FORM 10-K/A

Annual report pursuant to section 13 and 15(d) [amend]

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FILER

HMI INDUSTRIES INC

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SIC: **3460** Metal forgings & stampings

Mailing Address
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CLEVELAND OH 44114

Business Address
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CLEVELAND OH 44114
216-432-1990

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended September 30, 1997 Commission File Number 2-30905

HMI INDUSTRIES INC.
(Exact name of Registrant as specified in its charter)

DELAWARE	36-1202810
(State or other jurisdiction of Incorporation or organization)	(IRS Employer Identification No.)
3631 Perkins, Cleveland, Ohio	44114
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (216) 432-1990

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Title of each class
Common Stock, $1 par value per share

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 and (2) has been subject to such filing requirements for the past ninety (90) days.
Yes X No ____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes ____ No X

The aggregate market value of voting stock held by non-affiliates of Registrant, computed by reference to the closing price on the NASDAQ Stock Exchange on December 22, 1997 was approximately $10,623,000.

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

<TABLE>
<CAPTION>

Class	Outstanding at December 22, 1997
<S>	<C>
Common stock, $1 par value per share	5,033,996

</TABLE>

Documents Incorporated by Reference

The following documents are incorporated by reference in this Form 10-K.

Portions of the Proxy Statement for the 1998 Annual Meeting, incorporated into Part III (Items 10, 11, 12 and 13).

Index to Exhibits is found on page 47. This report consists of 48 pages.

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PART I.

Item 1. Business

(a) General Development of Business

HMI Industries Inc. (the "Company" or "registrant") was known as Health-Mor Inc. until January 1995. The Company was reorganized in 1968 as a Delaware corporation, succeeding an Illinois corporation originally formed in 1928. In 1997, the business of the Company was carried out through two primary divisions. The Consumer Goods Division manufactures and sells floor care and air filtration products, primarily portable bagless vacuum cleaners sold under the trade names "Filter Queen", "Princess", "Majestic" and "Empress", central vacuum cleaning systems sold under the trade names "Vacu-Queen" and "Majestic II". Portable room air cleaners are sold under the trade name "Defender" and carpet cleaning systems under the trade name "Easy Way" are both sold and leased. This division also sells needle-free insulin injectors under the "AdvantaJet" name. The operations of the Consumer Goods Division are carried on through the operations at the Perkins Avenue facility in Cleveland, Ohio, and the following wholly-owned subsidiaries: HMI Incorporated (incorporated in Ontario, Canada); Home Impressions Inc. (incorporated in Delaware); Health-Mor International, Inc., which meets the qualifications under the Internal Revenue Code as a foreign sales corporation (incorporated in the U.S. Virgin Islands); Health-Mor Acceptance Corporation (incorporated in Delaware); HMI Acceptance Corporation (incorporated in Ontario, Canada); and Health-Mor Acceptance PTY Ltd. (incorporated in Sydney, Australia). Health-Mor Personal Care Corp. (incorporated in Delaware) is 85% owned by the registrant.

The Manufactured Products Division engages in the fabrication and sale of commercial and industrial stamped components, metal formed tubular products and machined components, and the manufacture of needle-free insulin injectors. The operations of this division are carried out by Bliss Manufacturing Company (incorporated in Ohio) and Tube-Fab Ltd. (incorporated in Ontario, Canada), both wholly-owned subsidiaries of the Company.

In 1997, the Company made a decision to sell its Manufactured Products Division businesses and any poor performing product lines in the Consumer Goods Division. As a result of this decision, Bliss Tubular Products, which engaged in the bending of aluminum, steel and copper tubing, was sold in fiscal 1997 and the Company is negotiating the sale of Tube-Fab Ltd.

In September 1997, the Company decided to sell Bliss Manufacturing Company and

this subsidiary was offered for sale. On December 18, 1997, the Company signed a definitive agreement to sell the stock of its Bliss Manufacturing Company to an investor group led by Mervin Dunn and Rhone Capital, LLC. The purchase price is $31,500,000, subject to certain adjustments, including a $1,500,000 distribution for certain payments to vendors and employee obligations. The sale is expected to close in March 1998, subject to regulatory and shareholder approval.

In the Consumer Goods Division, the Company has offered for sale two businesses, Health-Mor Personal Care Corporation and Household Rental Systems ("HRS"). A letter of intent to sell HRS was signed in December, 1997. In addition, the Company discontinued selling the "Optima" portable canister vacuum and the "Princess 2000" upright vacuum cleaner in 1997. In December 1997, the Company announced it was discontinuing the "Electrapure" portable canister vacuum product. Sale of the "SuperNaturals" brand of cleaning products was suspended in 1997. Most of the Home Impressions product lines were discontinued in 1997, except for the "Vacu-Queen" central vacuum cleaning system. The Company also discontinued rental of the "Easy Way" carpet cleaning systems to Filter Queen direct distributors in 1997.

(b) Financial Information About Industry Segments

As of September 30, 1997, the Company's continuing operations consist of a single operating segment: the Consumer Goods Division. See Note 12 (Business Segments) of the Notes to the Consolidated Financial Statements found on page 42 for further information.

(c) Narrative Description of Business

Consumer Goods

The principal products of the Consumer Goods Division of the Company are floor care and air filtration products, primarily portable vacuum cleaners and central vacuum cleaning systems. Portable bagless vacuum cleaners are sold under the trade names "Filter Queen", "Princess", "Majestic" and "Empress". The central vacuum cleaning systems are sold under the trade names "Vacu-Queen" and "Majestic II". The bagless portable and portable canister vacuums consist of a canister type suction cleaner, motorized vacuum cleaning head with a revolving brush ("Pow-R-Nozzle"), hose, wand, brushes and other cleaning tools. The Company also offers accessories for use with its bagless and canister vacuum cleaners, most of which are attached to the exhaust outlet and may be used as room deodorizers, air circulators, and for other blowing operations such as the spraying of liquids. The central vacuum cleaning systems use the motorized vacuum cleaning head with a revolving brush, as well as the hose, wand, brushes and other cleaning tools. The Company also manufactures straight suction attachments, which do not have a motorized vacuum cleaning head.

The Filter Queen cleaning system has been registered by Underwriters Laboratories and Canadian Standards Authority as an Air Filtration Device.

The floor care products of the Consumer Goods Division are marketed in the United States, Canada, and over forty other countries. The Company markets the Filter Queen Majestic and the Empress through independent distributors who sell in the home directly through their own independent representatives and who also sell indirectly through the representatives of smaller independent local distributors.

Central vacuum cleaning systems are marketed worldwide under the trade name "Vacu-Queen" through retail distributors and under the trade name "Majestic II" through direct distributors. The Company also markets the Vacu-Queen to building contractors and developers for installation in newly constructed homes and apartments.

Household Rental Systems ("HRS") provides carpet cleaning systems for rent to consumers through independent retail vacuum cleaner stores under the name "Easy Way" in the United States and Canada. The Canadian HRS business has been reported as discontinued operations and a letter of intent to sell HRS was signed in December 1997.

Health-Mor Personal Care Corp. markets the AdvantaJet needle-free insulin injector and other health care products. Customer service is crucial to this product line. This business has been classified as a discontinued operation and the Company is seeking a buyer for this business.

The Company meets strong competition in the sale of its vacuum cleaners and central vacuum systems. In the case of sales through in-home solicitation, this competition is primarily with vacuum cleaner equipment in use in the home at the time of the sales presentation. There are many significant vacuum cleaner manufacturers, plus many regional and private label manufacturers, who make numerous brand name vacuum cleaners in the United States. Most of these are sold

through department stores, discount houses, appliance shops and by catalog, generally at substantially lower prices than the Filter Queen. There are more than five companies which compete significantly with the Company in the United States and Canada in distribution of vacuum cleaners by in-home solicitation. Many of its competitors in the sale of vacuum cleaners are substantially larger and have greater resources than the Company. The Company believes that its vacuum cleaners are competitive with other vacuum cleaners because of their performance and warranty. It is the practice of the Company, along with other companies in the vacuum cleaner industry, to maintain sufficient amounts of inventory to meet the rapid delivery requirements of customers. The Consumer Goods Division of the Company operates with a minimal backlog.

The Company is expanding its parts and service business by utilizing its extensive customer data base to market accessories and new products and services. The purpose is to enhance the annuity value of each customer to the Company and to distributors by encouraging add-on sales and generating referrals by utilizing these same data bases and the Distributor network. The parts and service business continues to expand in markets outside of North America.

The Company's financing program, through its subsidiaries Health-Mor Acceptance Corporation and HMI Acceptance Corporation continues to serve its distributors and consumers by offering financing to marginally credit worthy consumers. The Company has sold a portion of its U.S. portfolio to a first line finance company, and continues to explore ways to serve its distributors and consumers while at the same time reducing its overhead through alliances with first line finance companies. Health-Mor Acceptance PTY Ltd. was incorporated in Sydney, Australia, to offer consumer financing of the Company's products in that country. This portfolio is currently being liquidated.

The Company holds trademark or trade name registration on the principal trademarks and trade names used by the Consumer Goods Division. These trademarks have been registered in the United States, Canada and other countries in which the Company has distributors which sell a significant number of units. The Company owns a number of patents in the United States, Canada and other countries on various features of the Filter Queen, Vacu-Queen and related products. The Company does not believe that its business is materially dependent on any patent or group of patents.

Manufactured Products

The Manufactured Products Division of the Company consists of commercial and industrial stamped components, metal formed tubular products, machined components, tools, dies and specialty products and production of needle-free insulin injection systems. All businesses related to the Manufactured Products Division have been reclassified to discontinued operations and are held for sale at September 30, 1997.

Metal Stamping and Metal Formed Tubing

Bliss Manufacturing Company ("Bliss"), a wholly-owned subsidiary of the Company, engages in the manufacture of various types of sheet metal stamping and sub-assemblies, and painting and welding in conjunction therewith, for customers in the automotive and truck manufacturing, materials handling equipment, military, and plumbing industries. The products manufactured by Bliss are sold primarily to original equipment manufacturers, mostly in the Midwest.

The customers of Bliss issue releases for parts depending upon their own requirements. Therefore, Bliss operates with a minimal backlog.

The business of Bliss is significantly dependent upon several automotive and truck manufacturers. In the event that a significant portion of the automotive and truck business were to cease immediately, and the revenues were not replaced with sales to other customers, whether existing or new, the loss could have a material adverse effect on the registrant and its subsidiaries, taken as a whole. However, the registrant believes that its relationship with these customers is good and, although it anticipates the loss of business for particular parts from time to time as the products in which those parts are incorporated are discontinued or substantially changed, the registrant believes that it can, at least in part, make up for such losses through existing or new customers. The Company has signed a definitive agreement to sell Bliss Manufacturing (See Item 1a).

Tube-Fab Ltd. ("Tube-Fab"), a wholly-owned subsidiary of the Company, is engaged in the manufacture of high quality tubular products for the aircraft, military, communications and specialty architectural industries. The Company intends to sell Tube-Fab in 1998 (See Note 14 "Related Party Transactions" of the Notes to the Consolidated Financial Statements).

Tools, Dies and Specialty Machinery

Machined Products Division ("MPD"), a division of Tube-Fab, engages in the manufacture and sale of precision machined components for aircraft engines for

the aerospace industry. The work performed is primarily subcontract work for engine manufacturers. In addition, MPD continues its work with Spar Aerospace, manufacturing components for the Special Purpose Dextrous Manipulator for the International Space Station. MPD has numerous competitors in the machining field, none of whom has any sizable market share.

Sales backlog for MPD as of September 30, 1997 and 1996 was approximately $540,903 and $420,000, respectively. It is expected that this backlog will be filled during the current fiscal year.

Employees

The Company and its subsidiaries employed 836 persons at September 30, 1997 throughout the world. Approximately 70% are part of businesses that have been classified as discontinued.

Environmental Policies and Controls

To the best of the Company's knowledge, it is in compliance with all applicable Federal, State and local laws relating to the protection of the environment. It does not anticipate that any laws or regulations relating to the protection of the environment will have any material effect on its earnings, capital expenditures, or competitive position. The Company does not anticipate making any material capital expenditures for environmental control facilities during the current and succeeding fiscal years.

Methods of Production and Raw Materials

The Consumer Goods Division of the Company assembles finished parts purchased from various suppliers. Tube-Fab purchases metal tubing from various suppliers and engages in finishing operations, such as bending, beading and flaring. MPD manufactures needle-free insulin injectors and precision machined parts for the aerospace industry. Bliss purchases steel (both coil and blank) from various suppliers and stamps metal parts for its customers. Bliss also engages in welding and painting of certain parts, including the painting of parts for other companies.

(d) Financial Information About Foreign and Domestic Operations and Export Sales

Financial information relating to foreign and domestic operations for the years ended September 30, 1997, 1996 and 1995 are set forth in Note 12 (Business Segments) of the Notes to Consolidated Financial Statements found on page 42.

Executive Officers of the Registrant

<TABLE>
<CAPTION>

NAME	AGE	POSITION AND TERMS OF SERVICE AS OFFICER
<S>	<C>	<C>
James R. Malone	55	Chairman and Chief Executive Officer (1)
Mark A. Kirk	40	President, Chief Operating Officer and Chief Financial Officer (2)
Carl H.Young III	56	Executive Vice President, General Counsel and Assistant Secretary (3)
Sherwin Ellens	60	Vice President - Sales and Marketing (4)
Robert M. Benedict	54	Vice President and Treasurer (5)
Kevin Dow	41	Vice President - Corporate Services and Assistant Treasurer (6)
Michael Harper	41	Vice President, Corporate Controller and Chief Accounting Officer and Assistant Secretary (7)

</TABLE>

(1) Mr. Malone was elected Chairman of the Board of Directors on December 5, 1996 and Chief Executive Officer on May 14, 1997. From 1993 to 1997, Mr. Malone was Chairman, President, and Chief Executive Officer of Anchor Glass Container Corporation, a manufacturer of glass containers. From 1990 to 1993 he was Chairman and Chief Executive Officer of Grimes Aerospace Company, an aircraft component manufacturer.

(2) On May 14,1997, Mr. Kirk was elected President and Chief Operating Officer. He is also Chief Financial Officer, and was elected to that position in February 1997. From 1993 to 1997 he served as Senior Vice President and Chief Financial Officer of Anchor Glass Container Corporation. From 1990 to 1993 he was Senior Vice President and Chief Financial Officer at Grimes Aerospace Company.

(3) Carl Young was elected Executive Vice President, General Counsel, and Assistant Secretary on May 28, 1997. He had previously served as Vice President and General Counsel from February 14, 1997 to May 28, 1997. From

1993 to 1997 Mr. Young served as Senior Vice President and General Counsel of Anchor Glass Container Corporation. From 1990 to 1993, Mr. Young was Senior Vice President and General Counsel for Grimes Aerospace Company.

(4) Mr. Ellens has served as Vice President - Sales and Marketing since May 28, 1997. From 1996 to May 14,1997 he was Vice President of Direct Sales. From 1992 to 1995, he served as Director of Direct Sales for North America.

(5) Mr. Benedict was elected Vice President and Treasurer on May 28, 1997. From 1995 to 1997 he was Assistant Treasurer of Sealy Inc., a mattress manufacturer. From 1992 to 1995 he was Vice President of Benedict, Kuhit & Associates, a consulting firm.

(6) Mr. Dow was named Vice President - Corporate Services and Assistant Treasurer on May 28, 1997. From March 1996 to May 1997 he served as Vice President-Administration and Treasury. He has also served as Treasurer or Assistant Treasurer at various times since 1995. He served as Vice President Finance and Administration from 1989 to 1996.

(7) Mr. Harper was elected Vice President, Chief Accounting Officer and Assistant Secretary on May 28, 1997. He has also served as Corporate Controller since December 1996. He served as Vice President, Finance for Bliss Manufacturing Company from January 1996 to December 1996. For over sixteen years prior to that time he served in various financial management positions with The Sherwin-Williams Company, most recently as the Controller of the Transportation Services Division. Sherwin-Williams Company is a paint manufacturer.

Kevin Dow, Vice President-Corporate Services and Assistant Treasurer, is the first cousin of Barry L. Needler, Vice Chairman and a director.

Item 2. Properties

The following table sets forth by industry segment, the location, character and size (in square feet) of the real estate used in the operations of the Company and its subsidiaries at September 30, 1997:

<TABLE>
<CAPTION>

		SQUARE FEET	
LOCATION	CHARACTER	OWNED	LEASED
<S>	<C>	<C>	<C>
CONSUMER GOODS DIVISION			
United States of America			
Cleveland, Ohio	Office, Plant & Warehouse	210,000	
Bradley, Illinois (1)	Office & Warehouse	7,516	
Canada			
Mississauga, Ontario	Office & Warehouses		46,772
Dorval, Quebec	Office & Warehouse		4,762
Calgary, Alberta	Office & Warehouse		4,500
Surrey, British Columbia	Office & Warehouse		4,100
Edmonton, Alberta	Office & Warehouse		2,049
Vancouver, British Columbia	Office & Store		2,292
Burlington, Ontario	Office & Store		1,100
MANUFACTURED PRODUCTS DIVISION			
Tools, Dies & Specialty Machinery (1)			
Charlottetown, Prince Edward Island	Office, Plant & Warehouse	19,000	
Metal Stamping and Metal Formed Tubing (1)			
Newton Falls, Ohio	Office, Plant & Warehouse	400,000	
Youngstown, Ohio	Office, Plant & Warehouse	150,000	

</TABLE>

(1) Included in Assets Held for Sale

Item 3. Legal Proceedings

Claims arising in the ordinary course of business are pending against the Company. Although these are in various stages of the litigation process, management believes that none of these matters will have a material adverse effect on the consolidated financial position, results of operations or liquidity of the Company.

Item 4. Submission of Matters to a Vote of Security Holders

Not Applicable

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

The common stock of the Company is listed and traded on the NASDAQ Stock Market under the symbol HMII. As of September 30, 1997, there were approximately 253 stockholders of record.

A summary of the dividends declared and the quarterly high and low sales price of the Company's common stock on the Nasdaq Stock Exchange for the years ended September 30, 1997 and 1996, are as follows:

1997

	High	Low	Dividend
1st Quarter	6 3/4	4 3/4	$ .0000
2nd Quarter	8 1/8	5 1/8	$ .0000
3rd Quarter	7 5/8	4 7/8	$ .0000
4th Quarter	6 1/4	3 7/8	$ .0000

1996

	High	Low	Dividend
1st Quarter	15	11 1/4	$ .0875
2nd Quarter	12 1/4	7 3/4	$ .0875
3rd Quarter	8 3/4	7	$ .0875
4th Quarter	8 1/4	4 3/4	$ .0000

The declaration and payment of quarterly dividends is at the discretion of the Board of Directors, which may raise, lower or omit the dividend in any quarter. Due to losses in the first three quarters of 1996, the Company did not declare a dividend in the fourth quarter of fiscal 1996. No dividends were declared in 1997 due to continued losses. The Credit Agreement with the Company's lender will not permit the payment of dividends and this restriction remains in effect until the credit facility is paid in full in 1998. It is not expected that the Company will declare a dividend until the Company returns to profitability.

Item 6. Selected Financial Data

	1997	1996	1995	1994	1993
Net Revenue From Continuing Operations	$ 50,490,250	$ 59,548,908	$ 62,785,302	$ 52,759,037	$ 44,224,939
Operating Costs and Expenses	$ 68,603,306	$ 63,882,184	$ 60,509,044	$ 50,539,058	$ 41,416,946
Other Income (Expense), net	$ (2,650,313)	$ (4,272,428)	$(1,282,491)	$(1,080,894)	$(1,080,413)
Income (loss) Before Discontinued Operations Before Taxes	$(20,763,369)	$ (8,605,704)	$ 993,767	$ 1,139,085	$ 1,727,580
Income (loss) Margin Before Discontinued Operations Before Taxes	(41.1%)	(14.5%)	1.6%	2.2%	3.9%
Income Taxes (benefits)	$ (7,285,949)	$ (2,838,259)	$ (614,791)	$ (69,510)	$ 145,512
Income Tax Rate	35.1%	33.0%	69.1%	6.1%	8.4%
Income (loss) before Discontinued Operations	$(13,477,420)	$ (5,767,445)	$ 1,608,558	$ 1,208,595	$ 1,582,068
Income (loss) Margin Before Discontinued Operations	(26.7%)	(9.7%)	2.6%	2.3%	3.6%
Income (loss) From Discontinued Operations	$ 2,347,039	$ (1,965,815)	$ 3,833,317	$ 3,422,894	$ 3,287,695
Loss on Disposal	$ (5,519,684)	$ (2,280,844)	$ ---	$ ---	$ ---
Cumulative Effect- Change of Accounting for Income Taxes	$ ---	$ ---	$ ---	$ 719,016	$ ---
Net Income (loss)	$(16,650,065)	$(10,014,104)	$ 5,441,875	$ 5,350,505	$ 4,869,763
Net Income (loss) Margin	(33.0%)	(16.8%)	8.7%	10.1%	11.0%
Per Share Data:					
Net Revenues From Continuing Operations	$ 10.19	$ 12.12	$ 12.87	$ 10.79	$ 9.12
Income (loss) Before Discontinued Operations	$ (2.72)	$ (1.18)	$ .33	$ .25	$ .33
Income (loss) From Discontinued Operations	$ .47	$ (.40)	$ .79	$ .70	$ .68

Net Income (loss)	$ (3.36)	$ (2.04)	$ 1.12	$ 1.09	$ 1.01
Cash Dividends	$ .000	$ .263	$ .346	$ .324	$ .301
Weighted Average Number of Common Shares Outstanding	4,956,276	4,912,135	4,876,599	4,888,395	4,851,192
Total Assets	$ 55,390,133	$ 92,511,124	$ 85,191,635	$ 78,642,212	$ 65,102,797
Long-Term Debt	$ 762,777	$ 22,334,613	$ 14,050,715	$ 13,176,973	$ 8,800,956
Stockholders' Equity	$ 14,551,505	$ 30,882,960	$ 40,350,913	$ 37,901,982	$ 34,442,194
Book Value Per Share	$ 2.94	$ 6.29	$ 8.27	$ 7.75	$ 7.10
Working Capital	$ 3,793,541	$ 24,981,647	$ 23,771,993	$ 22,941,184	$ 18,189,328
Ratio of Current Assets to Current Liabilities	1.10	1.77	1.91	1.99	1.90
Percent of Earnings on Average Stockholders' Equity	(73.3%)	(28.1%)	13.9%	14.8%	14.8%
Percent of All Dividends to Net Income	---	(12.9%)	31.0%	29.7%	30.0%
Stock High	8 1/8	15	17	19 1/8	13 3/4
Stock Low	3 7/8	4 3/4	13 1/4	11 1/4	5 5/8
Average Annual Price to Earnings Ratio	(1.8)	(4.8)	13.5	13.9	9.6
Average Annual Dividend Yield	---	2.7%	2.3%	2.1%	3.1%

</TABLE>

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The discussion and analysis contained in this section relates only to the continuing operations of the Company.

RESULTS OF OPERATIONS
1997 COMPARED WITH 1996

NET PRODUCT SALES - Net product sales for the year ended September 30, 1997 decreased by $8,942,000 or 15.2% as compared to fiscal 1996. The decrease in sales is due primarily to declines in North America and Asia. Weak sales in North America were attributable to a correction of high inventory levels in the distribution network, lower sales to end consumers and a reduction in the distributor base. Additionally, excess credit granted in prior years to the Company's distributors resulted in an overall deterioration of liquidity in the distribution network. Sales in Asia were adversely affected by economic conditions in that region and the devaluation of certain currencies. Sales gains in a strong European market continued their favorable trend.

FINANCING REVENUE AND OTHER INCOME - Financing revenues represent the interest and fees generated on the contracts financed by the Company's Australian, Canadian, and United States Subsidiaries. The decline in these revenues is consistent with the sales decrease experienced mainly in North America.

