

10-08-2002

Form PTO-1594
(Rev. 03/01)
OMB No. 0651-0027 (exp. 5/31/2002)

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DEPARTMENT OF COMMERCE
U.S. Patent and Trademark Office

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To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):

Shapes/Arch Holdings L.L.C.
Shapes L.L.C.
Delair L.L.C.
Accu-Weld L.L.C.
Ultra L.L.C.

10-2-02

- Individual(s)
- General Partnership
- Corporation-State
- Other Limited Liability Companies
- Association
- Limited Partnership

Additional name(s) of conveying party(ies) attached? Yes No

3. Nature of conveyance:

- Assignment
- Security Agreement
- Other _____
- Merger
- Change of Name

Execution Date: 11/16/ 2001

2. Name and address of receiving party(ies)

Name: PNC Bank
Internal _____
Address: _____

Street Address: 1600 Market Street, 22nd Floor

City: Philadelphia State: PA Zip: 19103

- Individual(s) citizenship _____
- Association: National
- General Partnership _____
- Limited Partnership _____
- Corporation-State _____
- Other _____

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No
(Designations must be a separate document from assignment)
Additional name(s) & address(es) attached? Yes No

4. Application number(s) or registration number(s):

A. Trademark Application No.(s) _____

B. Trademark Registration No.(s) 2,286,971; 1,215,850

Additional number(s) attached Yes No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: Jamie B. Bischoff

Internal Address: Ballard Spahr Andrews & Ingersoll, LLP

Street Address: 1735 Market Street, 51st Floor

City: Philadelphia State: PA Zip: 19103

6. Total number of applications and registrations involved: 2

7. Total fee (37 CFR 3.41).....\$ 65

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number:

02-0755

DO NOT USE THIS SPACE

9. Signature.

Jamie B. Bischoff
Name of Person Signing

Signature

10/2/02
Date

10/07/2002 LHWELLER 00000103 020755 2286971 Total number of pages including cover sheet, attachments, and document: 57

01 FC:481
02 FC:482

40.00 CH
25.00 CH

Mail documents to be recorded with required cover sheet information to:
Commissioner of Patent & Trademarks, Box Assignments
Washington, D.C. 20231

PHL_A #1671749 v1

TRADEMARK
REEL: 2594 FRAME: 0664

SECURITY AGREEMENT

This SECURITY AGREEMENT is made and entered into as of November 16 2001, by and between SHAPES/ARCH HOLDINGS L.L.C. ("Arch"), SHAPES L.L.C. ("Shapes"), DELAIR L.L.C. ("Delair"), ACCU-WELD L.L.C. ("Accu-weld") ULTRA L.L.C. ("Ultra", and together with Arch, Shapes, Delair and Accu-weld, collectively, the "Borrowers"), and PNC BANK, NATIONAL ASSOCIATION ("PNC"), a national banking association, as agent (in such capacity, the "Agent") for the banks and other financial institutions (the "Banks") from time to time parties to the Credit Agreement (hereinafter referred to).

WITNESSETH:

WHEREAS, the Borrowers, the Banks and the Agent are parties to the Credit Agreement dated as of May 30, 1997, as amended by a First Amendment to Credit Agreement dated as of June 5, 1998, a Second Amendment to Credit Agreement dated as of June 25, 1998, a Third Amendment to Credit Agreement dated as of June 30, 1999 and a Fourth Amendment to Credit Agreement of even date herewith (as heretofore or hereafter amended, supplemented or otherwise modified, the "Credit Agreement");

WHEREAS, as a condition precedent to the obligation of the Banks to continue to extend credit facilities to the Borrowers under the Credit Agreement, each of the Borrowers has agreed to execute and deliver this Security Agreement to the Agent for the ratable benefit of the Banks; and

NOW, THEREFORE, in consideration of the premises and to induce the Agent and the Banks to continue to extend credit facilities to the Borrowers under the Credit Agreement, each of the Borrowers hereby agrees with the Agent, for the ratable benefit of the Banks, as follows:

1. Defined Terms. Unless otherwise defined herein, terms which are defined in the Credit Agreement and used herein are so used as so defined; the following terms which are defined in the Code are used herein as so defined: Accounts (including Health-Care-Insurance Receivables), Account Debtor, Chattel Paper (including Electronic Chattel Paper and Tangible Chattel Paper), Commercial Tort Claims, Control, Deposit Accounts, Documents, Equipment, Farm Products, Financial Assets, General Intangibles, Instruments (including Promissory Notes), Inventory, Investment Property (including Securities Entitlements, Securities Accounts, Commodity Accounts, and Commodity Contracts), Letter-of-Credit Rights, Payment Intangibles, Software, Supporting Obligations and Proceeds; and the following terms shall have the following meanings:

"Code" shall mean the Uniform Commercial Code as from time to time in effect in the Commonwealth of Pennsylvania.

"Collateral" shall have the meaning assigned to it in Section 2 of this Security Agreement.

"Contracts" shall mean all contracts and other agreements between any of the Borrowers and any other Person, as the same may from time to time be amended, supplemented or otherwise modified, including, without limitation, (a) all rights of any of the Borrowers to receive moneys due and to become due to it thereunder or in connection therewith, (b) all rights of any of the Borrowers to damages arising out of, or for, breach or default in respect thereof and (c) all rights of any of the Borrowers to perform and to exercise all remedies thereunder.

"Copyrights" shall mean (a) all copyrights, registrations and applications for registration, issued or filed, including any reissues, extensions or renewals thereof, by or with the United States Copyright Office or any similar office or agency of the United States, any State thereof, or any other country or political subdivision thereof, or otherwise, including, all rights in and to the material constituting the subject matter thereof, including, without limitation, any referred to in Schedule I hereto, and (b) any rights in any material which is copyrightable or which is protected by common law, United States copyright laws or similar laws or any law of any State, including, without limitation, any thereof referred to in Schedule I hereof.

"Copyright License" shall mean any agreement, written or oral, providing for a grant by any of the Borrowers of any right in any Copyright, including, without limitation, any thereof referred to in Schedule I hereof.

"Obligations" shall mean the unpaid principal amount of, and interest on (including, without limitation, interest accruing after the maturity of the Loans and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to any of the Borrowers, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) the Notes and all other obligations and liabilities of any of the Borrowers to the Agent or to the Banks, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, the Credit Agreement, the Notes, the Letters of Credit, this Security Agreement, the other Loan Documents, and any other document made, delivered or given in connection therewith or herewith, or under any Interest Rate Protection Agreements entered into with the Agent or any of the Banks, and any modification, renewal or extension of any thereof, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses (including, without limitation, all fees and disbursements of counsel to the Agent or to the Banks that are required to be paid by any of the Borrowers pursuant to the terms of the Credit Agreement or any other Loan Document) or otherwise.

"Patents" shall mean (a) all letters patent of the United States or any other country or any political subdivision thereof, and all reissues and extensions thereof, including, without limitation, any thereof referred to in Schedule II hereto, and (b) all applications for letters patent of the United States and all divisions, continuations and continuations-

in-part thereof or any other country or any political subdivision, including, without limitation, any thereof referred to in Schedule II hereto.

“Patent License” shall mean all agreements, whether written or oral, providing for the grant by any of the Borrowers of any right to manufacture, use or sell any invention covered by a Patent, including, without limitation, any thereof referred to in Schedule II hereto.

“Permitted Liens” means (i) Liens in favor of the Agent for the ratable benefit of the Banks; (ii) Liens for taxes or assessments which are not yet due, Liens for taxes or assessments or Liens of judgments which are being contested, appealed or reviewed in good faith by appropriate proceedings which prevent foreclosure of any such Lien or levy of execution thereunder and against which Liens, if any, adequate insurance or reserves have been provided or made; (iii) pledges or deposits to secure payment of workers’ compensation obligations, unemployment insurance, old-age pensions or other social security programs, deposits or indemnities to secure public or statutory obligations or for similar purposes; (iv) minor defects which in the reasonable opinion of the Agent do not materially affect title to the Collateral (v) the lessor’s retained title to personal property which is the subject matter of a true operating lease to the Borrower; (vi) those Liens, if any, existing on the date of the Agreement and shown on Schedule IX attached hereto, provided that the principal amount secured thereby is not hereafter increased and no additional assets become subject to such Lien; and, (vii) other Liens incidental to the conduct of the Borrowers’ businesses conducted in the ordinary course or the ownership of any Borrower’s property and assets which were not incurred in connection with the borrowing of money or the obtaining of advances or credit and which do not in the aggregate materially detract from the value of such Borrower’s property or assets or materially impair the use thereof in its business.

“Security Agreement” shall mean this Security Agreement, as amended, supplemented or otherwise modified from time to time.

“Trademarks” shall mean (a) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers, and the goodwill associated therewith, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, or otherwise, including, without limitation, any thereof referred to in Schedule III hereto, and (b) all reissues, extensions or renewals thereof.

“Trademark License” shall mean any agreement, written or oral, providing for the grant by any of the Borrowers of any right to use any Trademark, including, without limitation, any thereof referred to in Schedule III hereto.

2. Grant of Security Interest. As collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or

otherwise) of the Obligations, each of the Borrowers hereby grants to the Agent for the ratable benefit of the holders of the Obligations a security interest in all of the following property now owned or at any time hereafter acquired by any of the Borrowers or in which any of the Borrowers now has or at any time in the future may acquire any right, title or interest (collectively, the "Collateral"):

- (i) all Accounts;
- (ii) all Chattel Paper;
- (iii) all Contracts;
- (iv) all Copyrights and Copyright Licenses;
- (v) all Deposit Accounts;
- (vi) all Documents;
- (vii) all Equipment;
- (viii) all General Intangibles and Commercial Tort Claims;
- (ix) all Instruments;
- (x) all Inventory;
- (xi) all Investment Property;
- (xii) all Letter-of-Credit Rights;
- (xiii) all Patents and Patent Licenses;
- (xiv) all Payment Intangibles;
- (xv) all Software (in whatever form)
- (xvi) all Supporting Obligations;
- (xvii) Trademarks and Trademark Licenses; and

(xviii) to the extent not otherwise included above, all Proceeds and products of any and all of the foregoing.

3. Rights of Agent and Holders of the Obligations; Limitations on Agent's and Holders' Obligations.

(a) Borrowers Remain Liable under Accounts and Contracts. Anything herein to the contrary notwithstanding, each of the Borrowers shall remain liable under each of the Accounts and Contracts to observe and perform all the conditions and obligations to be observed and

performed by it thereunder, all in accordance with the terms of any agreement giving rise to each such Account and in accordance with and pursuant to the terms and provisions of each such Contract. No holder of any Obligation shall have any obligation or liability under any Account (or any agreement giving rise thereto) or under any Contract by reason of or arising out of this Security Agreement or the receipt by such holder of any payment relating to such Account or Contract pursuant hereto, nor shall any holder of any Obligation be obligated in any manner to perform any of the obligations of any of the Borrowers under or pursuant to any Account (or any agreement giving rise thereto) or under or pursuant to any Contract, to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party under any Account (or any agreement giving rise thereto) or under any Contract, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

(b) Notice to Account Debtors and Contracting Parties. Upon the request of the Agent at any time after the occurrence and during the continuance of an Event of Default, each of the Borrowers shall notify account debtors on the Accounts and parties to the Contracts that the Accounts and the Contracts have been assigned to the Agent for the ratable benefit of the holders of the Obligations and shall indicate on all billings that payments in respect thereof shall be made directly to the Agent. The Agent may in its own name or in the name of others communicate with account debtors on the Accounts and parties to the Contracts to verify with them to its satisfaction the existence, amount and terms of any Accounts or Contracts.

(c) Analysis of Accounts. The Agent shall have the right to make test verifications of the Accounts in any manner and through any medium that it reasonably considers advisable, and each of the Borrowers shall furnish all such assistance and information as the Agent may require in connection therewith. At such times as are permitted under the Credit Agreement, upon the Agent's request and at the expense of the Borrowers, the Borrowers shall cause independent public accountants or others satisfactory to the Agent to furnish to the Agent reports showing reconciliations, aging and test verifications of, and trial balances for, the Accounts.

(d) Collections on Accounts. The Agent hereby authorizes the Borrowers to collect the Accounts, subject to the Agent's direction and control, from the Account Debtors. Prior to the occurrence of an Event of Default and the notice provision in the succeeding sentence, the Proceeds of Accounts so collected by each of the Borrowers shall be received and held by the Borrowers in trust for the Agent and the holders of the Obligations but may be applied by the Borrowers in their discretion towards payment of the Obligations or other corporate purposes including making Distributions as permitted in the Credit Agreement. Upon the occurrence of an Event of Default, the authority hereby given to the Borrowers to collect the Proceeds of Accounts in trust for the Agent and the holders of the Obligations may be terminated by the Agent at any time upon notice to the Borrowers and after receipt of such notice the Borrowers shall deliver to the Agent on the date of receipt thereof by the Borrowers all Proceeds in the form of cash, checks, drafts, notes and other remittances received in payment of or on account of the Borrowers' Accounts. Following receipt by the Agent such Proceeds shall be deposited in a special bank account (the "Cash Collateral Account") maintained with the Agent over which the Agent alone shall have power of withdrawal. All Proceeds other than cash shall be deposited in precisely the form in which received, except for the addition thereto of the endorsements of the

Borrowers when necessary to permit collection of the items, which endorsements the Borrowers agree to make. None of Borrowers will commingle any such Proceeds with any of their other funds or property after receipt of the foregoing notice but will hold them separate and apart from any other funds or property and upon an express trust for the Agent until deposit thereof is made in the Cash Collateral Account.

