part of any Funding Segment of the CD Rate Portion or the EuroRate Portion of the Loans on a day other than the last day of the corresponding Funding Period (whether

or not such payment, prepayment or conversion is mandatory or automatic and whether or not such payment or prepayment is then due);

(ii) attempt by Borrower to revoke (expressly, by later inconsistent notices or otherwise) in whole or part any notice stated herein to be irrevocable (any Bank having in its sole discretion the option (A) to give effect to such attempted revocation and obtain indemnity under this Section 2.08(b) or (B) to treat such attempted revocation as having no force or effect, as if never made); or

(iii) default by Borrower in the performance or observance of any covenant or condition contained in this Agreement or the Notes or any other Loan Document, including without limitation any failure of Borrower to pay when due (by acceleration or otherwise) any principal, interest or any other amount due hereunder or under the Notes or any other Loan Document.

If any Bank sustains or incurs any such loss or expense it shall from time to time notify Borrower of the amount determined in good faith by such Bank (which determination shall be conclusive absent manifest error) to be necessary to indemnify such Bank for such loss or expense (such Bank being deemed for this purpose to have made, maintained or funded each Funding Segment of the CD Rate Portion and the EuroRate Portion from a Corresponding Source of Funds). Such amount shall be due and payable by Borrower to such Bank ten (10) Business Days after such notice is given. Such notice shall be given to Borrower within a reasonable time following such Bank's determination of the amount owed.

#### Section 2.09. Funding by Branch, Subsidiary or Affiliate.

(a) Notional Funding. Any Bank shall have the right from time to time, prospectively or retrospectively, without notice to Borrower, to deem any branch, subsidiary or affiliate of such Bank to have made, maintained or funded any part of the EuroRate Portion of the Loans at any time. Any branch, subsidiary or affiliate so deemed shall be known as a "Notional EuroRate Funding Office." Any Bank shall deem any part of the EuroRate Portion of the Loans or the funding therefor to have been transferred to a different Notional EuroRate Funding Office if such transfer would avoid or cure an event or condition described in Section 2.05(e) hereof or would lessen any compensation or indemnity payable to such Bank under Section 2.08 hereof, and if such Bank determines in its sole discretion that such transfer would be practicable and would not have a material adverse effect on such part of the Loans, such Bank or any Notional EuroRate Funding Office (it being assumed for purposes of such determination that each part of the EuroRate Portion of the Loans is actually made or maintained by or funded through the corresponding Notional EuroRate Funding Office). Notional EuroRate Funding Offices may be selected by each Bank without regard to such Bank's actual methods of making, maintaining or funding the Loans or any sources of funding actually used by or available to such Bank.

(b) Actual Funding. Any Bank shall have the right from time to time to make or maintain any part of the EuroRate Portion of the Loans by arranging for a branch, subsidiary or affiliate of such Bank to make or maintain such part of the EuroRate Portion of the Loans. Any Bank shall have the right to (i) hold any applicable Note payable to its order for the benefit and account of such branch, subsidiary or affiliate or (ii) request Borrower to issue one or more promissory notes in the principal amount of such part of the EuroRate Portion of the Loans in substantially the form attached hereto as Exhibit A, with the blanks appropriately filled, payable to such branch, subsidiary or affiliate and with appropriate changes reflecting that the holder thereof is not obligated to make any additional Loans to Borrower. Borrower agrees to comply promptly with any request under subsection (ii) of this Section 2.09(b). If any Bank causes a branch, subsidiary or affiliate to make or maintain any part of the Loans hereunder, all terms and conditions of this Agreement shall, except where the context clearly requires otherwise, be applicable to such part of the Loans and to any note payable to the order of such branch, subsidiary or affiliate to the same extent as if such part of the EuroRate Portion of the Loans were made or maintained by such Bank and such note were a Note payable to such Bank's order.

#### Section 2.10. Fees; Termination or Reduction of Commitments.

##### (a) Fees.

(i) Amendment Fee. Borrower agrees to pay to the Agent, for the account of each Bank in accordance with such Bank's Percentage Share, as consideration for each Bank's agreement to extend the Expiration Date of the Amended and Restated Loan Agreement a fee payable on the date of the execution and delivery of this Second Amended and Restated Loan Agreement

equal to 0.125% of the aggregate Commitments of the Banks hereunder.

(ii) Facility Fees. Borrower agrees to pay to the Agent, for the account of each Bank in accordance with such Bank's Percentage Share, as consideration for each Bank's Commitment hereunder, for each day during the period from the date hereof through and including the Expiration Date, fees (the "Facility Fees"), payable quarterly in arrears on the last day of each fiscal quarter, on the average daily amount of the sum of the Banks' Commitments (whether borrowed or unborrowed) at a rate per annum (based on a year of 365 or 366 days, as the case may be) determined with reference to the Consolidated Total Indebtedness to EBITDA Ratio for the period of four consecutive fiscal quarters most recently completed prior to such day, as follows: :

Consolidated Total Indebtedness to EBITDA Ratio (X)	Fee Rate
X > 4.25	.50%
3.75 < X < 4.25	.40%
3.25 < X < 3.75	.35%
2.75 < X < 3.25	0.30%
2.00 < X < 2.75	0.25%
1.25 < X < 2.00	0.20%
X < 1.25	0.175%

(iii) Administration Fee. As a consideration for the Agent's administration of the credit facility contemplated by this Agreement, Borrower agrees to pay to the Agent for the Agent's own account an administration fee (the "Administration Fee") in an amount, and at such times, as set forth in a letter from Agent to Borrower dated on or about the date of this Agreement.

(b) Reduction/Termination of Commitments. Borrower may at any time or from time to time terminate in whole or reduce ratably the Commitments of the Banks hereunder to an amount not less than the aggregate principal amount of the Loans then outstanding, by giving not less than five (5) Business Days' prior telecopied or telexed notice or telephoned notice confirmed in writing to such effect to the Agent, provided that any such reduction shall be in the aggregate amount of \$1,000,000 or an integral multiple thereof. After each such termination or reduction, the Facility Fees payable hereunder shall be calculated upon the Commitments of the Banks as so reduced. Facility Fees shall be paid quarterly on the last day of each fiscal quarter after the date hereof to and including the Expiration Date of the Commitments and on the date of each termination or reduction of the Banks' Commitments on the amount so terminated or reduced, for the preceding period for which such fee has not been paid.

#### Section 2.11. Extension of Expiration Date.

(a) Request for Extension. Not more than 120 days, but not later than the date 60 days, prior to the third Anniversary Date, Borrower may, at its option, in a written notice to the Agent request (an "Extension Request") that the Expiration Date be extended for a period of one year. The Agent shall promptly inform the Banks of such Extension Request. Each Bank that agrees with such Extension Request shall deliver to Agent its express written consent hereto no later than 30 days prior to such Anniversary Date. Each Bank shall have the right to withhold such consent in its sole discretion, and such consent may be withheld regardless of whether any prior consent to any extension has been given by any Bank.

(b) Extension. If all of the Banks shall have consented to any such Extension Request, Agent shall so notify Borrower and then as of 5:00 p.m. Pittsburgh time, on the date which is 1 day prior to such Anniversary Date the Expiration Date shall be deemed to have been extended for, and shall be the date, one year after the then effective Expiration Date.

(c) Additional Extension. The foregoing procedure may be followed with respect to additional one-year extensions requested by Borrower not more than 120 days, but not later than the date 60 days, prior to each successive Anniversary Date after the third Anniversary Date; provided that, in each case, any Extension Request made by the Borrower shall be subject to the consent of all of the Banks, which consent may be withheld by any Bank in its sole discretion, and which consent may be withheld regardless of whether any prior consent to any extension has been given by any Bank.

## ARTICLE III

### REPRESENTATIONS AND WARRANTIES

Borrower, in addition to its other representations and warranties contained herein or made pursuant hereto, hereby represents and warrants to the Agent and each of the Banks that:

Section 3.01. Organization and Qualification. The Borrower and each Guarantor is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation, and duly qualified to do business as a foreign corporation and in good standing in each jurisdiction in which the nature of the Borrower's and each Guarantor's activities or ownership (or leasing) of property, or both makes such qualification or licensing necessary and where the failure to be so qualified or licensed would have a material adverse effect on the financial condition or business of Borrower or any Guarantor (as the case may be).

Section 3.02. Power and Authority. Borrower and each Guarantor has corporate power and authority to make and carry out this Agreement and the Loan Documents to which Borrower and any Guarantor are a party, and that Borrower has the corporate power and authority to make the borrowings provided for herein, and to perform its obligations hereunder and under the other Loan Documents and under the Notes; and all such action has been duly authorized by all necessary corporate proceedings on the part of the Borrower and each Guarantor. Borrower and each Subsidiary have all requisite corporate power and authority to own and operate their respective properties and to carry out their respective businesses as now conducted and as presently contemplated to be conducted.

Section 3.03. Financial Statements. Borrower has furnished to each Bank copies of its 1997 audited consolidated financial statements of Borrower and its Consolidated Subsidiaries for the fiscal year ended December 31, 1997. The consolidated financial statements fairly present the financial position of Borrower and its Consolidated Subsidiaries and the results of their operations and the changes in financial position for the periods then ended, in conformity with GAAP.

Section 3.04. Litigation or Proceedings; Commitments and Contingencies.

(a) There is no litigation or governmental proceeding by or against Borrower or any Subsidiary pending or, to the knowledge of Borrower, threatened which, in the opinion of Borrower, involves any substantial risk of any material adverse effect on the financial condition or business of the total enterprise represented by Borrower and its Subsidiaries on a consolidated basis. As of the date of this Agreement, Borrower and its Subsidiaries are parties to the pending litigation or governmental investigations or proceedings, involving exposure to possible loss individually in the amount of \$500,000 or more, identified in the Schedule of Litigation attached hereto as Schedule 3.04.

(b) Neither Borrower nor any of its Subsidiaries has any known contingent liabilities which, in the opinion of Borrower, could have a material adverse effect on the financial condition or business represented by Borrower and its Subsidiaries on a consolidated basis which are not referred to (i) in the financial statements referred to in Section 3.03 hereof, (ii) in the notes thereto, or (iii) in Section 5.02(d) hereof.

Section 3.05. Material Adverse Change. Since December 31, 1997, there has been no material adverse change in the business, assets or financial condition of the total enterprise represented by Borrower and its Subsidiaries on a consolidated basis.

Section 3.06. Title to Properties.

(a) Borrower and each Guarantor have and will have good and marketable title to all material properties, assets and other rights which they purport to own, or which are reflected in their books and records other than leasehold property, free and clear of all Liens (except those permitted by Section 5.02(c) hereof and those which are not material to the business or financial condition of Borrower or such Guarantor (as the case may be)).

(b) Borrower and each Guarantor have good and marketable title to all Eligible Accounts and all Eligible Inventory, free and clear of all Liens except Liens permitted under clause (1), (2), (4) or (6) of Section 5.02(c) hereof.

(c) All information set forth in the financial statements, other documents and reports furnished by Borrower to the Agent or the Banks from

time to time is true, correct and complete and is expressly incorporated herein by this reference.

(d) On each occasion on which Borrower evidences to the Agent the balances on and the nature and extent of those accounts in which Borrower or any Guarantor has rights, Borrower shall be deemed to have warranted, to the best of its knowledge after due inquiry in accordance with established credit and accounting policies, that (i) every account so evidenced is valid and enforceable without performance by any person of any other act, (ii) the balances so evidenced are in fact owing to Borrower and (iii) there are no setoffs, counterclaims or defenses against any such account.

Section 3.07. No Conflict with Other Documents; Authorizations and Approvals. Neither the execution and delivery of this Agreement or any of the other Loan Documents, the consummation of the transactions herein and therein contemplated nor compliance with the terms and provisions hereof or thereof will conflict with or result in a breach of any of the terms, conditions or provisions of the articles or by-laws of Borrower or any Guarantor or of any law or of any regulation, order, writ, injunction or decree of any court or governmental instrumentality or of any material agreement or instrument to which Borrower or any of its Subsidiaries (including without limitation any Guarantor) is a party or by which it is bound or to which it is subject, or constitute a default thereunder or result in the creation or imposition of any security interest, Lien, charge or encumbrance of any nature whatsoever upon any of the material properties of Borrower or of any of its Subsidiaries pursuant to the terms of any such agreement or instrument. No approval, authorization or other action by any governmental authority or any other person, firm or corporation is required to be obtained by Borrower or any of its Subsidiaries in connection with the execution, delivery and performance of this Agreement, the other Loan Documents, or any other agreement between or among any or all of the Banks and Borrower or any of its Subsidiaries or the transactions contemplated hereby or thereby, or the making of any borrowing by Borrower hereunder.

Section 3.08. Tax Returns. The Borrower and each Guarantor has filed all Federal tax returns which are required to be filed and all other tax returns which are required to be filed (except for tax returns for which an unexpired extension has been granted by the appropriate Official Body) and has paid, or made adequate provision for the payment of, all taxes which have or may become due pursuant to said returns or to assessments received. All Federal tax returns of the Borrower through the fiscal years ended on December 31, 1992 have been audited by the Internal Revenue Service or are not subject to such audit by virtue of the expiration of the applicable period of limitations and the results of such audits are fully reflected in the most recent balance sheet referred to in Section 3.03 hereof. The Borrower knows of no material additional assessment since said date for which adequate reserves appearing in the said balance sheet have not been established. The Borrower and each Guarantor have made adequate provision for all current taxes, and in the opinion of the Borrower there will not be any material additional assessments for any fiscal periods prior to and including that which ended December 31, 1988 in excess of the amounts reserved therefor in such balance sheet.