GROSS PROFIT - Gross Profit for fiscal 1997 was $13,869,000 or 27.8% as compared to 1996 gross profit of $20,574,000 or 35.0%. Gross profit was adversely affected by lower volume, quality problems, and operational inefficiencies. Additionally, non-recurring charges of $1,084,000 were taken to write-off unused barter credits and tooling related to a discontinued product line. Initiatives were begun in the fourth quarter of 1997 to strengthen business processes, reduce costs, and improve quality.

SELLING, GENERAL, AND ADMINISTRATIVE - Selling, general and administrative costs increased by $6,958,000 from fiscal 1996 to fiscal 1997. The increase was due primarily to additional bad debt expense taken of $4,659,000, severance charges related to the termination of Kirk W. Foley of approximately $2,000,000, expenses incurred for the settlement of a lawsuit and other expenses. Adjusted for these charges, selling, general and administrative would have decreased by approximately $1,200,000. The Company has initiated cost reduction measures in 1997 that should continue to reduce selling, general and administrative costs in 1998. These include implementation of a cash basis policy for North American distributors effective January 1, 1998. While this policy may depress sales temporarily, over time it should improve the Company's liquidity and strengthen the fiscal health of its distribution network. The subsequent reduction in credit resulting from this policy should significantly reduce bad debt expense in 1998.

INTEREST EXPENSE - Interest expense increased $532,000 in fiscal 1997 from 1996 as a result of additional borrowings and increases in interest rates in 1997.

INCOME TAXES - The effective tax rate for fiscal 1997 is 35.1% compared to 33.0% in 1996.

DISCONTINUED OPERATIONS - As of June 30, 1997, the Company reported Bliss Tubular and Tube-Fab Ltd., its tubular and aerospace businesses, as well as Health-Mor Personal Care Corp., its personal care business, as discontinued operations. The Company recorded a pretax estimated loss on disposal of the

assets of Tube-Fab Ltd., and Health-Mor Personal Care Corp. of $1,937,200 during fiscal 1997. In August 1997, the Company sold the assets of Bliss Tubular to H-P Products and recorded a pretax loss on the sale of those assets of $1,524,000. As of September 30, 1997, the Company reported Bliss Manufacturing, its metal fabrication and stamping business, as a discontinued operation. Accordingly, the consolidated financial statements of the Company have been reclassified to report separately the net assets and net operating results of these discontinued operations. Income Statements for periods prior to the dates of discontinuance have been restated to reflect continuing operations. The Company's steam cleaning business, Household Rental Systems, reported as a discontinued operation in fiscal 1996, recorded an additional loss on disposal of $2,651,000 in fiscal 1997. In November, 1997, the Company received two signed letters of intent regarding the planned sale of this business. Management anticipates that the sale of this business will be completed in early 1998. Sales applicable to the discontinued operations as of September 30, 1997 and September 30, 1996 were $75,151,642 and $65,771,728 respectively.

RESULTS OF OPERATIONS
1996 COMPARED WITH 1995

NET PRODUCT SALES - Net product sales for the year ending September 30, 1996 decreased by $3,408,000 or 5.5% as compared to fiscal 1995. Sales declines in the North American and Asian markets were offset by growth in the European market. Decreases in the North American market were attributable to, among other things, a tightening of consumer credit. Distribution difficulties and required product changes in Asia hampered sales in fiscal 1996.

FINANCING REVENUES - Financing revenues represent the interest and fees generated on the contracts financed by the Company's Australian, Canadian, and United States Subsidiaries.

GROSS PROFIT - Gross profit for fiscal 1996 was $20,574,000 or 35.0% as compared to 1995 gross profit of $23,119,000 also 37.1%. Total gross profit was lower due to the decline in sales volume. The Consumer Goods operations moved into a new facility in March 1996, thus eliminating the cost of duplicate facilities incurred during the first six months of the year. Additionally, scheduling and process changes were made, within the operations, in an effort to reduce production inefficiencies.

SELLING, GENERAL AND ADMINISTRATIVE - Selling, general and administrative costs increased by $4,236,000 from fiscal 1995 to fiscal 1996. Included in the increase is $2,200,000 of product development and introduction costs for the Consumer Goods business with corresponding increases in sales from these products. The Company also experienced increased legal and professional fees, increased compensation costs and increased reserves for uncollectable accounts.

INCOME TAXES - The effective rate for fiscal 1996 was 33.0% compared to 69.1% in 1995.

DISCONTINUED OPERATIONS - The Company adopted a plan to exit its direct sales business in Mexico and to sell the Canadian Household Rental Systems operation. Accordingly, the results of these operations are reported as discontinued operations. The Company has recorded a loss on the disposal of Mexico of $1,481,000 primarily comprised of the currency devaluation which was previously reflected as a component of equity offset by a U.S. tax benefit of the loss on the Company's investment in the Mexican operation. An $800,000 charge was recorded in fiscal 1996 on the disposal of the steam cleaning business in order to record the assets of this operation at their estimated net realizable value.

LIQUIDITY AND CAPITAL RESOURCES

The working capital balance at September 30, 1997 was ($439,000) compared to the September 30, 1996 balance of $24,982,000, principally as a result of the Company's long-term debt being classified as current on the September 30, 1997 consolidated balance sheet. On December 18, 1997, the Company entered into a definitive agreement to sell 100% of the stock of Bliss Manufacturing, a wholly owned subsidiary for $31,500,000, subject to certain adjustments. The Company expects the entire proceeds from the sale of Bliss Manufacturing to be applied to the retirement of substantially all of its debt, certain vendor obligations, transaction costs and related expenses, certain employee benefit payments, and amounts necessary to fund future tax obligations arising from the gain on the sale of Bliss Manufacturing. It is anticipated that this transaction will close by the end of the second fiscal quarter of 1998. Accordingly, debt to be retired from the proceeds of the sale has been classified as current.

The Company's cash decreased $233,000 during the year ended September 30, 1997. The decrease in receivables of $3,241,000 was due primarily to lower sales, tighter credit terms, and an increase in the allowance for doubtful accounts. Inventories decreased by $4,362,000 due to tighter inventory controls in the Consumer Goods Division and at Bliss Manufacturing. Accounts payable decreased by $3,214,000 as a result of lower inventory levels. Accrued liabilities increased $4,208,000 due primarily to severance charges taken as a result of the

termination of Kirk W. Foley.(See Note 14 to the Consolidated Financial Statements). The aforementioned variances relate to information in the Consolidated Statement of Cash Flow in which items relating to discontinued operations have not been disaggregated as they have in the Consolidated Balance Sheet.

In November 1996, the Company increased the line of credit facility from $17,500,000 to $19,500,000 with a principal payment of $2,000,000 due by February 28, 1997. Under this line of credit agreement, a principal amount of $2,500,000 was due no later than January 2, 1997. In December 1996, the proceeds from the sale of the Bedford Heights, Ohio tubular facility were utilized to pay down the $2,500,000 principal amount to $1,379,100. In January 1997, proceeds from a federal income tax refund were used to pay the remaining principal amount due. Effective February 28, 1997, the Credit Facility Agreement was amended to increase the line of credit from $17,000,000 to $20,000,000 with $5,000,000 of the commitment due March 31, 1997. Subsequently, the availability of the $20,000,000 facility was extended through May 31, 1997.

Effective June 1997, the Company entered into a $20 million credit facility with its lender which replaced the February 1997 amended and restated credit facility agreement. The new credit agreement expires on October 1, 1998 and requires an unused facility fee, computed at 0.25% per annum on the Unused Revolving Facility amount, payable monthly. The secured facility consists of a $13 million revolving credit facility and $7 million in term loans. The term loans require monthly principal payments of $98,501. Interest rates accrue at prime on the revolving credit facility and up to prime plus 2.25% on the term loans. As of September 30, 1997, the outstanding balance on the Company's credit facility was $15,824,397.

At September 30, 1997, the Company was in violation of the financial covenants under its credit agreement and was experiencing increasing liquidity problems. The Company's deteriorating cash position was a significant factor that led to the decision to sell Bliss Manufacturing. In December 1997, the Company obtained waivers from its lenders with respect to the covenant violations and received $2,000,000 in a special term loan that accrues interest at a rate of prime plus 2.0%, to be paid monthly. The maturity date of this agreement is the earlier of the receipt of the Bliss Manufacturing sale proceeds or March 31, 1998. Additionally, a fee with respect to the special term loan of $80,000 will be paid on such date that the special term loan is paid in full. Additionally, the Company expects to receive additional financing of $1,200,000 upon the filing of its fiscal 1997 tax return, which is expected to be filed in early January 1998. The proceeds of the anticipated tax refund will be first used to repay the $1,200,000 to the bank and any excess will be used for working capital.

In November 1996, the Company made an annual principal payment of $1,666,666 on the unsecured, 9.86%, seven year private placement term notes, leaving a balance of $1,666,667 as of September 30, 1997, with the final payment due date extended until the earlier of March 31, 1998 or upon receipt of proceeds from the sale of Bliss Manufacturing.

The Australian Unsecured Demand Authorization, payable on demand or February 28, 1997, was extended until the earlier of March 31, 1998 or upon the receipt of proceeds from the sale of Bliss Manufacturing. An extension was also obtained in April 1997 for the bank credit facility utilized by the Netherlands operation. The facility ($480,822), originally payable in March 1997, is now available through December 1997. The Company is presently negotiating, with its lender, an extension on this debt until the earlier of March 31, 1998 or upon receipt of proceeds from the sale of Bliss Manufacturing.

Interest expense for 1997 was primarily related to borrowing on the line of credit, term loans, and the Private Placement unsecured term notes. Other interest relates to the Industrial Revenue Bonds on the Lombard property, interest on capital leases and interest paid on Distributors' deposits.

The Company's principal sources of liquidity, until the sale of Bliss Manufacturing, are expected to be funded with cash generated from operations, additional borrowings under the Company's credit facility referred to above and the 1997 tax refund. After the sale of Bliss Manufacturing the Company's principal sources of liquidity are expected to be from the proceeds from the sale, a new credit facility to be put in place in the second fiscal quarter of 1998 and from cash generated from operations.

The sale of Bliss Manufacturing is contingent upon shareholder approval, regulatory approval and a variety of other customary closing conditions. The Company expects all these conditions to be met and the sale of Bliss Manufacturing to be consummated by March 31, 1998. However, if the sale of Bliss Manufacturing is not achieved by such date, the Company would have liquidity needs that could only be satisfied by further amendment to the credit facility to allow for additional time to close the sale transaction or obtaining

additional financing sources.

The agreements relating to the Company's outstanding debt include various covenants that limit its ability to incur additional indebtedness, restricts paying dividends, and limits the ability for capital expenditures. As of September 30, 1997, the Company was not in compliance with certain of these covenants contained in its credit agreements; however, the company obtained a waiver on these covenants through September 30, 1997. Additionally, the credit agreements were amended so as to eliminate the restrictive covenants referred to above until March 31, 1998.

CAUTIONARY STATEMENT FOR "SAFE HARBOR"
PURPOSES UNDER THE PRIVATE SECURITIES REFORM ACT OF 1995

This report, including Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements within the meaning of the federal securities laws. As a general matter, forward-looking statements are those focused upon future plans, objectives or performance as opposed to historical items and include statements of anticipated events or trends and expectations and beliefs relating to matters not historical in nature. Such forward-looking statements are subject to certain uncertainties including the successful completion of the sale of Bliss Manufacturing, and retention and rebuilding of the Consumer Products Division distribution network. Such uncertainties are difficult to predict and could cause actual results of the company to differ materially from those matters expressed or implied by such forward-looking statements.

Item 8. Financial Statements and Supplementary Data

Reference is made to the Index to Financial Statements included on page 19 of this report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

PART III.

Item 10. Directors and Executive Officers of Registrant

See Item 13.

Item 11. Executive Compensation

See Item 13.

Item 12. Security Ownership of Certain Beneficial Owners and Management

See Item 13.

Item 13. Certain Relationships and Related Transactions

Information provided under the captions "Principal Holders of Voting Securities," "Election of Directors," "Committees and Compensation of the Board of Directors", "Security Ownership of Directors and Management", "Executive Compensation", and "Related Transactions" in the Proxy Statement for the 1997 Annual Meeting of Shareholders is incorporated herein by reference. See "Executive Officers of the Registrant" following Item 1 in this Report for information concerning executive officers.

PART IV.

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) Documents filed as part of this Report.

1. Financial Statements - Reference is made to the Index To Financial Statements, included as page 19 of this report.

2. Financial Statement Schedules - Reference is made to the Index To Financial Statements, included as page 19 of this report.

3. Exhibits - Reference is made to the Index To Exhibits, included as page 47 of this report.

(b) Reports on Form 8-K. No report on Form 8-K was filed during the last quarter of 1997.

(c) Exhibits Reference is made to the Index To Exhibits, included as page 47 of this report.

(d) Financial Statement Schedules - Reference is made to the Index To Financial Statements, included as page 19 of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

HMI INDUSTRIES INC.
(Registrant)

by /s/ Michael Harper

Michael Harper
Vice President, Corporate Controller
and Chief Accounting Officer
December 29, 1997

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report on Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

<S>	<C>	<C>
/s/ James R. Malone	/s/ Mark A. Kirk	
James R. Malone Chairman of the Board, Chief Executive Officer and Director December 29, 1997	Mark A. Kirk President, Chief Operating Officer, Chief Financial Officer and Director December 29, 1997	Frank Rasmussen Director December 29, 1997
/s/ Robert J. Abrahams		
Robert J. Abrahams Director December 29, 1997	Grace McCarthy Director December 29, 1997	Ivan Winfield Director December 29, 1997
/s/ Donald L. Baker	/s/ John S. Meany, Jr.	
Donald L. Baker Director December 29, 1997	John S. Meany, Jr. Director December 29, 1997	
/s/ Moffat Dunlap	/s/ Barry L. Needler	
Moffat Dunlap Director December 29, 1997	Barry L. Needler Director December 29, 1997	

</TABLE>

INDEX TO FINANCIAL STATEMENTS

<TABLE>
<CAPTION>

Schedules other than those listed above are omitted because they are not required or are not applicable, or the required information is shown in the consolidated financial statements, the notes thereto or in Management's Discussion and Analysis of Financial Condition and Results of Operations.

REPORT OF MANAGEMENT

To the Board of Directors and Stockholders of HMI Industries Inc.

The management of HMI Industries Inc. (HMI) is responsible for the preparation, integrity and objectivity of the financial statements and all other financial information included in this report. Management believes that the financial statements have been prepared in accordance with generally accepted accounting principles and that any amounts included herein which are based on estimates of the expected effects of events and transactions have been made with sound judgment and approved by qualified personnel.

HMI maintains an internal control structure to provide reasonable assurance that assets are safeguarded and that transactions and events are recorded properly. The internal control structure is regularly reviewed, evaluated and revised as necessary by management. Additionally, HMI requires every Company employee to maintain the highest level of ethical standards in the conduct of all aspects of the Company's business, and their compliance is regularly monitored.

The financial statements in this report have been audited by the independent accounting firm of Coopers & Lybrand L.L.P. Their audits were conducted in accordance with generally accepted auditing standards and included a study and evaluation of our internal control structure as they considered necessary to determine the extend of tests and audit procedures required for expressing an opinion on the company's financial statements.

The Audit Committee of the Board of Directors, of which outside directors are members, meets periodically with the independent auditors and management to review accounting, auditing, internal control and financial reporting matters. The external auditors have full and free access to the Audit committee and its individual members at any time.

/s/ Mark A. Kirk

President, Chief Operating Officer and Chief Financial Officer

/s/ Michael Harper

Vice President, Corporate Controller and Chief Accounting Officer

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders, HMI Industries Inc.

We have audited the consolidated financial statements and the financial statement schedule of HMI Industries Inc. and its subsidiaries listed in the index on page 19 of this Form 10-K. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting

the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of HMI Industries Inc. and its subsidiaries as of September 30, 1997 and 1996, and the consolidated results of their operations and their cash flows for each of the three years in the period ended September 30, 1997 in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedule referred to above, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

As discussed in Note 1 to the consolidated financial statements, the Company has restated its prior years consolidated financial statements.

As discussed in Note 1 to the consolidated financial statements, the Company intends to retire substantially all of its outstanding debt with the expected proceeds from the sale of its subsidiary Bliss Manufacturing Company.

/s/ Coopers & Lybrand, L.L.P.
Cleveland, Ohio
December 29, 1997

HMI INDUSTRIES INC.
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 1997 AND 1996

<TABLE>
<CAPTION>

	SEPTEMBER 30, 1997	September 30, 1996
ASSETS		(Restated)
<S>	<C>	<C>
CURRENT ASSETS:		
Cash and cash equivalents	$ 239,797	$ 472,408
Trade accounts receivable (net of allowance of $5,512,063 and $2,439,406)	10,357,999	26,252,884
Finance contracts receivable	496,044	2,224,480
Notes receivable	228,414	560,884
Inventories:		
Finished goods	2,438,282	6,943,970
Work-in-progress, raw material and supplies	1,714,576	11,420,627
Income tax receivable	3,373,898	1,463,000
Deferred income taxes	8,239,080	1,772,129
Prepaid expenses	123,099	1,985,276
Other current assets	83,307	--
Net assets held for sale at realizable value	14,658,322	4,228,059
Total current assets	41,952,818	57,323,717
PROPERTY, PLANT AND EQUIPMENT, NET	6,194,868	15,717,653
OTHER ASSETS:		
Long-term notes receivable (less amounts due within one year)	--	334,123
Cost in excess of net assets of acquired businesses (net of amortization of $3,534,511 and $3,092,432)	5,777,440	12,636,147
Deferred income taxes	--	1,499,600
Unamortized trademarks	339,823	312,775
Finance contracts receivable (less amounts due within one year)	992,090	4,449,628
Other	133,094	237,481
Total other assets	7,242,447	19,469,754
Total assets	$ 55,390,133	$ 92,511,124
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Line of credit	$ 480,822	$ 3,132,975
Trade accounts payable	6,939,040	17,785,859
Income taxes payable	2,149,163	734,605
Accrued expenses and other liabilities	8,125,620	7,202,990
Long-term debt due within one year	20,464,632	3,485,641
Total current liabilities	38,159,277	32,342,070

LONG-TERM LIABILITIES:		
Long-term debt (less amounts due within one year)	762,777	22,334,613
Postretirement benefits other than pensions	--	3,749,000
Deferred income taxes	573,613	192,372
Other	1,342,961	3,010,109
Total long-term liabilities	2,679,351	29,286,094
Commitments and contingencies (Note 11)	--	--
STOCKHOLDERS' EQUITY:		
Preferred stock, $5 par value; authorized, 300,000 shares; issued, none	--	--
Common stock, $1 par value; authorized, 10,000,000 shares; issued, 5,295,556 shares	5,295,556	5,295,556
Capital in excess of par value	8,050,212	7,686,944
Unearned compensation, net	(191,500)	--
Retained earnings	4,077,771	20,740,344
Cumulative translation adjustment	(1,418,762)	(1,077,325)
	15,813,277	32,645,519
Less treasury stock 269,296 shares, at cost	1,261,772	1,762,559
Total stockholders' equity	14,551,505	30,882,960
Total liabilities and stockholders' equity	$ 55,390,133	$ 92,511,124

</TABLE>

See notes to consolidated financial statements.

HMI INDUSTRIES INC.
CONSOLIDATED STATEMENTS OF INCOME

<TABLE>
<CAPTION>

	FOR THE YEARS ENDED SEPTEMBER 30, 1997	1996	1995
REVENUES:		Restated)	(Restated)
<S>	<C>	<C>	<C>
Net product sales	$ 49,878,534	$ 58,820,833	$62,228,698
Financing revenue and other	611,716	728,075	556,604
	50,490,250	59,548,908	62,785,302
OPERATING COSTS AND EXPENSES:			
Cost of products sold	36,009,821	38,247,052	39,110,004
Selling, general and administrative expenses	32,593,485	25,635,132	21,399,040
Interest expense	2,217,781	1,686,254	1,409,291
Loss on investment in Holland-Electro	-	2,012,356	-
Other expenses	432,532	573,818	(126,800)
Total expenses	71,253,619	68,154,612	61,791,535
INCOME (LOSS) BEFORE INCOME TAXES	(20,763,369)	(8,605,704)	993,767
BENEFIT FOR INCOME TAXES	(7,285,949)	(2,838,259)	(614,791)
INCOME (LOSS) BEFORE DISCONTINUED OPERATIONS	(13,477,420)	(5,767,445)	1,608,558
Income (loss) from discontinued operations -			
Mexico (net of taxes of $-0-, $-0- and $496,000)	-	(1,428,183)	(235,838)
Household Rental Systems (net of taxes of $-0-, $-0- and $-0-)	498,131	(1,082,502)	(388,233)
Bliss Manufacturing (net of taxes of $1,323,395, $1,103,664 and $3,075,442)	2,159,224	1,655,497	4,613,163
Bliss Tubular (net of taxes of $87,090, $119,901, and $20,746)	(142,094)	(179,851)	31,120
Tube Fab Ltd (net of taxes of $-0-, $-0- and $-0-)	386,095	32,042	(132,796)
Health-Mor Personal Care Corp. (net of taxes of $339,742, $641,878 and $36,066)	(554,317)	(962,818)	(54,099)
	2,347,039	(1,965,815)	3,833,317

Loss on disposals-

Mexico - Currency loss previously reflected as component of equity (net of taxes of $1,000,000)	-	(1,396,509)	
Mexico	-	(84,335)	-
Household Rental Systems (net of taxes of $-0-, $-0- and $-0-)	(2,651,209)	(800,000)	-
Bliss Tubular (net of taxes of $244,351, $-0-, and $-0-)	(1,279,799)	-	-
Tube Fab Ltd (net of taxes of $-0-, $-0- and $-0-)	(1,020,065)	-	-
Health-Mor Personal Care Corp. provision for operating losses during phase-out period (net of taxes of $348,503, $-0- and $-0-)	(568,611)	-	-
	(5,519,684)	(2,280,844)	-
NET INCOME (LOSS)	$(16,650,065)	$ (10,014,104)	$ 5,441,875
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	4,956,276	4,912,135	4,876,599
PER SHARE OF COMMON STOCK:			
Income (loss) before discontinued operations	$ (2.72)	$ (1.18)	$ 0.33
Income (loss) from discontinued operations	$ 0.47	$ (0.40)	$ 0.79
Loss on disposals	$ (1.11)	$ (0.46)	$ -
Net income (loss)	$ (3.36)	$ (2.04)	$ 1.12
Cash dividends per common share	$ -	$ 0.263	$ 0.346

</TABLE>

See notes to consolidated financial statements.