4. Representations and Warranties. Each of the Borrowers hereby represents and warrants that:

(a) Title; No Other Liens. Except for the Lien granted to the Agent for the ratable benefit of the holders of the Obligations pursuant to this Security Agreement and the other Liens permitted to exist on the Collateral pursuant to the Credit Agreement, each Borrower owns or has the power to transfer rights in each item of the Collateral free and clear of any and all Liens or claims of others. No security agreement, financing statement or other public notice with respect to all or any part of the Collateral is on file or of record in any public office, except such as may have been filed in favor of the Agent, for the ratable benefit of the holders of the Obligations, pursuant to this Security Agreement or as may be permitted pursuant to the Credit Agreement.

(b) Perfected First Priority Liens. The Liens granted pursuant to this Security Agreement upon the filing of UCC Financing Statements constitute perfected Liens on the Collateral in favor of the Agent, for the ratable benefit of the holders of the Obligations, which are prior to all other Liens on the Collateral in existence on the date hereof (other than Permitted Liens) and are enforceable as such against all creditors of and purchasers from any of the Borrowers and against any owner or purchaser of the real property where any of the Equipment is located and any present or future creditor obtaining a Lien on such real property.

(c) Accounts. The amount represented by any of the Borrowers to the Agent or the other holders of the Obligations in any accounts receivable aging and in other reports requested by or furnished to the Agent or the other holders of the Obligations as owing by each account debtor or by all account debtors in respect of the Accounts will at such time be the correct amount actually owing by such account debtor or debtors thereunder. No amount payable to any of the Borrowers under or in connection with any Account is evidenced by any Instrument or Chattel Paper which has not been delivered to the Agent. Each Borrower keeps its records concerning the Accounts at the location or locations set forth in Schedule IV.

(d) Contracts. No consent of any party (other than any of the Borrowers) to any Contract is required, or purports to be required, in connection with the execution, delivery and performance of this Security Agreement. Each Contract is in full force and effect and constitutes a valid and legally enforceable obligation of the parties thereto, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditor's rights generally. No consent or authorization of, filing with or other act by or in respect of any Governmental Authority is required in connection with the execution, delivery, performance, validity or enforceability of any of the Contracts by any party thereto other than those which have been duly obtained, made or performed, are in full force and effect and do not subject the scope of any such Contract to any material adverse limitation, either specific or general in nature. None of the Borrowers nor (to the best of each Borrower's knowledge) any other party to any Contract is in default or is likely to become in default in the

performance or observance of any of the terms thereof. Each of the Borrowers has fully performed all its obligations under each Contract required to be performed as of the date hereof. The right, title and interest of each of the Borrowers in, to and under each Contract are not subject to any defense, offset, counterclaim or claim which would materially adversely affect the value of such Contract as Collateral, nor have any of the foregoing been asserted or alleged against the Borrowers as to any Contract. Each of the Borrowers has delivered to the Agent a complete and correct copy of each Contract requested by the Agent, including all amendments, supplements and other modifications thereto. No amount payable to any of the Borrowers under or in connection with any Contract is evidenced by any Instrument or Chattel Paper which had not been delivered to the Agent.

(e) Inventory. The types, amounts and valuations of the Inventory or any other information regarding the same represented by any of the Borrowers in any reports requested by or furnished to the Agent, the Banks or the other holders of the Obligations will at such time be accurate to the best of any of the Borrower's knowledge. Each of the Borrowers keeps records concerning the Inventory at the location or locations listed on Schedule V. The Inventory is kept at the locations listed on Schedule VI hereto.

(f) Equipment. The Equipment is kept at the locations listed on Schedule VI hereto.

(g) Location; Jurisdiction of Organization; Name. The locations of each Borrower's chief executive office, type and jurisdiction of organization and exact legal name are set forth on Schedule VIII.

(h) Farm Products. None of the Collateral constitutes, or is the Proceeds of, Farm Products.

(i) Patents, Trademarks and Copyrights. Schedule II hereto includes all Patents and Patent Licenses owned by each Borrower in its own name as of the date hereof. Schedule I hereto includes all Copyrights and Copyright Licenses owned by each Borrower in its own name as of the date hereof. Schedule III hereto includes all registered (or for which registration has been applied for) Trademarks and Trademark Licenses owned by each Borrower in its own name as of the date hereof. To the best of each Borrower's knowledge, each Patent, registered (or for which registration has been applied for) Trademark and Copyright is valid, subsisting, unexpired, enforceable and has not been abandoned. Except as set forth in any such Schedule, none of such Patents, Trademarks or Copyrights is the subject of any licensing or franchise agreement. No holding, decision or judgment has been rendered by any Governmental Authority which would limit, cancel or question the validity of any Patent, Trademark or Copyright. No action or proceeding is pending (i) seeking to limit, cancel or question the validity of any Patent, Trademark or Copyright, or (ii) which, if adversely determined, would have a material adverse effect on the value of any Patent, Trademark or Copyright.

(j) Power and Authority; Authorization. Each of the Borrowers has the corporate or limited liability power and authority and the legal right to execute and deliver, to perform its obligations under, and to grant the Lien on the Collateral pursuant to, this Security Agreement and has taken all necessary corporate or limited liability action to authorize its execution,

delivery and performance of, and grant of the Lien on the Collateral pursuant to, this Security Agreement.

(k) Enforceability. This Security Agreement constitutes a legal, valid and binding obligation of each of the Borrowers enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and general principles of equity.

(l) No Conflict. The execution, delivery and performance of this Security Agreement will not violate any provision of any Requirement of Law or material Contractual Obligation of any of the Borrowers and will not result in the creation or imposition of any Lien on any of the properties or revenues of any of the Borrowers pursuant to any Requirement of Law or material Contractual Obligation of any of the Borrowers, except as contemplated hereby.

(m) No Consents, etc. No consent or authorization of, filing with, or other act by or in respect of, any arbitrator or Governmental Authority and no consent of any other Person (including, without limitation, any stockholder or creditor of any of the Borrowers), is required in connection with the execution, delivery, performance, validity or enforceability of this Security Agreement.

(n) No Litigation. No litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of any of the Borrowers, threatened by or against any of the Borrowers or against any of their properties or revenues with respect to this Security Agreement or any of the transactions contemplated hereby.

5. Covenants. Each of the Borrowers covenants and agrees with the Agent, the Banks and the other holders of the Obligations that, from and after the date of this Security Agreement until the Obligations are paid in full, and the Revolving Credit Commitments are terminated, and there are no Letters of Credit outstanding it will:

(a) Notices; Further Documentation; Authorization to File Financing Statements. Notify the Agent in writing at any time that it opens, acquires, obtains, or becomes the beneficiary of any type of Collateral (or rights therein) to the extent the Agent and the Banks will not at that time have, and continuously thereafter (subject to the filing of continuation statements, if necessary) maintain, a perfected first priority security interest in (subject to Permitted Liens) such Collateral, including but not limited to: all Deposit Accounts, Securities Accounts and Commodity Accounts and other Investment Property; all Commercial Tort Claims; all Instruments, Documents, Tangible Chattel Paper and Electronic Chattel Paper; all other Collateral in the possession of a third party; and all Letter-of-Credit Rights and other Supporting Obligations. At any time and from time to time, upon the written request of the Agent, and at the sole expense of the Borrowers, promptly (i) deliver to the Agent all letters of credit and other Supporting Obligations, Instruments, Chattel Paper, Documents and Investment Property (including any necessary endorsements) that at any time is part of the Collateral or becomes Proceeds of any Collateral, and (ii) execute and deliver such further instruments, agreements and documents and take such further action as the Agent may reasonably request for the purpose of obtaining, preserving, and enforcing the full benefits of this Security Agreement and of the rights and powers herein granted, including, without limitation, executing and delivering and using its

best efforts to cause third parties to execute and deliver to the Agent security agreements, pledge agreements, control agreements, bailee acknowledgments, assignments and waivers, all in form and substance satisfactory to the Agent. Each of the Borrowers will mark all Chattel Paper with a legend indicating that the Agent has a security interest in the Chattel Paper.

Each of the Borrowers also hereby authorizes the Agent to file any Uniform Commercial Code financing or continuation statement without the signature of such Borrowers to the extent permitted by applicable law. Each of the Borrowers hereby ratifies any filing by the Agent of financing statements prior to the date hereof with respect to the Collateral. A carbon, photographic, facsimile or other reproduction of this Security Agreement shall be sufficient as a financing statement for filing in any jurisdiction.

(b) Indemnification. Pay, and save the Agent, the Banks and the other holders of the Obligations harmless from, any and all liabilities, costs and expenses (including, without limitation, legal fees and expenses) (i) with respect to, or resulting from, any delay in paying any and all excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral, (ii) with respect to, or resulting from, any delay in complying with any Requirement of Law applicable to any of the Collateral or (iii) in connection with any of the transactions contemplated by this Security Agreement. In any suit, proceeding or action brought by the Agent, any Bank or any of the other holders of the Obligations under any Account or Contract for any sum owing thereunder, or to enforce any provisions of any Account or Contract, each of the Borrowers will save, indemnify and keep the Agent, each Bank and each other holder of the Obligations harmless from and against all expense, loss or damage suffered by reason of any defense, setoff, counterclaim, recoupment or reduction of liability whatsoever of the account debtor or obligor thereunder, arising out of a breach by any of the Borrowers of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to or in favor of such account debtor or obligor or its successors from any of the Borrowers.

(c) Maintenance of Records. Keep and maintain at its own cost and expense satisfactory and complete records of the Collateral, including, without limitation, a record of all payments received and all credits granted with respect to the Accounts. Each of the Borrowers will mark its books and records pertaining to the Collateral to evidence this Security Agreement and the security interests granted hereby. For the Agent's, the Banks' and the other holders' of the Obligations further security, the Agent, for the ratable benefit of the Banks and the other holders of the Obligations, shall have a security interest in each of the Borrower's books and records pertaining to the Collateral.

(d) Right of Inspection and Audit. Subject to the provisions of the Credit Agreement, give to the Agent and the Banks at all times upon reasonable prior notice full and free access during normal business hours to all of its books, correspondence and records and the Agent and the Banks and their respective representatives may examine, inspect or audit the same, take extracts therefrom and make photocopies thereof, and each of the Borrowers agrees to render to the Agent and the Banks, at the Borrowers' cost and expense, such clerical and other assistance as may be reasonably requested with regard thereto. The Agent and the Banks and their respective representatives shall at all times also have the right to enter into and upon any

premises where any of the Inventory or Equipment is located for the purpose of examining, inspecting or auditing the same, observing its use or otherwise protecting their interests therein.

(e) Compliance with Laws, etc. Comply in all material respects with all Requirements of Law applicable to the Collateral or any part thereof or to the operation of its business; provided, however, that the Borrowers may contest any Requirement of Law in any reasonable manner which shall not, in the sole opinion of the Agent, adversely affect the Agent's or the Banks' rights or the priority of their Liens on the Collateral.

(f) Compliance with Terms of Contracts, etc. Perform and comply in all material respects with all its obligations under the Contracts and all its other Contractual Obligations relating to the Collateral.

(g) Payment of Obligations. Pay promptly when due all taxes, assessments and governmental charges or levies imposed upon the Collateral or in respect of its income or profits therefrom, as well as all claims of any kind (including, without limitation, claims for labor, materials and supplies) against or with respect to the Collateral, except that no such charge need be paid if (i) the validity thereof is being contested in good faith by appropriate proceedings, (ii) such proceedings do not involve any material danger of the sale, forfeiture or loss of any of the Collateral or any interest therein and (iii) such charge is adequately reserved against on the Borrowers' books in accordance with GAAP.

(h) Limitation on Liens on Collateral. Not create, incur or permit to exist, and will defend the Collateral against, and take such other action as is necessary to remove, any Lien or claim on or to the Collateral, other than the Permitted Liens, and will defend the right, title and interest of the Agent, the Banks and the other holders of the Obligations in and to any of the Collateral against the claims and demands of all Persons whomsoever.

(i) Limitations on Dispositions of Collateral. Not sell, transfer, lease or otherwise dispose of any of the Collateral, or attempt, offer or contract to do so except as expressly permitted pursuant to the Credit Agreement.