Section 3.09. Validity and Binding Effect. This Agreement has been duly and validly executed and delivered by Borrower. This Agreement constitutes, and the other Loan Documents when duly executed and delivered by Borrower and each Guarantor pursuant to the provisions hereof will constitute, valid and binding obligations of Borrower and each Guarantor, enforceable in accordance with their respective terms except as such enforceability may be limited by bankruptcy, insolvency, or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity.

Section 3.10. Regulations G, U, T and X; Investment Company Status. Neither Borrower nor any Subsidiary is engaged principally, or as one of its most important activities, in the business of extending credit for the purpose of purchasing or carrying Margin Stock. This Agreement does not violate Regulations G, U, T, and X of the Board of Governors of the Federal Reserve System. Neither Borrower nor any Subsidiary, or any agent acting on the behalf of Borrower or any Subsidiary, has taken any action or will take any action that might cause this Agreement or any Note to violate Regulations G, U, T, and X or any other regulation the Board of Governors of the Federal Reserve System or to violate Section 7 of the Securities Act of 1934, as in effect from time to time. Neither Borrower nor any Guarantor is an "investment company" or a company "controlled" by an investment company within the meaning of the Investment Company Act of 1940, as amended.

Section 3.11. ERISA Compliance. (a) Borrower or any of its Subsidiaries or member of a Controlled Group maintains only the Plans described on the Schedule of Plans attached hereto as Schedule 3.11; (b) each Plan has been funded in all material respects in accordance with its terms and with the minimum funding standards of Part Three of Title I of ERISA and will be funded in all material respects in accordance with such terms and standards; (c) each Plan has been maintained in accordance with its terms and with all provisions of

ERISA applicable thereto and will be maintained in all material respects in accordance with such terms and will be in material compliance with ERISA; (d)no Reportable Event which would have a material adverse effect on the Plan Employer and which could cause PBGC to institute proceedings under Section 4042 of ERISA has occurred and is continuing with respect to any Plan; (e)no material liability to PBGC has been incurred with respect to any Plan, other than for premiums due and payable; (f)except as disclosed on Schedule 3.11, no Plan has been terminated, no proceedings have been instituted to terminate any Plan, and no decision has been made by the board of directors of a Plan Employer or by the Plan administrator to terminate or institute proceedings to terminate any Plan; (g)no withdrawal, either complete or partial, has occurred or commenced with respect to any multiemployer Plan and no decision has been made by the board of directors of a Plan Employer or by the Plan administrator either to completely or partially withdraw from any multiemployer Plan; and (h)except as disclosed on Schedule 3.11, there has been no cessation of, and no decision has been made by the board of directors of a Plan Employer or by the Plan administrator to cease, operations at a facility or facilities where such cessation could reasonably be expected to result in a separation from employment of more than 20% of the total number of employees who are participants under a Plan. Each single-employer Plan has been timely amended to comply with all the applicable provisions of the Tax Equity and Fiscal Responsibility Act of 1982, the Deficit Reduction Act of 1984 and the Retirement Equity Act of 1984, and the Borrower has no knowledge of any fact relating to any Plan which involves any substantial risk or reasonable possibility of resulting in a material adverse change in the financial condition of Borrower and its Subsidiaries taken together as a whole. Borrower has provided to the Agent and each of the Banks a copy of the most recent Annual Report (Form 5500 or 5500C), including all attachments thereto, filed with the Internal Revenue Service in respect of each Plan and each such Annual Report fairly presents the funding status of the Plan to which it relates. There has been no material deterioration in the funding status of any Plan since the date of the Annual Report filed in respect thereof.

Section 3.12. Defaults. Neither Borrower nor any Subsidiary is in default under any provision of its charter or bylaws or, so as to affect adversely in any material manner the business or assets or the condition, financial or otherwise, of Borrower on an individual basis, or of the Borrower and its Subsidiaries on a consolidated basis, under any provision of any agreement, lease or other instrument to which it is a party or by which it is bound.

Section 3.13. Compliance with Laws. To the best of Borrower's knowledge, except as set forth in Schedule 3.13 hereto, neither Borrower nor any Subsidiary is in violation of or subject to any contingent liability on account of any Law (including but not limited to ERISA, the Code, any applicable occupational and health or safety Law, environmental protection Law, or hazardous waste or toxic substances management, handling or disposal Law and including but not limited to (a)any restrictions, specifications or requirements pertaining to products that either Borrower or any Subsidiary manufactures, processes or sells or pertaining to the services each performs, (b)the conduct of their respective businesses and (c)the use, maintenance or operation of the real and personal properties owned or possessed by them), except for violations which in the aggregate do not have a material adverse effect on the business, operations or financial condition of Borrower or the Subsidiary which is in violation of such Law.

Section 3.14. Disclosure. To the best knowledge of Borrower, neither this Agreement nor any agreement, document, certificate or statement furnished to the Agent or the Banks by or on behalf of Borrower in connection with the transactions contemplated hereby contains any untrue statement of material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading.

Section 3.15. Continuing Effect. All representations and warranties of Borrower hereunder are and shall be continuing ones and shall be true, correct and complete so long as Borrower or any Guarantor shall have obligations outstanding and unperformed under this Agreement and the other Loan Documents.

#### ARTICLE IV

#### CONDITIONS OF LENDING

The obligations of the Bank to make Loans hereunder are subject to the accuracy, as of the date hereof, of the representations and warranties herein contained, to the performance by Borrower of its obligations to be performed hereunder on or before the date of each such Loan and to the satisfaction of the following further conditions:

Section 4.01. First Revolving Credit Loans. At the time of the making of the initial Loans



after the date of this Agreement:

documents: (a) The Agent shall have received the following

(i) Opinion of Counsel for the Borrower. A favorable opinion of David Voltz, Esq., counsel for Borrower, dated the date of the initial Loans, in form and scope satisfactory to Reed Smith Shaw & McClay LLP, special counsel for the Agent and the Banks, as to (A) the matters referred to in Sections 3.01, 3.02, 3.07, and 3.09 hereof; and (B) such other matters incident to the transactions herein contemplated as the Agent and said special counsel may reasonably request;

(ii) Certified Resolutions, Articles of Incorporation and Bylaws, etc. (A) Copies of all documents evidencing corporate action taken by Borrower relative to this Agreement and the other Loan Documents in form and substance satisfactory to the Agent and said special counsel for the Agent and the Banks, certified by the Secretary of Borrower, (B) copies of the Articles of Incorporation and By-Laws of Borrower (such Articles of Incorporation and By-Laws being certified by the Secretary of Borrower) and (C) certificates, dated a recent date, of the Secretary of State or other similar officials as to the good standing of Borrower under the laws of the state of its incorporation;

(iii) Incumbency Certificates. Certificates, signed by a Secretary or an Assistant Secretary of Borrower, certifying as to the name of the officer or officers of Borrower authorized to sign this Agreement and the other Loan Documents and as to the specimens of the true signatures of such officer or officers, on which the Agent and the Banks may conclusively rely until a revised certificate is similarly so delivered;

signed by a Responsible Officer of  
Borrower as to the fulfillment of the condition precedent set forth in Sections 4.01(b)(i)-(iii) hereof;

(v) Other Loan Documents. The duly executed Notes, initial Accounts Receivable-Inventory Report, any required Subsidiary Guaranty and Suretyship Agreements and Guarantor Security Agreements in form and substance satisfactory to the Agent and the Banks, a certificate of the Borrower to the effect that the Subsidiaries, if any, which are providing such Agreements are the only Subsidiaries of the Borrower which are not Designated Subsidiaries and such other Loan Documents as the Agent and the Banks may request; and

satisfied: (b) The following conditions precedent shall be

(i) Representations and Warranties. Borrower's representations and warranties in Article III hereof shall be true and accurate with the same effect as though such representations and warranties had been made on and as of such date (except representations and warranties which relate solely to an earlier date);

Default and no Potential Event of  
Default shall have occurred and be continuing or shall exist;

be in compliance with the  
covenants set forth in Article V hereof;

(iv) Opinion of Accountants. The report of independent certified public accountants accompanying the most recent audited financial statements delivered pursuant to Section 5.03 hereof shall not contain any material qualification or exception not acceptable to the Agent;

(v) Material Adverse Change. No material adverse change (individually or in the aggregate) shall have occurred, in the reasonable judgment of the Agent, with respect to the condition (financial or otherwise), business, assets or financial condition of the total enterprise represented by

Borrower and its Subsidiaries on a consolidated basis from the date of the last audited financial statements delivered pursuant to Section 5.03 hereof to the date of such borrowing;

(vi) Legal Details. All legal details and proceedings in connection with the transactions contemplated by this Agreement and all documents delivered to the Agent pursuant to this Section 4.01 shall be in form and substance satisfactory to the Agent and the Agent shall have received all such counterpart originals or certified or other copies of such documents and proceedings in connection with such transactions, in form and substance satisfactory to the Agent, as the Agent shall reasonably request; and

(vii) Amendment Fee. The Borrower shall have paid to the Agent, for the pro rata benefit of the Banks, an amendment fee equal to 0.125% of the aggregate Commitments of the Banks.

Section 4.02. Subsequent Revolving Credit Loans; Letters of Credit. The making of Loans made subsequent to the initial Loans made pursuant to Section 4.01 hereof and the issuance of Letters of Credit, shall be made subject to the following terms and conditions:

(a) Effect of Borrowing Request or Application. The submission of a Notice of Borrowing pursuant to Section 2.04 hereof subsequent to the date of this Agreement and the submission of an Application pursuant to Section 2.02 hereof, shall be deemed to be a certification, as of the date of such submission or request, that:

(i) Representations, Warranties and Covenants. The representations and warranties in Article III hereof shall be true and accurate with the same effect as though such warranties and representations had been made on and as of such date (except representations and warranties which relate solely to an earlier date) and Borrower is in compliance with the covenants set forth in Article V hereof; and

(ii) Event of Default. No Event of Default or Potential Event of Default shall have occurred and be continuing or shall exist.

(b) Legal Details. All legal details and proceedings in connection with the transactions contemplated by this Agreement shall be in form and substance satisfactory to the Agent and the Agent shall have received all such counterpart originals or certified or other copies of such documents and proceedings in connection with such transactions, in form and substance satisfactory to the Agent, as the Agent shall reasonably request.

## ARTICLE V

### COVENANTS

Section 5.01. Affirmative Covenants Other Than Reporting Requirements. Borrower covenants to the Agent and each of the Banks that, so long as Borrower may borrow hereunder and until payment in full of all of the Debt, Borrower will:

(a) Preservation of Corporate Existence, etc. Preserve and maintain, and cause each Guarantor to preserve and maintain, its corporate existence, rights, franchises, licenses, and privileges in the jurisdiction of its incorporation, and qualify and remain qualified as a foreign corporation in each jurisdiction in which such qualification is necessary in view of its business and operations or the ownership of its properties, except where the failure to do so would not have a material adverse effect on the financial condition or business of Borrower or any Guarantor.

(b) Payment of Taxes, etc. Pay and discharge, and cause each Subsidiary to pay and discharge, all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits, or upon any properties owned by it, prior to the date on which penalties attach thereto, and all lawful claims for labor, materials or supplies which, if unpaid, might become a Lien upon any material properties of Borrower or any Subsidiary, provided that neither Borrower nor any Subsidiary shall be required to pay any such tax, assessment, charge, levy or claim which is being contested in good faith and by proper proceedings and for which Borrower or the Subsidiary in question shall have set aside on its books in accordance with GAAP appropriate reserves with respect thereto.

(c) Compliance with Laws. Comply, and cause each Subsidiary to comply, with all applicable Laws (including but not limited to ERISA, the Code,

and any applicable tax law, occupational safety or health Law, or environmental protection or pollution control Law) in all material respects; provided that Borrower shall not be deemed to be in violation of this Section 5.01(c) as a result of any failure to comply that would not result in fines, penalties, injunctive relief or other civil or criminal liabilities which, in the aggregate, would materially affect the business, operations or financial condition of Borrower and its Subsidiaries taken as a whole or the ability of the Borrower to perform its obligations under this Agreement or any other Loan Document.

(d) Maintenance of Insurance. Maintain, and cause each Subsidiary to maintain, insurance on its or their properties with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which Borrower or such Subsidiary operates. Borrower will deliver to the Agent, at the time of making the first Loans and on the last day of each fiscal year thereafter a statement or insurance company certificate in such detail as the Agent may request as to all insurance coverage of Borrower and all of its Subsidiaries.

(e) Maintenance of Properties, etc. Maintain, keep and preserve, and cause each Subsidiary to maintain, keep and preserve, all of its properties (tangible and intangible) which are necessary or useful in the proper conduct of its business in good working order and condition, ordinary wear and tear excepted, except where the failure to do so would not effect adversely the financial condition or business of Borrower or the Subsidiary which owns such property.

(f) Financial Accounting Practices. Make, and shall cause each Subsidiary to make, and keep books, records and accounts which, in reasonable detail and determined on a consolidated basis for Borrower and its Consolidated Subsidiaries, accurately and fairly reflect transactions and dispositions of assets and maintain a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization, (ii) transactions are recorded as necessary (A) to permit preparation of consolidated financial statements in conformity with GAAP and (B) to maintain accountability for assets, (iii) access to assets is permitted only in accordance with management's general or specific authorization and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(g) Visitation Rights. At any reasonable time and from time to time, permit the Agent or the Banks or any agents or representatives thereof to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, Borrower and any of the Subsidiaries, and to discuss the affairs, finances and accounts of Borrower and any of the Subsidiaries with any of their respective officers, employees, or directors or independent accountants.