HMI INDUSTRIES INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the years ended September 30, 1997, 1996 and 1995

<TABLE>
<CAPTION>

	COMMON STOCK	CAPITAL IN EXCESS OF PAR VALUE	UNEARNED COMPENSATION	RETAINED EARNINGS
<S>	<C>	<C>	<C>	<C>
Balance at September 30, 1994, as reported	$5,295,556	$7,223,367	-	$ 30,111,101
Adjustment for postretirement benefits (See Note 1)				(1,815,600)
Balance at September 30, 1994, as restated	5,295,556	7,223,367	-	28,295,501
Net income, as reported				5,614,675
Adjustment for postretirement benefits (See Note 1)				(172,800)
Cash dividends - $.345 per share				(1,691,482)
Treasury shares issued		298,484		
Foreign currency translation adjustment				
September 30, 1995, as restated	5,295,556	7,521,851	-	32,045,894
Net loss, as reported				(9,334,042)
Adjustment for postretirement benefits (See Note 1)				(261,000)
Adjustment for certain deferred costs (See Note 1)				(419,062)
Cash dividends - $.2625 per share				(1,291,446)
Treasury shares issued		165,093		
Foreign currency translation adjustment				
September 30, 1996, as restated	5,295,556	7,686,944	-	20,740,344
Net loss				(16,650,065)
Treasury shares issued		363,268		(13,288)
Unearned compensation			(273,500)	
Employee benefit stock			82,000	
Unclaimed dividends				780
Foreign currency translation adjustment				
Balance at September 30, 1997	$5,295,556	$8,050,212	$(191,500)	4,077,771

</TABLE>

<TABLE>
<CAPTION>

	CUMULATIVE TRANSLATION ADJUSTMENT	TREASURY STOCK SHARES	TREASURY STOCK AMOUNT	TOTAL STOCKHOLDERS' EQUITY
<S>	<C>	<C>	<C>	<C>
Balance at September 30, 1994, as reported	$(869,016)	436,133	$(2,043,426)	$ 39,717,582
Adjustment for postretirement benefits (See Note 1)				(1,815,600)
Balance at September 30, 1994, as restated	(869,016)	436,133	(2,043,426)	37,901,982
Net income, as reported				5,614,675
Adjustment for postretirement benefits (See Note 1)				(172,800)
Cash dividends - $.345 per share				(1,691,482)
Treasury shares issued		(41,607)	194,942	493,426
Foreign currency translation adjustment	(1,794,888)			(1,794,888)
September 30, 1995, as restated	(2,663,904)	394,526	(1,848,484)	40,350,913
Net loss, as reported				(9,334,042)
Adjustment for postretirement benefits (See Note 1)				(261,000)
Adjustment for certain deferred costs (See Note 1)				(419,062)
Cash dividends - $.2625 per share				(1,291,446)
Treasury shares issued		(18,340)	85,925	251,018
Foreign currency translation adjustment	1,586,579			1,586,579
September 30, 1996, as restated	(1,077,325)	376,186	(1,762,559)	30,882,960
Net loss				(16,650,065)
Treasury shares issued		(106,890)	500,787	850,767
Unearned compensation				(273,500)
Employee benefit stock				82,000
Unclaimed dividends				780
Foreign currency translation adjustment	(341,437)			(341,437)
Balance at September 30, 1997	$(1,418,762)	269,296	$(1,261,772)	$ 14,551,505

</TABLE>

See notes to consolidated financial statements.

HMI INDUSTRIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOW

<TABLE>
<CAPTION>

	FOR THE YEARS ENDED SEPTEMBER 30, 1997	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:		(Restated)	Restated)
<S>	<C>	<C>	<C>
Net income (loss)	$(16,650,065)	$(10,014,104)	$ 5,441,875
Adjustments to reconcile net income (loss) to net cash provided by (used) in operating activities:			
Depreciation and amortization	2,744,553	3,564,595	3,768,822
Loss on disposal of discontinued operations	5,519,684	2,280,844	-
Provision for loss on asset write down	451,297	-	
Provision for losses on receivables	6,069,937	1,069,509	641,562
Amortization of stock awards, net	385,766	-	-
Amortization of deferred non-compete agreement	-	-	380,576
Net increase in postretirement liability	488,000	435,000	288,000
Deferred income taxes	(4,683,948)	(701,049)	(169,123)
Changes in operating assets and liabilities:			
Decrease (increase) in receivables	3,241,172	(2,668,671)	(5,916,069)
Decrease (increase) in inventories	4,362,110	(2,139,794)	(2,191,579)
Decrease (increase) in prepaid expenses	1,716,065	(20,741)	(429,965)
Increase in other current assets	(131,180)	-	-
Increase (decrease) in accounts payable	(3,213,858)	7,016,530	3,301,638
Increase (decrease) in accrued expenses and other liabilities	4,208,023	1,015,940	(1,545,968)

Decrease in income taxes payable	(774,447)	(2,465,824)	(245,319)
Other, net	74,895	(258,612)	(186,780)
Net cash provided by (used) in operating activities	3,808,004	(2,886,377)	3,137,670
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of assets	2,720,916	523,783	-
Capital expenditures	(1,463,320)	(6,484,846)	(3,805,326)
Collection of notes receivable	-	-	-
Net cash provided by (used) in investing activities	1,257,596	(5,961,063)	(3,805,326)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from credit facility	38,491,000	7,795,616	4,117,324
Payments of credit facility	(40,166,603)	-	-
Proceeds from mortgage	55,077	2,214,923	-
Payment of long term debt	(3,690,397)	(2,807,706)	(2,012,371)
Proceeds from long term debt	12,712	3,022,807	-
Dividends paid	-	(1,721,162)	(1,669,565)
Proceeds from exercise of stock options	-	-	112,850
Net cash provided by (used) in financing activities	(5,298,211)	8,504,478	548,238
Effect of exchange rate changes on cash	-	244,611	-
Net decrease in cash and cash equivalents	(232,611)	(98,351)	(119,418)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	472,408	570,759	690,177
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 239,797	$ 472,408	$ 570,759

</TABLE>

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements include all significant controlled subsidiaries both continuing and discontinued operations. Continuing operations include the accounts of HMI Industries Inc (the "Company") and the following wholly-owned subsidiaries: Health-Mor B.V., Health-Mor International Inc., HMI Incorporated, Health-Mor Acceptance Corporation, HMI Acceptance Corporation, Health-Mor Acceptance Pty. Ltd., and Home Impressions Inc. Operations reported as discontinued are Household Rental Systems, Tube-Fab Ltd., Health-Mor Personal Care Corp., Bliss Tubular, and Bliss Manufacturing Company. All significant inter-company accounts and transactions have been eliminated.

Reclassification

Certain amounts in the 1996 and 1995 financial statements have been reclassified to conform to the 1997 presentation.

Restatement

During the fourth quarter of fiscal 1997, new management personnel discovered the fact that the basic labor agreement between Bliss Manufacturing and its employees provides hospitalization and life insurance benefits for eligible employees upon retirement. Upon discovery, an actuarial valuation was immediately performed which reflected an APBO of $4.1 million at September 30, 1997. Under the immediate recognition rules of FASB No. 106 "Employers' Accounting for Postretirement Benefits Other than Pensions" (FAS 106), management has recorded the actuarially determined liability of $4.2 million at September 30, 1997 and has restated its opening fiscal year 1995 retained earnings ($3.0 million accrued cost less $1.2 million tax impact) and its 1995 and 1996 results of operations for the respective years' FAS 106 expense of $385,000 and $541,000, respectively (net of "pay as you go" amounts previously included in the respective year's income statements of $97,000 and $106,000, respectively and net of taxes of $115,200 and $174,000, respectively).

In addition, certain other costs associated with the Company's Health-Mor Personal Care Corporation totaling approximately $698,000 ($419,000 net of taxes), which were capitalized and deferred in fiscal 1996, to match such expenses with associated revenues to be generated in connection with the sale of the AdvantaJet needle-fee insulin injector, will be restated in the Company's

financial statements to reflect the expensing of these costs in fiscal year 1996 rather than in fiscal year 1997 as previously reported.

Foreign Currency Translation

All consolidated foreign operations use the local currency of the country of operation as the functional currency and translate the local currency asset and liability accounts at year-end exchange rates while income and expense accounts are translated at weighted average exchange rates. The resulting translation adjustments are accumulated as a separate component of Shareholders' Equity titled "Cumulative foreign currency translation adjustment". Such adjustments will affect net income only upon sale or liquidation of the underlying foreign investments. During the fourth quarter of 1997, the Company recorded $719,900 to loss on disposal for cumulative translation adjustments associated with discontinued foreign operations.

Exchange gains and losses from transactions in a currency other than the local currency of the entity involved are included in income. Net transaction and translation adjustments are not significant.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash Equivalents

The Company considers all highly liquid instruments purchased with a maturity of less than three months to be cash equivalents.

Cost in Excess of Net Assets of Acquired Businesses

Intangibles resulting from business acquisitions, comprising cost in excess of net assets of businesses acquired, are being amortized on a straight-line basis over 40 years. Cost in excess of net assets acquired of $881,121 which related to the acquisition of Tube Form in 1970 are included in the loss on disposal for the Tubular business, which was recorded in June 1997.

The Company periodically evaluates the recoverability of intangibles resulting from business acquisitions and measures the amount of impairment, if any, by assessing current and future levels of income and cash flows as well as other factors, such as business trends and market and economic conditions. If there is an impairment in value, recorded balances will be adjusted.

Inventories

Inventories are stated at the lower of cost or market and are valued using the last-in, first-out (LIFO) and the first-in, first-out (FIFO) cost methods. Inventories from continuing operations on the LIFO method were 90.9% and 86.3% of inventories in 1997 and 1996, respectively. If the FIFO method had been used for these inventories, their value would have been approximately $4,768,400 and $8,174,100 at September 30, 1997 and 1996, respectively.

All discontinued operations are on the FIFO cost method. The value of these inventories approximate $7,859,200 and $11,229,200 at September 30, 1997 and 1996.

Assets Held for Sale

Assets held for sale include the assets of Health-Mor Personal Care Corporation, Tube-Fab Ltd., Bliss Manufacturing and Household Rental Systems. The assets and liabilities of these businesses at September 30, 1997, primarily working capital accounts and property, plant and equipment, have been reclassified to net assets held for sale and are stated at their estimated net realizable value.

In December 1997, the Company signed a letter of intent with respect to the sale of Household Rental Systems. Management anticipates that the sale of this business will be completed in early 1998.

On December 18, 1997, the Company signed a definitive agreement to sell the stock of its Bliss Manufacturing Company to an investor group led by Mervin Dunn and Rhone Capital, LLC. The purchase price is $31,500,000, subject to certain adjustments, including a $1,500,000 distribution for certain payments to vendors

and employee obligations. The sale is expected to close in March 1998, subject to regulatory and HMI shareholder approval. Holders of over 50% of the outstanding shares of HMI common stock have granted to representatives of the buyer group irrevocable proxies to vote their HMI shares in favor of the transaction. The Company expects the entire proceeds from the sale of Bliss Manufacturing to be applied to the retirement of substantially all of its debt, certain vendor obligations, transaction costs and related expenses, certain employee benefit payments, and amounts necessary to fund future tax obligations arising from the gain on the sale of Bliss Manufacturing.

In January 1998, the Company expects to sell Tube-Fab Ltd. to its former CEO, Mr. Kirk Foley, as part of the Company's negotiated settlement of obligations under Mr. Foley's employment contract (See Note 14). The assets of Health-Mor Personal Care Corp. are expected to be sold in early 1998.

The former Bedford Heights, Ohio facility for the Tubular operation, which was recorded as an asset held for sale at September 30, 1996, was sold in December 1996 resulting in an insignificant gain on disposal.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is provided on the straight-line and declining balance methods over estimated useful lives of 10 to 40 years for buildings and improvements and 3 to 10 years for machinery and equipment. Improvements which extend the useful life of property, plant and equipment are capitalized, and maintenance and repairs are expensed. When property, plant and equipment is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the appropriate accounts and any gain or loss is included in current income.

Fair Value of Financial Instruments

It is not practical to determine the fair value of finance contract receivables due to the unavailability of quoted market prices and the significant volume of outstanding contracts with varying maturity dates. The Company's finance contracts receivables generally mature three years after issuance and generate interest at rates ranging from 18% to 23%.

The Company's remaining financial instruments consist principally of cash and cash equivalents, accounts and notes receivable, accounts payable, accrued expenses and other liabilities, line of credit, and short and long-term debt in which the fair value of these financial instruments approximates the carrying value.

Income Taxes

The Company accounts for income taxes pursuant to the provisions of Statement of Financial Accounting Standards No. 109 ("SFAS 109"), "Accounting for Income Taxes." Under SFAS 109, the tax consequences in the future years for differences between the financial and tax basis of assets and liabilities at year end are reflected as deferred income taxes.

Supplemental Disclosure of Cash Flow Information

Cash paid for interest was $2,171,658, $1,509,627 and $1,477,552 for the years ended September 30, 1997, 1996 and 1995, respectively. During the year, the tenant of the Company's Lombard, Illinois building, exercised his right to purchase the property at a price equal to the remaining principal debt service of approximately $800,000. The amount of the debt service equaled the net book value of the asset recorded on the Company's books. In addition, $5,286,277 of goodwill related to the discontinued Bliss Manufacturing operation was reclassified to net assets held for sale. During fiscal 1996, the Company assumed a mortgage of $323,000 and relieved a note receivable for $302,000 in exchange for $625,000 of fixed assets. During 1995, the Company acquired approximately $470,000 of fixed assets which were not paid for as of September 30, 1995.

Income Per Share

Income per share of common stock is based upon the weighted-average number of common shares and common share equivalents outstanding. The weighted-average number of common shares and common share equivalents outstanding during 1997, 1996 and 1995 was 4,956,276, 4,912,135 and 4,876,599, respectively.

2. DISCONTINUED OPERATIONS

In the third quarter of fiscal 1997, the Company reported its Health-Mor

Personal Care Corporation, Bliss Tubular and Tube-Fab Ltd. as discontinued operations. Bliss Tubular, Tube-Fab Ltd and Bliss Manufacturing comprise the Company's reported Manufactured Products segment. The Bliss Tubular and Tube-Fab Ltd. operations represent the Company's only tube fabrication and tube forming businesses (primarily for the consumer goods marketplace) and have been accounted for and operated separately from the Bliss Manufacturing business. The Company recorded a pre-tax estimated loss on disposal of the assets of Tube-Fab Ltd., and Health-Mor Personal Care Corp. of $1,937,179 during fiscal 1997. In August 1997, the Company sold the assets of Bliss Tubular to H-P Products and recorded a pre-tax loss on the sale of those assets of $1,524,150.

In the fourth quarter of fiscal 1997, the Company received Board approval for the proposed sale of the Bliss Manufacturing Company, a business which represents a heavy-duty metal stamping operation and supplier to the automobile and heavy-duty truck industry. As a result, the entire Manufactured Products Division, which was previously reported as a separate segment in the Company's financial statements, will be reflected as discontinued operations for the year ended September 30, 1997.

Sales applicable to the discontinued operations were $69,902,015, $58,358,230 and $68,964,988 for the years ended September 30, 1997, 1996 and 1995, respectively.

During the fourth quarter of fiscal 1996, the Company adopted a plan to exit its direct sales operation in Mexico. Revenues and expenses related to this business have been classified as discontinued operations for the years ended September 30, 1996 and 1995. The Company recorded a loss on disposal of $1,480,844 in fiscal 1996 primarily comprised of the currency devaluation which was previously reported as a component of equity, net of the U.S. tax benefit of the loss on the Company's investment in the Mexican operation. Revenues of the Mexican operations were $1,876,516, and $2,873,044 for the years ended September 30, 1996, and 1995, respectively.

In March 1996, the Company adopted a plan to sell its steam cleaning rental leasing operations distributed through grocery chains and supermarkets in Canada. Revenues and expenses related to this business have been classified as discontinued operations for the years ended September 30, 1997, 1996 and 1995. Revenues of this operation for the years ended September 30, 1997, 1996 and 1995 were $5,249,627, $5,536,983 and $6,592,853, respectively. The Company recorded an estimated loss on the disposal of the operation of $800,000 during 1996. An additional charge of $2,651,209 on the disposal of this asset was recorded in the third and fourth quarters of fiscal 1997 to reflect its current realizable value. This charge also includes an estimated write-off of the entity's currency translation adjustment (reported as a component of equity) which will occur upon the sale of the operation. Net assets of Household Rental Systems are included in assets held for sale.

3. NOTES RECEIVABLE

Long-term notes receivable consist of the following:

<TABLE>
<CAPTION>

	1997	1996
<S>	<C>	<C>
Notes receivable - See Note 14	$228,414	$895,007
Less amounts due within one year	228,414	560,884
	$ --	$334,123

</TABLE>

4. PROPERTY, PLANT AND EQUIPMENT

<TABLE>
<CAPTION>

	1997	1996
<S>	<C>	<C>
Land	$ 7,083	$ 576,109
Buildings and improvements	3,867,012	9,712,417
Machinery and equipment	7,552,322	20,553,692
	11,426,417	30,842,218
Accumulated depreciation	5,231,549	15,124,565
Net property, plant and equipment	$ 6,194,868	$15,717,653

</TABLE>

Gross property, plant and equipment related to discontinued operations amounted to $23,485,754, with associated accumulated depreciation of $14,245,172, at September 30, 1997.

5. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of the following:

<TABLE>
<CAPTION>

	1997	1996
<S>	<C>	<C>
Accrued compensation	$4,049,464	$3,127,615
Distributor funds payable	1,171,998	292,198
Pension and profit sharing	362,560	852,413
Accrued interest	332,364	259,657
Accrued taxes	--	110,810
Other	2,209,234	2,560,297
	$8,125,620	$7,202,990

</TABLE>

Accrued expenses and other liabilities related to discontinued operations approximated $2,298,900 at September 30, 1997. These liabilities primarily consist of accrued compensation and pension and profit sharing expenses.

6. CREDIT FACILITY AND LONG-TERM DEBT

In November 1996, the Company increased the line of credit facility from $17,500,000 to $19,500,000 with a principal payment of $2,000,000 due by February 28, 1997. Under this line of credit agreement, a principal amount of $2,500,000 was due no later than January 2, 1997. In December 1996, the proceeds from the sale of the Bedford Heights, Ohio tubular facility were utilized to pay down the $2,500,000 principal amount to $1,379,100. In January 1997, proceeds from a federal income tax refund were used to pay the remaining principal amount due. Effective February 28, 1997, the Credit Facility Agreement was amended to increase the line of credit from $17,000,000 to $20,000,000 with $5,000,000 of the commitment due March 31, 1997. Subsequently, the availability of the $20,000,000 facility was extended through May 31, 1997.

Effective June 1997, the Company entered into a $20 million credit facility with its lender which replaced the February 1997 amended and restated credit facility agreement. The new credit agreement expires on October 1, 1998 and requires an unused facility fee, computed at 0.25% per annum on the Unused Revolving Facility amount, payable monthly. The secured facility consists of a $13 million revolving credit facility and $7 million in term loans. The term loans require monthly principal payments of $98,501. Interest rates accrue at prime on the revolving credit facility and up to prime plus 2.25% on the term loans. As of September 30, 1997, the outstanding balance on the Company's credit facility was $15,824,397 (including $10.1 million of the line of credit, the special term loan, the equipment term loan and the real estate term loan disclosed below).

At September 30, 1997, the Company was in violation of the financial covenants under its credit agreement and was experiencing increasing liquidity problems. The Company's deteriorating cash position was a significant factor that led to the decision to sell Bliss Manufacturing. In December 1997, the Company obtained waivers from its lenders with respect to the covenant violations and received $2,000,000 in a special term loan that accrues interest at a rate of prime plus 2.0%, to be paid monthly. The maturity date of this agreement is the earlier of the receipt of the Bliss Manufacturing sale proceeds or March 31, 1998. Additionally, a fee with respect to the special term loan of $80,000 will be paid on such date that the special term loan is paid in full. Additionally, the Company expects to receive additional financing of $1,200,000 upon the filing of its fiscal 1997 tax return, which is expected to be filed in early January 1998. The proceeds of the anticipated tax refund will be first used to repay the $1,200,000 to the bank and any excess will be used for working capital.

In November 1996, the Company made an annual principal payment of $1,666,666 on the unsecured, 9.86%, seven year private placement term notes, leaving a balance of $1,666,667 as of September 30, 1997, with the final payment due date extended until the earlier of March 31, 1998 or upon receipt of proceeds from the sale of Bliss Manufacturing.

In March 1996, the Company entered into a bank credit facility, utilized by the Netherlands operations, for a maximum amount of NLG 1,000,000 or approximately $600,000. Interest is incurred at the promissory note discount rate as determined by the Dutch central bank. At September 30, 1997 the promissory note discount rate was 6.00%. This commitment is available through December 31, 1997

and the $481,000 outstanding balance at September 30, 1997 is classified as short term debt in the

consolidated balance sheet. The Company is presently negotiating, with its lender, an extension on this debt until the earlier of March 31, 1998 or upon receipt of proceeds from the sale of Bliss Manufacturing. The Australian Unsecured Demand Authorization, payable on demand or February 28, 1997, was extended until the earlier of March 31, 1998 or upon the receipt of proceeds from the sale of Bliss Manufacturing.

Long-term debt consists of the following:

<TABLE>
<CAPTION>

	1997	1996
<S>	<C>	<C>
Bank lines of credit - see above	$10,579,822	$18,132,975
Special Term Loan, bearing interest at Prime plus 2 1/4% (10.75% at September 30, 1997), due in monthly installments of $50,000 through October 1, 1998	1,580,052	--
Equipment Term Loan, bearing interest at Prime plus 1/2% (9.00% at September 30, 1997), due in monthly installments of $29,751 through October 1, 1998	1,951,595	--
Real Estate Term Loan, bearing interest at Prime plus 1/2% (9.00% at September 30, 1997), due in monthly installments of $18,750 through October 1, 1998	2,193,750	--
Seven year, 9.86% promissory notes, interest payable semi-annually and principal payments of $1,666,666, commencing November, 1992 through March 31, 1998	1,666,667	3,333,333
Construction Loan/Mortgage bearing interest at 9.00% at September 30, 1997, collateralized by buildings, contents and inventory, principal and interest payments due in monthly installments of $23,193 commencing June 1997 through October 1, 1998	2,252,156	2,214,923

</TABLE>

<TABLE>
<CAPTION>

	1997	1996
<S>	<C>	<C>
Capitalized lease obligations bearing interest at 6.48% to 8.04% due in monthly installments of $21,496 (including interest) through January 2000	$ 478,760	$ 1,745,303
Distributor deposits bearing interest up to 6% at September 30, 1997 payable 180 days after termination of distributor agreement	599,429	1,144,492
Unsecured Demand Authorization bearing interest at Australian prime less 1/2% (5.4%), due in monthly installments of $25,375 payable on March 31, 1998	406,000	1,007,745

Industrial Revenue Development Bonds- See Note 11	--	956,849
Mortgage loan, variable interest (9.25% at September 30, 1996) payable monthly with principal payments of $1,226, through May 2008	--	316,537
Interest free grant with varied principal installments due annually through June 1999	--	101,072
	21,708,231	28,953,229
Less amounts due within one year	20,945,454	6,618,616
	$ 762,777	$22,334,613

</TABLE>

Long-term debt relating to discontinued operations has be reclassified to net assets held for sale. Total debt ($481,897 long-term and $508,046 short-term for the year ended September 30, 1997) associated with these operations amounted to $989,940 at September 30, 1997. Interest rates relating to debt for discontinued operations range from 3.74% to 9.5%.

The principal amount of long-term debt payable in the five years ending September 30, 1998 through 2002, relating to continuing operations, is $20,945,454, $121,418, $41,929, $599,430 and $-0-, and for discontinued operations is $508,046, $194,757, $14,700, $14,700 and $257,737. The weighted average interest rate on short term borrowings at September 30, 1997 and 1996 was 8.75% and 8.10%, respectively.

The agreements relating to the Company's outstanding debt include various covenants that limit its ability to incur additional indebtedness, restricts paying dividends, and limits the ability for capital expenditures. As of September 30, 1997, the Company was not in compliance with certain of these covenants contained in its credit agreements; however, the company obtained a waiver on these covenants through September 30, 1997. Additionally, the credit agreements were amended so as to eliminate the restrictive covenants referred to above until March 31, 1998.

The Company's principal sources of liquidity, until the sale of Bliss Manufacturing, are expected to be funded with cash generated from operations, additional borrowings under the Company's credit facility referred to above and the 1997 tax refund. After the sale of Bliss Manufacturing the Company's principal sources of liquidity are expected to be from the proceeds from the sale, a new credit facility to be put in place in the second fiscal quarter of 1998 and from cash generated from operations.

7. LONG-TERM COMPENSATION PLAN

The Company adopted the Health-Mor Inc. 1992 Omnibus Long-Term Compensation Plan ("Plan") in 1992. The Plan provides for the granting of stock options, stock appreciation rights, restricted stock awards, phantom stock and/or performance shares ("Awards") to key employees of the Company and its Subsidiaries and stock options for the non employee directors of the Company. Options granted under the plan expire up to ten years after the date of grant if not exercised and may be exercisable in whole or in part at the discretion of the Committee established by the Board of Directors. Share awards available for issuance under the Plan may be authorized and unissued shares or treasury shares. The maximum number of shares of Common Stock available for grant of Awards under the Plan are limited on an annual and cumulative basis as further defined in the Plan.

Stock options under the Plan generally have exercise prices equal to the fair market values at dates of grant, otherwise, if the option price is less than the fair market value at the date of the grant, compensation expense is recorded for the difference. For restricted or phantom stock, the Company records compensation expense as the excess of the quoted market price of a similar but unrestricted share of stock at the award date over the purchase price, if any.