(j) Limitations on Modifications, Waivers, Extensions of Contracts and Agreements Giving Rise to Accounts. Not (i) amend, modify, terminate or waive any provision of any Contract or any agreement giving rise to an Account, other than the in ordinary course of business, in any manner which could reasonably be expected to materially adversely affect the value of such Contract or Account as Collateral, (ii) fail to exercise promptly and diligently each and every material right which it may have under each Contract and each agreement giving rise to an Account (other than any right of termination) or (iii) fail to deliver to the Agent a copy of each material demand, notice or document received by it relating in any way to any Contract or any agreement giving rise to an Account.

(k) Limitations on Discounts, Compromises, Extensions of Accounts. Not grant any extension of the time of payment of any of the Accounts, compromise, compound or settle the same for less than the full amount thereof, release, wholly or partially, any Person liable for the payment thereof, or allow any credit or discount whatsoever thereon, other than in the ordinary course of business as generally conducted by the each of the Borrowers.

(l) Further Identification of Collateral. Furnish to the Agent and the Banks from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Agent may reasonably request, all in reasonable detail.

(m) Notices. Advise the Agent promptly, in reasonable detail, at its address set forth in the Credit Agreement, (i) of any Lien (other than Permitted Liens) on, or claim asserted against, any of the Collateral and (ii) of the occurrence of any other event which could reasonably be expected to have a material adverse effect on the aggregate value of the Collateral or on the Liens created hereunder.

(n) Changes in Locations, Name, Jurisdiction of Organization, etc. Unless it shall have given the Agent at least 30 days prior written notice thereof, not (i) change the location of any of its chief executive offices if a non-registered organization from that specified in Schedule VIII attached hereto or remove its books and records from the location specified in Schedule VIII attached hereto, (ii) permit any of the Inventory or Equipment to be kept at a location other than those listed on Schedules VI and VII hereto, (iii) change its name or identity to such an extent that any financing statement filed by the Agent in connection with this Security Agreement would become misleading or (iv) change the type or jurisdiction of its organization if a registered organization.

(o) Patents, Trademarks and Copyrights.

(i) Except with respect to any Trademark or Copyright that it shall reasonably determine not to be necessary in the operation of its business, (either itself or through licensees), (A) continue to use each Trademark on each and every trademark class of goods applicable to its current line as reflected in its current catalogs, brochures and price lists in order to maintain such Trademark in full force free from any claim of abandonment for non-use, (B) maintain as in the past the quality of products and services offered under such Trademark, (C) employ such Trademark or Copyright with the appropriate notice of registration, (D) not adopt or use any mark which is confusingly similar or a colorable imitation of such Trademark unless the Agent, for the ratable benefit of the holders of the Obligations, shall obtain a perfected security interest in such mark pursuant to this Security Agreement, and (E) not (and not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby any Trademark or Copyright may become invalidated.

(ii) Not, except with respect to any Patent that it shall reasonably determine not to be necessary in the operation of its business, do any act, or omit to do any act, whereby any Patent may become abandoned or dedicated.

(iii) Notify the Agent and the Banks immediately if it knows, or has reason to know, that any application or registration relating to any Patent, Trademark or Copyright may become abandoned or dedicated, or of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office, the United States Copyright Office or any court or tribunal in any country) regarding its

ownership of any Patent, Trademark or Copyright or its right to register the same or to keep and maintain the same.

(iv) Whenever any of the Borrowers, either by itself or through any agent, employee, licensee or designee, shall file an application for the registration of any Patent, Trademark or Copyright with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, report such filing to the Agent and the Banks within five Business Days after the last day of the fiscal quarter in which such filing occurs. Upon request of the Agent, each of the Borrowers shall execute and deliver any and all agreements, instruments, documents, and papers as the Agent may request to evidence the Agent's and the Banks' security interest in any Patent, Trademark or Copyright and the goodwill and general intangibles of the Borrowers relating thereto or represented thereby, and each of the Borrowers hereby constitutes the Agent, its attorney-in-fact to execute and file all such writings for the foregoing purposes, all acts of such attorney being hereby ratified and confirmed; such power being coupled with an interest is irrevocable until the Obligations are paid in full and the Revolving Credit Commitment is terminated.

(v) Take all reasonable and necessary steps, including, without limitation, in any proceeding before the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, to maintain and pursue each application (and to obtain the relevant registration) and to maintain each registration of the Patents, Trademarks and Copyrights, including, without limitation, filing of applications for renewal, affidavits of use and affidavits of incontestability except to the extent it has reasonably determined that any such Patent, Trademark or Copyright is not necessary in the operation of its business.

(vi) In the event that any Patent, Trademark or Copyright included in the Collateral is infringed, misappropriated or diluted by a third party, promptly notify the Agent and the Banks after it learns thereof and shall, unless it shall reasonably determine that such Patent, Trademark or Copyright is not necessary in the operation of its business, which determination it shall promptly report to the Agent and the Banks, promptly sue for infringement, misappropriation or dilution, to seek injunctive relief where appropriate and to recover any and all damages for such infringement, misappropriation or dilution, or take such other actions as it shall reasonably deem appropriate under the circumstances to protect such Patent, Trademark or Copyright.

6. Agent's Appointment as Attorney-in-Fact.

(a) Powers. Each of the Borrowers hereby irrevocably constitutes and appoints the Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Borrower and in the name of such Borrower or in its own name, from time to time in the Agent's discretion, for the purpose of carrying out the terms of this Security Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Security Agreement, and, without

limiting, the generality of the foregoing, each of the Borrowers hereby give the Agent the power and right, on behalf of such Borrower, without notice to or assent by such Borrower, to do the following:

(i) in the case of any Account, at any time when the authority of the Borrowers to collect the Accounts has been curtailed or terminated pursuant to Section 3(d) hereof, or in the case of any other Collateral, at any time when any Event of Default shall have occurred and is continuing, in the name of such Borrower or its own name, or otherwise, to take possession of and indorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under any Account, Instrument, General Intangible or Contract or with respect to any other Collateral and to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Agent for the purpose of collecting any and all such moneys due under any Account, Instrument, General Intangible or Contract or with respect to any other Collateral whenever payable;

(ii) with prior notice to the Borrowers, to pay or discharge taxes and Liens levied or placed on or threatened against the Collateral (other than Permitted Liens), to effect any repairs or any insurance called for by the terms of this Security Agreement and to pay all or any part of the premiums therefor and the costs thereof;

(iii) upon the occurrence and during the continuance of any Event of Default, (A) to direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the Agent or as the Agent shall direct; (B) to ask or demand for, collect, receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (C) to sign and indorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; (D) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any proceeds thereof and to enforce any other right in respect of any Collateral; (E) to defend any suit, action or proceeding brought against such Borrower with respect to any Collateral; (F) to settle, compromise or adjust any suit, action or proceeding described in clause (E) above and, in connection therewith, to give such discharges or releases as the Agent may deem appropriate; (G) to assign any Patent or Trademark (along with the goodwill of the business to which any such Trademark pertains), throughout the world for such term or terms, on such conditions, and in such manner, as the Agent shall in its sole discretion determine; and (H) to sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Agent were the absolute owner thereof for all purposes, and to do, at the Agent's option and the Borrowers' expense, at any time, or from time to time, all acts and things which the Agent deems necessary to protect, preserve or realize upon the Collateral and the Agent's and the Banks' Liens thereon and to effect the intent of this Security Agreement, all as fully and effectively as such Borrower might do; and

(iv) file such UCC financing statements forms and similar instruments as the Agent may from time to time deem reasonably necessary or desirable to protect the security interests of the Banks and the other holders of the Obligations.

Each of the Borrowers hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable.

(b) Other Powers. Each of the Borrowers also authorizes the Agent, the Banks and the other holders of the Obligations, at any time and from time to time, to execute, in connection with the sale provided for in Section 8 hereof, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral.

(c) No Duty on Agent's or Holders' Part. The powers conferred on the Agent, the Banks and the other holders of the Obligations hereunder are solely to protect the Agent's and the Banks' interests in the Collateral and shall not impose any duty upon the Agent or any Bank to exercise any such powers. The Agent, the Banks and the other holders of the Obligations shall be accountable only for amounts that they actually receive as a result of the exercise of such powers, and neither they nor any of their officers, directors, employees or agents shall be responsible to any of the Borrowers for any act or failure to act hereunder, except for their own gross negligence or willful misconduct.

7. Performance by Agent of the Borrowers' Obligations. If any of the Borrowers fails to perform or comply with any of its agreements contained herein and the Agent, as provided for by the terms of this Security Agreement, shall itself perform or comply, or otherwise cause performance or compliance, with such agreement, the expenses of the Agent incurred in connection with such performance or compliance, together with interest thereon at a rate per annum equal to the Default Rate, shall be payable by such Borrower to the Agent on demand and shall constitute Obligations secured hereby.

8. Remedies.

(a) If an Event of Default shall occur and be continuing and all applicable notice and cure periods shall have expired, the Agent, on behalf of the holders of the Obligations may exercise, in addition to all other rights and remedies granted to them in this Security Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the Code. Without limiting the generality of the foregoing, the Agent, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon any of the Borrowers or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of the Agent, any Bank or any of the other holders of the Obligations or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future

delivery without assumption of any credit risk. Any holder of the Obligations shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption of the Borrowers, which right or equity is hereby waived or released. Each of the Borrowers further agrees, at the Agent's request, to assemble the Collateral and make it available to the Agent at places which the Agent shall reasonably select, whether at such Borrower's premises or elsewhere. The Agent shall apply the net proceeds (to the extent actually received in cash) of any such collection, recovery, receipt, appropriation, realization or sale, after deducting all reasonable costs and expenses of every kind incurred therein or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the holders of the Obligations hereunder, including, without limitation, reasonable attorneys' fees and disbursements, to the payment in whole or in part of the Obligations, in such order as the Agent may elect, and only after such application and after the payment by the Agent of any other amount required by any provision of law, including, without limitation, Section 9615 of the Code, need the Agent account for the surplus, if any, to the Borrowers. To the extent permitted by applicable law, each of the Borrowers waives all claims, damages and demands it may acquire against any holders of the Obligations arising out of the exercise by them of any rights hereunder. If any notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least 10 days before such sale or other disposition. The Borrowers shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay the Obligations and the fees and disbursements of any attorneys employed by the Agent, any Bank or any of the other holders of the Obligations to collect such deficiency.

(b) Each of the Borrowers agrees, upon the occurrence and during the continuation of an Event of Default, to take any actions that the Agent may request in order to enable the Agent to obtain and enjoy the full rights and benefits granted to the Agent (for itself and for the ratable benefit of the holders of the Obligations) under this Agreement and the other Loan Documents. Without limiting the generality of the foregoing, each of the Borrowers shall upon the occurrence and during the continuation of an Event of Default, at the Borrowers' cost and expense, assist in obtaining all approvals which are then required by law for or in connection with any action or transaction contemplated by this Agreement or Article 9 of the Uniform Commercial Code as in effect in any applicable jurisdiction.

9. Limitation on Duties Regarding Preservation of Collateral. The Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9207 of the Code or otherwise, shall be to deal with it in the same manner as the Agent deals with similar property for its own account. No holder of any Obligation, nor any of their respective directors, officers, employees or agents shall be liable for failure to demand, collect or realize upon all or any part of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any of the Borrowers or otherwise.

10. Powers Coupled with an Interest. All authorizations and agencies herein contained with respect to the Collateral are irrevocable and powers coupled with an interest.

11. Severability. Any provision of this Security Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

12. Paragraph Headings. The paragraph headings used in this Security Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

13. No Waiver; Cumulative Remedies. No holder of any Obligation shall by any act (except by a written instrument pursuant to Section 14 hereof), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default or in any breach of any of the terms and conditions hereof. No failure to exercise, nor any delay in exercising, on the part of the any holder of the Obligations, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by any holder of any Obligations of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which such holder would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any rights or remedies provided by law.

14. Waivers and Amendments; Parties Bound; Governing Law. None of the terms or provisions of this Security Agreement may be waived, amended, supplemented or otherwise modified except by a written instrument executed by each of the Borrowers and the Agent, provided that any provision of this Security Agreement may be waived by the Agent in a written letter or agreement executed by the Agent or by facsimile transmission from the Agent. This Security Agreement shall be binding upon the successors and permitted assigns of each Borrower and all Persons who become bound as a Borrower or grantor under this Security Agreement, shall inure to the benefit of the Agent and the Banks and their respective successors and assigns and shall be the joint and several obligation of the Borrowers. **THIS SECURITY AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE SUBSTANTIVE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA.**

15. Notices. All notices hereunder to the Borrowers, the Agent or any of the Banks to be effective shall be in writing (including by facsimile), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered or sent in the manner and to the respective addresses as provided in subsection 9.2 of the Credit Agreement.

16. Authority of Agent. Each of the Borrowers acknowledges that the rights and responsibilities of the Agent under this Security Agreement with respect to any action taken by the Agent or the exercise or non-exercise by the Agent of any option, right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Security Agreement shall, as between the Agent and the holders of the Obligations, be governed by the Credit Agreement and by such other agreement with respect thereto as may exist from time to time

among them, but, as among the Agent and the Borrowers, the Agent shall be conclusively presumed to be acting as agent for the holders of the Obligations with full and valid authority so to act or refrain from acting, and none of the Borrowers shall be under any obligation, or entitlement, to make any inquiry respecting such authority.