(h) Maintenance of Minimum Consolidated Fixed Charge Coverage Ratio. Maintain a Consolidated Fixed Charge Coverage Ratio greater than or equal to 1.25 to 1 as of the end of each month on the basis of the twelve consecutive months then ending.

(i) Maintenance of Minimum Consolidated Tangible Net Worth. From and after July 1, 1998, maintain at all times a Consolidated Tangible Net Worth greater than or equal to the sum of (A) \$59,102,000 plus (b) 50% of the cumulative positive Consolidated Net Income for all completed fiscal quarters of the Borrower commencing with the fiscal quarter ending March 31, 1998, plus (c) 75% of the cumulative amount of the proceeds (net of issuance expenses) to the Borrower of the issuance after December 31, 1997 of the Borrower's capital stock. For purposes of this Section 5.01(i) only, Consolidated Net Income shall not include any loss attributable to any such period of determination.

(j) Maintenance of Maximum Consolidated Total Indebtedness to EBITDA Ratio. Maintain a Consolidated Total Indebtedness to EBITDA Ratio less than or equal to 4.75 to 1 as of the end of each month on the basis of the period of twelve consecutive months then ending.

(k) ERISA Covenants. (i) Cause each Plan Employer with respect to its Plans (A) to satisfy the minimum funding standards of Section 412 of the Code with respect to any single-employer Plan and (B) to comply in all material respects with the provisions of ERISA and the Code which are applicable to any Plan and (ii) not permit any Plan Employer with respect to its Plans (A) to terminate any single-employer Plan which could result in any liability to the PBGC under Title IV of ERISA as set forth on IRS Form 5310 in an amount greater than \$500,000 for any individual Plan or greater than \$750,000 for any group of Plans terminated in any calendar year, (B) to engage in any prohibited transaction as described in Section 406 of ERISA or to incur a Reportable Event, (C) to withdraw from any multi-employer Plan which could result in the incurrence

of withdrawal liability in an amount greater than \$500,000, (D) to adopt any new Plan without prior written notice to the Agent and the Banks, (E) to lose the qualified status of any Plan under Section 401 of the Code or the exempt status of any related trust under Section 501 of the Code or (F) to cease operations at a multiple-plant facility within the meaning of Section 4062(e) of ERISA and which could reasonably be expected to result in liability to the PBGC under Title IV of ERISA in an amount greater than \$750,000, whether or not such liability is paid to the PBGC or secured by the filing of a bond with the PBGC.

(l) Satisfaction of Judgments. Pay or otherwise satisfy, and cause of each of its Subsidiaries to pay or otherwise satisfy, every final judgment from which no further appeal may be taken in excess of \$100,000 entered against it or such Subsidiary within 60 days after entry thereof or after the expiration of any stay of execution with respect thereto.

(m) Maintenance of Minimum Eligible Accounts. On each day when the Borrower's Consolidated Fixed Charge Coverage Ratio for the period of twelve consecutive months ending on the day before the first day of the then most recently completed month is less than or equal to 1.75 to 1, maintain Eligible Accounts which are, in the aggregate, greater than or equal to the product of (i) forty percent (.40) times (ii) the sum of all Debt outstanding on such day under this Agreement.

(n) Environmental Covenant. Notwithstanding the provisions of Section 5.01(d) hereof, Borrower will, and will cause each of its Subsidiaries to (i) use and operate all of its facilities and properties in material compliance with all environmental Laws (including, but not limited to, those Laws designed to protect human health and the environment), keep all necessary permits, approvals, certificates, licenses and other authorizations relating to environmental matters in effect and remain in material compliance therewith, and handle all hazardous substances and materials, toxic materials and all other materials hazardous to human health or the environment in material compliance with all applicable environmental Laws; provided that Borrower shall not be deemed to be in violation of this Section 5.01(n)(i) as a result of any failure to comply that would not result in fines, penalties, injunctive relief or other civil or criminal liabilities which, in the aggregate, would materially affect the business, operations or financial condition of Borrower and its Subsidiaries taken as a whole or the ability of the Borrower to perform its obligations under this Agreement or any other Loan Document, (ii) immediately notify the Agent and provide copies upon receipt of all written claims, complaints, notices or inquiries relating to the condition of its facilities and properties in connection with environmental Laws, or compliance with or responsibility under environmental Laws, that may give rise to liability or responsibility under applicable environmental Laws, (iii) promptly respond in an appropriate manner to any such claims, complaints, notices or inquiries and, additionally, take action where appropriate to remedy any such alleged condition or non-compliance with environmental good faith by proper proceedings; and (iv) provide such information and certifications which the Agent may reasonably request from time to time to evidence compliance with this Section 5.01(n).

o. Guarantors. Upon the execution and delivery of this Agreement (with respect to Subsidiaries of the Borrower on the date of such execution and delivery) and upon the acquisition or formation after such date of any Subsidiary of the Borrower, Borrower immediately will provide notice to the Agent of the Subsidiary's status as a Guarantor or a Designated Subsidiary, as the case may be, together with such other information as the Agent or any Bank shall reasonably request, and will cause each Subsidiary which is not a Designated Subsidiary to execute and deliver a Subsidiary Guaranty and Suretyship Agreement, pursuant to which such Subsidiary shall guaranty Borrower's obligations hereunder, a Guarantor Security Agreement, pursuant to which such Subsidiary will grant to the Agent, for the benefit of the Banks, a security interest in its Collateral, and such other agreements, instruments or other documents as the Agent or any Bank may reasonably request, all in form and substance satisfactory to the Agent and the Banks. Borrower will, and will cause any such Subsidiary to, maintain and preserve such Subsidiary's status as a Guarantor until such time that Borrower designates such Subsidiary as a Designated Subsidiary pursuant to Section 5.04 below.

Section 5.02. Negative Covenants. Borrower covenants that, so long as Borrower may borrow hereunder and until payment in full of the Debt, Borrower will not:

(a) Indebtedness. Create, incur, assume, guarantee or be or remain liable for, contingently or otherwise, or suffer to exist, or permit any Subsidiary to create, incur, assume, guarantee or be or remain liable for, contingently or otherwise, or suffer to exist, any Indebtedness (including Guarantees) other than the following:

(1) Indebtedness in respect of obligations to the Agent and the Banks hereunder or under the other Loan Documents;

(2) Indebtedness in the ordinary course of business, in respect of accounts payable, accrued payroll expenses, accrued pensions, progress billings and, unbilled retentions in excess of related cost, estimated replacements on sales, deferred income taxes, liabilities of a character described as accrued liabilities on the consolidated balance sheet of Borrower and its Consolidated Subsidiaries, other taxes, assessments, governmental charges, and claims for labor, materials or supplies to the extent that payment thereof shall not at the time be required to be made in accordance with the provisions of Section 5.01(b) hereof;

(3) Indebtedness not existing on the date hereof arising in respect of the purchase of property on which Liens are permitted under clause (5) of Section 5.02(b) hereof;

(4) Indebtedness (other than Capitalized Leases) existing on the date hereof and set forth on Schedule 5.02(a) attached hereto or reflected in the financial statements delivered pursuant to Section 3.03 hereof;

(5) Indebtedness arising in respect of Capitalized Leases which in the aggregate do not provide for payments during any fiscal year in excess of \$2,500,000;

(6) Private Placement Debt, which shall be permissible only in the event of the execution and delivery of an intercreditor agreement (the "Intercreditor Agreement") between the Agent and the purchaser of the Private Placement Debt, which agreement shall contain such terms and conditions as are appropriate and as are satisfactory to the Agent, including but not limited to provisions for the pari passu treatment of any collateral and for the acceleration of any Indebtedness;

(7) Indebtedness assumed or incurred by Borrower not exceeding \$2,045,000 principal amount evidenced by, or in connection with, industrial development revenue bonds relating to facilities of Precise Fabricating Corporation acquired by Borrower;

(8) Intercompany Indebtedness in the form of a promissory note executed by the Borrower in favor of Holding Company Subsidiary in a maximum principal amount of \$15,000,000; provided that (i) prior notice of the execution thereof shall have been given to the Agent and the Banks, (ii) Borrower's board of directors has determined that such intercompany Indebtedness is in the best interest of Borrower and its Subsidiaries, (iii) Borrower is continuing to receive the intended tax benefit in connection with such intercompany Indebtedness, (iv) neither Holding Company Subsidiary nor any Wholly-Owned Subsidiary of Holding Company Subsidiary shall have any creditors other than the Borrower, except that Holding Company Subsidiary and its Subsidiaries (all of which shall be Wholly-Owned) may have creditors other than Borrower for Indebtedness (other than Indebtedness for borrowed money) incurred in the ordinary course of business up to an aggregate amount outstanding at any one time of \$100,000, (v) Holding Company Subsidiary or any Wholly-Owned Subsidiary of Holding Company Subsidiary shall continue to hold title, right and interest to Borrower's trademarks, patents, investment securities and debt assets (vi) Holding Company Subsidiary and its Subsidiaries (all of which shall be Wholly-Owned) shall continue to manage the trademarks, patents, investment securities and debt assets of Borrower only, and shall not engage in any other business (other than making the intercompany loan to Borrower permitted by this Section 5.02(a)(8)) without the prior written consent of the Agent and the Required Banks.

(9) Other Indebtedness in an aggregate principal amount not exceeding \$1,500,000 at any time outstanding.

(b) Negative Pledge; Liens. (i) Create, assume, incur, or suffer to be created, assumed, incurred or to exist, or permit any Subsidiary to create, incur, assume or suffer to exist, any Lien upon any of its property or assets of any character whether now owned or hereafter acquired, or upon the income or profits therefrom; or (ii) transfer or permit any Subsidiary to transfer any of such property or assets or the income or profits therefrom for the purpose of subjecting the same to the payment of Indebtedness or performance

of any other obligation in priority to payment of its general creditors; or (iii)acquire, or agree or have an option to acquire, any property or assets upon conditional sale or other title retention or purchase money security agreement, device or arrangement, including, without limitation, Capitalized Leases; or (iv)suffer to exist any Indebtedness which if unpaid might by law or upon bankruptcy or insolvency, or otherwise, be given priority over its general creditors; or (v)enter, or permit or cause any Subsidiary to enter into any agreement which purports to restrict in any manner the ability of the Borrower or any Subsidiary to grant security interests or liens to the Agent for the benefit of the Agent and the Banks, in respect of assets either of the Company or of any Subsidiary, which assets have not theretofore been encumbered or made subject to the grant of a security interest in favor of or for the benefit of the Agent and the Banks; provided, however, that the Borrower and its Subsidiaries may create or incur or suffer to be created or incurred or to exist:

(1) Liens in favor of the Agent for the benefit of the Agent and the Banks;

(2) Nonconsensual Liens to secure claims for Indebtedness permitted by Section 5.02(b)(2) hereof;

(3) Liens existing on the date hereof and Liens securing Indebtedness permitted by Section 5.02(b) hereof;

(4) Deposits or pledges made in connection with, or to secure payment of, workers' compensation, unemployment insurance, old age pensions or other social security obligations;

(5) Purchase money security interests (including mortgages, conditional sales, and any other title retention or deferred purchase devices) in personal property of Borrower or a Subsidiary existing or created at the time of acquisition thereof, and the renewal, extension and refunding of any such security interest in an amount not exceeding the amount thereof remaining unpaid immediately prior to such renewal, extension or refunding; provided, however, that the principal amount of Indebtedness secured by each such security interest in each item of property does not exceed the cost (including all such Indebtedness secured thereby, whether or not assumed) of the item subject thereto;

(6) Liens securing taxes, assessments or governmental charges or levies or the claims or demands of materialmen, mechanics, carriers, warehousemen, landlords and other like persons, provided the payment thereof is not at the time required by Section 5.01(b);

(7) Liens incurred or deposits made in the ordinary course of business (x) to secure the performance of letters of credit, bids, tenders, sales contracts, leases, statutory obligations, surety, appeal and performance bonds and other similar obligations not incurred in connection with the borrowing of money, the obtaining of advances or the payment of the deferred purchase price of property, or payment of the deferred purchase price of property, or (y) on the proceeds of insurance policies securing the borrowings to finance the premiums thereon;

(8) Attachment, judgment and other similar Liens arising in connection with court proceedings, so long as such Liens have not been in force for the applicable appeal period, execution or other enforcement has not been levied and thereafter so long as the execution or other enforcement of such Liens is effectively stayed, provided the claims secured thereby are being actively contested in good faith and by appropriate proceedings;

(9) Liens on property of a Subsidiary securing obligations owing to Borrower or a Wholly-Owned Subsidiary;

(10) Reservations, exceptions, encroachments, easements, rights of way, covenants, conditions, restrictions, leases and other similar title exceptions or encumbrances affecting real property, provided they do not in the aggregate materially interfere with the ordinary conduct of the business of Borrower and its Subsidiaries;

(11) Liens or deposits made in connection with contracts with or made at the request of the United States of America or any department or agency thereof or resulting from progress payments or partial payments under any such contracts;

(12) Bailments of property (a) to bailees which have entered into an agreement with Borrower and the Agent in substantially the form attached hereto as Exhibit E, with blanks appropriately filled, as the same may be amended, supplemented or modified from time to time, provided, however, that Borrower may enter into an agreement or agreements regarding the bailment of commingled goods which are not substantially in the form of Exhibit E so long as the value of commingled goods subject to such bailments does not exceed \$250,000 in the aggregate, or (b) other bailments of property, including bailments in connection with Borrower's relay rail activities and consistent with Borrower's past practices, provided, however, that the value of such bailments does not exceed \$20,000,000 in the aggregate for all such property; and

(13) Liens in favor of one or more of the Banks to secure the obligations of the Company under one or more Interest Rate Swap Agreements (as defined in the Security Agreement).