In May 1997, the Board of Directors approved a stock option grant to two executives of 20,000 shares each, of common stock subject to certain restrictions. The shares will vest over a maximum period of eight months and are subject to each executive's continued employment and other various restrictions.

In July 1997, the Board of Directors granted stock and stock options under the Plan to three of its executives. Each executive was awarded 25,000 shares of restricted stock, with 12,500 vesting on October 1, 1997 (subsequently, the executives forfeited the 12,500 shares vesting on October 1, 1997) and the balance on January 2, 1998. An additional 75,000 shares of restricted common stock will be issued in 1998 contingent upon certain conditions and continued employment. In addition, they each received options to purchase 75,000 shares of common stock at $5.68 per share, of which 35,210 options are incentive stock options, half exercisable on July 2, 1997 and the remaining on January 2, 1998. The remaining 39,790 options are non-qualified stock options that became exercisable on July 2, 1997. All options expire July 2, 2002, to the extent not exercised.

There were 77,500 shares issued pursuant to 1997 executive grants during the current fiscal year. Unamortized deferred compensation amounted to $273,500 at September 30, 1997. Total compensation expense, in conjunction with the Plan was $659,266, $251,000 and $380,600 in 1997, 1996 and 1995, respectively.

The Company applies APB Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations in accounting for its stock plans as allowed under FAS Statement No. 123, "Accounting for Stock-Based Compensation" (FAS 123). Accordingly, the adoption of this statement did not affect the Company's results of operations, financial position or liquidity. Had compensation cost for the stock granted in 1997 and 1996 been determined consistent with FAS 123, pro forma net income and earnings per share would have been as follows:

<TABLE>
<CAPTION>

	1997	1996
<S>	<C>	<C>
Net loss as Reported	$16,650,065	$10,014,104
Net loss Pro Forma	$17,482,065	$10,515,359
Loss per Common share:		
As Reported	$3.36	$2.04
Pro Forma	$3.53	$2.14

</TABLE>

Because the FAS No. 123 method of accounting has not been applied to options granted prior to 1996, the above pro forma disclosures are not necessarily indicative of future amounts.

The fair value for all options granted in 1997 and 1996 were estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

<TABLE>
<CAPTION>

	1997 OPTIONS	JUNE 1996 OPTIONS	JANUARY 1996 OPTIONS
<S>	<C>	<C>	<C>
Risk free interest rate	6.2%	6.5%	5.3%
Expected life of option	3 yrs.	3 yrs.	3 yrs.
Expected dividend yield of stock	0.0%	0.0%	0.0%
Expected volatility of stock	51.5%	41.8%	41.8%

</TABLE>

A summary of the Company's stock option activity, and related information for the years ended September 30, 1997, 1996, and 1995, is shown in the following table.

<TABLE>
<CAPTION>

	Shares subject to option	Average option price per share
<S>	<C>	<C>
September 30, 1994, Outstanding	314,300	$ 8.49
Granted	94,000	16.18
Exercised	(13,594)	7.35
Canceled	(13,031)	7.54
September 30, 1995	381,675	10.46
Granted	162,000	9.08
Canceled	(12,750)	7.55
September 30, 1996	530,925	10.18
Granted	356,000	5.52

</TABLE>

Canceled	(163,300)	7.49
September 30, 1997, Outstanding	723,625	$ 8.47

Options exercisable and shares available for future grant on September 30:

	1997	1996	1995
Options exercisable	487,810	403,893	197,737
Weighted-average option price per share of options exercisable	$ 8.90	$ 8.58	$10.28
Weighted-average fair value of options granted during the year	$ 2.34	$ 3.09	--

The ranges of exercise prices and the remaining contractual life of options as of September 30, 1997 were:

Range of exercise prices	$4-$10	$11-$18
Options outstanding:		
Outstanding as of September 30, 1997	504,625	219,000
Weighted-average remaining contractual life	5.41	4.32
Weighted-average exercise price	$6.06	$13.98
Options exercisable:		
Outstanding as of September 30, 1997	340,810	147,000
Weighted-average remaining contractual life	5.60	4.85
Weighted-average exercise price	$6.43	$14.20

8. INCOME TAXES

The (benefit) provision for income taxes relating to continuing operations consists of the following:

	1997	1996	1995
Current:			
Federal	$(6,205,078)	$(2,678,363)	$(1,177,783)
Foreign	25,000	25,000	25,000
	(6,180,078)	(2,653,363)	(1,152,783)
Deferred (benefit) expense	(1,105,871)	(184,896)	537,992
	$(7,285,949)	$(2,838,259)	$ (614,791)

A reconciliation of the provision for income taxes at the Federal statutory rate to that included in the Consolidated Statements of Income related to earnings from continuing operations is as follows:

	1997	1996	1995
Tax at Federal statutory rate of 34%	$(7,059,545)	$(2,925,939)	$ 337,881
Increases (reductions) in taxes resulting from:			
Valuation Allowance Reserves on Foreign Net Operating Losses	--	--	(325,085)
Foreign Sales Corporation earnings	(231,455)	(269,595)	(548,500)
Amortization of cost in excess of net assets of acquired businesses	79,152	79,152	79,152
Foreign income taxes, net	25,000	25,000	25,000
Other - net	(99,101)	253,123	(183,239)

	$(7,285,949)	$(2,838,259)	$ (614,791)

</TABLE>

39
The components of deferred tax assets and liabilities are comprised of the following at September 30,

<TABLE>
<CAPTION>

	1997	1996
<S>	<C>	<C>
Gross deferred tax assets:		
Postretirement benefits	$ 1,631,245	$ 1,499,600
Operating loss carryforwards	3,222,314	871,000
Receivable and inventory reserves	857,822	853,556
Accrued compensation	1,816,797	684,871
Benefits insurance reserves	181,335	117,425
Impairment reserves	1,999,901	308,000
Warranty reserves	90,475	90,475
Other	241,373	171,674
	10,041,262	4,596,601
Gross deferred tax liabilities:		
Deferred DISC income	31,219	62,438
Depreciation	668,445	583,806
	699,664	646,244
Valuation allowances on foreign net deferred tax assets	1,676,131	871,000
Net deferred tax asset	$ 7,665,467	$ 3,079,357

</TABLE>

The Company has determined that it should fully reserve against this net potential tax asset to the extent it represents excess available tax net deferred tax assets for all foreign subsidiaries and divisions. Accordingly, such benefits will be realized only as, and if, they are used to reduce future tax expense, subject to evaluation of the continuing need for such valuation allowance, or until fully realized. The Mexican NOL which was recognized as an asset in fiscal year 1995, amounting to $496,537, was written off in fiscal year 1996 in connection with the decision to discontinue the Company's Mexican operations. Income taxes paid during the years ended September 30, 1997, 1996 and 1995 were $277,559, $1,082,229 and $1,622,986, respectively.

Net operating loss carryforwards of approximately $3,222,314 for tax are available to offset future taxable income. The carryforwards will expire in 2002 through 2012. Undistributed earnings of foreign subsidiaries are reinvested in their operations and therefore, no provision is made for additional income taxes that might be payable on such earnings.

9. PROFIT SHARING AND PENSION PLANS

Bliss Manufacturing has a defined contribution plan which covers substantially all employees. The Bliss plan contribution is at management's discretion and is allocated based on a percentage of each employee's wages. In addition, Tube Form had a defined contribution plan which covered substantially all employees. This plan required an annual contribution of a specified percentage of each employees wage, with a minimum contribution of $660 per employee. This plan was terminated in April, 1996. All funds relating to the plan were distributed in fiscal year 1997.

40
The Company and Tube-Fab have qualified profit sharing plans which cover substantially all employees. The overall contribution to the Company's plan and the allocation method is at the discretion of the Board of Directors. The allocation to the participants is based on either a fixed amount per participant, a percentage of eligible wages, or a combination of a fixed amount and a percentage of eligible wages. The required annual contribution to the Tube-Fab plan is based upon a percentage of net income after certain adjustments. The allocation to the participants is based upon a formula established in the Plan. Profit sharing and pension plan expense for all plans for the years ended September 30, 1997, 1996 and 1995 was $600,804, $1,978,647 and $1,042,741, respectively. For the years ended September 30,1997, 1996 and 1995, continuing operations represented $112,560, $-0- and $112,515 of the total expense.

Tube-Fab Ltd., and Bliss Manufacturing have been reported as discontinued operations, and accordingly, pension and profit sharing expense for these entities have been reflected in results of discontinued operations.

10. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The Company provides postretirement health care and life insurance benefits to certain employees and retirees of Bliss Manufacturing, a wholly owned subsidiary. As the Bliss Manufacturing business qualified for discontinued operations treatment for the fiscal year ended September 30, 1997, the postretirement benefit costs are reflected in the "Income from discontinued operations - Bliss manufacturing" line of the Consolidated Statement of Income and the accrued postretirement benefit costs are grouped in the "net assets held for sale at realizable value" line in the Consolidated Balance Sheet.

The components of the postretirement benefit costs are as follows:

<TABLE>
<CAPTION>

	1997	1996	1995
<S>	<C>	<C>	<C>
Service Costs	$ 339,000	$ 309,000	$ 213,000
Interest Costs	265,000	232,000	192,000
Net amortization and deferral	--	--	(20,000)
	$ 604,000	$ 541,000	$ 385,000

</TABLE>

The status of the plans was as follows at September 30,

<TABLE>
<CAPTION>

	1997	1996
<S>	<C>	<C>
Accumulated postretirement benefit obligation (APBO):		
Retirees	$(1,642,000)	$(1,639,000)
Actives fully eligible	(195,000)	(181,000)
Actives not yet fully eligible	(2,242,000)	(1,769,000)
Total APBO	(4,079,000)	(3,589,000)
Fair value of plan assets	--	--
Funded status	$(4,079,000)	$(3,589,000)
Unrecognized (gain)/loss	(158,000)	(160,000)
Accrued postretirement benefit costs	$(4,237,000)	$(3,749,000)
Assumed weighted average discount rate	7.5%	7.5%

</TABLE>

The assumed health care cost trend rate used in measuring the health care portion of the postretirement benefit cost for 1997 is 10.5%, gradually declining to 5.5% by the year 2007 and remaining at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, increasing the assumed health care cost trend rates by 1 percentage point in each year would increase the APBO as of September 30, 1997 by $849,000 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year then ended by $165,000.

11. COMMITMENTS AND CONTINGENCIES, GUARANTEES AND LEASES

The Company has guaranteed certain surety bonds totaling $90,512 executed by distributors. The Company is obligated under certain operating leases for facilities which expire on various dates through 2003. The minimum annual lease payments, for continuing operations, under these agreements including renewal options, if exercised, are $193,242, $185,062, $167,161, $152,520 and $147,518 for the years ending September 30, 1998, 1999, 2000, 2001 and 2002, respectively. Minimum annual lease payments for discontinued operations are $195,272, $94,248, $56,958, $40,853 and $20,058 for the years ending September 30, 1998, 1999, 2000, 2001 and 2002, respectively. Rental expense for all leases and other short-term needs was $858,589, $917,600 and $756,000 for the years ended September 30, 1997, 1996 and 1995, respectively. Of the total rent expense for the year ended September 30, 1997, $359,520 related to discontinued operations.

During the fiscal year 1994 and continuing throughout 1996, the property owned by the Company in Lombard, Illinois that housed the office facilities for the discontinued operations of HMI Credit Inc. was leased to a third party. The lease included an option to purchase the property at any time during the ten year lease term. The tenant was responsible for all operating expenses related to the property and the lease payments equal the debt service for the variable rate industrial revenue development bonds originally issued to finance the property.

On July 7,1997, the tenant exercised his right to purchase the property at a price equal to the remaining principal debt service for the variable rate industrial revenue development bonds of approximately $800,000.

Litigation

The Receiver of the Health Mor B.V. bankruptcy estate commenced litigation against HMI Industries Inc. and one of Health More B.V.'s Managing Directors, Kevin Dow, on or about December 3, 1997, in bankruptcy case asserting that HMI Industries Inc. and Dow are liable, under the law of the Netherlands, for a 616,000 NLG ($308,000) deficit in the Health Mor B.V. estate and approximately 85,000 NLG ($42,500) in costs of administration. HMI Industries Inc. believes the Receiver's claims against HMI are without merit and will vigorously oppose the Receiver.

Various other claims arising in the ordinary course of business are pending against the Company. In the opinion of management none of these matters will have a material adverse effect on the consolidated financial position, results of operations or cash flows of the Company.

Executive Compensation Agreement

During 1994, the Company negotiated a five year Compensation Agreement with the Chief Executive Officer, Kirk W. Foley which was ratified at the 1995 Annual shareholders' Meeting. The Agreement combines salary, incentive compensation, loans, stock options and Phantom Stock to employ Mr. Foley. On May 14, 1997 Mr. Foley's employment with the Company was terminated triggering certain obligations under this employment agreement (See Note 14).

Also in May 1997, the Company announced and completed a reduction of personnel which affected approximately forty people (hourly and salaried) at its Cleveland, Ohio Consumer Goods facility. The Canadian corporate office was also scaled down, with all accounting functions being brought into the Cleveland, Ohio office, reducing staff by approximately eleven people in the Canadian office.

Total charges of $3,049,754 relating to the layoffs announced in May and Mr. Foley's termination benefit package were recorded in the third and fourth quarter of 1997. The balance in the related reserve at September 30, 1997 was $2,058,492, of which $300,000 was previously recorded as compensation expense in fiscal year 1996 in accordance with Mr. Foley's employment agreement.

12. BUSINESS SEGMENTS

As of September 30, 1997, the Company's continuing operations consist of a single operating segment: the Consumer Goods Division. Previously, the Company was segmented into three operating divisions: Consumer Goods, Health-Mor Personal Care and Manufactured Products. During 1997, the Company sharpened its focus on its core business in the Consumer Goods Division and operations that were outside of the core business were identified in the third and fourth quarters and classified as discontinued operations. The identified operations consist of all of the Manufactured Products Division entities as well as the Health-Mor Personal Care segment.

Canadian sales are not considered export sales. One of the Company's major foreign operations is located in Canada. The Company primarily conducts business in local currency. Identifiable assets of the Canadian operations, excluding the assets of Household Rental Systems and Tube-Fab Ltd., which are classified as net assets held for sale, were $2,318,521 and $3,790,067 at September 30, 1997 and 1996, respectively. Identifiable revenues of Canadian operations for the years ended September 30, 1997, 1996 and 1995 were $4,981,069, $4,387,750 and $5,841,140, respectively. Three customers in the Consumer Goods segment, each with individual sales greater than 10% of total product sales, represented 44.9% and 23.4% of the Company's total net sales in 1997 and 1996, respectively.

13. QUARTERLY FINANCIAL DATA (UNAUDITED)

<TABLE>
<CAPTION>

	1997			
	December 31,	March 31,	June 30,	September 30,
<S>	<C>	<C>	<C>	<C>
Net revenues	$ 14,620,888	$ 13,725,320	$ 11,120,603	$ 11,023,438
Gross profit	$ 5,073,398	$ 3,456,337	$ 2,433,425	$ 2,905,554
Loss before discontinued operations	$ (657,479)	$ (3,158,796)	$ (4,945,981)	$ (4,709,901)
Loss on disposals	$ --	$ --	$ (3,439,298)	$ (2,080,386)
Loss from discontinued operations	$ 534,487	$ 141,795	$ 1,111,073	$ 554,421
Net loss	$ (122,992)	$ (3,017,001)	$ (7,274,206)	$ (6,235,866)
Per share of common stock:				
Loss before discontinued operations	$ (0.13)	$ (0.64)	$ (1.00)	$ (0.94)
Loss on disposals	$ --	$ --	$ (0.69)	$ (0.41)
Loss from discontinued operations	$ 0.11	$ 0.03	$ 0.22	$ 0.11
Net loss	$ (0.02)	$ (0.61)	$ (1.47)	$ (1.24)

</TABLE>

<TABLE>
<CAPTION>

	1996			
	December 31,	March 31,	June 30,	September 30,
<S>	<C>	<C>	<C>	<C>
Net revenues	$ 13,432,049	$ 16,789,086	$ 13,291,222	$ 16,036,551
Gross profit	$ 4,874,589	$ 5,073,776	$ 4,712,003	$ 5,913,410
Loss before discontinued operations	$ (446,993)	$ (1,284,982)	$ (1,411,563)	$ (2,623,907)
Loss on disposals	$ --	$ --	$ (800,000)	$ (1,480,844)
Income (loss) from discontinued operations	$ (48,119)	$ (1,577,795)	$ (748,562)	$ 408,661
Net loss	$ (495,112)	$ (2,862,777)	$ (2,960,125)	$ (3,696,090)
Per share of common stock:				
Loss before discontinued operations	$ (0.09)	$ (0.26)	$ (0.29)	$ (0.53)
Loss on disposals	$ --	$ --	$ (0.16)	$ (0.30)
Loss from discontinued operations	$ (0.01)	$ (0.32)	$ (0.15)	$ 0.08
Net loss	$ (0.10)	$ (0.58)	$ (0.60)	$ (0.75)

</TABLE>

The first two quarters of 1997 have been restated as shown above. Inventory analysis performed in conjunction with the third quarter physical inventory revealed $1.1 million of raw material procurements from a supplier which were recognized in the third quarter that related to the two previous quarters and additionally, inventory adjustments of $582,800 were required to reflect product costs not properly recognized in the first two quarters.

14. RELATED PARTY TRANSACTIONS

In May 1997, the Company advised Kirk W. Foley, then its CEO, that it was terminating his employment which triggered certain obligations as per Mr. Foley's employment contract, including an $800,000 severance payment, an assumption of a $518,000 personal bank loan made to Mr. Foley, other compensation obligations of approximately $79,000 and an obligation to purchase Mr. Foley's Company stock at current market value (approximately $325,000).

Because of the Company's tight cash position, noncash ways to satisfy its obligations to Mr. Foley were sought. The resolution was a decision to transfer to Mr. Foley the Company's 100% stock interest in Tube-Fab Ltd, a Canadian subsidiary headquartered on Prince Edward Island, Canada, which an independent appraiser valued at $1,512,000. The Tube-Fab Ltd. stock had been carried on the Company's books at a value of $2,157,500 and was accordingly written down to its appraised value.

The settlement transaction with Mr. Foley is expected to be closed in January 1998. It entails a transfer of the Tube-Fab Ltd. shares to Mr. Foley; Mr. Foley's payment of $303,000 to the Company; cancellation of the Company's

$800,000 severance obligation; an assumption of the $486,750 ($518,000 less a $31,250 principal payment made in June 1997) bank loan; cancellation of Mr. Foley's put right with respect to his Company stock; and assumption by Mr. Foley of an operating lease of Canadian facilities currently leased by the Company, which has a remaining lease obligation of approximately $1,050,000 over 8 1/2 years.

Mr. Foley's employment contract also requires the Company to pay to him a $300,000 cash award relating to phantom shares he had previously earned but had deferred in 1996. This award has been reduced to a $150,000 payment in the settlement transaction. The settlement also requires the Company to continue Mr. Foley's salary and benefits from the time of termination advice through December 15, 1997 (approximately $320,000).

Mr. Foley's departure caused the Company to examine the collectability of certain other related party receivables aggregating $743,000 which were forgiven and accordingly written off in the third and fourth quarters of fiscal 1997.

In 1995, the Company converted $750,000 of accounts receivable from a former Filter Queen distributor to notes receivable. This distributor is an officer of a majority owned subsidiary of the company. In 1996, the officer contributed various assets and liabilities to the subsidiary in exchange for a reduction in the note receivable. The note receivable of $228,414 is reflected in current assets as a note receivable at September 30, 1997.

15. MAJOR VENDOR

In 1991, the Company entered into an agreement that provided for the potential acquisition of Holland Electro B.V. of Rotterdam, the Netherlands, contingent upon attaining certain earnings targets in the two year period ended September 30, 1992. When Holland Electro B.V. failed to achieve the agreed targets, HMI walked away from the proposed purchase but continued to buy products and other services from Holland-Electro.

In January 1996, Holland Electro B.V. filed for bankruptcy, triggering a Conditional Purchase Agreement the Company had with Kredietbank N.V. in the amount of $1,104,000. As a result, the Company was required to take possession of finished goods and work in progress inventories. Upon acquisition of these inventories, the Company began production of the ElektraPure and other floorcare products for distribution in North America and Europe. The Company had paid in advance for certain services and inventory to be acquired from Holland Electro B.V. The advances, royalties and other receivables totaled $2,012,000. During fiscal 1996, as a result of the bankruptcy and subsequent resolution of pending claims, the Company determined that recovery of these advances was not likely. Accordingly, the Company recorded a charge for the write-off of these advances.

HMI INDUSTRIES INC.
SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

<TABLE>
<CAPTION>

Description	Balance at Beginning of Period	Additions Charged to Costs and Expense	Deductions	Balance at End of Period
<S>	<C>	<C>	<C>	<C>
Valuation account for accounts receivable:				
Year ended September 30, 1997	$2,439,000	$4,820,000	$1,747,000	$5,512,000
Year ended September 30, 1996	$1,550,000	$ 889,000	--	$2,439,000
Year ended September 30, 1995	$1,121,000	$ 429,000	--	$1,550,000
Valuation account for inventory:				
Year ended September 30, 1997	$1,234,000	$ 754,000	$ 357,000	$1,631,000
Year ended September 30, 1996	$ 305,000	$ 929,000	--	$1,234,000
Year ended September 30, 1995	$ 120,000	$ 185,000	--	$ 305,000
Reserve for loss on disposal:				
Year ended September 30, 1997	$ 800,000	$6,112,000	$1,524,000	$5,388,000
Year ended September 30, 1996	--	$ 800,000	--	$ 800,000
Year ended September 30, 1995	--	--	--	--
Valuation for deferred tax asset:				
Year ended September 30, 1997	$ 871,000	$1,151,000	$ 346,000	$1,676,000
Year ended September 30, 1996	$ 517,000	$ 354,000	--	$ 871,000
Year ended September 30, 1995	$ 193,000	$ 324,000	--	$ 517,000

</TABLE>

INDEX TO EXHIBITS

<TABLE>
<CAPTION>

Exhibit Number	Exhibit Title	Page in this Report	Incorporated by Reference From
<S>	<C>	<C>	<C>
3.1	Certificate of Incorporation		Annual Report on form 10-K for the year ended September 30, 1995
3.2	Bylaws		Annual Report on form 10-K for the year ended September 30, 1995
10.00	Material Contracts		Proxy Statement for the Annual Meeting of Stockholders January 19, 1995 - Exhibit B
10.01	Material Contracts		Change of Control Agreements
10.02	Material Contracts		Non-statutory Stock Option Agreements
10.03	Material Contracts		Incentive Stock Option Agreements
10.04	Material Contracts		Deferred Bonus Agreements
10.05	Material Contract		Employment Agreement - Malone
10.06	Material Contract		Employment Agreement - Kirk
10.07	Material Contract		Employment Agreement - Young
10.08	Material Contracts		Restricted Stock Agreements
10.09	Material Contracts		Amended and Restated Credit Agreement
10.10a	Material Contracts		Amendment No. 1 to Amended and Restated Credit Agreement
10.10b	Material Contracts		Amendment No. 2 to Amended and Restated Credit Agreement
10.11	Material Contracts		Bliss Stock Purchase Agreement
11	Statement re: Computation of per share earnings	Note 1 on Page 29 of the Financial Statements	
21	Subsidiaries of Registrant	Page 3	
27	Financial Data Schedule		

</TABLE>

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Exhibit 10.1

HMI INDUSTRIES INC.
EXHIBIT 10
MATERIAL CONTRACTS - CHANGE OF CONTROL AGREEMENTS

<TABLE>
<CAPTION>

PARTICIPANT	EFFECTIVE DATE	MAX BONUS AMOUNT	MIN BONUS AMOUNT	SEVERANCE AGREEMENT(1)
<S>	<C>	<C>	<C>	<C>
James R. Malone	10/31/97	$300,000	$150,000	2yrs base salary
Mark A. Kirk	10/31/97	$300,000	$150,000	2yrs base salary
Carl H.Young III	10/31/97	$300,000	$150,000	2yrs base salary
Robert Benedict	10/31/97	$100,000	$65,000	lyr base salary
Michael Harper	10/31/97	$100.000	$65,000	lyr base salary
Julie Perkowski	10/31/97	$50,000	$35,000	lyr base salary
Mark Ridel	10/31/97	$30,000	$20,000	9 mos base salary
Ellen Gordon	10/31/97	$30,000	$20,000	9 mos base salary

<FN>
(1) upon change of control
</TABLE>

see filed exhibit for Mark A. Kirk

[HMI INDUSTRIES INC. LOGO] [LOGO]
PRESIDENT'S "E" AWARD

October 31, 1997

Mr. Mark A. Kirk
HMI Industries
3631 Perkins Ave.
Cleveland, OH 44114

Dear Mr. Kirk:

HMI Industries (the "Company") considers it essential to its best interests to foster the continuous employment of key management personnel. The Company also recognizes that the proposed sale of Bliss Manufacturing and the uncertainty and questions which it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company.