17. Submission to Jurisdiction; Waivers.

(a) Each of the Borrowers hereby irrevocably and unconditionally:

(i) submits for itself and its property in any legal action or proceeding relating to this Security Agreement, or for recognition and enforcement of any judgment in respect thereof to the non-exclusive general jurisdiction of the courts of the Commonwealth of Pennsylvania, the courts of the United States of America for the Eastern District of Pennsylvania, and appellate courts from any thereof;

(ii) consents that any such action or proceeding may be brought in such courts, and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(iii) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the address set forth in the Credit Agreement or at such other address of which the Agent shall have been notified;

(iv) waives and hereby acknowledges that it is estopped from raising any objections based on forum non conveniens, any claim that any of the above-referenced courts lack proper venue or any objection that any of such courts lack personal jurisdiction over it so as to prohibit such courts from adjudicating any issues raised in a complaint filed with such courts against the Borrowers concerning this Security Agreement;

(v) acknowledges and agrees that the choice of forum contained in this paragraph shall not be deemed to preclude the enforcement of any judgment contained in any forum or the taking of any action under this Security Agreement to enforce the same in any appropriate jurisdiction;

(vi) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this subsection any special, exemplary or punitive or consequential damages; and

(vii) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction.

(b) Each of the Borrowers hereby unconditionally waives trial by jury in any legal action or proceeding referred to in paragraph (a) above.

18. Counterparts. This Security Agreement may be executed by one or more of the parties to this Security Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Security Agreement signed by all the parties shall be lodged with the Borrowers and the Agent.

19. Further Assurances. The parties acknowledge their intent that, upon the occurrence and during the continuation of an Event of Default, the Agent shall receive, to the fullest extent permitted by all Requirements of Law and governmental policy, all rights necessary or desirable to obtain, use or sell the Collateral, and to exercise all remedies available to it under this Agreement, the Uniform Commercial Code as in effect in any applicable jurisdiction, or other applicable law. The parties further acknowledge and agree that, in the event of any change in law or governmental policy occurring subsequent to the date hereof that affects in any manner the Agent's rights of access to, or use or sale of, the Collateral, or the procedures necessary to enable the Agent to obtain such rights of access, use or sale, the Agent and the Borrowers shall amend this Agreement in such manner as the Agent shall request, in order to provide to the Agent such rights to the greatest extent possible consistent with all Requirements of Law and governmental policy.

IN WITNESS WHEREOF, each of the Borrowers and the Agent have caused this Security Agreement to be duly executed and delivered as of the date first above written.

AGENT:

PNC BANK, NATIONAL ASSOCIATION as a
Bank and as the Agent

By: *Joseph D. Mettenhart*
Title: *Vice President*

BORROWERS:

SHAPES/ARCH HOLDINGS L.L.C.

By: _____
Title:

SHAPES L.L.C.

By: _____
Title:

DELAIR L.L.C.

By: _____
Title:

ACCU-WELD L.L.C.

By: _____
Title:

ULTRA L.L.C.

By: _____
Title:

IN WITNESS WHEREOF, each of the Borrowers and the Agent have caused this Security Agreement to be duly executed and delivered as of the date first above written.

AGENT:

PNC BANK, NATIONAL ASSOCIATION as a
Bank and as the Agent

By: _____
Title:

BORROWERS:

SHAPES/ARCH HOLDINGS L.L.C.

By: [Signature]
Title: Manager

SHAPES L.L.C.

By: [Signature]
Title: CEO

DELAIR L.L.C.

By: [Signature]
Title: Vice President

ACCU-WELD L.L.C.

By: [Signature]
Title: pres.

ULTRA L.L.C.

By: [Signature]
Title: President

COPYRIGHTS AND COPYRIGHT LICENSES

PATENTS AND PATENT LICENSES

1. Patent No.: 5,216,810
Date of Patent: June 8, 1993
Title: ALUMINUM EXTRUSION WITH MULTIPLE THERMAL BREAK AND METHOD OF MAKING SAME
Owner: Aluminum Shapes, Inc.
Duration: 17 years

2. Patent No.: 4,735,714
Date of Patent: April 5, 1988
Title: RIBBED FACE PLACE FOR SWIMMING POOL AND SPA SKIMMER APPARATUS
Owner: Esther Williams Swimming Pools (succeeded by Delair Group LLC)
Duration: 17 Years

3. Patent No.: 4,674,777
Date of Patent: June 23, 1987
Title: CAM LOCK
Owner: Accu-Weld LLC
Duration: 17 Years

Licensed to: Vogo Incorporated,
115 Randall Drive
Waterloo, Ontario
Canada N2V 1C5

Term: June 23, 1999 – June 23, 2004
Royalty: \$.10 per lock sold/minimum royalty payment of \$2000/year

TRADEMARK AND TRADEMARK LICENSES

1. Trademark No.: 2,286,971
Date of Registration: October 19, 1999
Title: "ACCURA"
Owner: Accu-Weld LLC.
G&S: Non-metallic windows, not for vehicles

2. Trademark No.: 1,215,850
Date of Registration: Noveber 9, 1982
Title: "ESTHER WILLIAMS"
Owner: Esther Williams Swimming Pools (succeeded by Delair Group LLC)
G&S: Swimming Pools and Parts

LOCATIONS OF ACCOUNT RECORDS

1. SHAPES/ARCH HOLDINGS LLC
9000 RIVER ROAD
DELAIR, NJ 08110
2. SHAPES, LLC
9000 RIVER ROAD
DELAIR, NJ 08110
3. DELAIR, LCC
8600 RIVER ROAD
DELAIR, NJ 08110
4. ULTRA, LLC
1777 HYLTON ROAD
PENNSAUKEN, NJ 08110
5. ACCU-WELD, LLC
1211 FORD ROAD
BENSALEM, PA 19020

LOCATIONS OF INVENTORY RECORDS

1. SHAPES/ARCH HOLDINGS LLC
9000 RIVER ROAD
DELAIR, NJ 08110
2. SHAPES, LLC
9000 RIVER ROAD
DELAIR, NJ 08110
3. DELAIR, LCC
8600 RIVER ROAD
DELAIR, NJ 08110
4. ULTRA, LLC
1777 HYLTON ROAD
PENNSAUKEN, NJ 08110
5. ACCU-WELD, LLC
1211 FORD ROAD
BENSALEM, PA 19020

LOCATIONS OF INVENTORY

1. SHAPES, LLC
9000 RIVER ROAD
DELAIR, NJ 08110
2. DELAIR, LCC
8600 RIVER ROAD
DELAIR, NJ 08110
3. ULTRA, LLC
1777 HYLTON ROAD
PENNSAUKEN, NJ 08110
4. ACCU-WELD, LLC
1211 FORD ROAD
BENSALEM, PA 19020

LOCATIONS OF EQUIPMENT

1. SHAPES, LLC
9000 RIVER ROAD
DELAIR, NJ 08110
2. DELAIR, LCC
8600 RIVER ROAD
DELAIR, NJ 08110
3. ULTRA, LLC
1777 HYLTON ROAD
PENNSAUKEN, NJ 08110
4. ACCU-WELD, LLC
1211 FORD ROAD
BENSALEM, PA 19020

SCHEDULE VIII TO
Security Agreement

NAME; LOCATION OF CHIEF EXECUTIVE OFFICE;
TYPE AND JURISDICTION OF ORGANIZATION

Exact legal name:	Type of organization:	Jurisdiction of Organization if a registered organization:
SHAPES/ARCH HOLDINGS L.L.C.	Limited Liability Company	New Jersey
SHAPES L.L.C.	Limited Liability Company	New Jersey
DELAIR L.L.C.	Limited Liability Company	New Jersey
ACCU-WELD L.L.C.	Limited Liability Company	Pennsylvania
ULTRA L.L.C.	Limited Liability Company	New Jersey

FOURTH AMENDMENT TO CREDIT AGREEMENT

FOURTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), dated as of November 16, 2001, among SHAPES/ARCH HOLDINGS L.L.C., SHAPES L.L.C., DELAIR L.L.C., ACCU-WELD L.L.C. and ULTRA L.L.C. (collectively, the "Borrowers"), the several banks and other financial institutions parties to the Credit Agreement (as hereinafter defined) (individually, a "Bank"; collectively, the "Banks") and PNC BANK, NATIONAL ASSOCIATION, as administrative agent for the Banks (in such capacity, the "Agent").

WHEREAS, the Borrowers, the Banks and the Agent are parties to a Credit Agreement dated as of May 30, 1997, as amended by a First Amendment to Credit Agreement dated as of June 5, 1998, a Second Amendment to Credit Agreement dated as of June 25, 1998 and a Third Amendment to Credit Agreement dated as of June 30, 1999 (as so amended, supplemented or otherwise modified, the "Credit Agreement");

WHEREAS, the Borrowers, the Agent, and the Banks have agreed to (i) waive certain covenant defaults and the requirement to apply the proceeds of a certain asset sale to a reduction of the Commitments, (ii) decrease the amount of the Credit Facility, (iii) add a borrowing base formula governing advances under the Credit Agreement, (iv) modify the interest rates in the Credit Agreement, (v) modify certain covenants in the Credit Agreement, (vi) provide for the collateralization of the Borrowers' obligations under Credit Agreement and (vii) make certain other modifications and amendments to the Credit Agreement, all on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and for other consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. **Defined Terms.** Unless otherwise defined herein, terms defined in the Credit Agreement are used herein as therein defined.

2. **Waiver.** The Borrowers have advised the Agent that (i) for the fiscal quarters ending June 30, 2001 and September 30, 2001, they are in violation of one or more of the covenants contained in Sections 6.1(a), (c) and (d) of the Credit Agreement, (ii) for the fiscal quarter ending December 31, 2001, they will be in violation of the covenant contained in Section 6.1(c), and (iii) for the fiscal quarters ending December 31, 2001, March 31, 2002 and June 30, 2002, they will be in violation of one or more of the covenants contained in Sections 6.1(a) and (d). The Borrowers have requested and the Banks hereby waive the Borrowers' past and anticipated violation of the covenants contained in Sections 6.1(a), (c) and (d), as the case may be, for such quarters and the resulting Events of Default arising therefrom under Section 7.1(c) of the Credit Agreement. In addition, in consideration of the reduction of the Total Commitment as provided in Section 3(a) hereof, the Banks hereby waive the provisions of Section 6.5(v) that would require the Borrowers to apply the proceeds from the sale of the Secura Seal Building on October 30, 2001 to permanently reduce the Commitments. The foregoing waivers shall not be deemed to operate as a, or obligate the Banks to grant any, future waiver or modification of the

provisions of Sections 6.1(a), (c) and (d) or of Section 6.5(v) for any other fiscal period or of any other term, condition or Default under the Credit Agreement.

3. Amendment to Credit Agreement. The Credit Agreement is hereby amended as follows effective as of September 1, 2001:

(a) The Total Commitment is hereby reduced from \$125,000,000 to \$105,000,000 and each Bank's Commitment is reduced to the amount set forth on the revised Schedule I attached hereto which shall be substituted for the Schedule I now attached to the Credit Agreement. Effective as of June 30, 2002, the Total Commitment shall be further reduced from \$105,000,000 to \$100,000,000 and each Bank's Commitment shall be correspondingly reduced in proportion to its Initial Commitment Percentage, all of which shall be confirmed by the Agent by its preparation and distribution of a revised Schedule I to be substituted for Schedule I attached hereto. At or before the effect date of each such reduction, the Borrowers shall repay outstanding Loans to the extent necessary so that the sum of the outstanding Loans plus the aggregate undrawn amount of the outstanding Letters of Credit does not exceed the Total Commitment as so reduced.

(b) The definitions of "Applicable Letter of Credit Fee Percentage", "Applicable Margin", "Fees", "Fixed Charge Coverage Ratio", "Interest Coverage Ratio" and "Loan Documents" in Section 1.1 are hereby amended and restated to read in full as follows:

"Applicable Letter of Credit Fee Percentage": two percent (2%) per annum."

"Applicable Margin": for Eurodollar Loans, two percent (2%), and for Alternate Base Rate Loans, zero percent (0%)."

"Fees": the Administrative Fees and the Letter of Credit Fees."

"Fixed Charge Coverage Ratio": at any time, the ratio of Consolidated EBITDA to Consolidated Fixed Charges, in each case for the prior four (4) consecutive fiscal quarters, except that for the fiscal quarters ending on March 31, 2002, June 30, 2002 and September 30, 2002, it shall be determined on an annualized basis for the three, six and nine months, respectively, then ended."

"Interest Coverage Ratio": at any time, the ratio of Consolidated EBIT to Consolidated Interest Expense, in each case for the prior four (4) consecutive fiscal quarters, except that for the fiscal quarter ending on September 30, 2002, it shall be determined on an annualized basis for the nine months then ended."