(c) Contingent Liabilities. Become liable or permit any Subsidiary to become liable in respect of any Guarantees except (i) Guarantees existing on the date hereof and disclosed on Schedule 5.02(c) attached hereto, (ii) Guarantees entered into by Borrower for the benefit of one or more Wholly-Owned Subsidiaries of Borrower, (iii) Guarantees which may be required in order to comply with applicable Law, including but not limited to ERISA, (iv) Guarantees or obligations arising in respect of bid or performance bonds, (v) Guarantees in favor of the Banks, and (vi) other Guarantees which in the aggregate could not result in payments in excess of \$1,000,000.

(d) Mergers, etc. Merge or consolidate with any person or agree to do so or permit any Subsidiary to do so, or create or acquire any new Subsidiary, except that, after notice to the Agent and the Banks, (i) any Subsidiary of Borrower may merge with Borrower in a transaction where Borrower is the surviving entity, (ii) any Subsidiary may merge with any other Subsidiary, and (iii) Borrower may create Subsidiaries not existing on the date hereof for the purpose of effecting transactions permitted under clause (5) of Section 5.02(f) hereof.

(e) Sales of Assets, etc. Sell, assign, lease or otherwise dispose of (whether in one transaction or in a series of transactions) any of its assets (whether now owned or hereafter acquired) to any person or entity, or permit any Subsidiary to do so, except (i) sales of assets in the ordinary course of business, (ii) sales of inventory previously categorized as obsolete, slow moving or surplusage and sales of machinery, equipment or other similar operating assets previously categorized as obsolete or surplusage and not utilized at the time of such sale in the ordinary course of business of the selling entity, (iii) sales of artwork, (iv) sales of the stock of Subsidiaries permitted to be created under Section 5.02(e)(iii) hereof, (v) after notice to the Agent and the Banks, sales of properties and assets following an approval by Borrower's board of directors that such sales are made for cash on commercially reasonable terms at fair market value and do not exceed 5% of Consolidated Tangible Net Worth (at the beginning of the applicable fiscal year) in any given fiscal year of the Borrower or 15% of Consolidated Tangible Net Worth (at the beginning of the applicable fiscal year) in the aggregate during the term of this Agreement (provided that the net cash proceeds of asset sales which shall have been reinvested by the Borrower or any Subsidiary of the Borrower, in accordance with, and as permitted by, Section 5.02(f)(5) of this Agreement, in tangible assets having comparable value shall be deducted as of the date of such permitted reinvestment in calculating compliance with the 15% limitation in this clause (v)), (vi) a lease or sublease of new machining equipment valued at approximately \$1,500,000 to Rail Products & Fabrications, Inc., based in Seattle, Washington ("RPF"), (viii) after notice to the Agent and the Banks, and with the approval of the Borrower's board of directors, the sale of all or any portion of the Borrower's Langfield, Texas manufacturing plant, and the land, buildings, equipment, inventory, books, records and other property related thereto at any time on or prior to June 30, 1999, and (ix) sales of Borrower's investment in Dakota, Minnesota & Eastern Railroad Corp. for a price at least equal to the value of that investment as shown in the then most recent financial statements of the Borrower provided to the Agent. By the Agent and the Banks agreeing to permit a sale, assignment, lease or other disposition of assets by the Borrower pursuant to this Section 5.02(e), the Banks shall automatically, and without the need for further action on the part of the Agent or the Banks, be deemed to have (1) consented to the release by the Agent, immediately prior to the disposition of such assets, of all liens and security interests in such

assets held by the Agent for itself and as agent for the benefit of the Banks under the Loan Documents, and (2) directed the Agent to take all appropriate and customary action required to assure and to effect the full and complete release of all of such liens and security interests in such assets.

(f) Investments. Make or permit any Subsidiary to make Investments in any individual, firm or corporation except:

(1) direct obligations of or obligations directly guaranteed by the United States of America, prime commercial paper (rated by Moody's Investors Service at not less than A-2 and by Standard & Poors at not less than P-2), and certificates of deposit or repurchase agreements issued by any commercial bank having capital and surplus in excess of \$100,000,000;

(2) Investments of Borrower and the Subsidiaries in the ordinary course of business and under usual and customary terms in the form of advances to the Borrower's and the Subsidiaries' suppliers and subcontractors;

(3) Investments in foreign Subsidiaries, and in Subsidiaries (other than Wholly-Owned Subsidiaries) and joint ventures, in each case the business of which is reasonably related to the Borrower's principal lines of business, provided that (i) prior notice thereof shall have been given to the Agent and the Banks, (ii) each such Investment shall be made in connection with and following a determination by Borrower's board of directors that such Investment is in the best interest of Borrower and its Consolidated Subsidiaries, and (iii) the amount of such Investments shall not exceed \$2,500,000 in any given fiscal year of the Borrower;

(4) Deposit accounts (including time and demand) in and bankers' acceptances of commercial banks referred to in clause (1) of subsection 5.02(f);

(5) Investments in domestic Wholly-Owned Subsidiaries not in existence on the date of this Agreement, domestic product lines not part of the Borrower's business on the date of this Agreement, or new domestic businesses not operated by the Borrower on the date of this Agreement, in each case the business of which is reasonably related to the Borrower's principal lines of business and in each case in a single transaction or related series of transactions, provided that (i) prior notice thereof shall have been given to the Agent and the Banks, (ii) each such Investment shall be made in connection with, and following, a determination by Borrower's board of directors that such Investment is in the best interest of Borrower and its Consolidated Subsidiaries, and (iii) the aggregate amount of such Investments during any period of four consecutive fiscal quarters including the then current fiscal quarter (the "Measurement Period") shall not exceed the sum of \$5,000,000 (or, if the "Pro Forma Test" described in the next sentence is met with respect to a particular proposed Investment, \$10,000,000) plus the amount of cash proceeds of asset sales made in accordance with, and as permitted by, Section 5.02(e)(v) in tangible assets during the Measurement Period through the date of the Investment. The "Pro Forma Test" will be met with respect to a particular proposed Investment if the Consolidated Total Indebtedness to EBITDA Ratio would have been less than 3.0 to 1, such determination to be made on a pro forma basis with Consolidated EBITDA being calculated as of the end of the prior four consecutive fiscal quarters for the Borrower and the acquired entity and as if Consolidated Total Indebtedness on the last day of the most recent fiscal quarter just ended had been increased by the amount of the Investment in question (including any assumed Indebtedness), such determination to be made using assumptions and other calculations reasonably satisfactory to the Agent, which assumptions in any event shall not include any cost savings or other variations from historical performance;

(6) Investments existing on the date of this Agreement (including extensions or renewals thereof);

(7) Advances to RPF under the Loan and Security Agreement, dated June 8, 1995, between the Borrower and RPF, aggregating, on a cumulative basis, not more than \$2,500,000.



At the option of the Borrower and RPF, all or any portion of such advances, once made to RPF, may be converted into equity interests in RPF at any time thereafter, but such conversions, if any, shall not have the effect of increasing the cumulative amount of advances permitted under this Section 5.02(f)(7) above \$2,500,000 in the aggregate. If requested by the Agent or the Banks, the Borrower will cause RPF's repayment obligation to be evidenced by a promissory note;

(8) Loans to officers of the Borrower and its Subsidiaries for the sole purpose of purchasing common stock of the Borrower, such loans (i) not to exceed \$1,200,000 in the aggregate and \$60,000 per officer, (ii) to be made pursuant to a plan approved by the board of directors of the Borrower and (iii) to be secured by the common stock purchased with the proceeds thereof;

(9) Trademarks and patent rights of Borrower held by Holding Company Subsidiary or a Wholly-Owned Subsidiary of Holding Company Subsidiary and associated royalty payments from Borrower to Holding Company Subsidiary or a Wholly-Owned Subsidiary of Holding Company Subsidiary so long as the conditions in Section 5.02(a)(8) continue to be satisfied at all relevant times; and

(10) Investments in existing domestic Wholly-Owned Subsidiaries, provided that Borrower is in compliance with Section 5.04 hereof before, and will be in compliance with Section 5.04 hereof after, the Investment is made.

provided, however, that Borrower may make Investments which are not in compliance with this Section 5.02(f) in the aggregate amount of \$500,000 at any one time outstanding.

(g) Transactions with Controlling Persons. Pay, directly or indirectly, any funds to or for the account of, make any Investment in, or enter into a Guarantee in respect of the Indebtedness of, or lease, sell, transfer or otherwise dispose of any assets, tangible or intangible, other than in the ordinary and usual conduct of business and upon fair and reasonable terms no less favorable to Borrower than those it would obtain in a comparable arm's length transaction with one not affiliated with Borrower, to any Controlling Person, or permit any of its Subsidiaries to do so; provided, however, that notwithstanding the provisions of this Section 5.02(g) Borrower or its Subsidiaries may pay to its officers and directors salaries and fees for services rendered in such capacities and usual and ordinary business expenses and advances for travel expenses, incentive compensation pursuant to plans of Borrower and its Subsidiaries existing on the date hereof and plans hereafter adopted by the board of directors of Borrower, may make payments pursuant to existing contractual relationships between Borrower or its Subsidiaries and officers and employees thereof and contractual employment relationships approved by the board of directors of Borrower between Borrower or its Subsidiaries and employees thereof, may provide and make available to eligible employees fringe and other usual benefits in accordance with past practices, and may, pursuant to an agreement approved by the board of directors of Borrower, pay fees for services and advice (in an amount which bears a reasonable relationship to the amount and type of such services and advice) to directors and Borrower may make loans to officers of the Borrower and its Subsidiaries for the sole purpose of purchasing common stock of the Borrower, such loans (i) not to exceed \$1,200,000 in the aggregate and \$60,000 per officer, (ii) to be made pursuant to a plan approved by the board of directors of the Borrower and (iii) to be secured by the common stock purchased with the proceeds thereof.

(h) Debt Retirement, Purchases and Redemptions. Voluntarily purchase, prepay, redeem or otherwise retire any preferred or preference stock, subordinated debentures, sinking fund debentures, promissory notes or other securities (other than capital stock) issued by Borrower or any Subsidiary, or agree to the rescheduling to shorten scheduled maturities or principal payments of or to increase the rate of interest payable on outstanding indebtedness under any agreement or instrument evidencing an obligation for borrowed money of Borrower or any Subsidiary, or permit any of its subsidiaries to do so, other than the Indebtedness referred to in paragraphs (7) and (8) of Section 5.02(a) hereof; provided that, in the case of Indebtedness referred to in paragraph (8) of Section 5.02(a) hereof, an Event of Default or Potential Event of Default shall not have occurred and be continuing or shall not exist.

(i) Operating Leases. Enter into or become subject to, or permit any of its Subsidiaries to enter into or become subject to, Operating Leases which in the aggregate provide for payments during any fiscal year in excess of \$6,000,000.

(j) Change of Control. Enter into any merger, consolidation,

reorganization, corporation restructuring or other transaction, or take any other action, that shall cause or result in, or for any reason suffer, a Change of Control.

Section 5.03. Reporting Requirements. Borrower covenants that, so long as it may borrow hereunder and until payment in full of all Notes issued hereunder and interest due thereon and all other amounts due hereunder and under any other Loan Document, Borrower will furnish to each Bank:

(a) Financial Statements. (i) Within 15 calendar days after the due date of filing with the Securities and Exchange Commission copies of forms 8-K, 10-Q and 10-K (or if any of such forms are discontinued, substantially equivalent reports) accompanied, (A) in the case of each form 10-Q, by a certification of a Responsible Officer of Borrower of all financial statements set forth therein and (B) in the case of each form 10-K, by a report on the financial statements set forth therein of independent public accountants of recognized standing selected by Borrower which report or opinion shall not contain any qualification or exception not reasonably acceptable to the Agent or, if Borrower is no longer required to file such reports with the Securities and Exchange Commission, Borrower shall furnish:

(1) within 60 days after the end of the first three quarters of each fiscal year, consolidated statements of profit and loss and changes in cash flow of Borrower and its Consolidated Subsidiaries for such fiscal quarter, for the period between the end of the preceding fiscal year and the end of the most recent fiscal quarter and for the corresponding periods of the preceding fiscal year, and a balance sheet of Borrower and its Consolidated Subsidiaries at the end of such quarter and at the end of the preceding fiscal year, all in reasonable detail, subject, however, to year-end audit adjustments, and certified by a Responsible Officer of Borrower;

(2) within 90 days after the end of each fiscal year, a consolidated statement of profit and loss and changes in cash flow and changes in shareholders' equity of Borrower and its Consolidated Subsidiaries for such year and a consolidated balance sheet of Borrower and its Consolidated Subsidiaries as of the end of such year, setting forth in each of such statements and balance sheets in comparative form (or, if comparative form is not required by regulations of the Securities and Exchange Commission applicable to companies with securities registered under the Securities Act of 1933, in the form required by such regulations) the corresponding statements for the preceding fiscal year, all in reasonable detail and reported on by independent public accountants of recognized standing selected by Borrower, whose report or opinion accompanying such financial statements shall not contain any qualification or exception not reasonably acceptable to the Agent;

and (ii) as soon as practicable and in any event within twenty (20) days after the close of each month of each fiscal year of Borrower, unaudited consolidated statements of income and changes in cash flow of Borrower and its Consolidated Subsidiaries for such month and for the period from the beginning of such fiscal year to the end of such month, and an unaudited consolidated balance sheet of Borrower and its Consolidated Subsidiaries as of the close of such month, all in reasonable detail.