The Company has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including yourself, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of the sale of Bliss and/or HMI

In order to induce you to remain in the employ of the Company, the following bonus and severance allowance have been authorized for you. Since this letter will set forth a private contractual arrangement with you, we would request that you maintain this letter in confidence.

In the event you continue to be an employee of the Company at the time of the Sale of Bliss, as defined below, you will be eligible to receive a Stay Bonus. If the Sale price is $30 million or more, you will be eligible for a Stay Bonus equal to $300,000 (less applicable withholding taxes) at the time of the Sale of Bliss (the "Stay Bonus"). If the Sale price is $25 million or less, you will be eligible for a Stay Bonus equal to $150,000 (less applicable withholding taxes). If the Sale price is between $25 million and $30 million, your Stay Bonus will be interpolated between $150,000 and $300,000. The Stay Bonus shall be paid within ten (10) days of the Sale of Bliss and irrespective of whether or not you continue your employment with the Company after such sale.

"Sale of Bliss" shall mean the sale or transfer of substantially all of the Company's assets to an entity not affiliated with HMI Industries Inc., or the purchase by an entity not affiliated with HMI Industries Inc. of 51% or more of the outstanding shares of the common stock of the

---

In addition, to induce you to remain in the employ of the Company after the Sale of Bliss, the Company agrees that you shall receive the severance benefits set forth in this letter agreement (the "Agreement") in the event your employment with the Company is terminated under the circumstances described below subsequent to a "change in control of the Company." (as defined in section 2.)

1 - TERM OF AGREEMENT. This agreement shall commence on October 1, 1997, and shall continue in effect through September 30, 1998; provided, however, that commencing on October 1, 1998 and each October 1 thereafter, the term of this Agreement shall automatically be extended for one additional year unless, not later than July 31 of such year, the Company shall have given notice that it does not wish to extend this Agreement (provided that no such notice may be given during the pendency of a potential change in control of the Company as defined in Section 2); and provided, further, that if a change in control of the Company, as defined in section 2, shall have occurred during the original or extended term of this Agreement, this Agreement shall continue in effect for a period of not less than twelve (12) months beyond the month in which such change in control occurred. Notwithstanding anything provided herein to the contrary, the term of this Agreement shall not extend beyond the end of the month in which you attain "normal retirement age" under the provisions of the HMI Pension Plan (or successor thereto) or any other tax-qualified retirement plan of the Company or any of its subsidiaries in which you are participating (any such plan being referred to herein as the "Company Pension Plan").

2. CHANGE IN CONTROL; POTENTIAL CHANGE IN CONTROL. (i) No benefits shall be payable hereunder unless there shall have been a change in control of the Company, as set forth below. For purposes of the Agreement, a "change in control of the Company" shall be deemed to have occurred if

(a) any "Person," as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any Company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of either (i) the then outstanding shares of common stock of the Company or (ii) the combined voting power of the Company's then outstanding voting securities;

(b) during any period of two consecutive years (not including any period

prior to the execution of this Agreement), individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (a), (c), or (d) of this Section) whose election by the Board or nomination for election by the Company's stockholders

was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof,

(c) the stockholders of the Company approve a reorganization, merger or consolidation of the Company with any other Company, other than (1) a reorganization, merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such reorganization, merger or consolidation or (2) a reorganization, merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no "person" (as hereinabove defined) beneficially owns, directly or indirectly, 20% or more of the combined voting power of the Company's then outstanding voting or

(d) the stockholders of the Company approve a plan of dissolution or complete liquidation of the Company or an agreement for the sale or disposition by the Company by the Company of all or substantially all of the Company's assets.

(ii) For purposes of this Agreement, a "potential change in control of the Company" shall be deemed to have occurred if:

(a) the Company enters in an agreement, the consummation of which would result in the occurrence of a change in control of the Company;

(b) any person (including the Company) publicly announces an intention to take or to consider taking actions which if consummated would constitute a change in control of the Company;

(c) any person (other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company (or a company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company), or a person who is then currently properly eligible to file and has properly filed a Schedule 13G (or any successor filing) pursuant to the Exchange Act and the rules and

regulations thereunder, indicating beneficial ownership of securities of the Company and stating that the securities were acquired in the ordinary course of business and were not acquired with the purpose nor with the effect changing or influencing the control of the Company, for so long as such statement is true and correct) who is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 9.5% or more of the combined voting power of the

Company's then outstanding securities and, without the written consent of the ownership of such securities by 3 percentage points or more; or

(d) the Board adopts a resolution to the effect that, for purposes of this Agreement, a potential change in control of the Company has occurred.

3. TERMINATION FOLLOWING CHANGE IN CONTROL (i) GENERAL. If any of the events described in Section 2 constituting a change in control of the Company shall have occurred, you shall be entitled to the benefits provided in Section 4 (iii) upon termination of your employment within 12 months following such a change in control of the Company unless such termination is (a) because of your death or Disability, (b) by the company for Cause, or (c) by you other than for Good Reason. In the event your employment with the Company is terminated for any reason and subsequently a change in control of the Company should have occurred, you shall not be entitled to any benefits hereunder.

(ii) DISABILITY. If, as a result of your incapacity due to physical or mental illness, you shall have been absent from the full-time performance of your duties with the Company for six (6) consecutive months, and within thirty (30) days after written notice of termination is given you shall not have returned to the full-time performance of your duties, your employment may be terminated for "Disability".

(iii) CAUSE. Termination by the Company of your employment for "Cause" shall mean termination (a) upon the commission by you of a willful serious act, such as embezzlement, against the Company which is intended to enrich you at the expense of the Company or upon your conviction of a felony involving moral turpitude or (b) in the event of a willful, gross neglect or willful, gross misconduct, resulting in either case in material harm to the Company. For purposes of this Subsection, no act, or failure to act, on your part shall be deemed "willful" unless done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interest of the Company.

(iv) GOOD REASON. You shall be entitled to terminate your employment for Good Reason. For purposes of the Agreement, "Good Reason" shall mean, without your express written consent, the occurrence after a change in control of the Company of any of the Following circumstances unless such circumstances are fully corrected prior to the Date of Termination (as defined in Section 3(vi)) specified in the Notice of Termination (as defined in Section 3(v) given in respect thereof:

(a) a reduction by the Company in your annual base salary as in effect on the date hereof or as the same may be increased from time to time except for across-the-board salary reductions similarly affecting all management personnel of the Company;

(b) the Company's requiring you to be based at a Company office more than 50 miles from the Company's offices at which you are principally employed immediately prior to the date of the change in control except for required travel on the Company's business travel obligations;

(c) the failure by the Company to pay to you any portion of your current compensation within seven (7) days of the date of such compensation is due or any portion of your compensation under any deferred compensation program of the Company within thirty (30) days of the date such compensation is due;

(d) any purported termination of your employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Subsection (v) hereof (and, if applicable, the requirements of Subsection (iii) hereof), which purported termination shall not be effective for purposes of this Agreement.

Your right to terminate your employment pursuant to this Subsection shall not be affected by your incapacity due to physical or mental illness. Your continued employment shall not constitute consent to, or a waiver of rights with respect to any circumstance constituting Good Reason hereunder.

(v) NOTICE OF TERMINATION. Any purported termination of your employment by the Company or by you shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 6. "Notice of Termination" shall mean a notice that shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

(vi) DATE OF TERMINATION, Etc. "Date of Termination" shall mean (a) if your employment is terminated for Disability, thirty (30) days after Notice of Termination is given (provided that you shall not have returned to the full-time

performance of your duties during such thirty (30)-day period), and (b) if your employment is terminated pursuant to Subsection (iii) or (iv) hereof or for any other reason (other than Disability), the date specified in the Notice of Termination (which, in the case of a termination for Cause shall no be less than thirty (30) days from the date such Notice of Termination is given, and in the case of a termination for Good Reason shall not be less than thirty (30) days nor more than sixty (60) days from the date such Notice of Termination is given); provided, however, that if within fifteen (15) days after any Notice of Termination is given, or, if the Notice of Termination is not properly given, prior to the

Date of Termination (as determined without regard to an extension of such Date of Termination as described in this proviso), the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the termination, then the Date of Termination shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties or by a binding arbitration award; and provided, further, that the Date of Termination shall be extended by a notice of dispute only if such notice is given in good faith and the party giving such notice pursues the resolution of such dispute with reasonable diligence. Notwithstanding the pendency of any dispute, the Company will continue to pay you your full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, base salary) and continue you as a participant in all compensation, benefit and insurance plans in which you were participating when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with this Subsection. Amounts paid until the dispute is finally resolved in accordance with this Subsection. Amounts paid under this Subsection are in addition to all other amounts due under this Agreement, and shall not be offset against or reduce any other amounts due under this Agreement and shall not be reduced by any compensation earned by you as the result of employment by another employer.

4. COMPENSATION UPON TERMINATION OR DURING DISABILITY. Following a change in control of the Company, you shall be entitled to the following benefits during a period of disability, or upon termination of your employment, as the case may be, provided that such period of disability or termination occurs during the term of this Agreement;

(i) During any period that you fail to perform your full-time duties with the Company as a result of incapacity due to physical or mental illness, you shall continue to receive your base salary at the rate in effect at the commencement of any such period, together with all compensation payable to you under the Company's disability plan or program or other similar plan during such period, until this Agreement is terminated pursuant to Section 3(ii) hereof. Thereafter, or in the event your employment shall be terminated by reason of

your death, your benefits shall be determined under the Co Company's retirement, insurance and other compensation programs then in effect in accordance with the terms of such programs.

(ii) If your employment shall be terminated by the Company for Cause or by you other than for Good Reason, the Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts to which you are entitled under any compensation plan of the Company at the time such payments are due, and the Company shall have no further obligations to you under this Agreement.

(iii) If your employment by the Company should be terminated by the Company other than for Cause or Disability or if you should terminate your employment for Good Reason, you shall be entitled to the benefits provided below:

(a) The Company shall pay to you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts to which you are entitled under any compensation plan of the Company, at the time such payments are due; and

(b) in lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Company shall pay as severance pay to you, at the time specified in subsection (iv), a lump sum Severance Payment equal to twenty - four (24) months salary in effect on the Date of Termination.

(iv) The payments provided for in Subsection (iii) shall be made not later than the fifth day following the Date of Termination; provided, however, that if the amounts of such payments cannot be finally determined on or before such day, the Company shall pay to you on such day an estimate, as determined in good faith by the Company, of the minimum amount of such payments and shall pay the remainder of such payments (together with interest at the rate provided in 1274(b)(2)(B) of the Code) as soon as the amount thereof can be determined but in no event later than the thirtieth day after the Date of Termination. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to you payable on the fifth day after demand therefor by the Company (together with interest at the rate provided in section 1274(b)(2)(B) of the Code.)

(v) You shall not be required to mitigate the amount of any payment provided for in this Section 4 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Section 4 be reduced by any compensation earned by you as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by you to the Company, or otherwise.

(vi) Notwithstanding any provision of this Agreement to the contrary, the aggregate present value of all "payments in the nature of compensation" (within the meaning of Section 2800 of the Code) provided to you in connection with a change in control of the Company or the termination of your employment shall be one dollar less than the amount that is fully deductible by the Company under Section 2800 of the Code and, to the extent necessary, payments and benefits under this Agreement shall be reduced in order that this limitation not be exceeded. It is the intention of this Subsection (vi) to avoid excise taxes on you under Section 4999 of the Code or the disallowance of a deduction to the Company pursuant to Section 280G of the Code.

5. SUCCESSORS; BINDING AGREEMENT. (i) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and

agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle you to compensation from the Company in the same amount and on the same terms to which you would be entitled hereunder if you terminate your employment for Good Reason following a change in control of the Company, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in the Agreement, "Company shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

(ii) This agreement shall inure to the benefit of and be enforceable by you and your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If you should die while any amount would still be payable to you hereunder had you continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your devisee, legatee or other designee or, if there is no such designee, to your estate.

(iii) The Company expressly acknowledges and agrees that you shall have a contractual right to the benefits provided hereunder, and the Company expressly waives any ability, if possible, to deny liability for any breach of its contractual commitment hereunder upon the grounds of lack of consideration, accord and satisfaction or any other defense. In any dispute arising after a change in control of the Company as to whether you are entitled to benefits under this Agreement, there shall by a presumption that you are entitled to such

benefits and the burden of proving otherwise shall be on the Company.

(iv) All benefits to be paid hereunder shall be in addition to any disability, workers' compensation or other Company benefit plan distribution, unpaid vacation or other unpaid benefits that you have at the Date of Termination.

6. NOTICE. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by the United States certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notice to the Company shall be directed to the attention of the Board with a copy to the Secretary of the Company, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

7. MISCELLANEOUS. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by you and such officer as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of

this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements, or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction, and performance of this Agreement shall be governed by the laws of the State of Oklahoma without regard to its conflicts of law principles. All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided hereunder shall be paid net of any applicable withholding required under federal, state, or local law. In the event of a change in control of the Company during the term of this Agreement, the obligations of the Company under Section 4 shall survive the expiration of the term of this Agreement, the obligations of the Company under Section 4 shall survive the expiration of the term of this Agreement consistent with the periods referenced in Section 4.

8. VALIDITY. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

9. COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will

constitute one and the same instrument.

10. ARBITRATION. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three arbitrators in the State of Oklahoma, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that you shall be entitled to seek specific performance of your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

11. ENTIRE AGREEMENT. This Agreement does not constitute an employment agreement between you and the Company. No representation, promise or inducement has been made by either party that is not embodied in this Agreement, and neither party shall be bound by or liable for any alleged representation, promise or inducement not so set forth.

You acknowledge that you have read this Agreement, understand its terms and that it has been entered into by you voluntarily. You acknowledge that the payments to be made hereunder constitute additional compensation to you. You further acknowledge that you have had sufficient opportunity to consider this Agreement and discuss it with advisors of your choice, including your attorney and accountants. You acknowledge that you have been informed that you have the right to consider this Agreement for a period of at least twenty-one (21) days prior to entering into it.

You acknowledge that you have taken sufficient time to consider this Agreement before signing it. You also acknowledge that you have the right to revoke this Agreement for a period of seven (7) days following the Agreement's execution by giving written notice to the Company.

This letter shall be of no further force or effect if a Sale of Bliss does not occur prior to April 1, 1998, provided, however, that if a contract of sale for the Company is executed on or before that date, the rights and obligations set forth in this letter shall continue until the last closing date permitted under the contract of sale or any extension of the closing date upon which the parties to the contract may agree.

12. Effective Date. This Agreement shall become effective as of October 31, 1997. If this letter sets forth our agreement on the subject matter thereof, kindly sign and return to the Company the enclosed copy of this letter, which with then constitute our agreement on this subject.

Sincerely,

HMI Industries, Inc.

/s/ James R. Malone

JAMES R. MALONE

Accepted and Agreed this
4th day of November, 1997

/s/ Mark A. Kirk

MARK KIRK

Exhibit 10.2

HMI INDUSTRIES INC.
EXHIBIT 10
MATERIAL CONTRACTS - NON-STATUTORY STOCK OPTION AGREEMENT

PARTICIPANT	AGREEMENT DATE	SHARES	EFFECTIVE DATE/SHARES EXERCISABLE
James R. Malone	7/2/97	39,790	immediate/100%
Carl H. Young III	7/2/97	39,790	immediate/100%
Mark A. Kirk	7/2/97	39,790	immediate/100%

see filed exhibit for Mark A. Kirk

NON-STATUTORY STOCK OPTION AGREEMENT

THIS NON-STATUTORY STOCK OPTION AGREEMENT is entered into as of July 2, 1997 by and between HMI Industries Inc., a Delaware corporation, with its principal place of business at 3631 Perkins Avenue, Cleveland, Ohio (the "Company") and MARK A. KIRK (the "Participant").

WHEREAS, the Company has adopted the 1992 Omnibus Long-Term Compensation Plan (the "Plan"); and,

WHEREAS, Participant is a Key Employee of the Company as defined in the Plan; and,

WHEREAS, pursuant to section 8 of the Plan the Participant may be granted an option to purchase shares of Common Stock of the Company.

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Participant hereby agree as follows:

1. GRANT OF OPTION. There is hereby granted to Participant an option to purchase 39,790 shares of Common Stock of the Company at a price of $5.68 per share. The number of shares which may be purchased and the exercise price per share are subject to adjustment as provided in the Plan.

2. EXERCISE OF OPTION. The option granted to Participant herein may be exercised in whole or in part at any time after the date of this Agreement but prior to the expiration date specified in section 3.

3. EXPIRATION. To the extent not exercised, the option expires on July 2, 2002, unless expiring sooner pursuant to the terms of the Plan, applicable provisions of the Internal Revenue Code or other provisions of this Agreement.

4. RETIREMENT. If the Participant ceases to be an employee of the Company by reason of retirement in accordance with any retirement plan or policy of the Company then in effect, the Participant, at any time within the six month period following such retirement (but prior to the expiration date of the option as specified in section 3) may exercise the option.

5. DEATH OF PARTICIPANT. If the Participant shall die while in the employ of the Company, then within the one year period following his death (but prior to the expiration date of the option as specified in section 3) the person entitled by will or the applicable laws of descent and distribution may exercise the option.

6. TERMINATION OF EMPLOYMENT. If the Participant ceases to be employed by the Company for any reason other than retirement or death, this option shall not be exercisable after the

expiration of three months from the date employment terminates. The option must be exercised in any event prior to the expiration date of the option specified

in section 3.

7. REGISTRATION. Participant represents and warrants that any shares purchased by him upon the exercise of an option will be acquired for investment only and not with a view to resale or distribution. Provided, however, that this representation and warranty shall not be applicable to an offer for the sale or the sale of any such shares which, at the time of such offer or sale, are registered under the Securities Act of 1933, as amended (the "Act"), and any applicable state securities law, or which without such registration and apart from the provisions of this section could be offered for sale or sold without violation of such Act or law. Nothing herein shall require the Company to file a registration statement or to keep such registration statement current for any shares purchased pursuant to the exercise of options granted hereunder. If requested by the Company, Participant agrees to sign a letter addressed to the Company certifying investment intent. Participant acknowledges that any shares issued without registration will be "restricted securities" as that term is defined in Rule 144 of the Act, and that any transfer or disposition of such shares can be accomplished only in compliance with Rule 144, the Act or other applicable rules under the Act.

8. LEGEND ON CERTIFICATES. Each certificate for shares of Common Stock of the Company issued to Participant upon exercise of an option shall, in the sole discretion of the Company, bear a legend substantially as follows:

"The shares represented by this certificate have not been registered under the Securities Act of 1933, as amended. The shares may not be sold or transferred in the absence of such registration or an opinion of counsel that registration is not required due to an exemption from registration under that Act."

9. EMPLOYMENT RIGHT. This Agreement shall not be construed as requiring the Company to retain Participant as an employee or affect or limit the right of the Company to terminate the employment of Participant at any time for any reason or to give Participant any additional rights as an employee beyond those rights granted by law or by contract. As consideration for receiving the option, Participant agrees that he will remain in the employ of the Company for at least one year from the date of the grant of the option, unless his employment is terminated because of disability or with the consent of the Company.

10. COMPLIANCE WITH PLAN. Participant agrees to comply with all applicable provisions of the Plan, a copy of which has been delivered to Participant and receipt of which is hereby acknowledged.

11. CONFLICT WITH PLAN. In the event of any conflict between any term of this Agreement and the Plan, the terms of the Plan shall prevail. Except for terms defined in this Agreement, the definitions contained in the Plan will apply to this Agreement.

12. ASSIGNMENT AND DISPOSITION. Participant shall not transfer or assign or in any way dispose of any option granted herein except in accordance with the Plan and applicable law.

13. NOTICE OF EXERCISE. This option may be exercised by delivering to the Company at the office of its Treasurer a written notice, signed by the person entitled to exercise the option and stating the number of shares to be purchased. Such notice shall, as an essential part thereof be accompanied by payment of the full purchase price of the shares to be purchased. Upon payment within the time period specified by the Company of the amount, if any, required to be withheld for Federal, state and local tax purposes as a result of the exercise of the option, the option shall be deemed exercised as of the date the Company received the written notice of exercise. The Participant may satisfy any withholding requirement by authorizing the Company at the time of exercise to withhold from his next salary payment all or part of the amount required to be withheld by the Company as a result of such exercise. Participant may satisfy the withholding obligation by authorizing the Company to withhold shares from the shares acquired hereunder equal in value to the amount required to satisfy such withholding. Payment of the purchase price may be made in cash or in shares equal in value to the exercise price, or partly in cash and partly in shares. The option shall not be exercisable if the exercise would violate any applicable state securities law, any registration or other requirements under the Act, any requirements of NASDAQ or any other national securities exchange on which the shares are listed at the time of exercise of the option or any applicable legal requirement of any other governmental authority.

IN WITNESS WHEREOF, the Company and Participant have executed this Non-Statutory Stock Option Agreement as of the date indicated above.

HMI INDUSTRIES INC.

By /s/ Carl H. Young III

Executive Vice President

ATTEST:

/s/ John A. Meany Jr.

Secretary

/s/ Mark A. Kirk

Exhibit 10.3

HMI INDUSTRIES INC.
EXHIBIT 10
MATERIAL CONTRACTS - INCENTIVE STOCK OPTION AGREEMENT

<TABLE>
<CAPTION>

PARTICIPANT	AGREEMENT DATE	SHARES	EFFECTIVE DATE/SHARES EXERCISABLE
<S>	<C>	<C>	<C>
Robert Benedict	8/25/97	15,000	8/25/98-one third
			8/25/99-one third
			8/25/00-one third
Michael Harper	8/25/97	15,000	8/25/98-one third
			8/25/99-one third
			8/25/00-one third
Julie Perkowski	8/25/97	9,000	8/25/98-one third
			8/25/99-one third
			8/25/00-one third
Mark Ridel	8/25/97	6,000	8/25/98-one third
			8/25/99-one third
			8/25/00-one third
Ellen Gordon	8/25/97	6,000	8/25/98-one third
			8/25/99-one third
			8/25/00-one third

</TABLE>

see Filed exhibit for Michael Harper

<TABLE>

<S>	<C>	<C>	<C>
James R. Malone	7/2/97	35,210	7/2/97-one half
			1/2/98-remaining one half
Carl H. Young III	7/2/97	35,210	7/2/97-one half
			1/2/98-remaining one half
Mark A. Kirk	7/2/97	35,210	7/2/97-one half
			1/2/98-remaining one half

</TABLE>

see filed exhibit for Mark A. Kirk

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INCENTIVE STOCK OPTION AGREEMENT

THIS INCENTIVE STOCK OPTION AGREEMENT is entered into as of August 25, 1997 by and between HMI Industries Inc., a Delaware corporation, with its principal place of business at 3631 Perkins Avenue, Cleveland, Ohio (the "Company") and Michael Harper (the "Participant ").