"Loan Documents": this Agreement, the Security Agreement, the Mortgages and the Notes."

(c) The following new definitions shall be added to Section 1.1 in the appropriate alphabetical order:

“Accounts Receivable Advance Rate’: the meaning set forth in the definition of Borrowing Base.”

“Borrowing Base’: at any time, an amount equal to the sum of:

(a) up to 85% (“Accounts Receivable Advance Rate”) of Eligible Receivables, plus

(b) up to the lesser of (A) 55% (“Inventory Advance Rate”) of the value of the Eligible Inventory, or (B) \$25,000,000 in the aggregate at any one time, plus

(c) up to the lesser of (A) 70% (“Fixed Asset Advance Rate”) of the book value of the fixed assets of the Borrowers on which the Agent has a perfected first priority lien or security interest, or (B) \$55,000,000 in the aggregate at any one time; less

(d) such reserves as the Agent may reasonably deem proper and necessary from time to time.”

“Borrowing Base Certificate’: shall mean a certificate duly executed by an officer of the Borrowers’ Representative appropriately completed and in substantially the form of Exhibit D hereto.”

“Capital Expenditures’: shall mean expenditures made or liabilities incurred for the acquisition of any fixed assets or improvements, replacements, substitutions or additions thereto which have a useful life of more than one year, including the total principal portion of any obligations under Capital Leases, which, in accordance with GAAP, would be classified as capital expenditures.”

“Customer’ shall mean and include the account debtor with respect to any Receivable and/or the prospective purchaser of goods, services or both with respect to any contract or contract right, and/or any party who enters into or proposes to enter into any contract or other arrangement with any Borrower, pursuant to which such Borrower is to deliver any personal property or perform any services.”

“Fixed Asset Advance Rate’: the meaning set forth in the definition of Borrowing Base.”

“Eligible Inventory’ shall mean and include Inventory with respect to each Borrower valued at the lower of cost or market value, determined on a first-in-first-out basis, which is not, in the Agent’s opinion, obsolete, slow moving or unmerchantable and which the Agent, in its sole discretion, shall not deem ineligible Inventory, based on such considerations as the Agent may from time to time deem appropriate including, without limitation, whether the Inventory is subject to a perfected, first priority security interest in favor of the Agent and whether the Inventory conforms to all standards imposed by any governmental

agency, division or department thereof which has regulatory authority over such goods or the use or sale thereof. Eligible Inventory shall include all Inventory in-transit for which title has passed to a Borrower and which is insured to the full value thereof.”

“Eligible Receivables’ shall mean and include with respect to each Borrower, each Receivable of such Borrower arising in the ordinary course of such Borrower’s business and which the Agent, in its sole credit judgment, shall deem to be an Eligible Receivable, based on such considerations as the Agent may from time to time deem appropriate. A Receivable shall not be deemed eligible unless such Receivable is subject to the Agent’s first priority perfected security interest and no other Lien, other than those permitted by Section 6.3, and is evidenced by an invoice or other documentary evidence satisfactory to the Agent. In addition, no Receivable shall be an Eligible Receivable if:

(a) it arises out of a sale made by any Borrower to an Affiliate of any Borrower or to a Person controlled by an Affiliate of any Borrower;

(b) it is due or unpaid more than ninety (90) days after the original invoice date, except that Receivables which (i) arise in the ordinary course of the pool products business of Delair, L.L.C., (ii) total less than \$3,000,000 in the aggregate, (iii) are due or unpaid for a period not to exceed one hundred fifty (150) days after the original invoice date, and (iv) are created in the fourth quarter of any fiscal year of Delair, L.L.C., shall not be excluded as Eligible Receivables on account of the requirements of this paragraph (b);

(c) fifty percent (50%) or more of the Receivables from the Customer are not deemed Eligible Receivables hereunder;

(d) any covenant, representation or warranty contained in the Security Agreement with respect to such Receivable has been breached;

(e) the Customer shall (i) apply for, suffer, or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property or call a meeting of its creditors, (ii) admit in writing its inability, or be generally unable, to pay its debts as they become due or cease operations of its present business, (iii) make a general assignment for the benefit of creditors, (iv) commence a voluntary case under any state or federal bankruptcy laws (as now or hereafter in effect), (v) be adjudicated a bankrupt or insolvent, (vi) file a petition seeking to take advantage of any other law providing for the relief of debtors, (vii) acquiesce to, or fail to have dismissed, any petition which is filed against it in any involuntary case under such bankruptcy laws, or (viii) take any action for the purpose of effecting any of the foregoing;

(f) the sale giving rise to such Receivable is to a Customer outside the continental United States of America, unless (i) (A) such sale is to a Customer

located in Canada or Mexico and (B) the outstanding Receivables due from any such Customers do not exceed \$5,000,000 in the aggregate, or (ii) such sale is on letter of credit, guaranty or acceptance terms, in each case acceptable to the Agent in its sole discretion;

(g) the sale to the Customer is on a bill-and-hold, guaranteed sale, sale-and-return, sale on approval, consignment or any other repurchase or return basis or is evidenced by chattel paper;

(h) the Customer is the United States of America, any state or any department, agency or instrumentality of any of them, unless the applicable Borrower assigns its right to payment of such Receivable to the Agent pursuant to the Assignment of Claims Act of 1940, as amended (31 U.S.C. Sub-Section 3727 et seq. and 41 U.S.C. Sub-Section 15 et seq.) or has otherwise complied with other applicable statutes or ordinances;

(i) the goods giving rise to such Receivable have not been shipped to the Customer or the services giving rise to such Receivable have not been performed by the applicable Borrower or the Receivable otherwise does not represent a final sale;

(j) the Receivables of the Customer exceed a credit limit determined by the Agent, in its sole discretion, to the extent such Receivable exceeds such limit;

(k) the Receivable is subject to any offset, deduction, defense, dispute, or counterclaim, the Customer is also a creditor or supplier of a Borrower or the Receivable is contingent in any respect or for any reason;

(l) the applicable Borrower has made any agreement with any Customer for any deduction therefrom, except for discounts or allowances made in the ordinary course of business for prompt payment, all of which discounts or allowances are reflected in the calculation of the face value of each respective invoice related thereto;

(m) any return, rejection or repossession of the merchandise has occurred or the rendition of services has been disputed;

(n) such Receivable is not payable to a Borrower; or

(o) such Receivable is not otherwise satisfactory to the Agent as determined in good faith by the Agent in the exercise of its discretion in a reasonable manner.”

“Inventory”: shall mean and include as to each Borrower all of such Borrower's now owned or hereafter acquired goods, merchandise and other personal property, wherever located, to be furnished under any consignment arrangement, contract of service or held for sale or lease, all raw materials, work

in process, finished goods and materials and supplies of any kind, nature or description which are or might be used or consumed in such Borrower's business or used in selling or furnishing such goods, merchandise and other personal property, and all documents of title or other documents representing them."

"Inventory Advance Rate': the meaning set forth in the definition of Borrowing Base."

"Mortgages"; those certain mortgages executed by one or more of the Borrowers in favor of the Agent dated November 16, 2001, as the same may hereafter be amended, supplemented or otherwise modified."

"Receivables': shall mean and include, as to each Borrower, all of such Borrower's accounts, contract rights, instruments (including those evidencing indebtedness owed to Borrowers by their Affiliates), documents, chattel paper (including electronic chattel paper), general intangibles relating to accounts, drafts and acceptances, credit card receivables, and all other forms of obligations owing to such Borrower arising out of or in connection with the sale or lease of Inventory or the rendition of services, all supporting obligations, guarantees and other security therefor, whether secured or unsecured, now existing or hereafter created, and whether or not specifically sold or assigned to the Agent hereunder."

"Security Agreement': that certain Security Agreement between the Borrowers and the Agent dated November 16, 2001, as the same may hereafter be amended, supplemented or otherwise modified."

"Undrawn Availability': shall mean the amount determined on any date which is equal to (i) the lesser of (a) the Borrowing Base or (b) the Total Commitment, minus (ii) the sum of (x) the aggregate outstanding principal amount of the Loans, plus (y) the aggregate undrawn face amount of the Letters of Credit.

(d) The definitions for "Applicable Facility Fee Percentage" and "Facility Fee" shall be deleted from Section 1.1.

(e) The first sentence of Section 2.1(a) is hereby amended and restated to read in full as follows:

"Subject to the terms and conditions and relying upon the representations and warranties herein set forth, each Bank, severally and not jointly, agrees to make Committed Loans to the Borrowers, at any time or from time to time on or after the date hereof and until the Termination Date or until the Commitment of such Bank shall have been terminated in accordance with the terms hereof, in an aggregate principal amount at any time outstanding not exceeding the amount of the such Bank's Commitment minus the amount by which the Competitive Loans and Swing Line Loans outstanding at such time shall be deemed to have used such Commitment pursuant to Section 2.17, subject, however, to the conditions that (i) at no time shall (x) the sum of (A) the outstanding aggregate principal

amount of all Committed Loans made by all Banks plus (B) the outstanding aggregate principal amount of all Competitive Loans made by all Banks plus (C) the aggregate undrawn face amount of all outstanding Letters of Credit plus (D) the outstanding principal amount of the Swing Line Loans exceed the lesser of (y) the Total Commitment or (z) the Borrowing Base and (ii) and all times the outstanding aggregate principal amount of all Committed Loans required to be made by each Bank shall equal the product of (x) its Commitment Percentage times (y) the outstanding aggregate principal amount of all Committed Loans required to be made pursuant to subsection 2.2 at such time.”

(f) The first sentence of Section 2.3(a) is hereby amended and restated to read in full as follows:

“The Borrowers may request the Banks to make Competitive Bids in respect of an aggregate amount of Competitive Borrowings at any time outstanding not in excess of (i) the Total Commitment in effect at such time less (ii) the aggregate Committed Loans and Swing Line Loans outstanding at such time, subject, however, to the condition that at no time shall the sum of (A) the outstanding principal amount of all Committed Loans made by all Banks plus (B) the outstanding aggregate principal amount of all Competitive Loans made by all Banks plus (C) the aggregate undrawn face amount of all outstanding Letters of Credit plus (D) the outstanding principal amount of the Swing Line Loans exceed the lesser of (y) the Total Commitment or (z) the Borrowing Base.”

(g) Section 2.4(a)(1) is hereby amended and restated to read in full as follows:

“(1) at no time shall the sum of (A) the outstanding aggregate principal amount of all Committed Loans made by all Banks plus (B) the outstanding aggregate principal amount of all Competitive Loans made by all Banks plus (C) the aggregate undrawn face amount of all outstanding Letters of Credit plus (D) the outstanding principal amount of the Swing Line Loans exceed the lesser of (y) the Total Commitment or (z) the Borrowing Base, and”

(h) Section 2.6(a) is hereby amended by deleting the second proviso of the first sentence and restating it to read in full as follows:

“provided further, however, that in no event shall (i) the aggregate undrawn face amount of the Letters of Credit issued pursuant to this Section 2.6 exceed, at any one time, \$20,000,000; or (ii) the sum of (w) the outstanding aggregate principal amount of all Committed Loans made by all Banks plus (x) the outstanding aggregate principal amount of all Competitive Loans made by all Banks plus (y) the outstanding principal amount of the Swing Line Loans plus (z) the aggregate undrawn face amount of all outstanding Letters of Credit issued under this Section 2.6 exceed, at any one time, the lesser of (y) the Total Commitment or (z) the Borrowing Base.”

(i) Section 2.7(a) is hereby amended and restated to read in full as follows:

“(a) **Intentionally Deleted.**”

(j) Section 2.12 is hereby amended by adding the following new Subsection 2.12(d) thereto:

“(d) On or about the time the Borrowing Base Certificate has been delivered by the Borrowers pursuant to Section 5.2(e), the Borrowers shall repay or prepay so much of the Borrowings as shall be necessary in order that the sum of the aggregate principal amount of the Loans outstanding and the aggregate undrawn face amount of the Letters of Credit then outstanding will not exceed the Borrowing Base as set forth in such Borrowing Base Certificate.”

(k) Section 5.2 is hereby amended by deleting “and” from the end of Subsection (c) and “.” from the end of Subsection (d) thereof, adding “; and” at the end of Subsection (d) thereof and adding the following new Subsection 5.2(e) thereto:

“(e) - Deliver to the Agent on or before the twentieth (20th) day of each month as and for the prior month, beginning with the month of September 2001, (i) a Borrowing Base Certificate (which shall be calculated as of the last day of the prior month and which shall not be binding upon the Agent or restrictive of the Agent’s rights under this Agreement) and (ii) a summary aging of outstanding Receivables of the Borrowers.