(b) Accounts Receivable-Inventory Reports; Officer's Certificates. At the time the statements and balance sheets required by the preceding clause (a) are furnished, (i) an updated Accounts Receivable - Inventory Report in detail and form satisfactory to the Banks and signed by a Responsible Officer of the Borrower and each Guarantor, and (ii) a certificate of a Responsible Officer of Borrower and each Guarantor setting forth in reasonable detail the data and computations necessary to indicate compliance with the provisions of Sections 2.05, 5.01(h), 5.01(i), and 5.01(j) hereof. In addition to the requirements set forth in this paragraph, the Borrower shall, and shall cause each Guarantor to, from time to time upon the reasonable requests of the Banks provide to the Banks update Accounts Receivable-Inventory Reports.

(c) Proxy/Registration Statements. Promptly upon the sending, making available or filing of the same, a copy of each financial statement, report and proxy statement sent by Borrower to its stockholders, of each registration statement or information statement that shall have become effective and of each regular or periodic report filed by Borrower or any Consolidated Subsidiary with the Securities and Exchange Commission or any governmental authority succeeding to the functions thereof.

(d) ERISA Notifications. (i) Notice (or cause each Plan

Employer with respect to its Plans to notify the Agent and each of the Banks prior to taking final corporate action) (A)of the Plan Employer's intention to adopt any new Plan, and (B)of the Plan Employer's intention to terminate for purposes of Title IV of ERISA any single-employer Plan or to withdraw from or cease making timely contributions to any multi-employer Plan, (ii)copies of (or cause each Plan Employer with respect to its Plans to deliver to the Agent and each of the Banks copies of contemporaneously with the filing with or receipt from the applicable governmental agency or Plan) (A)IRS Form 5310 relating to a Plan termination or transfer of Plan assets, (B)of any 30day Notice to the PBGC of a reportable event as described in Section 4043 of ERISA, (C)of any IRS Form 5500, including all schedules, for any Plan which, on the date on which such IRS Form 5500 is filed, has unfunded vested liabilities in excess of \$100,000, (D)of any writing from the PBGC to the effect that it may or will take action to terminate any Plan under Title IV of ERISA or from any multi-employer Plan that it may and will take action to assert withdrawal liability against the Plan, (E)of any notice filed with the PBGC pursuant to Section 4041 of ERISA and (F)of any notice from the Secretary of the Treasury to the effect that a Plan has lost its qualified status under Section 401 of the Code or has been terminated within the meaning of Section 411(d)(3) of the Code, and (iii)within thirty (30) days of the filing or receipt of each such document other than IRS Form 5500, a certificate of a Responsible Officer of Borrower certifying as to what further action has been taken by the Plan Employer in connection therewith and whether the matter referred to in such document is likely to cause the Plan Employer to incur liability to the PBGC or multi-employer Plan in an amount in excess of \$100,000. For all purposes of this paragraph, Borrower shall be deemed to have all knowledge of all facts attributable to any Plan administrator or any other Plan Employer, or with respect to a multiemployer Plan on notice of withdrawal liability from any multiemployer Plan.

(e) Notices of Default. As soon as possible, and in any event within five days after the occurrence of each Event of Default or Potential Event of Default a statement of a Responsible Officer of Borrower setting forth details of such Event of Default or Potential Event of Default and the action which Borrower proposes to take with respect thereto.

(f) Notices of Material Litigation. Promptly upon becoming aware thereof, notice of the commencement, existence or threat of any proceeding against or affecting Borrower or any Subsidiary (i)which, if adversely decided, could have a material adverse effect on the business, operations or financial condition of the Borrower or any Subsidiary or on the ability of Borrower or any Guarantor to perform its obligations under this Agreement or any other Loan Document or (ii)arising under any federal, state or local Law, regulating (A)the discharge of materials into or the protection of the environment, (B)the management, handling or disposal of hazardous waste or toxic substances or (C)the public health.

(g) Notices of Adverse Judgments. Promptly after the institution thereof, notice of all adverse judgments in excess of \$250,000 or which involve any substantial risk of any material adverse effect on the business, operations or condition (financial or otherwise) of Borrower or any Subsidiary entered by an Official Body against Borrower or any Subsidiary, said notice to include the exact Dollar amount of any such adverse judgment as well as any other estimated adverse economic impact on the Borrower or its Subsidiaries.

(h) Material Adverse Changes. Promptly after the occurrence thereof, notice and a reasonably detailed description of all events, conditions, acts, facts and omissions (except general economic conditions in the United States which are a matter of public knowledge) which would constitute a material adverse change in or which involve any substantial risk of any material adverse effect on the business, operations or condition (financial or otherwise) of Borrower.

(i) Copies of Reports, Filings, etc. Promptly after the sending or filing thereof, copies of all proxy statements, financial statements and reports which Borrower or any Subsidiary sends to its stockholders, and copies of all regular, periodic and special reports and all registration statements which Borrower or any Subsidiary may file with the Securities and Exchange Commission or any governmental authority which may be substituted therefor, or with any national securities exchange.

(j) Returns, etc. Promptly after the occurrence thereof, and if material individually or in the aggregate, notice of (i)all returns, rejections, repossessions or losses of or damage to property incurred by an account and (ii)any requests for audit or adjustment, or any dispute, relating to an account.

(k) Other Information. Such information and documents relating and to Borrower's or any Guarantor's financial condition, business, assets or liabilities, at such times and in such form and detail as the Agent or any Bank may request, including, without limitation, (i)all invoices, documents,

contracts, chattel paper, instruments and other writings pertaining to Borrower's or any Guarantor's contracts or the performance thereof, (ii) evidence of Borrower's or any Guarantor's accounts and statements showing the aging, identification, reconciliation and collection thereof, (iii) reports as to the Borrower's or any Guarantor's inventory and sales, shipment, damage or loss thereof, and (iv) a list of all of the locations where any of Borrower's or any Guarantor's Eligible Inventory is kept or stored, such list to be updated and revised, if necessary, on a quarterly basis and provided to the Agent and the Banks at the time financial statements are submitted pursuant to Section 5.03(a) hereof or as requested by any Bank, all of the foregoing to be certified by authorized officers or other employees of Borrower or the applicable Guarantor, and such other information respecting the business, the properties or the condition or operations, financial or otherwise, of Borrower or any of the Subsidiaries as the Agent or any Bank may from time to time reasonably request.

Section 5.04. Designated Subsidiaries. Borrower may from time to time exclude, by delivering a written notice to the Agent together with such other information as the Agent or any Bank shall reasonably request, a Subsidiary or Subsidiaries of the Borrower (whether now owned or acquired or formed after the date hereof) from being a Guarantor hereunder (each such excluded Subsidiary being called herein a "Designated Subsidiary") provided that the Designated Subsidiaries shall not at any time have aggregate gross revenues or assets that, individually or in the aggregate, constitute 10% or more of the gross revenues or assets of the Borrower and its Consolidated Subsidiaries. Schedule 5.04 sets forth a list of the Designated Subsidiaries as of the date hereof. Holding Company Subsidiary and the Subsidiaries of Holding Company Subsidiary (all of which shall be Wholly-Owned) shall at all times be designated by the Borrower as Designated Subsidiaries. Any Subsidiary designated by the Borrower as a Designated Subsidiary after the date hereof shall be deemed added to Schedule 5.04 upon Agent's receipt of the notice provided for in the first sentence of this Section 5.04. In the event that the Designated Subsidiaries at any time have aggregate gross revenues or assets that, individually or in the aggregate, constitute 10% or more of the gross revenues or assets of the Borrower and its Consolidated Subsidiaries, the Borrower shall immediately provide a notice to Agent specifying which Subsidiary or Subsidiaries (other than Holding Company Subsidiary and its Wholly-Owned Subsidiaries) are to be removed from the list of Designated Subsidiaries on Schedule 5.04. Any Subsidiaries of the Borrower that are not Designated Subsidiaries shall be Guarantors hereunder.

## ARTICLE VI

### DEFAULT

Section 6.01. Events of Default. If any one or more of the following described Events of Default shall occur and be continuing or exist, the Banks and the Agent shall have the rights and remedies, in addition to all other rights and remedies available to the Banks and the Agent, set forth in Sections 6.02 and 6.03 of this Agreement:

(a) Borrower shall fail to pay interest, principal or any other amount due hereunder within two Business Days of the date when due; or

(b) Borrower shall default (i) in any payment of principal of or interest on any other obligation for borrowed money beyond any period of grace provided with respect thereto, or (ii) in the performance of any other agreement, term or condition contained in any agreement under which any such obligation is created and as a result of such default such obligation has become due prior to its stated maturity and the result of an event specified in clause (ii) is to accelerate or permit the acceleration of any such obligation in excess of \$500,000; or

(c) Any representation or warranty herein made by Borrower, or any certificate or financial statement furnished pursuant to the provisions hereof, shall prove to have been false or misleading in any material respect as of the time made or furnished and Borrower shall not have taken corrective measures satisfactory to the Agent and the Banks with respect thereto within 30 days after a written notice is sent to Borrower by the Agent; or

(d) A Default shall occur under Section 5.01(h), 5.01(i), 5.01(j), 5.01(o), 5.02(d), 5.02(g), 5.02(h), 5.02(j) or 5.04 hereof or an Event of Default shall occur under the Security Agreement or the Guaranty and Suretyship Agreements, any Guarantor Security Agreement or any Subsidiary Guaranty and Suretyship Agreement; or

(e) A Default shall occur under either Section 5.01(d), 5.01(m), 5.01(n), 5.02(a), 5.02(b), 5.02(c), 5.02(e), or 5.02(f) hereof and such Default shall not have been cured within 30 days of the occurrence of such Default; or

(f) Borrower shall default in the performance of any other covenant, condition or provisions hereof and Borrower shall not have taken corrective measures satisfactory to the Agent and the Banks with respect thereto within 30 days after a written notice is sent to Borrower by the Agent; or

(g) Both the following events shall occur: (i) a Reportable Event, the occurrence of which would have a material adverse effect on the Plan Employer and which could cause the imposition of a lien under Section 4068 of ERISA, shall have occurred with respect to any Plan or Plans and be continuing 30 days after written notice of such event shall have been given to Borrower by the Agent; and (ii) the aggregate amount of the then current value of benefit commitments under such Plan or Plans guaranteed under Title IV of ERISA (and determined using the PBGC actuarial assumptions for determining asset sufficiency) exceeds the then current value of the assets allocable to such benefit commitments by more than \$1,000,000 at such time; or

(h) A proceeding shall have been instituted in a court having jurisdiction in the premises seeking a decree or order for relief in respect of Borrower or any Subsidiary in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of Borrower or any Subsidiary or for any substantial part of its property, or for the winding-up or liquidation of its affairs, and such proceeding shall remain undismissed or unstayed and in effect for a period of 60 consecutive days or such court shall enter a decree or order granting the relief sought in such proceeding; or

(i) Borrower or any Subsidiary shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of Borrower or Subsidiary or for any substantial part of its property, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action in furtherance of any of the foregoing.

#### Section 6.02. Consequences of Event of Default.

(a) If an Event of Default specified under paragraphs (a) through (g) of Section 6.01 shall occur, the Banks shall be under no further obligation to make Loans hereunder and the Agent shall be under no further obligation to issue Letters of Credit hereunder; and the Agent, upon instructions from the Required Banks, may by written notice to Borrower declare the unpaid balance of all Loans then outstanding and interest accrued thereon, and all other liabilities of Borrower hereunder and thereunder to be forthwith due and payable, and the same shall thereupon become and be immediately due and payable, without presentment, demand or protest of any kind, all of which are hereby expressly waived.

(b) If an Event of Default, specified under paragraphs (h) or (i) of Section 6.01 shall occur, the Banks shall be under no further obligation to make Loans hereunder and the Agent shall be under no further obligation to issue Letters of Credit hereunder; and the unpaid balance of all Loans then outstanding and interest accrued thereon and all other Debt shall be immediately due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived.

Section 6.03. Rights of Set-Off. In case an Event of Default shall occur and be continuing or shall exist, the Agent and each Bank shall have the right, in addition to all other rights and remedies available to it, without notice to the Borrower, to set-off against and to appropriate and apply to the unpaid balance of the Debt all the Notes and all other obligations of Borrower hereunder any debt owing to, and any other funds held in any manner for the account of Borrower by such holder, including, without limitation, all funds in all deposit accounts (whether general or special, time or demand, provisionally credited or finally credited, or otherwise) now or hereafter maintained by Borrower for its own account with such holder, and the Agent and each Bank is hereby granted a security interest in and lien on all such debts (including all such deposit accounts) for such purpose; provided, however, that, except for operating expenses due the Agent from the Borrower, obligations of the Borrower to the Banks arising in connection with the Loans shall be satisfied first with the proceeds of any exercise of the right of set-off before any other obligations of the Borrower to any of the Banks shall be paid. Such right shall exist whether or not any such holder or the Agent or any Bank shall have made any demand under this Agreement or any Note and whether or not the Notes and such other obligations are matured or unmatured. Borrower hereby confirms each such holder's and the Agent's and each Bank's right of banker's lien and set-off and nothing in this Agreement shall be deemed any waiver or prohibition of any such holder's or of the Agent's and each Bank's right of banker's lien and set-off.