WHEREAS, the Company has adopted the 1992 Omnibus Long-Term Compensation Plan (the "Plan"); and,

WHEREAS, Participant is a Key Employee of the Company as defined in the Plan; and,

WHEREAS, pursuant to section 8 of the Plan the Participant may be granted an option to purchase shares of Common Stock of the Company.

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Participant hereby agree as follows:

1. GRANT OF OPTION. There is hereby granted to Participant an option to purchase 15,000 shares of Common Stock of the Company at a price of $4.80 per share. The number of shares which may be purchased and the exercise price per share are subject to adjustment as provided in the Plan. This option is intended to be an incentive stock option within the meaning of section 422 of the Internal Revenue Code.

2. EXERCISE OF OPTION. The option granted to Participant herein may be exercised in whole or in part, subject to the following limitations on exercise:

Effective Date	Shares Exercisable
August 25, 1998	one-third of optioned shares
August 25, 1999	two-thirds of optioned shares
August 25, 2000	all of optioned shares

3. EXPIRATION. To the extent not exercised, the option expires on August 25, 2002, unless expiring sooner pursuant to the terms of the Plan, applicable provisions of the Internal Revenue Code or other provisions of this Agreement.

4. ACCELERATION. In the event that the Company's Common Stock ceases to

be traded or listed on a national securities exchange (including NASDAQ National Market System), this option shall become immediately exercisable with respect to all unexercised shares.

5. RETIREMENT. If the Participant ceases to be an employee of the Company by reason of retirement in accordance with any retirement plan or policy of the Company then in effect, the Participant, at any time within the six month period following such retirement (but prior to the

expiration date of the option as specified in section 3) may exercise the option with respect to the shares then exercisable.

6. DEATH OF PARTICIPANT. If the Participant shall die while in the employ of the Company, then within the one year period following his death (but prior to the expiration date of the option as specified in section 3) the person entitled by will or the applicable laws of descent and distribution may exercise the option without regard to the vesting schedule in section 2.

7. TERMINATION OF EMPLOYMENT. If the Participant ceases to be employed by the Company for any reason other than retirement or death, this option shall not be exercisable after the expiration of three months from the date employment terminates and shall be exercisable only to the extent that it was exercisable as of the date of termination of employment. The option must be exercised in any event prior to the expiration date of the option specified in section 3.

8. REGISTRATION. Participant represents and warrants that any shares purchased by him upon the exercise of an option will be acquired for investment only and not with a view to resale or distribution. Provided, however, that this representation and warranty shall not be applicable to an offer for the sale or the sale of any such shares which, at the time of such offer or sale, are registered under the Securities Act of 1933, as amended (the "Act"), and any applicable state securities law, or which without such registration and apart from the provisions of this section could be offered for sale or sold without violation of such Act or law. Nothing herein shall require the Company to file a registration statement or to keep such registration statement current for any shares purchased pursuant to the exercise of options granted hereunder. If requested by the Company, Participant agrees to sign a letter addressed to the Company certifying investment intent. Participant acknowledges that any shares issued without registration will be "restricted securities" as that term is defined in Rule 144 of the Act, and that any transfer or disposition of such shares can be accomplished only in compliance with Rule 144, the Act or other applicable rules under the Act.

9. LEGEND ON CERTIFICATES. Each certificate for shares of Common Stock of the Company issued to Participant upon exercise of an option shall, in the sole discretion of the Company, bear a legend substantially as follows:

"The shares represented by this certificate have not been registered under the Securities Act of 1933, as amended. The shares may not be sold or transferred in the absence of such registration or an opinion of counsel that registration is not required due to an exemption from registration under that Act."

10. EMPLOYMENT RIGHT. This Agreement shall not be construed as requiring the Company to retain Participant as an employee or affect or limit the right of the Company to terminate the employment of Participant at any time for any reason or to give Participant any additional rights as an employee beyond those rights granted by law or by contract. As consideration for receiving the option, Participant agrees that he will remain in the employ of the Company for at least one year from the date of the grant of the option, unless his employment is terminated because of disability or with the consent of the Company.

11. COMPLIANCE WITH PLAN. Participant agrees to comply with all applicable provisions of the Plan, a copy of which has been delivered to Participant and receipt of which is hereby acknowledged.

12. CONFLICT WITH PLAN. In the event of any conflict between any term of this Agreement and the Plan, the terms of the Plan shall prevail. Except for terms defined in this Agreement, the definitions contained in the Plan will apply to this Agreement.

13. ASSIGNMENT AND DISPOSITION. Participant shall not transfer or assign or in any way dispose of any option granted herein except in accordance with the Plan and applicable law.

14. NOTICE OF EXERCISE. This option may be exercised by delivering to the Company at the office of its Treasurer a written notice, signed by the person entitled to exercise the option and stating the number of shares to be purchased. Such notice shall, as an essential part thereof, be accompanied by payment of the full purchase price of the shares to be purchased. Upon payment within the time period specified by the Company of the amount, if any, required to be withheld for Federal, state and local tax purposes as a result of the exercise of the option, the option shall be deemed exercised as of the date the Company received the written notice of exercise. The Participant may satisfy any withholding requirement by authorizing the Company at the time of exercise to withhold from his next salary payment all or part of the amount required to be withheld by the Company as a result of such exercise. Participant may satisfy the withholding obligation by authorizing the Company to withhold shares from the shares acquired hereunder equal in value to the amount required to satisfy such withholding. Payment of the purchase price may be made in cash or in shares equal in value to the exercise price, or partly in cash and partly in shares. The option shall not be exercisable if the exercise would violate any applicable

state securities law, any registration or other requirements under the Act, any requirements of NASDAQ or any other national securities exchange on which the shares are listed at the time of exercise of the option or any applicable legal requirement of any other governmental authority.

IN WITNESS WHEREOF, the Company and Participant have executed this Incentive Stock Option Agreement as of the date indicated above.

HMI INDUSTRIES INC.

By /s/ Carl H. Young III

Executive Vice President

ATTEST

/s/ John A. Meany Jr.

Secretary

/s/ Mark A. Kirk

Participant

INCENTIVE STOCK OPTION AGREEMENT

THIS INCENTIVE STOCK OPTION AGREEMENT is entered into as of July 2, 1997 by and between HMI Industries Inc., a Delaware corporation, with its principal place of business at 3631 Perkins Avenue, Cleveland, Ohio (the "Company") and MARK A. KIRK (the "Participant").

WHEREAS, the Company has adopted the 1992 Omnibus Long-Term Compensation Plan (the "Plan"); and,

WHEREAS, Participant is a Key Employee of the Company as defined in the Plan; and,

WHEREAS, pursuant to section 8 of the Plan the Participant may be granted an option to purchase shares of Common Stock of the Company.

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Participant hereby agree as follows:

1. GRANT OF OPTION. There is hereby granted to Participant an option to purchase 35,210 shares of Common Stock of the Company at a price of $5.68 per share. The number of shares which may be purchased and the exercise price per share are subject to adjustment as provided in the Plan. This option is intended to be an incentive stock option within the meaning of section 422 of the Internal Revenue Code.

2. EXERCISE OF OPTION. The option granted to Participant herein may be exercised in whole or in part, subject to the following limitations on exercise:

Effective Date	Shares Exercisable
July 2, 1997	50% of optioned shares
January 2, 1998	100% of optioned shares

3. EXPIRATION. To the extent not exercised, the option expires on July 2, 2002, unless expiring sooner pursuant to the terms of the Plan, applicable provisions of the Internal Revenue Code or other provisions of this Agreement.

4. ACCELERATION. In the event that, prior to January 2, 1998, (i) the Company terminates the Participant's employment without cause; (ii) the Company undergoes a change in control as defined in the Plan; or (iii) the Company's Common Stock ceases to be traded or listed on a national securities exchange (including NASDAQ National Market System), this option shall become immediately

exercisable with respect to all unexercised shares.

5. CAUSE DEFINED. For purposes of this Agreement, Cause shall exist only if (i) the Participant is convicted of a felony or a crime involving dishonesty or moral turpitude; or (ii) there

is a material breach of; or neglect of, the Participant's duties and responsibilities that is willful and deliberate and that is likely to result in material economic injury to the Company.

6. RETIREMENT. If the Participant ceases to be an employee of the Company by reason of retirement in accordance with any retirement plan or policy of the Company then in effect, the Participant, at any time within the six month period following such retirement (but prior to the expiration date of the option as specified in section 3) may exercise the option with respect to the shares then exercisable.

7. DEATH OF PARTICIPANT. If the Participant shall die while in the employ of the Company, then within the one year period following his death (but prior to the expiration date of the option as specified in section 3) the person entitled by will or the applicable laws of descent and distribution may exercise the option without regard to the vesting schedule in section 2.

8. TERMINATION OF EMPLOYMENT. If the Participant ceases to be employed by the Company for any reason other than retirement or death, this option shall not be exercisable after the expiration of three months from the date employment terminates and shall be exercisable only to the extent that it was exercisable as of the date of termination of employment. The option must be exercised in any event prior to the expiration date of the option specified in section 3.

9. REGISTRATION. Participant represents and warrants that any shares purchased by him upon the exercise of an option will be acquired for investment only and not with a view to resale or distribution. Provided, however, that this representation and warranty shall not be applicable to an offer for the sale or the sale of any such shares which, at the time of such offer or sale, are registered under the Securities Act of 1933, as amended (the "Act"), and any applicable state securities law, or which without such registration and apart from the provisions of this section could be offered for sale or sold without violation of such Act or law. Nothing herein shall require the Company to file a registration statement or to keep such registration statement current for any shares purchased pursuant to the exercise of options granted hereunder. If requested by the Company, Participant agrees to sign a letter addressed to the Company certifying investment intent. Participant acknowledges that any shares issued without registration will be "restricted securities" as that term is defined in Rule 144 of the Act, and that any transfer or disposition of such shares can be accomplished only in compliance with Rule 144, the Act or other

applicable rules under the Act.

10. LEGEND ON CERTIFICATES. Each certificate for shares of Common Stock of the Company issued to Participant upon exercise of an option shall, in the sole discretion of the Company, bear a legend substantially as follows:

"The shares represented by this certificate have not been registered under the Securities Act of 1933, as amended. The shares may not be sold or transferred in the absence of such registration or an opinion of counsel that registration is not required due to an exemption from registration under that Act."

11. EMPLOYMENT RIGHT. This Agreement shall not be construed as requiring the Company to retain Participant as an employee or affect or limit the right of the Company to terminate the employment of Participant at any time for any reason or to give Participant any additional rights as an employee beyond those rights granted by law or by contract. As consideration for receiving the option, Participant agrees that he will remain in the employ of the Company for at least one year from the date of the grant of the option, unless his employment is terminated because of disability or with the consent of the Company.

12. COMPLIANCE WITH PLAN. Participant agrees to comply with all applicable provisions of the Plan, a copy of which has been delivered to Participant and receipt of which is hereby acknowledged.

13. CONFLICT WITH PLAN. In the event of any conflict between any term of this Agreement and the Plan, the terms of the Plan shall prevail. Except for terms defined in this Agreement, the definitions contained in the Plan will apply to this Agreement.

14. ASSIGNMENT AND DISPOSITION. Participant shall not transfer or assign or in any way dispose of any option granted herein except in accordance with the Plan and applicable law.

15. NOTICE OF EXERCISE. This option may be exercised by delivering to the Company at the office of its Treasurer a written notice, signed by the person entitled to exercise the option and stating the number of shares to be purchased. Such notice shall, as an essential part thereof; be accompanied by payment of the full purchase price of the shares to be purchased. Upon payment within the time period specified by the Company of the amount, if any, required to be withheld for Federal, state and local tax purposes as a result of the exercise of the option, the option shall be deemed exercised as of the date the Company received the written notice of exercise. The Participant may satisfy any withholding requirement by authorizing the Company at the time of exercise to

withhold from his next salary payment all or part of the amount required to be withheld by the Company as a result of such exercise. Participant may satisfy the withholding obligation by authorizing the Company to withhold shares from the shares acquired hereunder equal in value to the amount required to satisfy such withholding. Payment of the purchase price may be made in cash or in shares equal in value to the exercise price, or partly in cash and partly in shares. The option shall not be exercisable if the exercise would violate any applicable state securities law, any registration or other requirements under the Act, any requirements of NASDAQ or any other national securities exchange on which the shares are listed at the time of exercise of the option or any applicable legal requirement of any other governmental authority.

IN WITNESS WHEREOF, the Company and Participant have executed this Incentive Stock Option Agreement as of the date indicated above.

HMI INDUSTRIES INC.

By /s/ Carl H. Young III

Executive Vice President

ATTEST:

/s/ John A. Meany Jr.

Secretary

/s/ Mark A. Kirk

Participant

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Exhibit 10.4

HMI INDUSTRIES INC.
EXHIBIT 10
MATERIAL CONTRACTS - DEFERRED BONUS AGREEMENT
<TABLE>
<CAPTION>

PARTICIPANT	EFFECTIVE DATE	DATE OF BONUS	VALUE OF BONUS
<S>	<C>	<C>	<C>
James R. Malone	7/2/97	4/1/98	12,500
		7/1/98	12,500
		10/1/98	12,500
		1/2/99	12,500
		4/1/99	12,500
		7/1/99	12,500
		10/1/99	10,200
Carl H. Young III	7/2/97	4/1/98	12,500
		7/1/98	12,500
		10/1/98	12,500
		1/2/99	12,500
		4/1/99	12,500
		7/1/99	12,500
		10/1/99	10,200
Mark A. Kirk	7/2/97	4/1/99	12,500
		7/1/98	12,500
		10/1/99	12,500
		1/2/99	12,500
		4/1/99	12,500
		7/1/99	12,500
		10/1/99	10,200

</TABLE>

see filed exhibit for Mark A. Kirk

DEFERRED BONUS AGREEMENT

THIS DEFERRED BONUS AGREEMENT is entered into as of this 2nd day of July by and between HMI Industries Inc., a Delaware corporation (the "Company"), with its principal place of business at 3631 Perkins Avenue, Cleveland, OH and MARK A. KIRK (the "Executive").

WHEREAS, the Executive has been employed by the Company as a senior officer; and,

WHEREAS, the Company wants to recognize his past service to the Company and provide incentive for future services to the Company; and,

WHEREAS, the Company believes that a cash bonus is the most tangible form of recognition that the Executive can receive.

NOW, THEREFORE, in consideration of the premises and other covenants contained herein, the Company and the Executive hereby agree as follows:

1. PAYMENT OF CASH BONUS. The Company agrees to pay to Executive on each of the days set forth below a cash bonus with a value equal to the fair market value of the number of shares of common stock (the "Shares") set forth below:

<TABLE>
<CAPTION>

Date of Bonus	Value of Bonus
<S>	<C>
April 1, 1998	12,500 shares
July 1, 1998	12,500 shares
October 1, 1998	12,500 shares
January 2, 1999	12,500 shares
April 1, 1999	12,500 shares
July 1, 1999	12,500 shares
October 1, 1999	10,200 shares

</TABLE>

The determination of the fair market value of the Shares shall be made as of the date the cash bonus is due and shall be made by the Company's Board of Directors, whose good faith determination shall be final and conclusive for purposes of this Agreement.

2. REPLACEMENT OF CASH BONUS WITH RESTRICTED STOCK AWARD. On or prior to the date any cash bonus provided for in section 1 is due, the Company may replace said cash bonus with an award of restricted stock under the Company's 1992 Omnibus Long-Term Compensation Plan (the "Plan"), provided that (i) such award must be for an identical number of shares (taking into account any stock splits, stock dividends, reorganization, recapitalization, or similar transactions); (ii) such award must be in substantially the same form as the award of restricted stock received by the Executive on July 2, 1997; and (iii) the vesting dates for the restricted stock (and the lapse of any forfeiture requirements with respect to such stock) must be the dates set forth above in

Section 1 and the number of vested, non-forfeitable Shares as of each such date must correspond

to the number of Shares set forth above in Section 1. In the event any or all of the cash bonuses are replaced with an award of restricted stock, this Agreement shall be null and void with respect to such replaced bonuses and such replaced bonuses shall not be paid.

3. TERMINATION OF EMPLOYMENT; CHANGE IN CONTROL. In the event that the Company terminates the Executive's employment for Cause or Executive voluntarily terminates his employment prior to the date such cash bonus is due, no bonus otherwise due subsequent to the date of such termination shall be paid to Executive. In the event Executive's employment is terminated for any other reason (including by reason of Executive's death or disability), all bonuses due subsequent to the date of such termination shall be accelerated and Executive (or his beneficiaries) shall receive in cash the bonuses (based on the fair market value of the shares on the date of termination) within five business days of the termination of his employment. In the event (i) the Company undergoes a Change in Control (as defined in the Plan), or (ii) the Company's Common Stock ceases to be listed or traded on a national securities exchange (including the NASDAQ National Market System), all bonuses due subsequent to such event shall be accelerated and Executive shall receive in cash the bonuses (based on the fair market value of the shares on the date of the event in (i) or (ii)) within five business days of the occurrence of such event.

4. DEFINITION OF CAUSE. For purposes of this Agreement, Cause shall exist only if (i) the Executive is convicted of a felony or a crime involving dishonesty or moral turpitude, or (ii) there is a material breach of, or neglect of; the Executive's duties and responsibilities that is willful and deliberate and that is likely to result in material economic injury to the Company.

5. WITHHOLDING. The Company shall be entitled to deduct from any payment due under this Agreement the amount of all applicable income and employment taxes required by law to be withheld with respect to such payments.

6. SUCCESSORS. This Agreement shall be binding upon and shall inure to the benefit of any successors to the Company and all persons lawfully claiming under the Executive.

7. ADJUSTMENTS. In the event of any stock split, stock dividend, reorganization, recapitalization, or other similar event, the number of Shares set forth in Section 1 shall be adjusted as is appropriate. The amount of such adjustment shall be determined by the Company's Board of Directors, whose good faith determination shall be final and conclusive for purposes of this Agreement.

8. GOVERNING LAW. This Agreement shall be governed by Ohio law.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by the person whose name appears below, thereunto duly authorized, and the Executive has executed this Agreement, all as of the date first written above.

HMI INDUSTRIES INC.

/s/ Robert J. Abrahams

Robert J. Abrahams
Chairman, Compensation Committee

/s/ Mark A. Kirk

Mark A. Kirk

Exhibit 10.5

[HMI INDUSTRIES LETTERHEAD]

December 15, 1996

Mr. James R. Malone
HMI Industries Inc.
100 South Ashley Drive
Tampa, Florida 33602

Re: Terms and conditions of employment.

Dear Jim:

This is to confirm the terms and conditions of your employment as Chairman of the Board of HMI Industries Inc. (the "COMPANY") beginning on December 15, 1996 and continuing thereafter for an indefinite period, subject to the severance terms specified below. The other terms and conditions of your employment are as follows:

1. Your duties shall be consistent with the office of Chairman of the Board, as may be specified from time to time by the President and Chief Executive Officer of the Company and the Board of Directors. You shall devote a portion of your time, energies and skills on a regular basis to performing your duties for the Company.

2. You will be based in the Tampa office at the address listed above, however your duties will involve traveling to various locations outside your office; and more particularly, significant duties will require your presence at the Company's Cleveland, Ohio office.

3. You shall receive an annual base compensation of $ 325,000, payable semi-monthly on the 15th and last day of each month, in the amount of $ 13,541.66.

4. You shall be eligible to participate in the Company's Executive Incentive Plan, and you shall be an eligible participant in the Company's 1992 Omnibus Long-Term Compensation Plan (the "OMNIBUS PLAN").

5. The Company shall reimburse you up to $ 22,000 annually for country club charges, professional affiliation dues, and business conferences.

6. You shall receive an automobile allowance of $ 1,450 per month plus reimbursements for gasoline, oil, maintenance, and automobile insurance, including full damage and liability coverage. The personal injury liability coverage shall include limits of $ 500,000 per person and $ 500,000 per accident, and property damage coverage of $ 250,000.

7. The Company shall continue to keep in force the life insurance policy that you currently have with Northwestern Mutual pursuant to your prior employment, and the Company shall pay the "split dollar" premiums on the Northwestern Mutual policy for the duration of your employment by the Company. In addition, you shall be eligible for participation in all Company benefit plans pertaining to life insurance, and you shall be provided with the standard executive life insurance coverage that other senior executives of the Company receive.

8. In the event the Company terminates your employment for any reason other than "for cause" (as defined below), you shall receive the following severance benefits.

   (a) You shall receive a full year's salary of $ 325,000, promptly upon such termination.

   (b) All shares of Restricted Common Stock granted or to be granted to you under the Omnibus Plan that have not yet vested shall vest immediately, and certificates representing such shares shall be promptly delivered to you. At that time, all restrictions applicable to such shares shall be terminated, except to the extent necessary to comply with applicable securities laws.

   (c) All options granted or to be granted to you to purchase the Company's Common Stock that have not yet vested shall vest immediately.

Termination "for cause" shall mean termination of your employment by

the Company due to your (i) malfeasance or (ii) conviction of, or admission to, a crime involving moral turpitude.

I believe that the above terms and conditions of your employment by the Company are consistent with the prior discussions we have had. Please acknowledge your acceptance and agreement below.

Sincerely,

HMI Industries Inc.

By: /s/ Kirk W. Foley

Kirk W. Foley, President
and Chief Executive Officer

ACCEPTED AND AGREED TO BY:

/s/ James R. Malone

James R. Malone

Exhibit 10.6

[HMI INDUSTRIES LETTERHEAD]

January 31, 1997

Mr. Mark A. Kirk
HMI Industries Inc.
100 South Ashley Drive
Tampa, Florida 33602

Re: Terms and conditions of employment.

Dear Mark:

This is to confirm the terms and conditions of your employment as Vice President and Chief Financial Officer of HMI Industries Inc. (the "COMPANY") beginning on January 31, 1997 and continuing thereafter for an indefinite period, subject to the severance terms specified below. The other terms and conditions of your employment are as follows:

1. Your duties shall be consistent with the offices of Vice President and Chief Financial Officer, as may be specified from time to time by the President and Chief Executive Officer of the Company and the Board of Directors. You shall devote your time, energies and skills on a full-time basis to performing your duties for the Company.

2. You will be based in the Tampa office at the address listed above, however your duties will involve traveling to various locations outside your office; and more particularly, significant duties will require your presence at the Company's Cleveland, Ohio office.

3. You shall receive an annual base compensation of $ 200,000, payable semi-monthly on the 15th and last day of each month, in the amount of $ 8,333.33.

4. You shall be eligible to participate in the Company's Executive Incentive Plan, and you shall be an eligible participant in the Omnibus Plan (as defined below).

5. You shall receive an initial compensation payment of $ 65,000 for agreeing to the terms and conditions of this employment, and such amount shall be paid $ 32,500 on March 1, 1997 and $ 32,500 on May 1, 1997. As a "Key Employee" defined under the Company's 1992 Omnibus Long-Term Compensation Plan (the "OMNIBUS PLAN"), you shall receive a grant of 20,000 shares of Restricted Common Stock as defined under the Omnibus Plan. Such shares of the Company's Common Stock shall become fully vested at the earlier of January 31, 1998 or upon a "Change In Control" of the Company, as defined by the Omnibus Plan. Such 20,000 shares shall be subject to adjustment as may be appropriate to increase the number of such shares to be issued to you due to a subdivision of the Company s outstanding Common Stock resulting from a stock dividend or stock split, or a decrease in the number of such shares due to a combination of the Company's outstanding Common Stock into a smaller number of shares resulting from a reverse stock split.

6. You shall receive an automobile allowance of $ 750 per month plus reimbursements for gasoline, oil, maintenance, and automobile insurance, including full damage and liability coverage. The personal injury liability coverage shall include limits of $500,000 per person and $500,000 per accident, and property damage coverage of $250,000.

7. The Company shall continue to keep in force the life insurance policy that you currently have with Northwestern Mutual pursuant to your prior employment, and the Company shall pay the "split dollar" premiums on the Northwestern Mutual policy for the duration of your employment by the Company. In addition, you shall be eligible for participation in all Company benefit plans pertaining to life insurance, and you shall be provided with the standard executive life insurance coverage that other senior executives of the Company receive.