(l) Section 5.6 is hereby amended by adding the following new Subsection 5.6(c) thereto:

“(c) In addition to the inspection rights set forth in Subsection (a) above, permit the Agent or its representatives to conduct field examinations or audits of the Borrowers, their books and records and the Collateral (as such term is defined in the Security Agreement), which shall be at the Borrowers’ sole expense, with the first such field examination or audit to be performed no later than January 31, 2002 and all subsequent field examinations or audits thereafter to occur no more frequently than semiannually during any fiscal year, unless the Undrawn Availability as of the end of any month is less than \$1,000,000 in which case subsequent field examinations or audits may be performed quarterly.”

(m) The following new sentence shall be added at the end of Section 5.9:

“In no event shall the Borrowers, either individually or collectively, enter into one or more Interest Rate Protection Agreements with the Agent or any of the Banks such that the aggregate notional amounts subject to all such Interest Rate Protection Agreements exceeds 60% of the Total Commitment in effect from time to time. The Borrowers’ Representative shall notify the Agent promptly following any Borrower’s execution of any Interest Rate Protection Agreement of

the Bank which is the counterparty to such Interest Rate Protection Agreement and of the notional amount and other material terms thereof.”

(n) The following new Section shall be added to Section 5 in the appropriate numerical order:

“5.11 Appraisal. Obtain no later than January 31, 2002, an appraisal of the fixed assets, including real estate, of the Borrowers from an appraiser and in form and substance reasonably satisfactory to the Agent.”

(o) Section 6.1(b) is hereby amended and restated to read in full as follows:

“(b) Maintenance of Consolidated Tangible Net Worth. Permit Consolidated Tangible Net Worth at any time to be less than (i) \$49,000,000 for the period commencing September 1, 2001 through December 31, 2001, or (ii) at any time after December 31, 2001, the sum of \$47,128,000 plus fifty percent (50%) (or, in the case of a deficit, zero percent (0%)) of Borrowers’ cumulative Consolidated Tangible Net Income in respect of each fiscal year commencing with Borrowers’ fiscal year ending December 31, 2001 with each increase after the increase in the respect of the fiscal year ending December 31, 2001 to be effective as of the last day of each such fiscal year.”

(p) Section 6.1(c) is hereby amended and restated to read in full as follows:

“(c) Fixed Charge Coverage Ratio. Permit as of the end of any fiscal quarter during the periods specified below the Fixed Charge Coverage Ratio to be less than that set forth opposite such periods:

<u>Period</u>	<u>Ratio</u>
September 1, 2001 through December 31, 2001	2.00 to 1
January 1, 2002 through June 30, 2002	1.25 to 1
July 1, 2002 and thereafter	1.75 to 1

(q) Section 6.1(d) is hereby amended and restated to read in full as follows:

“(d) Interest Coverage Ratio. Permit as of the end of any fiscal quarter during the periods specified below the Interest Coverage Ratio to be less than that set forth opposite such periods:

<u>Period</u>	<u>Ratio</u>
September 1, 2001 through June 30, 2002	2.00 to 1

(r) Section 6.1 is hereby amended by adding the following new Subsection 6.1(e) thereto:

“(e) Maximum Operating Losses. Permit in any of the fiscal quarters ending March 31, 2002, June 30, 2002 or September 30, 2002, the Borrowers’ consolidated net operating loss to exceed \$1,000,000.”

(s) Section 6.3 is hereby amended by deleting “and” from the end of Subsection (h) and “.” from the end of Subsection (i) thereof, adding “; and” at the end of Subsection (i) thereof and adding the following new Subsection 6.3(j) thereto:

“Liens in favor of the Agent for the ratable benefit of the Banks.”

(t) – Section 6.7(a) is hereby amended by deleting the amount “\$1,684,000” and replacing it with “\$1,104,000 for the fiscal year ending December 31, 2001 and \$540,000 for each fiscal-year thereafter”.

(u) The following new section shall be added to Section 6 in the appropriate numerical order:

“6.12. Capital Expenditures. Contract for, purchase or make any expenditure or commitments for Capital Expenditures in the Borrowers’ fiscal year ending December 31, 2002 in an aggregate amount for all Borrowers in excess of \$8,000,000.”

(v) Section 9.2 is hereby amended by deleting the name and address for Borrowers’ counsel and deleting the address for the Agent and replacing them, respectively, with the following:

“Sandra A. Bloch, Esquire
Cozen O’Connor
The Atrium
1900 Market Street
Philadelphia, PA 19103
Telecopy: (215) 665-2013

PNC Bank, National Association
1950 Route 70 East, 3rd Floor
Cherry Hill, NJ 08003
Attention: Joseph G. Meterchick
Telecopy: (856) 489-2785”

(w) Revised Schedules II, 3.6, 3.13, 3.14, 3.16, 3.19, 6.2 and 6.3 attached hereto shall be substituted for the corresponding Schedules II, 3.6, 3.13, 3.14, 3.16, 3.19, 6.2 and 6.3 originally attached to the Credit Agreement.

4. **Replacement Notes.** The Borrowers shall execute and deliver to the Agent replacement notes (the "Replacement Notes") for each Bank reflecting the reduction in the Total Commitment and each Bank's resulting new Commitment. The Agent shall deliver the Replacement Notes to each Bank in exchange for the existing Notes of such Bank which shall thereafter be returned by the Agent to the Borrowers' Representative for cancellation.

5. **Collateral Documents.** The Borrowers shall execute and deliver to the Agent (i) a security agreement (the "Security Agreement") granting to the Agent, for the ratable benefit of the Banks as holders of the Obligations (as such term is defined in the Security Agreement), a security interest in the Collateral (as such term is defined in the Security Agreement), and authorizing the Agent to file such financing statements as may be necessary to perfect such security interest, and (ii) one or more mortgages (the "Mortgages") on the real property owned by any of the Borrowers granting to the Agent, for the ratable benefit of the Banks as holders of the Obligations, a mortgage lien on such real property.

6. **Representations and Warranties.** Each of the Borrowers hereby represents and warrants to the Banks and the Agent that:

(a) There exists no Default or Event of Default under the Credit Agreement as amended hereby;

(b) The representations and warranties made in the Credit Agreement are true and correct in all material respects on and as of the date hereof as if made on and as of the date hereof after giving effect to the revised Schedules attached hereto; and

(c) The execution and delivery of this Amendment, the Replacement Notes, the Security Agreement and the Mortgages by and on behalf of each Borrower party thereto, has been duly authorized by all requisite action on behalf of the Borrowers and this Amendment, the Replacement Notes, the Security Agreement and the Mortgages constitute the legal, valid and binding obligations of each Borrower party thereto, enforceable against it in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

7. **Conditions Precedent.** The effectiveness of the amendments set forth herein is subject to the fulfillment, to the satisfaction of the Agent and its counsel, of the following conditions precedent:

(a) The Borrowers shall have delivered to the Agent the following, all of which shall be in form and substance satisfactory to the Agent and shall be duly completed and executed:

(i) This Amendment;

(ii) The Replacement Notes;

(iii) The Security Agreement and any additional documents required thereunder;

(iv) The Mortgages and any additional documents required thereunder, and current lien searches for each parcel of real property covered by the Mortgages;

(v) Evidence of insurance required by the Security Agreement and the Mortgages;

(vi) The Borrowing Base Certificate and aging of Receivables for the month of September, 2001;

(vii) Financial statements and Applicable Margin Certificate for the fiscal quarter ended September 30, 2001 required pursuant to Sections 5.1(b) and 5.2(a) of the Credit Agreement;

(viii) A summary of the outstanding Interest Rate Protection Agreements between any of the Borrowers and any Bank indicating the notional amount and other material terms thereof;

(ix) Copies, certified by the Secretary or an Assistant Secretary of each Borrower of resolutions of the members of each Borrower in effect on the date hereof authorizing the execution, delivery and performance of this Amendment, the Replacement Notes, the Security Agreement, the Mortgages and the other documents and transactions contemplated hereby;

(x) Copies, certified by one of its members or officers of the certificate of formation, operating agreement and fictitious name filing, if any, of each Borrower as in effect, or a certificate stating that there have been no changes to any such documents since the most recent date, true and correct copies thereof were delivered to the Agent; and

(xi) Such additional documents, certificates, opinions of counsel and information as the Agent may require pursuant to the terms hereof or otherwise reasonably request.

(b) The representations and warranties set forth in the Credit Agreement shall be true and correct in all material respects on and as of the date hereof after giving effect to the updated Schedules attached hereto.

(c) The Borrowers shall pay to the Agent, for the ratable benefit of each of the Banks which have executed this Amendment based on such Banks' Commitments, an amendment fee in the amount of \$105,000.

8. **Ratification; References; No Waiver.** Except as the provisions thereof have been expressly amended or waived by this Amendment, the Credit Agreement shall continue to be, and shall remain, unaltered and in full force and effect in accordance with its

terms. All references in the Credit Agreement and the other Loan Documents to the Credit Agreement shall be to the Credit Agreement as amended by this Amendment and all references in the Credit Agreement and the other Loan Documents to the Notes shall include the Replacement Notes. This Amendment does not and shall not be deemed to constitute a waiver by the Agent or the Banks of any Default or Event of Default or of any of the Agent's or the Banks' other rights or remedies except as expressly set forth in Section 2 hereof.

9. **Release and Indemnity.** Recognizing and in consideration of the Banks' and the Agent's agreement to the waivers and amendments set forth herein, each Borrower hereby waives and releases the Banks and the Agent and their respective officers, attorneys, agents, and employees from any liability, suit, damage, claim, loss or expense of any kind or nature whatsoever and howsoever arising that such Borrower ever had or now has against any of them arising out of or relating to any Bank's or the Agent's acts or omissions with respect to this Amendment, the Credit Agreement, the other Loan Documents or any other matters described or referred to herein or therein. Each Borrower further hereby agrees to indemnify and hold the Agent and the Banks and their respective officers, attorneys, agents and employees harmless from any loss, damage, judgment, liability or expense (including counsel fees) suffered by or rendered against the Banks or the Agent or any of them on account of anything arising out of this Amendment, the Credit Agreement, the other Loan Documents or any other document delivered pursuant thereto up to and including the date hereof; provided that, no Borrower shall have any obligation hereunder to any Bank or the Agent with respect to indemnified liabilities arising from the gross negligence or willful misconduct of such Bank or the Agent.

10. **Miscellaneous.**

(a) **Expenses.** Each Borrower agrees to pay all of the Agent's reasonable out-of-pocket expenses incurred in connection with the preparation, negotiation and execution of this Amendment including, without limitation, the reasonable fees and expenses of Ballard Spahr Andrews & Ingersoll, LLP.

(b) **Governing Law.** This Amendment shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

(c) **Successor and Assigns.** The terms and provisions of this Amendment shall be binding upon and shall inure to the benefit of the Borrowers, the Agent and the Banks and their respective successors and assigns.

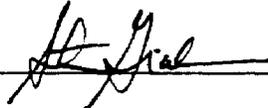
(d) **Counterparts.** This Amendment may be executed in one or more counterparts, each of which shall be deemed to be an original, and all of which shall constitute one and the same instrument.

(e) **Headings.** The headings of any paragraph of this Amendment are for convenience only and shall not be used to interpret any provision hereof.

(f) **Modifications.** No modification hereof or any agreement referred to herein shall be binding or enforceable unless in writing and signed on behalf of the party against whom enforcement is sought.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

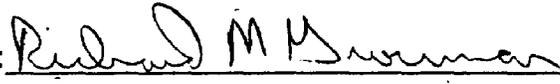
SHAPES/ARCH HOLDINGS L.L.C.

By: 
Title: *Manager*

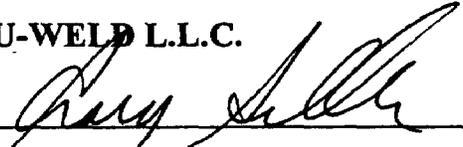
SHAPES L.L.C.

By: 
Title: *CEO*

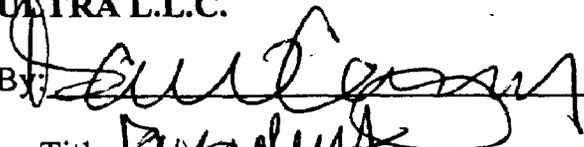
DELAIR L.L.C.

By: 
Title: *Vice President*

ACCU-WELD L.L.C.

By: 
Title: *PRES.*

ULTRA L.L.C.