## ARTICLE VII

### THE AGENT

Section 7.01. Appointment. The Banks hereby appoint Mellon Bank, N.A. to act as Agent as herein specified for the Banks hereunder and under the Loan Documents. Each of the Banks does hereby accept and agree to all the terms and conditions of the Loan Documents. Each of the Banks hereby irrevocably authorizes, and each holder of any Note by the acceptance of a Note shall be deemed irrevocably to authorize, the Agent to take such action on its behalf under the provisions of this Agreement and the Loan Documents and any other instruments and agreements referred to herein, and to exercise such powers and to perform such duties hereunder and thereunder, as are specifically delegated to or required of the Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto. Mellon Bank, N.A. agrees to act as the Agent on behalf of the Banks to the extent provided in this Agreement and the Loan Documents. The Banks hereby appoint the law firm of Reed Smith Shaw & McClay to act as counsel to the Agent and each of the Banks as to all matters arising in connection with this Agreement or the other Loan Documents.

Section 7.02. Delegation of Duties. The Agent may perform any of its duties hereunder or under the Loan Documents by or through agents or employees and shall be entitled to advice of counsel concerning all matters pertaining to its duties hereunder.

Section 7.03. Nature of Duties; Independent Credit Investigation. The Agent shall have no duties or responsibilities except those expressly set forth in this Agreement and the Loan Documents. The duties of the Agent shall be mechanical and administrative in nature; the Agent shall not have by reason of this Agreement or any Loan Document a fiduciary relationship in respect of any Bank; and nothing in this Agreement or any Loan Document, expressed or implied, is intended to or shall be so construed as to impose upon the Agent any obligations in respect of this Agreement or any Loan Document, except as expressly set forth herein or therein. Each Bank expressly acknowledges (a) that the Agent has not made any representations or warranties to it and that no act by the Agent hereafter taken, including any review of the affairs of Borrower or any of its Subsidiaries, shall be deemed to constitute any representation or warranty by the Agent to any Bank; (b) that it has made and will make its own independent investigation of the financial condition and affairs and its own appraisal of the creditworthiness of Borrower in connection with the making and continuance of the Loans hereunder; (c) that it has made its own independent investigation of the legal matters relating to this Agreement, the other Loan Documents and the Notes to be issued to it pursuant to the terms hereof; and (d) that the Agent shall have no duty or responsibility, either initially or on a continuing basis, to provide any Bank with any credit or other information with respect thereto, whether coming into its possession before the making of a Loan or at any time or times thereafter.

Section 7.04. Actions in Discretion of Agent; Instructions from the Banks. The Agent agrees, upon the written instructions of all the Banks to take any action of the type specified as being within the Agent's rights, powers or discretion herein. In the absence of instructions by all the Banks the Agent shall have authority, in its sole discretion, to take or not to take any such action, unless this Agreement or a Loan Document specifically requires the consent of all the Banks. Any action taken pursuant to such instructions or discretion shall be binding on all the Banks and on all holders of Notes. No Bank shall have any right of action whatsoever against the Agent as a result of the Agent acting or refraining from acting hereunder or under the other Loan Documents in accordance with the instructions of all Banks, or in the absence of such instructions, in the absolute discretion of the Agent, subject to the provisions of Section 7.06 hereof.

Section 7.05. Exculpatory Provisions. Neither the Agent nor any of its directors, officers, employees or agents shall be liable to any Bank for any action taken or omitted to be taken by it or them hereunder or under the other Loan Documents, or in connection herewith or therewith, unless caused by its or their own gross negligence or willful misconduct. In performing its functions and duties hereunder on behalf of the Banks, the Agent shall exercise the same care which it would exercise in dealing with loans for its own account, but it shall not (a) be responsible in any manner to any of the Banks for the effectiveness, enforceability, genuineness, validity or the due execution of this Agreement, any Loan Document or any of the Notes, or for any recital, representation, warranty, document, certificate, report or statement herein or made or furnished under or in connection with this Agreement or any Loan Document, or (b) be under any obligation to any of the Banks to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions hereof or thereof on the part of the Borrower, or the financial condition of the Borrower, or the existence or possible existence of any Event of Default or Potential Event of Default.

Section 7.06. Reimbursement and Indemnification. Each Bank agrees to reimburse and indemnify the Agent (to the extent not reimbursed by Borrower) ratably, in proportion to its Commitment, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Agent, in its capacity as such, in any way relating to or arising out of this Agreement, the Loan Documents, the Letters of Credit or the Notes or any action taken or omitted by the Agent hereunder or thereunder, provided that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements (a)if the same results from the Agent's gross negligence or willful misconduct, or (b)if such Bank was not given notice of the subject claim and the opportunity to participate in the defense thereof, at its expense, or (c)if the same results from a compromise and settlement agreement entered into without the consent of such Bank. Without limitation of the foregoing, each Bank agrees to reimburse the Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including attorney's fees) incurred by the Agent in connection with the preparation, execution, administration or enforcement of, or the preservation of any rights under, this Agreement and the other Loan Documents to the extent that the Agent is not reimbursed for such expenses by Borrower.

Section 7.07. Reliance by Agent. The Agent shall be entitled to rely upon any writing, telegram, telecopy, telex or teletype message, resolution, notice, consent, certificate, letter, cablegram, statement, or order or other document or conversation by telephone or otherwise believed by it to be genuine and correct and to have been signed, sent or made by the proper person, firm or corporation, and upon opinions of counsel and other professional advisers selected by the Agent. The Agent shall be fully justified in failing or refusing to take any action hereunder or under any Loan Document unless it shall first be indemnified to its satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action.

Section 7.08. Agent in its Individual Capacity. With respect to its Commitments, the Loans made by it and any Note held by it, the Agent shall have the same rights and powers hereunder as any other Bank and may exercise the same as though it were not the Agent, and the terms "Banks" or "holders of the Notes" shall, unless the context otherwise indicates, include the Agent in its individual capacity. The Agent and its affiliates may, without liability to account, make loans to, accept deposits from, act as trustee under indentures of, and generally engage in any kind of banking or trust business with, Borrower and its Subsidiaries and affiliates as though it were not acting as Agent hereunder.

Section 7.09. Holders of Notes. The Agent may deem and treat any payee of any Note as the owner thereof for all purposes hereof unless and until written notice of the assignment or transfer thereof shall have been filed with the Agent. Any request, authority or consent of any legal entity who at the time of making such request or giving such authority or consent is the holder of any Note shall be conclusive and binding on any subsequent holder, transferee or assignee of such Note or of any Note or Notes issued in exchange therefor.

Section 7.10. Equalization of Banks. The Banks agree among themselves that, with respect to all amounts received by any Bank for application on any obligation hereunder or on the Notes, after the earlier of an exercise of any Bank's rights of set-off pursuant to the provisions of Section 6.03 or the acceleration of maturity of any of the Notes pursuant to the provisions of Section 6.02, equitable adjustment will be made in the manner stated in the next succeeding sentence so that, in effect, all such amounts will be shared ratably among the Banks, in proportion to the sum of the amounts then outstanding under the Notes, plus all other Indebtedness of Borrower to them, whether received by voluntary payment, by realization upon security, by the exercise of the right of set-off or banker's lien, by counterclaim or cross action or any other non-pro rata source. Any Bank receiving any such amount shall purchase for cash from the other Banks an interest in their Notes, Borrower's Indebtedness to the Banks, and all other obligations of Borrower to the Banks, if any, in such amount as shall result in a ratable participation by each of the Banks in the aggregate unpaid amount of all outstanding Notes then held by all of the Banks, all Indebtedness of Borrower to the Banks, and all other obligations of Borrower to the Banks, provided that if all or any portion of such excess amount is thereafter recovered from such Bank, such purchase shall be rescinded and the purchase price restored to the extent of such recovery but without interest.

Section 7.11. Successor Agent. The Agent may resign at any time by giving written notice thereof to the Banks and Borrower. Upon any such resignation, the Required Banks (with the consent of Borrower, which consent shall not be unreasonably withheld) shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed, and shall have

accepted such appointment within 30 days after the retiring Agent's giving of notice of resignation, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent which shall be a commercial bank organized under the laws of the United States of America or any State thereof and having a combined capital and surplus of at least \$100,000,000. Upon the acceptance by a successor Agent of its appointment as Agent hereunder, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties under this Agreement. After any retiring Agent's resignation hereunder as Agent, the provisions of this Article VII shall inure to its benefit as to any actions taken or omitted by it while it was Agent under this Agreement.

#### ARTICLE VIII MISCELLANEOUS

##### Section 8.01. Modifications, Amendments or Waivers.

With the written consent of the Required Banks, the Agent, acting on behalf of all the Banks, and Borrower may from time to time enter into agreements amending or changing any provision of this Agreement or the rights of the Banks or Borrower hereunder, or the Agent, with the written consent of the Required Banks, may grant waivers or consents to a departure from the due performance of the obligations of Borrower hereunder, any such agreement, waiver or consent made with such written consent being effective to bind all the Banks; provided, that no such agreement, waiver or consent may be made which will:

(a) Reduce or increase the amount or alter the term of the Commitment of any Bank hereunder, or alter the provisions relating to the Facility Fees payable to any Bank hereunder, or amend Section 2.07 hereof without the written consent of all the Banks; or

(b) Extend the time for payment of principal or interest on any Note, or reduce the principal amount of or the rate of interest borne by any Note, or otherwise affect the terms of payment of the principal of or interest on any Note, without the written consent of the holder of such Note; or

(c) Amend Sections 2.05(d) or 2.08 hereof without the written consent of all of the Banks;

(d) Change the percentages specified in the definition herein of "Required Banks", or amend this Section 8.01 without the written consent of all the Banks;

(e) Amend Section 5.02(c) hereof without the written consent of all the Banks;

(f) Amend the definitions of "Eligible Accounts" or "Eligible Inventory" set forth in Section 1.01 hereof, such that the standards of eligibility are more restrictive, without the written consent of the Required Banks, or amend these definitions, such that the standards of eligibility are more permissive, without the written consent of all the Banks;

(g) Release the security interest in the Collateral granted in any of the Loan Documents without the written consent of all of the Banks; or

(h) Grant any extension of the Expiration Date or otherwise amend Section 2.11 hereof without the consent of all of the Banks.

Section 8.02. No Implied Waivers; Cumulative Remedies; Writing Required. No delay or failure of the Agent, any Bank or holder of any Note in exercising any right, power or remedy hereunder or under any Loan Document shall affect or operate as a waiver thereof; nor shall any single or partial exercise thereof or any abandonment or discontinuance of steps to enforce such a right, power or remedy preclude any further exercise thereof or of any other right, power or remedy. The rights and remedies hereunder and under the other Loan Documents of the Agent, any Bank, and holders of the Notes are cumulative and not exclusive of any rights or remedies (including, without limitation, the right of specific performance) which they or any of them would otherwise have. Any waiver, permit, consent or approval of any kind or character on the part of the Agent, any Bank or the holder of any Note of any breach or default under this Agreement, any other Loan Document or any Note or any such waiver of any provision or condition hereof or thereof must be in writing and shall be effective only to the extent in such writing specifically set forth.



Section 8.03. Reimbursement of Expenses; Taxes. Borrower agrees upon demand to pay or cause to be paid or to reimburse the Agent and save the Agent harmless against liability for the payment of all reasonable out-of-pocket expenses, including without limitation reasonable fees and reasonable expenses of Reed Smith Shaw & McClay LLP, special counsel for the Agent and the Banks, and all other reasonable fees and expenses (including counsel fees and the costs and expenses incurred by the Agent's asset-based lending division or credit recovery group) incurred by the Agent (a) arising in connection with the development, preparation, execution, performance, administration and interpretation of this Agreement, all of the other Loan Documents, and other instruments and documents to be delivered hereunder, (b) relating to any amendments, waivers or consents pursuant to the provisions hereof or thereof, (c) arising in connection with the enforcement of this Agreement, or the other Loan Documents, collection of the Notes, or the proof and allowability of any claim arising under this Agreement or the other Loan Documents, whether in any bankruptcy or receivership proceeding or otherwise, and (d) arising in connection with any litigation or preparation for litigation related to the collection of amounts owed under this Agreement, or the other Loan Documents. Borrower agrees upon demand to pay or cause to be paid or to reimburse each Bank and save each Bank harmless against liability for the payment of all reasonable out-of-pocket expenses (including fees and expenses of their respective counsel) incurred by such Bank in connection with the collection of the Notes or the proof and allowability of any claim arising under this Agreement or the other Loan Documents, whether in any bankruptcy or receivership proceeding or otherwise. The Borrower agrees to pay and to indemnify and save the Banks harmless from any and all liability for any stamp or other taxes, fees or similar impositions which may be payable in connection with this Agreement, the Notes or the other Loan Documents, or the performance of any transactions contemplated hereby or thereby.

Section 8.04. Indemnity. Borrower agrees to indemnify each of the Agent and the Banks, their directors, officers and employees and each legal entity, if any, who controls the Agent and each of the Banks and to hold the Agent and each of the Banks harmless from and against any and all claims, damages, liabilities and expenses (including, without limitation, all reasonable fees of counsel with whom the Agent and each Bank may consult and all expenses of litigation or preparation thereon which any of the Agent or the Banks may incur or which may be asserted by a third party against the Agent or any of the Banks in connection with or arising out of the matters referred to herein or in the other Loan Documents. The indemnity agreement contained in this Section 8.04 shall survive the termination of this Agreement. Promptly and upon receipt by any indemnified party hereunder of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against Borrower hereunder, notify the Borrower in writing of the commencement thereof. Borrower may participate at its expense in the defense of any such action or claim.