8. The Company acknowledges the consulting services you provided to the Company prior to January 31, 1997 and shall pay you the sum of $ 8,000 for such services, contemporaneously with the signing of this letter agreement.

9. In the event the Company terminates your employment for any reason other than "for cause" (as defined below), you shall receive the following severance benefits.

(a) You shall receive a full year's salary of $ 200,000, promptly upon such termination.

(b) All shares of Restricted Common Stock granted or to be granted to you under the Omnibus Plan that have not yet vested shall vest immediately, and certificates representing such shares shall be promptly delivered to you . At that time, all restrictions applicable to such shares shall be terminated, except to the extent necessary to comply with applicable securities laws.

(c) All options granted or to be granted to you to purchase the Company's Common Stock that have not yet vested shall vest immediately.

Termination "for cause" shall mean termination of your employment by the Company due to your (i) malfeasance or (ii) conviction of, or admission to, a crime involving moral turpitude.

I believe that the above terms and conditions of your employment by the Company are consistent with the prior discussions we have had. Please acknowledge your acceptance and agreement below.

HMI Industries Inc.

By: /s/ Kirk W. Foley

Kirk W. Foley, President
and Chief Executive Officer

ACCEPTED AND AGREED TO BY:

/s/ Mark A. Kirk

Mark A. Kirk

Exhibit 10.7

[HMI INDUSTRIES LETTERHEAD]

January 31, 1997

Mr. Carl H. Young, III
HMI Industries Inc.
100 South Ashley Drive
Tampa, Florida 33602

Re: Terms and conditions of employment.

Dear Carl:

This is to confirm the terms and conditions of your employment as Vice President and General Counsel of HMI Industries Inc. (the "COMPANY") beginning on January 31, 1997 and continuing thereafter for an indefinite period, subject to the severance terms specified below. The other terms and conditions of your employment are as follows:

1. Your duties shall be consistent with the offices of Vice President and General Counsel, as may be specified from time to time by the President and Chief Executive Officer of the Company and the Board of Directors. You shall devote your time, energies and skills on a full-time basis to performing your duties for the Company.

2. You will be based in the Tampa office at the address listed above, however your duties will involve traveling to various locations outside your office; and more particularly, significant duties will require your presence at the Company's Cleveland, Ohio office.

3. You shall receive an annual base compensation of $ 200,000, payable semi-monthly on the 15th and last day of each month, in the amount of $ 8,333.33.

4. You shall be eligible to participate in the Company's Executive Incentive Plan, and you shall be an eligible participant in the

Omnibus Plan (as defined below).

5. You shall receive an initial compensation payment of $ 65,000 for agreeing to the terms and conditions of this employment, and such amount shall be paid $ 32,500 on March 1, 1997 and $ 32,500 on May 1, 1997. As a "Key Employee" defined under the Company's 1992 Omnibus Long-Term Compensation Plan (the "OMNIBUS PLAN"), you shall receive a grant of 20,000 shares of Restricted Common Stock as defined under the Omnibus Plan. Such shares of the Company s Common Stock shall become fully vested at the earlier of January 31, 1998 or upon a "Change In Control" of the Company, as defined by the Omnibus Plan. Such 20,000 shares shall be subject to adjustment as may be appropriate to increase the number of such shares to be issued to you due to a subdivision of the Company's outstanding Common Stock resulting from a stock dividend or stock split, or a decrease in the number of such shares due to a combination of the Company's outstanding Common Stock into a smaller number of shares resulting from a reverse stock split.

6. You shall receive an automobile allowance of $ 750 per month plus reimbursements for gasoline, oil, maintenance, and automobile insurance, including full damage and liability coverage. The personal injury liability coverage shall include limits of $ 500,000 per person and $ 500,000 per accident, and property damage coverage of $ 250,000.

7. The Company shall continue to keep in force the life insurance policy that you currently have with Northwestern Mutual pursuant to your prior employment, and the Company shall pay the "split dollar" premiums on the Northwestern Mutual policy for the duration of your employment by the Company. In addition, you shall be eligible for participation in all Company benefit plans pertaining to life insurance, and you shall be provided with the standard executive life insurance coverage that other senior executives of the Company receive.

8. The Company acknowledges the consulting services you provided to the Company prior to January 31, 1997 and shall pay you the sum of $ 8,000 for such services, contemporaneously with the signing of this letter agreement.

9. In the event the Company terminates your employment for any reason other than "for cause" (as defined below), you shall receive the following severance benefits.

(a) You shall receive a full year's salary of $ 200,000, promptly upon such termination.

(b) All shares of Restricted Common Stock granted or to be granted to you under the Omnibus Plan that have not yet vested shall vest immediately, and certificates representing such shares shall be promptly delivered to you. At that time, all restrictions applicable to such shares shall be terminated, except to the extent necessary to comply with applicable securities laws.

(c) All options granted or to be granted to you to purchase the Company's Common Stock that have not yet vested shall vest immediately.

Termination "for cause" shall mean termination of your employment by the Company due to your (i) malfeasance or (ii) conviction of, or admission to, a crime involving moral turpitude.

I believe that the above terms and conditions of your employment by the Company are consistent with the prior discussions we have had. Please acknowledge your acceptance and agreement below.

Sincerely,

HMI Industries Inc.

By: /s/ Kirk W. Foley

Kirk W. Foley, President
and Chief Executive Officer

ACCEPTED AND AGREED TO BY:

/s/ Carl H. Young

Carl H. Young, III

Exhibit 10.8

HMI INDUSTRIES INC.
EXHIBIT 10
MATERIAL CONTRACTS - RESTRICTED STOCK AGREEMENT

<TABLE>
<CAPTION>

PARTICIPANT	AGREEMENT DATE	SHARES	VESTING DATE
<S>	<C>	<C>	<C>
James R. Malone	7/2/97	12,500	10/1/97
		12,500	01/2/98
Carl H. Young III	7/2/97	12,500	10/1/97
		12,500	01/2/98
Mark A. Kirk	7/2/97	12,500	10/1/97
		12,500	01/2/98

</TABLE>

Mr. Malone, Mr. Young and Mr. Kirk forfeited and surrendered the right to the shares to be issued on October 1,1997,

see filed exhibit for Mark A. Kirk

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RESTRICTED STOCK AGREEMENT

THIS RESTRICTED STOCK AGREEMENT is entered into as of this 2nd day of July, 1997, by and between HMI Industries Inc., a Delaware corporation, with its principal place of business at 3631 Perkins Avenue, Cleveland, Ohio (the "Company"), and MARK A. KIRK (the "Employee").

WHEREAS, the Employee is employed as a senior executive of the Company; and,

WHEREAS, pursuant to the Company's 1992 Omnibus Long-Term Compensation Plan (the "Plan") the Board of Directors of the Company has approved a grant to the Employee of 25,000 shares of Common Stock of the Company, par value $1.00 per share, subject to certain restrictions; and,

WHEREAS, the Employee has agreed to accept the shares subject to the restrictions placed on his ownership of the shares.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the Company and the Employee agree as follows:

1. GRANT OF SHARES. The Company grants to the Employee 25,000 shares of Common Stock of the Company subject to the restrictions in section 2 (the "Shares"), and the Employee accepts the Shares subject to the restrictions.

2. VESTING. The shares shall vest on the following dates in the amount indicated:

October 1, 1997	12,500 shares
January 2, 1998	12,500 shares

Prior to the vesting of the Shares, if the Employee terminates his employment with the Company or if the Company shall terminate his employment with Cause (as defined below), the shares shall be forfeited as provided in section 4. In the event of the following occurrences, all unvested shares shall vest immediately and shall not be subject to forfeiture: (a) Termination of the Employee's employment without Cause; (b) Death of the Employee; (c) Change in Control of the Company as defined in the Plan; (d) Termination of the Company's Common Stock from trading on a national securities exchange.

3. DEFINITION OF CAUSE. Termination of Employee's employment for any of the

following reasons will constitute cause: (a) conviction of a felony or a crime involving dishonesty or moral turpitude; (b) material breach of, or neglect of, the Employee's duties and responsibilities that is willful and deliberate and that is likely to result in material economic injury to the Company.

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4. FORFEITURE. In the event that the shares granted herein do not vest, the shares shall be surrendered and canceled and returned to the Company's treasury, and the Employee shall receive no payment in consideration of such forfeited shares.

5. RESTRICTED LEGEND. Employee acknowledges that the shares granted herein have not been registered under the Securities Act of 1933, as amended, and that the shares will contain a legend reading substantially as follows:

> "The shares represented by this certificate have not been registered under the Securities Act of 1933. The shares may not be sold or transferred in the absence of such registration or an opinion of counsel that registration is not required due to an exemption from registration under that Act."

6. INVESTMENT INTENT. Employee acknowledges that these shares are being held for investment purposes only and not with a view to distribution or resale. Employee agrees not to sell or otherwise transfer such shares without registration or an opinion of counsel that registration is not required.

7. SAFEGUARDING OF SHARES. Employee agrees that the Company will retain the shares until they vest or are forfeited. Employee further agrees to execute an assignment separate from certificate with a medallion signature guarantee transferring the shares to the Company in the event of forfeiture.

8. RECEIPT OF PLAN. Employee acknowledges receipt of a copy of the Plan, and agrees that this grant of Restricted Shares shall be subject to all of the terms and provisions of the Plan, including any future amendments.

9. TAXES. Employee acknowledges that any federal, state or local income taxes that may be due as a result of this grant are solely the responsibility of the Employee, and agrees to pay any such taxes when due. If, as a result of this grant, the Company is required to withhold any amount from the Employee for federal, state or city income tax, FICA or Medicare Tax or other similar taxes or fees for which withholding is required by an employer for compensation paid to an employee, the Employee authorizes the Company to withhold, from other cash sources due to the Employee from the Company, sufficient amounts to pay any withholding which may be required as a result of the grant of shares.

10. NO CONTRACT OF EMPLOYMENT. This agreement does not constitute a contract of employment, and nothing herein shall be construed as creating a contract of employment between the Employee and the Company.

11. CONSIDERATION. It is understood that the consideration for the Shares shall be past services through the date of issuance having a value not less than the par value of the shares.

12. BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of any successors to the Company and all persons lawfully claiming under the Employee.

IN WITNESS WHEREOF, the Company and Employee have executed this Restricted Stock Agreement as of the date indicated above.

HMI INDUSTRIES INC.

By /s/ Robert J. Abrahams

Robert J. Abrahams, Chairman
Compensation Committee

/s/ Mark A. Kirk

Mark A. Kirk

EXECUTION COPY

EXHIBIT 10.9

U.S. $20,000,000

AMENDED AND RESTATED CREDIT AGREEMENT,

dated as of June 6, 1997,

among

STAR BANK, NATIONAL ASSOCIATION,

as Bank,

and

HMI INDUSTRIES INC.,
and
BLISS MANUFACTURING COMPANY,

as Borrowers.

<TABLE>
<CAPTION>

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AMENDED AND RESTATED CREDIT AGREEMENT

THIS AMENDED AND RESTATED CREDIT AGREEMENT (this "Agreement") between STAR BANK, NATIONAL ASSOCIATION, a national banking association ("Bank"), HMI INDUSTRIES INC., a Delaware corporation ("Parent"), and BLISS MANUFACTURING COMPANY, an Ohio corporation ("Bliss") (Parent and Bliss being sometimes hereinafter collectively referred to as the "Borrowers" and individually as a "Borrower"), covering the terms upon which Bank will make loans and/or advances to Borrowers, is as follows:

WITNESSETH:

WHEREAS, HMI Incorporated, an Ontario corporation ("HMI Inc."), Newton Falls Holding Company, a Delaware corporation ("Newton"), Tube-Fab Ltd., an Ontario corporation ("Tube-Fab"), Tube Form, Inc., an Ohio corporation ("The Form"), Health-Mor International, Inc., a U.S. Virgin Islands corporation ("International"), Health-Mor Acceptance Corporation, a Delaware corporation ("Acceptance"), HMI Acceptance Corporation, an Ontario corporation ("HMI Acceptance"), and Health-Mor Acceptance Pty. Ltd., an Australian corporation ("Pty") (HMI Inc., Newton, Tube-Fab, Tube Form, International, Acceptance, HMI Acceptance, Pty and Health-Mor personal Care Corporation, a Delaware corporation ("Personal Care") being sometimes hereinafter collectively referred to as the "Guarantor Subsidiaries" and individually as a "Guarantor Subsidiary"), Borrowers and Bank entered into that certain Credit Agreement, dated as of August 14, 1996, as amended by that certain First Amendment to Credit Agreement, dated as of November 15, 1996, and as further amended by that certain Second Amendment to Credit Agreement, dated as of December 19, 1996, that certain Third Amendment to Credit Agreement, dated as of March 7, 1997, and that certain Fourth Amendment to Credit Agreement, dated as of April 7, 1997 (collectively, the "Existing Credit Agreement");

WHEREAS, as of the Effective Date (as hereinafter defined), the aggregate (a) outstanding principal amount of all loans and advances under the Existing Credit Agreement is Nineteen Million One Hundred Nintey-Three Thousand Dollars ($19,193,000) (the "Existing Loans") and (b) undrawn face amount of all letters of credit issued under the Existing Credit Agreement (the "Existing Letters Credit"), each of which is listed on ANNEX 1 attached hereto, is Two Hundred Thousand Dollars ($200,000);

WHEREAS, pursuant to the Existing Credit Agreement, (a) certain of the Existing Loans were advanced

directly to Parent by Bank and were used by Parent for Parent's working capital needs, and (b) certain of the Existing Loans were advanced by Bank to Parent as agent for Bliss and used by Bliss for Bliss' working capital needs;

WHEREAS, under the Existing Credit Agreement, all of the Existing Letters of Credit were issued for the account of Parent;

WHEREAS, all of Parent's and Bliss' obligations with respect to the Existing Loans and the Existing Letters of Credit are guaranteed, jointly and severally, by the Borrowers and the Guarantor Subsidiaries (other than Personal Care) pursuant to the terms of the Existing Credit Agreement and various other agreements and documents executed in connection therewith ;

WHEREAS, Borrowers and the Guarantor Subsidiaries desire to amend and restate the Existing Credit Agreement in its entirety to, among other things, (a) restructure the Existing Loans into revolving loans and term loans, (b)

provide revolving loan facilities to Parent and Bliss, (c) amend the terms of certain covenants contained in the Existing Credit Agreement, and (d) provide for certain other matters, all as herein provided; and

WHEREAS, Bank is willing, on the terms and conditions set forth herein, to amend and restate the Existing Credit Agreement;

NOW, THEREFORE, in consideration of the premises and the agreements contained herein, the Guarantor Subsidiaries, by their execution and delivery of the Consent and Agreement attached hereto, and Borrowers agree that, from and after the Effective Date (as hereinafter defined), the Existing Credit Agreement be, and the same hereby is, amended and restated in its entirety to read as set forth above and as follows:

1. CAPITALIZED TERMS. Certain capitalized terms used herein are defined in this SECTION 1.

1.1 DEFINED TERMS. Whenever the following terms (whether or not underscored) are used herein, they shall be defined as follows (such meanings to be equally applicable to the singular and plural forms thereof) :

"AFFILIATE" of any Person shall mean (a) any Person who or which is a director, manager (to the extent such Person is a limited liability company), managing general partner or officer of such Person, or (b) any other Person who or which, directly or indirectly, either individually or together with members of his or her immediate family (as

defined in Item 404 of Regulation S-K ("Item 404") promulgated pursuant to the Securities Act of 1933, as amended), beneficially owns ten percent (10%) or more of the voting stock of, or partnership interests, membership interests or other similar equity interests in, such Person, or (c) any member of the immediate family (as defined in Item 404), of such Person or of any Person described in clause (a) or (b) above, or (d) any other Person in which any Person described in clause (a), (b) or (c) above owns, directly or indirectly, a fifty percent (50%) or greater equity interest. Without limiting the foregoing, for purposes of this Agreement, (w) all of each Borrower's and each Guarantor Subsidiary's members, officers, shareholders, directors, parent corpora- tions, subsidiary corporations, joint venturers and partners, (x) each member of the immediate family (as defined in Item 404) of the Persons described in clause (w), (y) each Person as to which any of the Persons described in clause (w) or any member of the immediate family (as defined in Item 404) of any such Persons is a director, manager (to the extent such Person is a limited liability company), managing general partner or officer, and (z) each Person in which any of the Persons described in clause (w) or any member of the immediate family (as defined in Item 404) of any such Persons owns, directly or indirectly, a ten percent (10%) or greater equity interest, shall at all times be deemed to be an Affiliate of each Borrower and each Guarantor Subsidiary.

"AGGREGATE BORROWING BASE" shall mean, as at any time, an amount equal to the sum of the Individual Borrower Revolving Loan Borrowing Bases then in effect with respect to Borrowers .

"AGGREGATE LETTER OF CREDIT AVAILABILITY" shall mean, as at any time, an amount equal to the lesser of (a) the difference of Three Million Dollars ($3,000,000) less the aggregate Letter of Credit Face Amount for all Letters of Credit then outstanding, or (b) the Aggregate Revolving Loan Availability .

"AGGREGATE REVOLVING LOAN AVAILABILITY" shall mean, as at any time, an amount equal to the difference of:

(i) the lesser of (a) Thirteen Million Dollars ($13,000,000), or (b) an amount equal to the then Aggregate Borrowing Base ;

LESS

(ii) the then aggregate outstanding principal amount of all Revolving Loans.

"APPLICABLE RATE" shall have the meaning ascribed thereto in SECTION 3.10 hereof.

"ATTORNEYS' FEES" shall mean the reasonable fees for services (and costs and expenses related thereto) of all attorneys (and all paralegals and other staff employed by such attorneys) employed by Bank from time to time in connection with the negotiation, preparation, closing, administration, monitoring and enforcement of this Agreement or any other Loan Document or of any amendment, amendment and restatement, supplement or other modification of this Agreement or any other Loan Document, any transaction contemplated by this Agreement or any other Loan Document, any refinancing or restructuring of the credit arrangements provided under this Agreement or any other Loan Document, or the protection, preservation, collection, leasing, selling, taking possession, or liquidation of any of the Collateral or the Premises.

"AVAILABILITY DEFICIENCY" shall mean the occurrence, as at any date, of a condition in which (i) the sum of (a) the then aggregate outstanding principal amount of the Revolving Loans PLUS (b) the then aggregate outstanding principal amount of the Term Loans PLUS (c) the aggregate Letter of Credit Face Amount for all Letters of Credit then outstanding PLUS (d) the Reserve Amount then in effect for each Borrower, exceeds (ii) the difference of (a) Twenty Million Dollars ($20,000,000) LESS (b) the greater of (A) the aggregate amount of the amortization payments of the Term Loans (including any mandatory payments of the Special Term Loan) required to have been made by Borrowers on or prior to such date or (B) the aggregate principal amount of the Term Loans repaid by the Borrowers as of such date.

"BLISS EQUIPMENT TERM LOAN" shall have the meaning ascribed thereto in SECTION 2.1 hereof.

"BLISS EQUIPMENT TERM LOAN FACILITY" shall have the meaning ascribed thereto in SECTION 2.1 hereof.

"BLISS LOCKED BOX" shall have the meaning ascribed thereto in SECTION 7.3 hereof.

"BLISS SPECIAL ACCOUNT" shall have the meaning ascribed thereto in SECTION 7.4 hereof.

"BLISS' EXISTING LOANS" shall have the meaning ascribed thereto in SECTION 2.2 hereof.

"BORROWING BASE CERTIFICATE" shall have the meaning ascribed thereto in SECTION 8.3(b) hereof.

"BORROWING BASE DEFICIENCY" shall mean any failure of the Aggregate Revolving Loan Availability to be greater than or equal to zero (0) dollars.

"BUSINESS DAY" shall mean any day which is neither a Saturday or Sunday nor a legal holiday on which banks are authorized or required to be closed in Cincinnati, Ohio.

"CANADIAN GUARANTY" shall have the meaning ascribed thereto in SECTION 5.8 hereof.

"CANADIAN SECURITY AGREEMENTS" shall have the meaning ascribed thereto in SECTION 5.1 hereof.

"CASH COLLATERALIZATION NOTICE" shall have the meaning ascribed thereto in SECTION 7.3 hereof.

"CASH EQUIVALENTS" shall mean (a) securities with maturities of six (6) months or less from the date of acquisition issued or fully guaranteed or insured by the United States Government or any agency thereof, (b) certificates of deposit with maturities of six (6) months or less from the date of acquisition of, or money market accounts maintained with, Bank, any Affiliate of Bank, or any other domestic commercial bank having capital and surplus in excess of One Hundred Million Dollars ($100,000,000) or such other domestic financial institutions or domestic brokerage houses to the extent disclosed to, and approved by, Bank, and (c) commercial paper of a domestic issuer rated at least either A-1 by Standard & Poor's Corporation (or its successor) or P-1 by Moody's Investors Service, Inc. (or its successor) with maturities of six (6) months or less from the date of acquisition .

"CASUALTY LOSS" shall mean any of the following events with respect to any item of Collateral or any portion of the Premises: (i) the actual total loss of the item or such loss as shall render repair of the item uneconomical, (ii) the item shall become lost, stolen, destroyed, damaged beyond repair or

permanently rendered unfit for use for any reason whatsoever, or (iii) the condemnation or taking, by exercise of the power of eminent domain or otherwise, of such item or confiscation of such item, or of so much of any such item as to render impractical or unreasonable the use of such item for substantially the same purposes for which such item was used immediately prior to such condemnation, taking or confiscation .

"CHARGES" shall have the meaning ascribed thereto in SECTION 3.10 hereof.

"CLEVELAND MORTGAGE" shall mean that certain Open-End Mortgage of Real Property, Security Agreement of Personal Property and Assignment of Rents and Profits (Commercial Real Estate), dated as of March 7, 1996, executed by the Parent in favor of the Bank, and covering the Cleveland Premises, as amended by that certain First Amendment to Open- End Mortgage, dated June 6, 1997 and as the same may be further amended, amended and restated, supplemented or otherwise modified from time to time.

"CLEVELAND PREMISES" shall mean the real property and improvements thereon located at 3631 Perkins Avenue, Cleveland, Ohio 44114.

"CLEVELAND REAL ESTATE NOTE" shall mean that certain Amended and Restated Cognovit Promissory Note (Commercial Real Estate), dated as of June 6, 1997, executed by the Parent and certain other parties in favor of the Bank, in the original principal amount of Two Million Two Hundred Seventy Thousand Dollars ($2,270,000), as the same may be amended, amended and restated, replaced, renewed, supplemented or otherwise modified from time to time.

"COLLATERAL", "GENERAL INTANGIBLES", "EQUIPMENT", "INVENTORY" and "RECEIVABLES" shall have the meanings ascribed thereto in the Security Agreement and the Canadian Security Agreements. The term "COLLATERAL" shall include all of the collateral described in the Canadian Security Agreements.

"CONTROLLED GROUP" shall mean all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with either Borrower or any Guarantor Subsidiary, are treated as a single employer under Section 414 (b) or 414 (c) of the Internal Revenue Code, as amended, or Section 4001 of ERISA, as amended.

"DEFICIENCY" shall mean (collectively and individually) an Availability Deficiency, a Borrowing Base Deficiency, an Individual Borrower Borrowing Base Deficiency, a Letter of Credit Deficiency and a Discretionary Base Deficiency .

"DISCRETIONARY BASE DEFICIENCY" shall mean any Borrowing Base Deficiency or Individual Borrower Borrowing Base Deficiency directly resulting from and occurring immediately following the exercise by Bank of its discretion in changing its policy, criteria or methodology regarding its credit and collateral considerations in determining whether any of either Borrower's Receivables and Inventory will be considered by Bank to be Eligible Receivables and Eligible Inventory (other than any such change made by Bank after

review of the results of the collateral survey to be conducted by Barber & Mooney promptly after the Effective Date) .

"EFFECTIVE DATE" shall mean June 6, 1997.