By: 
Title: *President*

**PNC BANK, NATIONAL ASSOCIATION as a
Bank and as the Agent**

By: Joseph D. Mitchell, P
Title: Vice President

FIRST UNION NATIONAL BANK

By: _____
Title

NATIONAL CITY BANK

By: _____
Title

**FLEET NATIONAL BANK (successor to
Summit Bank)**

By: _____
Title

PNC BANK, NATIONAL ASSOCIATION as a
Bank and as the Agent

By: _____

Title:

FIRST UNION NATIONAL BANK

By: Alikeh V. Nanaavaty

Title ALIKEH V. NANAAVATY
VP

NATIONAL CITY BANK

By: _____

Title

**FLEET NATIONAL BANK (successor to
Summit Bank)**

By: _____

Title

**PNC BANK, NATIONAL ASSOCIATION as a
Bank and as the Agent**

By: _____

Title:

FIRST UNION NATIONAL BANK

By: _____

Title

NATIONAL CITY BANK

By: *Paul B. [Signature]*

Title *VICE PRESIDENT*

**FLEET NATIONAL BANK (successor to
Summit Bank)**

By: _____

Title

PNC BANK, NATIONAL ASSOCIATION as a
Bank and as the Agent

By: _____

Title:

FIRST UNION NATIONAL BANK

By: _____

Title

NATIONAL CITY BANK

By: _____

Title

**FLEET NATIONAL BANK (successor to
Summit Bank)**

By: *W. J. Nuola*

Title *SENIOR VICE PRESIDENT*

SCHEDULE I

BANK ADDRESSES

PNC BANK, NATIONAL ASSOCIATION

1950 Route 70 East, 3rd Floor
Cherry Hill, NJ 08003
Attention: Joseph G. Meterchick
Telephone: (856) 489-2765
Telecopy: (856) 489-2785
E-mail: joseph.meterchick@pncbank.com

FIRST UNION NATIONAL BANK

First Union Securities, Inc.
NC3026
300 North Greene Street, 5th Floor
Greensboro, NC 27401
Attention: Richard J. Rizzo, Jr.
Telephone: (336) 378-4079
Telecopy: (336) 378-4099
E-mail: richard.rizzo@funb.com
E-mail (2) margaret.scopelianos@funb.com

NATIONAL CITY BANK

National City Center
20 Stanwix Street
Pittsburgh, PA 15222
Attention: Charles P. Bugajski
Telephone: (412) 644-6163
Telecopy: (412) 644-6224
E-mail: charles_p_bugajski@national-city.com

FLEET NATIONAL BANK

750 Walnut Avenue
Mail Stop: NJ RP 4671SA
Cranford, NJ 07016
Attention: William DiNicola
Telephone: (909) 709-3105
Telecopy: (908) 709-6433
E-mail: William_DiNicola@fleet.com
E-mail (2): Lisa_Donoghue@fleet.com

SCHEDULE I

BANK COMMITMENT INFORMATION

	<u>COMMITMENT</u>	<u>SWING LINE COMMITMENT</u>	<u>INITIAL COMMITMENT PERCENTAGE</u>
PNC Bank, National Association	\$58,800,000	\$5,000,000	56%
First Union National Bank	\$21,000,000	0	20%
Fleet Bank, N.A.	\$14,700,000	0	14%
National City Bank	\$10,500,000	0	10%
TOTAL	\$105,000,000	\$5,000,000	100%

EXHIBIT D

BORROWING BASE CERTIFICATE

In compliance with the provisions of that certain Credit Agreement, as amended from time to time, among SHAPES/ARCH HOLDINGS L.L.C., SHAPES L.L.C., DELAIR L.L.C., ACCU-WELD L.L.C. and ULTRA L.L.C. (collectively, the "Borrowers") and PNC BANK, NATIONAL ASSOCIATION, as administrative agent (in such capacity, the "Agent") dated as of May 30, 1997 (as heretofore or hereafter amended from time to time, the "Agreement"), the undersigned Borrowers' Representative hereby certifies the following as of _____, _____:

A. Borrowing Base Calculation

Gross Accounts Receivable of Borrowers (at month end cut off):	_____
Add: Sales from month end cut-off through month end:	_____
less: Cash Receipts from month end cut off through month end:	_____
1) Total Gross Accounts Receivable	_____
Less: Ineligibles:	
Past Due: (over 90 days [or in certain instances 150 days] from invoice)	_____
Deferred Billings in excess of [\$ _____]	_____
—or beyond 120 days	_____
Due from affiliates	_____
Due from U.S. government (not assigned)	_____
Not subject to UCC Filing to perfect	_____
For merchandise not accepted by account debtor	_____
Dated after the account date	_____
Due from Foreign Accounts	_____
Subject to prior assignment or lien	_____
Subject to set-off, credits, adjustments	_____
Relate to contract forbidding assignment	_____
Subject to chattel paper not delivered to Bank	_____
Account Debtor is in bankruptcy action	_____
Have been partially paid by Account Debtor (other than Deferred)	_____
Otherwise unacceptable to Bank	_____
2) Total Ineligibles	_____
3) Total Eligible Accounts Receivable (1-2)	_____
4) Accounts Receivable Advance Rate	85%
5) Availability from Accounts Receivable (3x4)	_____
6) Total Inventory	_____
less: Obsolete or Discontinued Items	_____
Subject to assignment or lien	_____

	Otherwise unacceptable to Bank	_____
7)	Total Ineligibles	_____
8)	Eligible Inventory (6-7)	_____
9)	Inventory Advance Rate	_____ 55%
10)	Availability from Inventory (not to exceed \$25,000,000) (8x9)	_____
11)	Total book value of Fixed Assets	\$ _____
12)	Fixed Asset Advance Rate	_____ 70%
13)	Availability from Fixed Assets (not to exceed \$55,000,000) (11x12)	_____
14)	Less: \$ _____ Reserves	\$ _____
15)	Total Availability (5+10+13-14)	\$ _____
16)	Committed Loans Outstanding	_____
17)	Competitive Loans Outstanding	_____
18)	Swing Line Loans Outstanding	_____
19)	Letters of Credit	_____
20)	Total Exposure (16+17+18+19)	_____
21)	Available to Borrowers (Total Availability less Total Exposure) (15-20)	_____

B. The representations and warranties contained in Section 3 of the Agreement are true and correct as of this date and there has occurred no Event of Default, as defined in the Agreement, and no event which with the passage of time or the giving of notice, or both, would become such an Event of Default.

BORROWERS' REPRESENTATIVE:

SHAPES/ARCH HOLDINGS L.L.C.

By: _____

Title:

Date of Certificate: _____

SCHEDULE II

EXISTING LETTERS OF CREDIT

<u>Issuing Bank</u>	<u>Account Party</u>	<u>Beneficiary</u>	<u>Initial Face Amount</u>	<u>Current Maximum Liability</u>
1. PNC Bank, National Association	Shapes L.L.C.	Zurich Insurance Co.	1,919,080.00	1,919,080.00
2. PNC Bank, National Association	Shapes L.L.C.	Royal Indemnity Co.	500,000.00	500,000.00
3. PNC Bank, National Association	Ultra L.L.C.	Massoud	100,000.00	100,000.00

SCHEDULE 3.6

EXISTING LITIGATION

1. Ewan Site, Shamong Township, NJ

Aluminum Shapes L.L.C. ("Shapes") has been cooperating with a group of potentially responsible parties attempting to amicably resolve EPA's claims in connection with the site. Shapes entered into a Joint Settlement Agreement with other defendants at the Ewan Site thereby limiting the Company's liability to 2.42% of the remediation costs, subject to adjustment upward due to insolvency of other defendants. The total estimated cost of clean up is \$30-\$35 million AND Shapes through its carriers, have been contributing to the costs of the cleanup, which appears to be ahead of schedule.

Insurance coverage for the foregoing claim is available under a series of comprehensive general liability, umbrella and excess policies purchased by Shapes between 1970 and 1986. Because these policies do not contain an "absolute pollution exclusion", the carriers have agreed to provide Shapes with a defense in this claim.

2. D'Imperio Site, Hamilton Township, NJ

On November 4, 1992, the United States of America instituted action against Shapes and thirteen other defendants in the United States District Court for the District of New Jersey, Civil Action No. 92-GV4710, seeking to recover costs which have been incurred and which may be incurred by the United States in response to the release and threatened release of hazardous substances at or from the D'Imperio Superfund Site located in Hamilton Township, Atlantic County, New Jersey. Third-party defendants have been joined as well. Shapes' entered into a Joint Settlement Agreement with other defendants at the D'Imperio Site which limits Shapes liability to 1.86% of remediation costs at the D'Imperio Site, subject to adjustment upward due to insolvency of other defendants. One of the parties to the proposed Joint Settlement Agreement, Stepan Chemical, pulled out of the agreement at the last minute and the other parties to the Joint Settlement Agreement, including Shapes, filed a motion with the court to enforce the terms of the settlement agreement. That motion was decided in favor of the defendants and the matter is on appeal to the Third Circuit Court of Appeals. A bench trial was also conducted on the issue of the extent of the future costs necessary to remediate the site. Although

the trial concluded in March of 2000, the judge has yet to render a decision. The total estimated cost of the clean-up is \$25 to 30 million.

Insurance coverage for the foregoing claim is available under a series of comprehensive general liability, umbrella and excess policies purchased by Shapes between 1970 and 1986. Because these policies do not contain an "absolute pollution exclusion", the carriers have agreed to provide Shapes with a defense in this claim.

3. D'Imperio Spill Act Claim

On November 6, 1996, the State of New Jersey made a claim under the New Jersey Spill and Compensation and Control Act to recover monies spent under the New Jersey Spill Compensation Fund in connection with the D'Imperio Site. The State reports that the Spill Fund has incurred damages to date of \$425,000.00.

Insurance coverage for the foregoing claim is available under a series of comprehensive general liability, umbrella and excess policies purchased by Shapes between 1970 and 1986. Because these policies do not contain an "absolute pollution exclusion", the carriers have agreed to provide Shapes with a defense in this claim.

4. Swope Oil Site, Pennsauken, NJ

Shapes has entered into a series of Administrative Consent Orders whereby Shapes has been contributing to the cost of remediation of this site. Shapes' contribution percentage is 1.17%. Shapes' insurance carriers have been paying Shapes' share of the remediation costs. The final Remediation and Design Report has been completed and forwarded to EPA. Shapes' insurers had offered the Cleanup Committee \$226,818.51 for a full release from liability for any further clean-up costs imposed by the NJDEP, but this offer was withdrawn by the carriers for no apparent reason. Since that time, Shapes has impressed upon the carriers the need to reconsider their decision. Presently, the carriers are moving forward to effectuate a settlement of this matter in an amount close to that which they had previously agreed to settle.

Insurance coverage for the foregoing claim is available under a series of comprehensive general liability, umbrella and excess policies purchased by Shapes between 1970 and 1986. Because these policies do not contain an "absolute pollution exclusion", the carriers have agreed to provide Shapes with a defense in this claim.

5. Puchack Wellfield

It has been asserted that Shapes violated the New Jersey Spill and Compensation and Control Act and the regulations promulgated

thereunder by allegedly discharging chromium onto its premises and into the groundwater located thereunder which allegedly migrated to the Puchack Well Field. NJDEP directed that within thirty calendar days Shapes arrange for cessation of the alleged threat to human health in the environment by identifying and addressing all sources contributing to the chromium groundwater soil contamination at Shapes' premises, controlling all chromium contamination which is leaving the premises, and instituting measures to ensure chromium contamination does not further migrate off the premises.

Shapes executed a Memorandum of Agreement with NJDEP and has completed Phase I of a Remedial Investigation ("RI") for chromium at its premises. While the preliminary results of the RI so far indicate the presence of chromium, our hydrogeological experts feel strongly that the chromium at Shapes could not have migrated to Puchack by the time the constituent was found at Puchack in the early 1970's. In addition, Shapes believes that the following information also further exculpates Shapes from any liability at Puchack: (1) hydrogeologic information which indicates that groundwater did not flow from the direction of Shapes premises to the Puchack Well field as alleged by NJDEP; (2) chromium was detected at the Puchack Well Field in a sequence from southeast to northwest, but Shapes premises is located to the north; and (3) a chrome processing facility with known contamination problems was located in close proximity to and in the path of groundwater flow to the Puchack Well Field.

The United States Geological Survey ("USGS") is in the process of conducting a regional groundwater survey in connection with the Puchack investigation. Before this matter can proceed further, the survey must be completed. It is believed that the USGS will complete its survey sometime in 2002.

Insurance coverage for the foregoing claim is available under a series of comprehensive general liability, umbrella and excess policies purchased by Shapes between 1970 and 1986. Because these policies do not contain an "absolute pollution exclusion", the carriers have agreed to provide Shapes with a defense in this claim.

6. PSWMA Litigation

On January 1, 1992 Shapes was served with a Complaint by the Pennsauken Solid Waste Management Authority ("PSWMA"), et al. which operates the Pennsauken Landfill and who is a respondent to the Directive issued by NJDEP with respect to the Puchack Well Field. The Complaint sought indemnification and contribution from Shapes as well as

approximately 600 other defendants for any liability that PSWMA has with respect to the Puchack Well Field, as well as an Administrative Consent Order ("ACO") entered into by the PSWMA to cleanup the Pennsauken Landfill site. PSWMA seeks reimbursement of costs from defendants in connection with this obligation under the ACO. The approximately 600 defendants including Shapes were principally sued as a result of allegedly being generators or transporters who utilized the Pennsauken Landfill.

Discovery has been taking place over the last eight (8) years and is expected to continue indefinitely into the future. The fact that soil and groundwater samples taken from Shapes property have detected the presence of chromium further complicate Shapes' defense in this case. However, to date, no evidence has been adduced which would establish that Shapes sent potentially hazardous materials to the Landfill for disposal.