Section 8.05. Holidays. Whenever any payment or action to be made or taken hereunder shall be stated to be due on a day which is not a Business Day, such payment or action shall be made or taken on the next following Business Day, and such extension of time shall be included in computing interest or fees, if any, in connection with such payment or action.

Section 8.06. Notices. All notices and other communications given to or made upon any party hereto in connection with this Agreement shall, except as otherwise expressly herein provided, be in writing (including telexed, telecopied or telegraphic communication) and mailed, telexed, telecopied, telegraphed or delivered to the respective parties, as follows:

Borrower:

L.B. Foster Company  
415 Holiday Drive  
Pittsburgh, Pennsylvania 15220  
Attn: Chief Financial Officer  
Telephone: (412) 928-3400  
Telecopier: (412) 928-3486  
Telex: (710) 664-4325  
Answerback: Foster Hqs

The Agent:

Mellon Bank, N.A.  
One Mellon Bank Center  
45th Floor  
Pittsburgh, Pennsylvania 15258-0001  
Attention: Charles H. Staub  
Telephone: (412) 234-1068

Telecopier: (412) 236-1914  
Telex: 812-367  
Answerback: Mel Bnk PGH

With a copy to:

Mellon Bank, N. A.  
Loan Administration  
Three Mellon Bank Center  
Pittsburgh, Pennsylvania 15259  
Attn: Agented Credits

The Banks:

Their respective names and  
addresses set forth in  
Section 2.01 hereof

or in accordance with any subsequent written direction from any party to the others. All such notices and other communications shall, except as otherwise expressly herein provided, be effective when deposited in the mail, postage prepaid; in the case of telex or telecopier, when received; or in the case of telegraph, when delivered to the telegraph company, charges prepaid.

Section 8.07. Survival. All representations, warranties, covenants and agreements of Borrower contained herein or in any other Loan Document or made in writing in connection herewith shall survive the execution and delivery hereof and thereof and the making of Loans hereunder and the issuance of Letters of Credit hereunder, and shall continue in full force and effect so long as Borrower may borrow hereunder and until payment in full of the Debt.

Section 8.08. Governing Law. This Agreement and the other Loan Documents, and the rights and obligations of the parties hereto and thereto, shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania, excluding its rules relating to the conflict of laws.

Section 8.09. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Agent, the Banks, Borrower and their respective successors and assigns, except that Borrower may not assign or transfer any of its rights or obligations hereunder or any interest herein. Any Bank may from time to time sell, assign or grant one or more participations in all or any part of its Commitment or any Loan made by it or which may be made by it, or of its right, title and interest therein or thereto or in or to this Agreement (collectively, "Interests"), to another lending office, bank, financial institution, or other entity ("Transferees"), provided, (a) that no Transferee shall be entitled to receive any greater payment under Sections 2.05(d) and 2.08 than the Bank making such transfer would have been entitled to receive with respect to the rights transferred; (b) that any Transferee (unless otherwise provided in the instrument of transfer) may exercise any and all rights of banker's lien, set-off and counterclaim with respect to its Interest as fully as if such Transferee were the holder of a Loan in the amount of its Interest; and (c) that, unless

(i) Borrower consents in writing to the absolute assignment to a Transferee by a Bank hereunder, which consent shall not be unreasonably withheld,

(ii) the transferring Lender shall have paid to the Agent the then standard fee in connection with the registration of such transfer, and

(iii) such Transferee shall have executed and delivered to Borrower and the Agent an agreement satisfactory in form and substance to counsel for the Agent by which such Transferee agrees to become a party hereto and to be bound by all of the terms, conditions and provisions hereof,

any agreement pursuant to which any Bank may grant a participation in its rights with respect to any particular Loan or Loans shall provide that, with respect to such Loan or Loans, insofar as Borrower is concerned, such Bank shall retain the sole right and responsibility to exercise (or refrain from exercising) the rights of such Bank and enforce the obligations of Borrower or any other person relating to such Loan or Loans including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement and the right to take action to have the Notes declared due and payable pursuant to Section 6.02 hereof; but the foregoing provision shall not restrict the right of any Bank to agree with any Transferee concerning the circumstances under which such Bank will exercise or refrain from exercising any rights so retained, including without limitation an agreement that such Bank will not, without the

participant's prior written consent, exercise any such rights which would (i) reduce the principal amount of or the rate of interest on any Note, or (ii) extend the time for payment of principal or interest on any Note; and provided further, that, unless Borrower otherwise consents in writing, which consent shall not be unreasonably withheld, no such grant of a participation shall be deemed to relieve any Bank of its obligation to lend under this Agreement or constitute a waiver of any rights of Borrower or the Agent hereunder against any Bank. The Banks may furnish any information concerning the Borrower in the possession of the Agent or the Banks from time to time to assignees and participants, including prospective assignees or participants. Each Bank represents to Borrower that it will acquire the Notes in connection with the making of loans in the ordinary course of its normal commercial banking business. Except to the extent otherwise required by its context, the word "Bank" where used in this Agreement shall mean and include the holder of any Note originally issued to such Bank, and the holder of such Note shall be bound by and have the benefits of this Agreement the same as if such holder had been a signatory hereto. Nothing in this Section 8.09 shall limit or impair any Bank's rights under Section 2.09 hereof.

Section 8.10. Severability. The provisions of this Agreement and of the other Loan Documents are severable, and if any clause or provision of this Agreement or of any Loan Document shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such clause or provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without in any manner affecting the validity or enforceability of such clause or provision in any other jurisdiction or the remaining provisions hereof and of the other Loan Documents in any jurisdiction.

Section 8.11. Nature of Liabilities. Any and all obligations and liabilities in respect of this Agreement (including, without limitation, the Notes and the other Loan Documents) on the part of Borrower and its Subsidiaries shall be joint and several. Any and all obligations and liabilities in respect of this Agreement (including, without limitation, the Notes and the other Loan Documents) on the part of one or more of the Agent and the Banks shall be several and not joint.

Section 8.12. Marshalling; Payments Set Aside. Neither the Agent nor any of the Banks shall be under any obligation to marshal any assets in favor of Borrower or any other person or against or in payment of any or all of the Debt. To the extent that Borrower makes a payment or payments to the Agent or any Bank or the Agent or any of the Banks exercises its rights of setoff, and such payment or payments or the proceeds of such enforcement or setoff or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, recovered from, disgorged by or are required to be refunded, repaid or otherwise restored to either Borrower, a trustee, receiver or any other person under any Law, including without limitation any bankruptcy Law, state or federal Law, common Law or equitable cause, then to the extent of any such restoration, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

Section 8.13. Prior Understandings. This Agreement supersedes all prior understandings and agreements, whether written or oral, among the parties hereto relating to the transactions provided for herein.

Section 8.14. Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which, when so executed and delivered, shall be an original, but all such counterparts shall together constitute one and the same instrument.

Section 8.15. Section Headings. The underlined section headings herein are for convenience of reference only and shall not in any way affect the interpretation or construction hereof.

Section 8.16. Waiver Of Right To Trial By Jury. BORROWER HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OR ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (1) ARISING UNDER THIS AGREEMENT OR ANY OTHER DOCUMENT OR INSTRUMENT ATTACHED HERETO, REFERRED TO HEREIN OR DELIVERED IN CONNECTION HERewith, OR (2) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF BORROWER WITH RESPECT TO THIS AGREEMENT OR ANY OTHER DOCUMENT OR INSTRUMENT ATTACHED HERETO, REFERRED TO HEREIN OR DELIVERED IN CONNECTION HERewith, OR THE TRANSACTIONS RELATED HERETO OR THERETO, IN EACH CASE WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE; AND BORROWER HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF BORROWER HERETO TO THE WAIVER OF ITS RIGHT TO TRIAL

BY JURY.

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed this Agreement as of the day and year first above written.

Attest:

L. B. FOSTER COMPANY

/s/ D. L. Minor

By: /s/ Roger F. Nejes

Title: VP, Treasurer

Title: Sr.VP Finance Admin,  
CFO

[CORPORATE SEAL]

MELLON BANK, N A.

By: /s/ Mark F. Johnston

Title: AVP

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Melissa DiMartini

Title: Corporate Banking  
Officer

FIRST UNION NATIONAL BANK

By: /s/ Donna J. Emhart

Title: Vice President



L.B. FOSTER COMPANY  
1998 LONG-TERM INCENTIVE PLAN FOR OFFICERS AND DIRECTORS

ARTICLE I

PURPOSE, EFFECTIVE DATE AND AVAILABLE SHARES

1.1 Purpose. The purpose of this Plan is to provide financial incentives for officers and directors of L.B. Foster Company (the "Company") and its subsidiaries, thereby promoting the long-term growth and financial success of the Company by (i) attracting and retaining officers and directors of outstanding ability, (ii) strengthening the Company's capability to develop, maintain and direct a competent management team, (iii) motivating officers to achieve long-range performance goals and objectives, and (iv) providing incentive compensation opportunities competitive with those of other corporations.

1.2 Effective Date and Expiration of Plan. The Plan was adopted by the Board of Directors of the Company on October 23, 1998 and was made effective as of that date. Unless earlier terminated by the Board pursuant to Section 5.3, the Plan shall terminate on the fifth anniversary of its Effective Date. No Award shall be made pursuant to the Plan after its termination date, but Awards made prior to the termination date may extend beyond that date.

1.3 Shares Available Under the Plan. L.B. Foster Company stock to be offered under the Plan pursuant to Options and SARs may be authorized but unissued common stock or previously issued shares of common stock which have been reacquired by the Company and are held in its treasury. Subject to adjustment under Section 5.6, no more than 25,000 shares of common stock shall be issuable upon the exercise of Options or SARs. Any shares of stock subject to an Option which for any reason is cancelled (excluding shares subject to an Option cancelled upon the exercise of a related SAR) or terminated without having been exercised shall again be available for Awards under the Plan. Shares subject to an Option cancelled upon the exercise of an SAR shall not again be available for Awards under the Plan.

ARTICLE II

DEFINITIONS

2.1 "Award" means, individually or collectively, any Option or SAR under this Plan.

2.2 "Board" means the Board of Directors of L.B. Foster Company.

2.3 "Committee" means directors of the Company, not to be less than two, appointed by the Board, each of who is a "non-employee director" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended. In the absence of such a committee, the term "Committee" shall mean the Board.

2.4 "Company" means L.B. Foster Company and its successors and assigns.

2.5 "Director" means a director of the Company or of a Subsidiary.

2.6 "Effective Date" means the date on which the Plan is effective as provided in Section 1.2.

2.7 "Fair Market Value" of the Stock as to a particular time or date means the last sale price of the Stock as reported in the NASDAQ National Market System or, if the Stock is listed on a securities exchange, the last reported sale price of the Stock on such exchange that shall be for consolidated trading if

applicable to such exchange, or if neither so reported or listed, the last reported bid price of the Stock.

2.8 "Incentive Stock Option" means an option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended.

2.9 "Nonqualified Stock Option" means a stock option granted under the Plan other than an Incentive Stock Option.

2.10 "Officer" means an officer of the Company or of a Subsidiary.

2.11 "Option" means both a Nonqualified Stock Option and an Incentive Stock Option to purchase common stock of the Company.

2.12 "Option Price" means the price at which common stock of the Company may be purchased under an Option as provided in Section 4.6.

2.13 "Participant" means a person to whom an Award is made under the Plan.

2.14 "Personal Representative" means the person or persons who, upon the death, disability or incompetency of a Participant, shall have acquired, by will or by the laws of descent and distribution or by other legal proceedings, the right to exercise an Option or SAR theretofore granted to such Participant.

2.15 "Plan" means this 1998 Long-Term Incentive Plan for Officers and Directors.

2.16 "SAR" means a stock appreciation right under the Plan.

2.17 "Stock" means common stock of the Company.

2.18 "Stock Option Agreement" means an agreement entered into between a Participant and the Company under Section 4.5.

2.19 "Subsidiary" means a corporation or other business entity, domestic or foreign, the majority of the voting stock or other voting interests in which is owned directly or indirectly by the Company.

### ARTICLE III

#### ADMINISTRATION

3.1 Committee to Administer. (a) The Plan shall be administered by the Committee. The Committee shall have full power and authority to interpret and administer the Plan and to establish and amend rules and regulations for its administration. The Committee's decisions shall be final and conclusive with respect to the interpretation of the Plan and any Award made under it.

(b) A majority of the members of the Committee shall constitute a quorum for the conduct of business at any meeting. The Committee shall act by majority vote of the members present at a duly convened meeting, including a telephonic meeting in accordance with Section 1708 of the Pennsylvania Business Corporation Law ("BCL"). Action may be taken without a meeting if written consent thereto is given in accordance with Section 1727 of the BCL.

3.2 Powers of Committee. (a) Subject to the provisions of the Plan, the Committee shall have authority, in its discretion, to determine those Officers and Directors who shall receive Awards, the time or times when each such Award shall be made and the type of Award to be made, whether an Incentive Stock Option or a Nonqualified Stock Option shall be granted and the number of shares to be subject to each Option.

(b) A Director shall not participate in a vote granting himself an Option or SAR.

(c) The Committee shall determine the terms, restrictions and provisions of the agreement relating to each Award, including such terms, restrictions and provisions as shall be necessary to cause certain Options to qualify as Incentive Stock Options. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan, or in any agreement relating to an Award, in such manner and to the extent the Committee shall determine in order to carry out the purposes of the Plan. The Committee may, in its discretion, accelerate the date on which an Option or SAR may be exercised, if the Committee determines that to do so will be in the best interests of the Company and the Participant.

### ARTICLE IV



## AWARDS

4.1 Awards. Awards under the Plan shall consist of Incentive Stock Options, Nonqualified Stock Options and/or SARs. All Awards shall be subject to the terms and conditions of the Plan and to such other terms and conditions consistent with the Plan as the Committee deems appropriate. Awards need not be uniform.

4.2 Eligibility for Awards. Awards may be made to Officers and Directors. In selecting Participants and in determining the form and amount of the Award, the Committee may give consideration to his or her functions and responsibilities, his or her present and potential contributions to the success of the Company, the value of his or her services to the Company, and other factors deemed relevant by the Committee.

4.3 Award of Stock Options. The Committee may, from time to time, subject to Section 3.2(b) and other provisions of the Plan and such terms and conditions as the Committee may prescribe, grant Incentive Stock Options and Nonqualified Stock Options to any Officers or Directors. Awards of Incentive Stock Options and Nonqualified Stock Options shall be separate and not in tandem.

4.4 Period of Option. (a) Unless otherwise provided in the related Stock Option Agreement, an Option granted under the Plan shall be exercisable only after twelve (12) months have elapsed

from the date of grant and, after such twelve-month waiting period, the Option may be exercised in cumulative installments in the following manner:

(i) The Participant may purchase up to one-fourth (1/4) of the total optioned shares at any time after one year from the date of grant and prior to the termination of the Option.

(ii) The Participant may purchase an additional one-fourth (1/4) of the total optioned shares at any time after two years from the date of grant and prior to the termination of the Option.

(iii) The Participant may purchase an additional one-fourth (1/4) of the total optioned shares at any time after three years from the date of grant and prior to the termination of the Option.

(iv) The Participant may purchase an additional one-fourth (1/4) of the total optioned shares at any time after four years from the date of grant and prior to the termination of the Option.

The duration of each Option shall not be more than ten (10) years from the date of grant.

(b) Except as otherwise provided in the Stock Option Agreement, an Option may not be exercised by a Participant unless such Participant is then, and continually (except for sick leave, military service or other approved leave of absence) after the grant of an Option has been, an officer, director or employee of the Company or a Subsidiary.

4.5 Stock Option Agreement. Each Option shall be evidenced by a Stock Option Agreement, in such form and containing such provisions not inconsistent with the provisions of the Plan as the Committee from time to time shall approve.

4.6 Option Price and Exercise. (a) The Option Price of Stock under each Option shall be determined by the Committee but shall be not less than the Fair Market Value of the Stock on the trading day immediately preceding the date on which the Option is granted, as determined by the Committee.

(b) Options may be exercised from time to time by giving written notice of exercise to the Company specifying the number of shares to be purchased. The notice of exercise shall be accompanied by (i) payment in full of the Option Price in cash, certified check or cashier's check or (ii) a copy of irrevocable instructions to a broker to promptly deliver to the Company the amount of sale or loan proceeds sufficient to cover the Option Price.

Delivery of Option Shares. The Company shall not be obligated to deliver any shares upon the exercise of an Option unless and until, in the opinion of the Company's counsel, all applicable federal, state and other laws and regulations have been complied with. In the event the outstanding Stock is at the time listed on any stock exchange, no delivery shall be made unless and until the shares to be delivered have been listed or authorized to be added to the list upon official notice of issuance on such exchange. No delivery shall be made until all other legal matters in connection with the issuance and delivery of shares have been approved by the Company's counsel.

Without limiting the generality of the foregoing, the Company may require from the Participant or other person purchasing shares of Stock under the Plan such investment representation or such agreement, if any, as counsel for the Company may consider necessary in order to comply with the Securities Act of 1933, as amended, and the regulations thereunder. Certificates evidencing the shares may be required to bear a restrictive legend. A stop transfer order may be required to be placed with the transfer agent, and the Company may require that the Participant or such other person agree that any sale of the shares will be made only on one or more specified stock exchanges or in such other manner as permitted by the Committee.

The Participant shall notify the Company when any disposition of the shares, whether by sale, gift or otherwise, is made. The Company shall use its best efforts to effect any such compliance and listing, and the Participant or other person shall take any action reasonably requested by the Company in such connection.

4.8 Limitations on Incentive Stock Options. (a) The aggregate Fair Market Value (determined at the time the Option is granted) of the Stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year (under all plans of the Participant's employer corporation and its parent and subsidiary corporations) shall not exceed \$100,000. (b) An Incentive Stock Option shall not be granted to any Officer or Director who, at the time of grant, owns stock possessing more than ten percent of the total combined voting power of all classes of stock of the Company or any Subsidiary.

(c) No Incentive Stock Option may be exercisable more than three months after termination of the Participant's employment with the Company or with a parent or Subsidiary of the Company, except that where such employment is terminated because of permanent and total disability, within the meaning of Section 22(e)(3) of the Internal Revenue Code of 1986 ("Permanent Disability"), or death, such period may be one year.

4.9 Termination of Service. Except as otherwise provided in this Plan, or in the applicable Stock Option Agreement, if the service of a Participant (i.e., as an officer, director or employee of the Company or a Subsidiary) terminates for any reason other than death, permanent disability or retirement with the consent of the Company, all Options held by the Participant shall expire and may not thereafter be exercised. For purposes of this section, the employment or other service in respect to Options held by a Participant shall be treated as continuing in tact while the participant is on military leave, sick leave, or other bona fide leave of absence (such as temporary employment with the Government) if the period of such leave does not exceed 90 days, or, if longer, so long as the Participant's right to reestablish his service with the Company is guaranteed either by statute or by contract. Where the period of leave exceeds 90 days and where the Participant's right to reestablish his service is not guaranteed by statute or by contract, his service shall be deemed to have terminated on the ninety-first day of such leave. Anything herein to the contrary notwithstanding and unless the Stock Option Agreement provides otherwise, if the service of a Participant terminates more than four years after the grant of the Option, other than due to a termination for Cause, the Participant may exercise such Option within 30 days of such termination. Except as so exercised, such Option shall expire at the end of such period. In no event, however, may any Option be exercised after the expiration of ten (10) years from the date of grant of such Option.

For the purpose of the Plan, termination for Cause shall mean (i) termination due to (a) willful or gross neglect of duties or (b) willful misconduct in the performance of such duties, so as to cause material harm to the Company or any Subsidiary as determined by the Board, (ii) termination due to the Participant committing fraud, misappropriation or embezzlement in the performance of his or her duties or (iii) termination due to the Participant committing any felony of which he or she is convicted and which, as determined in good faith by the Board, constitutes a crime involving moral turpitude and results in material harm to the Company or a Subsidiary.

4.10 Death. Except as otherwise provided in the applicable Stock Option

Agreement, if a Participant dies at a time when his Option is not fully exercised, then at any time or times within such period after his death, not to exceed 12 months, as may be provided in the Stock Option Agreement, such Option may be exercised as to any or all of the shares which the Participant was entitled to purchase under the Option immediately prior to his death, by his executor or administrator or the person or persons to whom the Option is transferred by will or the applicable laws of descent and distribution. In no event, however, may any Option be exercised after the expiration of ten (10) years from the date of grant of such Option.

4.11 Retirement or Permanent Disability. Except as otherwise provided in the applicable Stock Option Agreement, if a Participant retires from service with the consent of the Company, or suffers Permanent Disability, at a time when he or she is entitled to exercise an Option, then at any time or times within three years after his or her termination of service because of such retirement or Permanent Disability the Participant may exercise such Option as to all or any of the shares which he or she was entitled to purchase under the Option immediately prior to such termination. Except as so exercised, such Option shall expire at the end of such period. In no event, however, may any Option be exercised after the expiration of ten (10) years from the date of grant of such Option.

The Committee shall have authority to determine whether or not a Participant has retired from service or has suffered Permanent Disability, and its determination shall be binding on all concerned. In the sole discretion of the Committee, a transfer of service to an affiliate of the Company other than a Subsidiary (the latter type of transfer not constituting a termination of service for purposes of the Plan) may be deemed to be a retirement from service with the consent of the Company so as to entitle the Participant to exercise the Option within 90 days after such transfer.

4.12 Stockholder Rights and Privileges. A Participant shall have no rights as a stockholder with respect to any Stock covered by an Option until the issuance of a stock certificate to the Participant representing such Stock.

4.13 Award of SARs. (a) At any time prior to six months before an Option's expiration date, the Committee may award to the Participant an SAR related to the Option.

(b) The SAR shall represent the right to receive payment of an amount not greater than the amount, if any, by which the Fair Market Value of the Stock on the trading day immediately preceding the date of exercise of the SAR exceeds the Option Price.

(c) SARs awarded under the Plan shall be evidenced by either the Stock Option Agreement or a separate agreement between the Company and the Participant.

(d) An SAR shall be exercisable only at the same time and to the same extent and subject to the same conditions as the Option related thereto is exercisable, except that the Committee may prescribe additional conditions and limitations on the exercise of any SAR, including a maximum appreciation value. An SAR shall be transferable only when the related Option is transferable, and under the same conditions. The exercise of an SAR shall cancel the related Option. SARs may be exercised only when the Fair Market Value of a share of Stock subject to the related Option exceeds the Option Price. Such value shall be determined in the manner specified in Section 4.13(b).

(e) An SAR shall be exercisable only by written notice to the Company and only to the extent that the related Option is exercisable. However, an SAR shall in no event be exercisable during the first six months of its term except in the event of death or Permanent Disability of the Participant prior to the expiration of such six-month period.

(f) All SARs shall automatically be exercised on the last trading day prior to the expiration of the related Option, so long as the Fair Market Value of the Stock at the time of exercise exceeds the Option Price, unless prior to such day the holder instructs the Company otherwise in writing.

(g) Payment of the amount to which a Participant is entitled upon the exercise of an SAR shall be made in cash, Company stock, or partly in cash and partly in Company stock, as the Committee shall determine at the time of the Award. To the extent that payment is made in Company stock, the shares shall be valued at their fair market value, as determined by the Committee.

(h) At any time when a Participant is, in the judgment of counsel to the Company, subject to Section 16 of the Securities Exchange Act of 1934 with respect to any equity securities of the Company:

(i) any election by such Participant to receive cash in whole or in part upon the exercise of such SAR shall be made only during the period beginning on the third business day following the

date of release by the Company for publication of any quarterly or annual summary statement of its sales and earnings and ending on the twelfth business day following such date of release, and

(ii) in the event the Committee has not determined the form in which such SAR will be paid (i.e., cash, shares of Company stock, or any combination thereof), any election to exercise such right in whole or in part for cash shall be subject to the subsequent consent thereto, or disapproval thereof, by the Committee in its sole discretion.

(i) Each SAR shall expire on a date determined by the Committee at the time of Award, or, if later, upon the termination of the related Option.

## ARTICLE V

### MISCELLANEOUS PROVISIONS

5.1 Nontransferability. No Award under the Plan shall be transferable by the Participant other than by will or the laws of descent and distribution. All Awards shall be exercisable during the Participant's lifetime only by such Participant or his Personal Representative. Any transfer contrary to this Section 5.1 will nullify the Award.

5.2 Amendments. The Committee may at any time discontinue granting Awards under the Plan. The Board may at any time amend

the Plan or amend any outstanding Option for the purpose of satisfying the requirements of any changes in applicable laws or regulations or for any other purpose which may at the time be permitted by law; provided that no such amendment shall result in Rule 16b-3 under the Securities Exchange Act of 1934, as amended, becoming inapplicable to any Options. No amendment shall adversely affect the right of any Participant under any Award theretofore granted to him or her except upon his or her written consent to such amendment.

5.3 Termination. The Board may terminate the Plan at any time prior to its scheduled expiration date but no such termination shall adversely affect the rights of any Participant under any Award theretofore granted without his or her written consent.

5.4 Nonuniform Determinations. The Committee's determinations under the Plan, including without limitation (i) the determination of the Officers and Directors to receive Awards, (ii) the form, amount and timing of such Awards, (iii) the terms and provisions of such Awards and (iv) the Agreements evidencing the same, need not be uniform and may be made by it selectively among Officers and Directors who receive, or who are eligible to receive, Awards under the Plan, whether or not such Officers or Directors are similarly situated.

5.5 No Right to Employment. Neither the action of the Board in establishing the Plan, nor any action taken by the Committee under the Plan, nor any provision of the Plan, shall be construed as giving to any person the right to be retained in the employ, or as an officer or director, of the Company or any Subsidiary.

5.6 Changes in Stock. In the event of a stock dividend, split-up, or a combination of shares, recapitalization or merger in which the Company is the surviving corporation or other similar capital change, the number and kind of shares of stock or securities of the Company to be subject to the Plan and to Options or SARs then outstanding or to be granted thereunder, the maximum number of shares of stock or security which may be issued on the exercise of Options granted under the Plan, the Option Price and other relevant provisions shall be appropriately adjusted by the Board, whose determination shall be binding on all persons. In the event of a consolidation or a merger in which the Company is not the surviving corporation, or any other merger in which the shareholders of the Company exchange their shares of stock in the Company for stock of another corporation, or in the event of complete liquidation of the Company, or in the case of a tender offer accepted by the Board of Directors, all outstanding Options and SARs shall thereupon terminate, provided that the Board may, prior to the effective date of any such consolidation or merger, either (i) make all outstanding Options and SARs immediately exercisable or (ii) arrange to have the surviving corporation grant to the Participants replacement Options and SARs on terms which the Board shall determine to be fair and reasonable.

## Financial Data Schedule for Third Quarter 1998 Filing

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		116,805
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		0
		3,360
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		0.33