The initial remediation plan proposed by the PSWMA to cleanup up the site was believed to be flawed and unworkable. To that end, the defendants in the Landfill litigation, including Shapes, have formed a technical committee for the purposes of exploring alternative cost effective means to remediate the Landfill site. By working with the NJDEP, the technical committee is optimistic that it may be able to prevail upon the NJDEP and the PSWMA to approve a much less costly remediation plan than that which was initially proposed.

Insurance coverage for the foregoing claim is available under a series of comprehensive general liability, umbrella and excess policies purchased by Shapes between 1970 and 1986. Because these policies do not contain an "absolute pollution exclusion", the carriers have agreed to provide Shapes with a defense in this claim.

7. Miscellaneous Arbitration Cases

There are presently pending approximately three arbitration cases under the collective bargaining agreement between Shapes and Delair Group and Teamsters Local 837 which involve the discharge of production personnel. Local 837 also has submitted a grievance regarding Shapes' temporary use of a reduced workweek in the fall of 2001. Based on the language contained in the parties collective bargaining agreement, Shapes believes that it is likely to prevail at arbitration.

8. Norman Vega v. Aluminum Shapes

The plaintiff, Norman Vega, was terminated in 1999 for excessive absenteeism. In September of 2000, Vega filed suit in the United States District Court of New Jersey alleging that Shapes terminated his

employment in violation of the Family & Medical Leave Act of 1993. Shapes has denied any wrongdoing and, upon the completion of discovery in August of 2001, filed a motion for summary judgment seeking dismissal of the case. That motion remains pending. Under the FMLA, Vega, if he were to prevail at trial, he would only be eligible for loss wages and attorney's fees. There is employment practices liability insurance available for this claim.

9. Lightman Drum Yard Site

In March of 2000, Shapes was served with a 104(e) request for information from the EPA regarding its potential involvement at the Lightman Drum Yard Superfund site located in Berlin, New Jersey. Owned and operated by Jerome Lightman in 1970s, this site was used as a transfer station for wastes which had been collected by Jerome Lightman. Based on testimony developed during the Ewan and D'Imperio matters, it was learned that some materials brought to this location would be dumped into a open pit on site depending on whether Lightman could recondition the 55 gallon drums for future resale. -- Former Lightman employees had testified in the Ewan/D'Imperio matters that Shapes' drums were not dumped at the Drum Yard Site because the drums were too heavy.

Based on such information, Shapes rejected the EPA's request that the company sign an Administrative Consent Order in which it would agree to investigate and remediate the site. Notwithstanding, Shapes did join the Joint Defense Group ("JDG") of other PRPs at the site in an effort to appear cooperative to the EPA and to develop information necessary to exonerate Shapes of any wrongdoing in this matter. As part of the JDG, Shapes is required to contribute to the defense costs incurred based on its estimated volumetric share of potential responsibility at the site, which is presently under 2.0%. A remedial investigation is being conducted with respect to the site and Shapes is taking an active part in identifying other PRP's to participate in the JDG in an effort to further reduce its volumetric share of defense costs.

Insurance coverage for the foregoing claim is available under a series of comprehensive general liability, umbrella and excess policies purchased by Shapes between 1970 and 1986. Because these policies do not contain an "absolute pollution exclusion", the carriers have indicated that they are willing to provide Shapes with a defense in this claim.

10. Administrative Order and Notice of Civil Administrative Penalty Assessment (EA ID# PEA010004-5071 - Aluminum Shapes LLC)

On June 5, 2001, representatives from the NJDEP conducted an on-site inspection of the Delair Group's manufacturing facility. At that inspection, Delair was unable to produce manufacturing records regarding its use of an adhesive containing methylene chloride. As a result, the NJDEP issued a penalty against the Company for every day in which there were no records; the total penalty assessed was \$366,000. The Company has appealed this determination to the State Attorney General's Office based on the severity of the fine. It is anticipated that a 25%-50% reduction of the penalty can be negotiated without having to go forward with a formal hearing.

11. Cheryl Bell v. Ultra Hardware Products

This matter was filed in the New Jersey Superior Court of Atlantic County in August 2001 by women who sustained some type of injury at an apartment complex on August 12, 1999. Because the Complaint itself is very cryptic, it is unclear what is Ultra's connection to the Plaintiff's injuries. The claim is covered under Ultra's GL policy and the carrier has begun to initiate a defense of the claim. Ultra's deductible under the GL policy is \$25,000.

12. Design House v. Ultra Hardware Products

In December of 2000, Ultra purchased at auction some of the assets of Design House, a hardware distributor in Wisconsin which had been placed into receivership. Specifically, Ultra purchased all of Design House's inventory of Gainsborough brand name cabinet hardware. Prior to purchasing the inventory, Ultra secured an exclusive distribution agreement with Gainsborough for the North American market.

In September of 2001, the court appointed receiver filed suit against Gainsborough and Ultra in Wisconsin State Court alleging contractual violations against Gainsborough and that Ultra tortiously interfered with the receiver's ability to sell the assets at auction. The suit was removed to federal court and Ultra will be filing a motion to dismiss the claim in November of 2001. It appears that under Wisconsin law the receiver will not be likely to prevail against in its claim against Ultra.

13. Arch Aluminum Inc. v. Shapes/Arch Holdings LLC et al

In April of 2000, Arch Aluminum & Glass, Inc., the successor entity to Arch Aluminum & Glass LC (a former operating company of Shapes/Arch Holdings LLC) filed suit in the United States District Court of New Jersey against Shapes/Arch Holdings LLC and all of its affiliated entities. The

Complaint centers around the termination of the parties relationship on May 19, 1998 and the manner in which income, for tax purposes, had been allocated to Arch during the time in 1998 when the two companies had been affiliated. Specifically, the shareholders in Arch believe that an alleged over-allocation of income to them by Shapes/Arch resulted in their paying of excessive income tax for 1998.

Discovery has been completed in this litigation and Shapes/Arch will be filing a motion for summary judgment to dismiss the action in December of 2001. Shapes/Arch believes that the court ultimately will dismiss this action because the relief sought by the Plaintiff (i.e., a refund for the overpayment of taxes) can only be obtained from the United States Government and through the Internal Revenue Service. Even if it is determined that the Plaintiff is entitled to relief, the extent of its damages is can be no more than approximately \$200,000. Further, the damages would be appropriately incurred by in the individual shareholders and not Shapes/Arch

14. Thomas Sigler . v. Accu-Weld LLC

In April of 2000, Plaintiff, an independent truck driver, was struck by a forklift operated by an Accu-Weld employee while on the premises. The Plaintiff suffered substantial personal injuries and was hospitalized for a number of days. On May 15, 2001, Accu-Weld received a demand letter from the Plaintiff's attorney seeking compensation for the Plaintiff for his medical bills, loss wages and pain and suffering. The demand was submitted to Accu-Weld's GL carrier, who accepted defense and coverage of the claim. The adjuster handling the claim for the carrier has brokered a tentative settlement. Accu-Weld's total exposure for this claim will be no more than its deductible of \$25,000.

15. Walford v. Delair Group

A child was rendered quadriplegic when she slid headfirst down a slide which was connected to a pool which had been manufactured by the Delair Group in 1973. The slide was neither manufactured by the Delair Group nor was it sold with the original pool. The case was brought in Ontario, Canada. After discovery is completed, Delair intends to move for summary judgment, which it believes will likely be granted.

SCHEDULE 3.13

ENVIRONMENTAL MATTERS

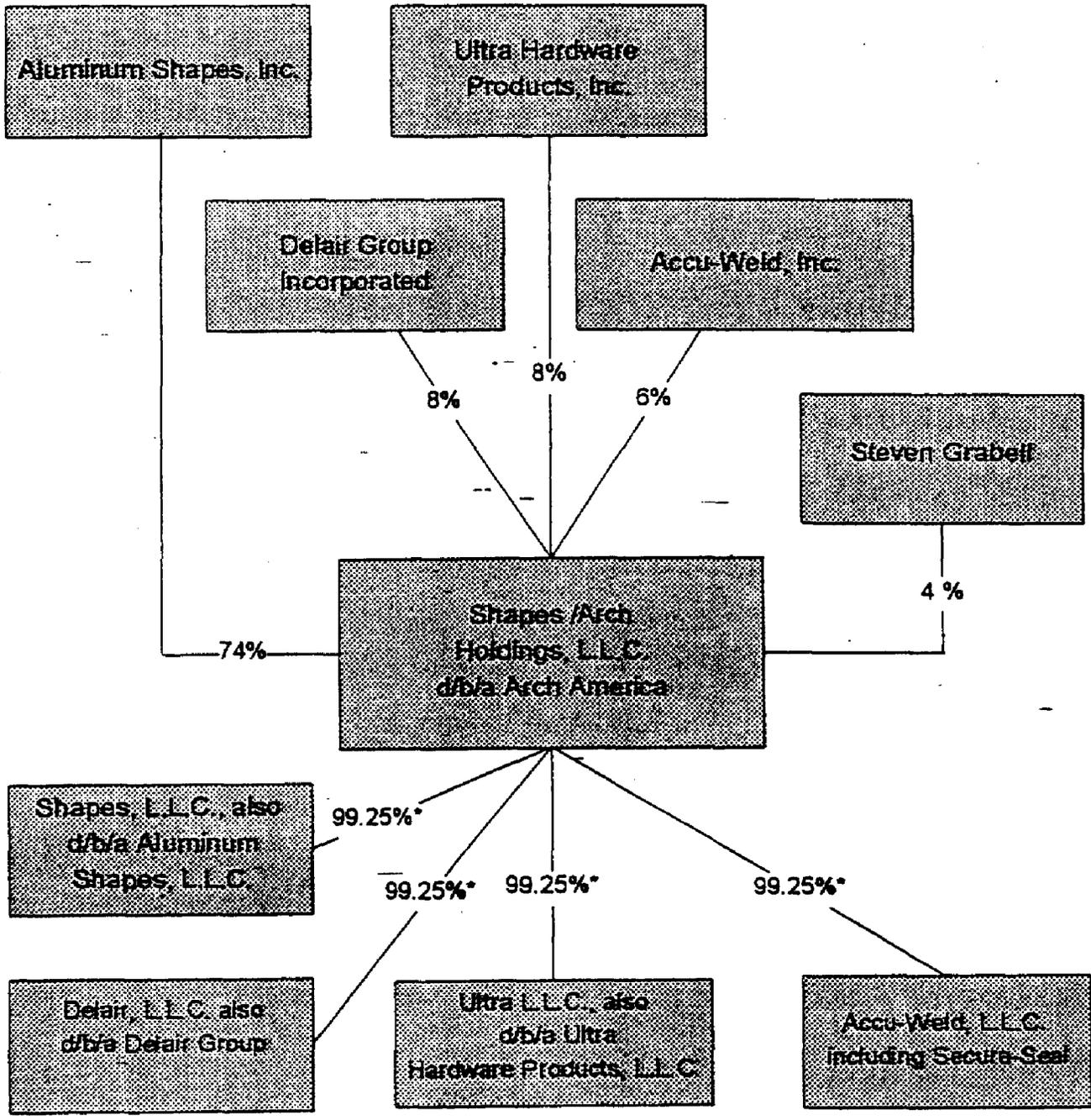
1. See items 1 through 10 on Schedule 3.6

SCHEDULE 3.14

OWNERSHIP OF BORROWERS AND SUBSIDIARIES

MERGED COMPANY STRUCTURE

Revised November 3, 2001



*The remaining .75% of Shapes, L.L.C, Delair, L.L.C, Ultra, L.L.C and Accu-Weld, L.L.C are owned by Aluminum Shapes, Inc

SCHEDULE 3.16

REAL PROPERTY INTERESTS

<u>Location</u>	<u>Approximate Square Footage</u>	<u>Leased or Owned</u>
1501 John Tipton Boulevard Pennsauken, NJ	60,000 sq. ft.	Owned
8600-9000 River Road Delair, NJ	1,530,000 sq. ft.	Owned
1211 Ford Road Bensalem, PA	125,000 sq. ft.	Owned
9191 River Road Delair, NJ	Vacant Land	Owned

SCHEDULE 3.19

LABOR MATTERS

The production personnel at Shapes L.L.C., Delair L.L.C. and Ultra L.L.C. are all covered by collective bargaining agreements with Teamsters Local 837 and by a Multiemployer Pension Plan administered by Teamsters Local 837. Accu-Weld L.L.C.'s production personnel are covered by a collective bargaining agreement with United Independent Union Local #3 and a Multiemployer Pension Plan administered by United Independent Union Local #3.

SCHEDULE 6.2

EXISTING DEBT

<u>Creditor</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Collateral</u>
1. PNC Bank, National Association	762,274.00	6.80%	07/11	1st Mtg Bensalem, PA - Accu-Weld
2. PIDA	954,786.00	4.50%	03/10	2nd Mtg Bensalem, PA - Accu-Weld