"ELIGIBLE INVENTORY" shall mean "Inventory" of a Borrower consisting of raw materials (consisting of component parts with respect to Parent and steel with respect to Bliss) and finished goods, meeting all applicable specifications, which Bank, in its sole discretion, deems to be Eligible Inventory, based on such credit and collateral considerations as Bank may deem appropriate. Without limitation on the foregoing, the following shall not be deemed Eligible Inventory: Inventory of a Borrower (i) that is not readily saleable or usabre in such Borrower's business, or that is otherwise slow-moving or obsolete (including without limitation Inventory for which reserves for obsolescence have been provided for in the financial statements or for which obsolescence reserves are anticipated), in each case as determined by Bank in its sole discretion, (ii) that is located outside the United States, (iii) that is not subject to the first priority security interest of Bank, (iv) that is

located on premises not owned by such Borrower unless the owner and/or operator of such premises shall have executed and delivered to Bank a Landlord Waiver, or a warehouseman or other similar waiver in form and substance satisfactory to Bank, in its sole discretion, (v) that is subject to any trademark, trade name or licensing arrangement, or any law, rule or regulation, that could limit or impair the ability of Bank to promptly exercise any of its rights with respect thereto, (vi) with respect to which insurance proceeds, if any, are not payable to Bank as mortgagee or loss payee, (vii) that has been in existence for more than one (1) year, (viii) that is in the possession of any processor other than such Borrower unless such processor shall have executed and delivered to Bank a processor consignment agreement or other similar agreement in form and substance satisfactory to Bank, in its sole discretion, (ix) that is in transit, (x) with respect to which a Casualty Loss has been incurred, (xi) that consists of general supplies or maintenance supplies and packaging, and fuel, (xii) that is work-in-process "Inventory", or (xiii) as to which Bank, in its sole discretion, deems to be ineligible based on any other credit and/or collateral considerations as Bank deems appropriate.

"ELIGIBLE RECEIVABLES" shall mean those "Receivables" of a Borrower which (i) arise out of sales in the ordinary course of such Borrower's business to a Person who is not an Affiliate of such Borrower or otherwise controlled by such Borrower or by an Affiliate of such Borrower, (ii) have terms of sale which are ordinary terms of such Borrower and require payment in full within not more than sixty (60) days from the date of invoice, (iii) do not violate any warranty

with respect to Eligible Receivables set forth in SECTION 7.1 of this Agreement and (iv) are not more than ninety (90) days from the date of invoice thereof; PROVIDED, HOWEVER, that no Receivable of a Borrower shall be an Eligible Receivable if (a) the account debtor or any Affiliate of the account debtor has filed or had filed against it a petition in bankruptcy or for reorganization, made an assignment for the benefit of creditors, or failed, suspended business operations, become insolvent or had or suffered a receiver or a trustee to be appointed for a significant portion of its assets or affairs, (b) the account debtor is also a supplier to or creditor of such Borrower, unless such account debtor executes and delivers a Waiver of Rights to Counterclaim, Setoff and Defenses, in a form acceptable to Bank in its sole discretion, in favor of Bank, or unless the account debtor is General Motors Corporation or Dana Corporation, (c) the sale is to an account debtor outside the United States, unless the sale is (i) on a letter of credit, which is in form and substance satisfactory to Bank, in its sole discretion, which has been issued by a financial institution satisfactory to Bank, in its sole discretion, and which has been confirmed by Bank, (ii) on acceptance, and/or (iii) on other terms acceptable to Bank, in its sole discretion, (d) twenty-five percent (25%) or more of the Receivables from the account debtor and its Affiliates are ineligible for any reason, (e) the account debtor is the federal or any state government or any agency or department thereof, unless with respect to such Receivable the Assignment of Claims Act or comparable state statute or regulation has been complied with, (f) a Receivable to the extent it consists of finance charges, interest on delinquent accounts, proceeds of consigned Inventory, employee or officer Receivables, service charges, or debit memoranda, (g) the Receivable arises from a contract which contains a prohibition of assignment of such Receivable and/or the proceeds thereof, (h) the Receivable is evidenced by a promissory note or chattel paper, (i) the Receivable is generated by a sale on approval, a bill and hold sale, a sale on consignment, or other type of conditional sale, (j) the Receivable is not subject to the first priority security interest of Bank, (k) the account debtor is located in New Jersey, unless such Borrower shall have properly qualified to do business in New Jersey or shall have filed a Notice of Business Activities Report with the New Jersey Division of Taxation for the then current year, (l) the account debtor is located in Minnesota, unless such Borrower shall have properly qualified to do business in Minnesota shall have filed a Notice of Business Activities Report with the Minnesota Division of Taxation for the then current year, (m) the account debtor is located in any other state (including, but not limited to, Indiana) which requires that such Borrower, in order to sue any Person in such state's courts, either (i) qualify to do business in such state or (ii) file a report with the taxation division of such state for the then current year, unless such Borrower has fulfilled

either of such requirements for the then current year, (n) the Receivable is a progress billing, (o) the account debtor has sold or is selling substantially all of its assets, (p) the account debtor is incompetent or has died, (q) Bank or such Borrower has received a check for payment of such Receivable which has been returned uncollected, (r) the Receivable arises from an invoice issued by such Borrower prior to the delivery by such Borrower of the goods covered by

such invoice to the applicable account debtor, (s) the account debtor is disputing any Receivable or Receivables owed by that account debtor to the applicable Borrower, but only to the extent that the aggregate amount in dispute for all of such account debtor's Receivables which have been in dispute for more than thirty (30) days equals or exceeds Two Hundred Fifty Thousand Dollars ($250,000), or (t) Bank, in its sole discretion, believes that the collection of such Receivable is insecure, or that such Receivable may not be paid by reason of the account debtor's financial inability to pay, or deems such Receivable to be ineligible based on such other credit and/or collateral considerations as Bank deems appropriate. In addition, and without limitation of the foregoing, if any Receivables owed by a particular account debtor cause the aggregate amount of Eligible Receivables owed by that account debtor to exceed thirty-five percent (35%) of the aggregate amount of a Borrower's Eligible Receivables, then such Receivables shall not be Eligible Receivables to the extent of such excess.

"ENVIRONMENTAL COMPLIANCE RESERVE" shall mean all reserves which, in the reasonable discretion of Bank, shall be established from time to time for amounts that are required to be expended in order for a Borrower or a Guarantor Subsidiary and each of such Borrower's or Guarantor Subsidiary's operations and property to comply with Environmental Laws or in order to correct any violation by such Borrower or Guarantor Subsidiary or such Borrower' 5 or Guarantor Subsidiary's operations or property of Environmental Laws.

"ENVIRONMENTAL LAWS" shall mean any and all statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or other governmental restrictions relating to the environmental or the release of any materials into the environment (including, without limitation, Hazardous Materials) .

"EQUIPMENT LEASE GUARANTIES" shall mean, collectively, that certain (i) Amended and Restated Business Guaranty, dated June 6, 1997, executed by Tube Form, Tube-Fab, Bliss, Newton Falls, Personal Care, HMI Inc., International, Acceptance, HMI Acceptance, and Pty in favor of Bank, in a principal amount not to exceed $437,652, (ii) Amended and Restated Business Guaranty, dated June 6, 1997, executed by Parent in favor of Bank, in a principal amount not to exceed

$351,362, (iii) Amended and Restated Business Guaranty, dated June 6, 1997, executed by Parent in favor of Bank, in a principal amount not to exceed $145,000, (iv) Amended and Restated Business Guaranty, dated June 6, 1997, executed by Parent in favor of Bank, in a principal amount not to exceed $446,000, and (v) Amended and Restated Business Guaranty, dated June 6, 1997, executed by Parent in favor of Bank, in a principal amount not to exceed $815,470.

"EQUIPMENT LEASES" shall mean, collectively, that certain (i) Master Lease Agreement, dated June 2, 1993, Lease No. 698, executed by Bliss in favor of Bank, together with all Acceptance Supplements now existing or hereafter executed and delivered by Bliss, as amended by that certain Amendment No. 1 to Master Equipment Lease, dated June 6, 1997, and (ii) Master Lease Agreement, dated December 20, 1995, Lease No. 1060, executed by Parent in favor of Bank, together with all Acceptance Supplements now existing or hereafter executed and delivered by Parent, as amended by that certain Amendment No. 1 to Master Equipment Lease, dated June 6, 1997.

"ERISA" shall have the meaning ascribed thereto in SECTION 9.12 hereof.

"EVENT OF DEFAULT" shall have the meaning ascribed thereto in SECTION 12 hereof.

"EXISTING CREDIT AGREEMENT" shall have the meaning ascribed thereto in the Recitals hereof.

"EXISTING GUARANTY OBLIGATIONS" shall have the meaning ascribed thereto in SECTION 2.16 hereof.

"EXISTING LETTER OF CREDIT OBLIGATIONS" shall mean the sum of (i) the aggregate Letter of Credit Face Amount for all Existing Letters of Credit then outstanding PLUS (ii) the aggregate amount of each Borrower's unpaid obligations under Existing Credit Agreement and the Existing Letter of Credit Related Documents in respect of the Existing Letters of Credit.

"EXISTING LETTER OF CREDIT RELATED DOCUMENTS" shall mean any agreements or instruments relating to an Existing Letter of Credit.

"EXISTING LETTERS OF CREDIT" shall have the meaning ascribed thereto in the Recitals hereof.

"EXISTING LOANS" shall have the meaning ascribed thereto in the Recitals hereof.

"FINANCIAL COVENANTS" shall have the meaning ascribed thereto in SECTION 10.33 hereof.

"FINANCIALS" shall mean those financial statements attached to EXHIBIT T attached hereto and those financial statements delivered from time to time pursuant to SECTION 8.5, SECTION 8.6, SECTION 8.7, SECTION 8.11 and SECTION 8.12 hereof.

"FIRST CHICAGO LETTER OF CREDIT" shall mean that certain Existing Letter of Credit (and all documentation relating thereto) issued for the Account of Parent for the benefit of First Chicago Australia Ltd. which secures certain obligations owing by Pty to The First National Bank of Chicago, copies of which are attached hereto as ANNEX 2.

"GUARANTY" shall have the meaning ascribed thereto in SECTION 5.8 hereof.

"HAZARDOUS MATERIAL" shall have the meaning ascribed thereto in SECTION 9.9 hereof.

"HRS PROCEEDS" shall mean the proceeds (at least $2,000,000 of which shall be in cash) of HRS Sale.

"HRS SALE" shall mean the sale by Parent and HMI Inc. of all of the assets of the Household Rental Systems division of HMI Inc.

"INDEBTEDNESS" shall mean all of any Borrower's or any Guarantor Subsidiary's obligations and liabilities to any "Person" (as defined below), including, without limitation, all debts, claims and indebtedness, contingent, fixed or otherwise, heretofore, now and/or from time to time hereafter owing, due or payable, however evidenced, created, incurred, acquired or owing and however arising, whether under written or oral agreement, operation of law or otherwise. Indebtedness includes, without limiting the foregoing, (i) the "Obligations" (as defined below), (ii) obligations and liabilities of any Person secured by a lien, claim, encumbrance or security interest upon property owned by any Borrower or any Guarantor Subsidiary, even though such Borrower or Guarantor Subsidiary has not assumed or become liable for the payment therefor and (iii) obligations or liabilities created or arising under any lease of real or personal property, conditional sales contract or other title retention agreement with respect to property used and/or acquired by any Borrower or any Guarantor Subsidiary, even though the rights and remedies of the lessor, seller and/or lender thereunder are limited to repossession of such property .

"INDEMNIFIED LIABILITIES" shall have the meaning ascribed thereto in SECTION 15.10 hereof.

"INDEMNIFIED PARTY" shall have the meaning ascribed thereto in SECTION 15.10 hereof.

"INDIVIDUAL BORROWER BORROWING BASE DEFICIENCY" shall mean, with respect to each Borrower, any failure of the Individual Borrower Revolving Loan Availability applicable to such Borrower to be greater than or equal to zero (0) dollars.

"INDIVIDUAL BORROWER REVOLVING LOAN AVAILABILITY" shall mean, as at any time, an amount equal to the difference of (i) the Individual Borrower Revolving Loan Borrowing Base then in effect and applicable to each Borrower, less (ii) the then aggregate outstanding principal amount of all Revolving Loans to such Borrower.

"INDIVIDUAL BORROWER REVOLVING LOAN BORROWING BASE" shall mean, as at any time, with respect to each Borrower, an amount equal to the sum of (i) up to eighty percent (80%) of the amount of such Borrower's Eligible Receivables, PLUS (ii) up to fifty percent (50%) of the value of such Borrower's Eligible Inventory, MINUS (iii) any Reserve Amount then in effect and applicable to such Borrower.

"INDIVIDUAL LETTER OF CREDIT AVAILABILITY" shall mean, as at any time, with respect to a Borrower, an amount equal to the lesser of (a) the difference of Three Million Dollars ($3,000,000) LESS the aggregate Letter of Credit Face

Amount for all Letters of Credit then outstanding, or (b) such Borrower's Individual Borrower Revolving Loan Availability.

"INTERCREDITOR AGREEMENT" shall have the meaning ascribed thereto in SECTION 5.7 hereof.

"KIRK FOLEY GUARANTY" shall mean that certain Amended and Restated Business Guaranty, dated as of June 6, 1997, executed by the Parent in favor of the Bank, guarantying, among other things, the prompt payment when due of all amounts under the Kirk Foley Note, as the same may be amended, amended and restated, replaced, renewed, supplemented or otherwise modified from time to time.

"KIRK FOLEY NOTE" shall mean that certain Amended and Restated Promissory Note, dated as of June 6, 1997, executed by Kirk Foley in favor of the Bank, in the original principal amount of Five Hundred Eighteen Thousand Seven Hundred Fifty Dollars ($518,750), as the same may be amended, amended and restated, replaced, renewed, supplemented or otherwise modified from time to time.

"LANDLORD WAIVER" shall mean a Landlord Waiver substantially in the form of EXHIBIT F attached hereto.

"LEASED PREMISES" shall mean, collectively and individually, any real property and improvements thereon which is leased by Borrowers and/or the Guarantor Subsidiaries.

"LETTER OF CREDIT COLLATERAL ACCOUNT" has the meaning specified in SECTION 13.3 hereof.

"LETTER OF CREDIT DEFICIENCY" shall mean a condition whereby the Individual Letter of Credit Availability for either Borrower or the Aggregate Letter of Credit Availability is less than zero (0) dollars.

"LETTER OF CREDIT FACE AMOUNT" of any Letter of Credit (or Existing Letter of Credit, as the context may require) shall mean, at any time, the face amount of such Letter of Credit (or Existing Letter of Credit, as the context may require), after giving effect to all drawings paid thereunder and other reductions of such face amount and to all reinstatements of such face amount effected, pursuant to the terms of such Letter of Credit (or Existing Letter of Credit, as the context may require), prior to such time.

"LETTER OF CREDIT FACILITY" shall have the meaning ascribed thereto in SECTION 2.1 hereof.

"LETTER OF CREDIT OBLIGATIONS" shall mean, at any time, the sum of (i) the aggregate Letter of Credit Face Amount for all Letters of Credit then outstanding PLUS (ii) the aggregate amount of each Borrower's unpaid obligations under this Agreement and the Letter of Credit Related Documents in respect of the Letters of Credit.

"LETTER OF CREDIT RELATED DOCUMENTS" shall mean any agreements or instruments relating to a Letter of Credit.

"LETTERS OF CREDIT" shall have the meaning ascribed thereto in SECTION 2.9 hereof.

"LOANS" shall have the meaning ascribed thereto in SECTION 2.1 hereof.

"LOAN DOCUMENTS" shall mean this Agreement, the Equipment Lease Guaranties, the Kirk Foley Guaranty, the Cleveland Real Estate Note, the Cleveland Mortgage, the Equipment Leases, the First Chicago Letter of Credit, the Canadian Security Agreements, the Canadian Guaranty and all other documents, instruments and agreements executed in connection herewith and therewith and previously executed in connection with the Existing Credit Agreement to the extent not amended and restated in connection with this Agreement or otherwise expressly superseded by any documents, instruments or agreements executed in connection with this Agreement (including, but not limited to, the Existing Letters of Credit

and the Existing Letter of Credit Related Documents), all as the same may be

amended, amended and restated, replaced, renewed, supplemented or otherwise modified from time to time.

"LOCKED BOXES" shall mean, collectively, the Bliss Locked Box and the Parent Locked Box, and "Locked Box" shall mean either the Bliss Locked Box of the Parent Locked Box, as the case may be.

"MATERIAL ADVERSE EFFECT" shall mean the occurrence or existence of a material adverse effect on: (a) the business, property, assets, operations or condition, financial or otherwise, of the Borrower and the Guarantor Subsidiaries, taken as a whole; (b) the ability of the Borrowers or the Guarantor Subsidiaries, taken as a whole, to perform any of their payment or other Obligations under this Agreement or any of the other Loan Documents to which it is a party; (c) the legality, validity or enforceability of a Borrower's or any Guarantor Subsidiary's Obligations under this Agreement or any of the other Loan Documents to which it is a party; or (d) the ability of Bank to exercise its rights and remedies with respect to, or otherwise to realize upon any of the Collateral, the Premises or any other security for the Obligations .

"MAXIMUM RATE" shall have the meaning ascribed thereto in SECTION 3.10 hereof.

"MORTGAGES" shall have the meaning ascribed thereto in SECTION 5.4 hereof.

"MORTGAGED PREMISES" shall have the meaning ascribed thereto in SECTION 5.4 hereof.

"MULTIEMPLOYER PLAN" shall have the meaning set forth in Section 4001(a)(3) of ERISA.

"NOTE AGREEMENT" shall mean that certain Note Purchase Agreement, dated as of November 16, 1990, between the Noteholders and the Parent, as in effect on the Effective Date.

"NOTEHOLDERS" shall mean, collectively, Reliastar Life Insurance Company (f/k/a Northwestern National Life Insurance Company), Northern Life Insurance Company, Reliastar Bankers Security Life Insurance Company (successor by merger to the North Atlantic Life Insurance Company of America), Commercial Union Life Insurance Company of New York and Texas Life Insurance Company.

"OBLIGATIONS" shall mean the Loans and all other loans, advances, debts, liabilities, obligations, covenants and duties owing to Bank or any Affiliate of Bank from a

Borrower or any Guarantor Subsidiary of any kind, present or future, whether or not evidenced by or arising out of this Agreement, any of the Loan Documents, or any other agreement, transaction, extension of credit, letter of credit, guaranty or indemnification or in any other manner, whether or not for the payment of money, whether direct or indirect (including acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising and however acquired, and including, without limitation, all interest, charges, expenses, fees and any other sums chargeable to a Borrower or any Guarantor Subsidiary in connection with any of the foregoing, and all Attorneys' Fees.

"PARENT LOCKED BOX" shall have the meaning ascribed thereto in SECTION 7.3 hereof.

"PARENT SPECIAL ACCOUNT" shall have the meaning ascribed thereto in SECTION 7.4 hereof.

"PARENT'S EXISTING LOANS" shall have the meaning ascribed thereto in SECTION 2.2 hereof.

"PATENT ASSIGNMENTS" shall have the meaning ascribed thereto in SECTION 5.2 hereof.

"PENSION PLAN" means a "pension plan", as such term is defined in section 3(2) of ERISA, which is subject to title IV of ERISA (other than a Multiemployer Plan) and to which a Borrower, any Guarantor Subsidiary or any corporation, trade or business that is, along with a Borrower or any Guarantor Subsidiary, a member of a Controlled Group may have any liability, including any liability by reason of having been a substantial employer within the meaning of section 4063 of ERISA at any time during the preceding six (6) years, or by reason of being deemed to be a contributing sponsor under section 4069 of ERISA.

"PERMITTED LIENS" shall mean the liens and interests in favor of Bank granted in connection herewith or otherwise and, to the extent reflected on the

applicable Borrower's or Guarantor Subsidiary's books and records and not impairing the operations of such Borrower or such Guarantor Subsidiary or any performance hereunder or contemplated hereby: (i) liens arising by operation of law for taxes not yet due and payable; (ii) statutory liens of mechanics, materialmen, shippers and warehousemen for services or materials for which payment is not yet due; (iii) deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security; (iv) liens, if any, specifically permitted by Bank from time to time in writing; (v) liens securing obligations under capitalized leases or purchase money Indebtedness permitted by SECTION 10.11(iv) on the property

subject thereto, provided that (a) such capitalized leases and purchase money Indebtedness shall not be secured by any of the Collateral or the Premises granted or mortgaged to Bank on the Effective Date and thereafter, (b) any liens relating to such capitalized leases and purchase money Indebtedness shall not extend to cover any other property of either Borrower or any Guarantor Subsidiary other than the property so acquired, and (c) the principal amount (i.e., exclusive of interest, fees, expenses and other charges) of such capitalized leases and purchase money Indebtedness shall not exceed the lesser of (A) the fair market value of the purchased or leased property at the time of the purchase or lease or (B) the purchase price or the total lease amount thereof (which, in the case of property purchased subject to existing liens, shall include the amount secured by such liens) ; (vi) liens for taxes, assessments and other similar charges to the extent payment thereof shall not at the time be required to be made in accordance with the provisions of SECTION 10.10; (vii) the liens granted to the Noteholders to secure the obligations under the Note Agreement; and (viii) the following if the validity or amount thereof is being contested in good faith and by appropriate and lawful proceedings promptly initiated and diligently conducted of which the applicable Borrower or Guarantor Subsidiary has given prior notice to Bank and for which appropriate reserves (in Bank's reasonable discretion) have been established and so long as levy and execution have been and continue to be stayed: claims of mechanics, materialmen, shippers, warehouseman, carriers and landlords.

"PERSON" shall mean any individual, sole proprietorship, partnership, joint venture, trust, unincorpo- rated organization, association, corporation, limited liability company, institution, entity, party or government or governmental entity.

"PLAN" shall have the meaning ascribed thereto in SECTION 10.3 hereof.

"PLEDGE AGREEMENT" shall have the meaning ascribed thereto in SECTION 5.9 hereof.

"PREMISES" shall mean, collectively and individually, the Leased Premises, the Mortgaged Premises and the Cleveland Premises.

"PRIME RATE" shall have the meaning ascribed thereto in SECTION 3.1 hereof.

"REAL ESTATE TERM LOAN" shall have the meaning ascribed thereto in SECTION 2.1 hereof.

"REAL ESTATE TERM LOAN FACILITY" shall have the meaning ascribed thereto in SECTION 2.1 hereof.

"REMITTANCES" shall have the meaning ascribed thereto in SECTION 7.3 hereof.

"REQUESTING BORROWER" shall mean any Borrower requesting a Revolving Loan and/or a Letter of Credit.

"RESERVE AMOUNT" shall mean an amount determined by Bank, in its reasonable discretion, as a reserve against Collateral values and potential or anticipated obligations of either Borrower, including, without limitation, (i) tax liabilities and other obligations owing to governmental entities including all amounts referred to in SECTION 10.10 hereof, (ii) litigation liabilities, (iii) the Environmental Compliance Reserve, (iv) the anticipated costs and expenses relating to the liquidation of Collateral or the Premises, (v) unpaid sales taxes, (vi) those reserve amounts as required to be held as reserves under generally accepted accounting principles, (vii) liabilities and other obligations owing by such Borrower to any lessor of real property leased by such Borrower or to any warehouseman, (viii) with respect to the Parent, the amount of the obligations of Parent pursuant to the terms of the Kirk Foley Guaranty,

and (ix) with respect to the Parent, the amount of the obligations of Parent (or Bliss or any Guarantor Subsidiary, as the case may be) owing to the Noteholders pursuant to the terms of the Note Agreement, as the same may hereafter be amended, amended and restated, supplemented or otherwise modified. The Reserve Amount shall be reduced from time to time to the extent of each payment by the applicable Borrower in respect of claims and liabilities upon which the Reserve Amount is based. On the Effective Date, the Reserve Amount with respect to the Parent equals Two Million One Hundred Eighty-Five Thousand Seven Hundred Fifty Dollars ($2,185,750) and the Reserve Amount with respect to Bliss equals Zero Dollars ($0) .

"REVOLVING LOAN FACILITY" shall have the meaning ascribed thereto in SECTION 2.1 hereof.

"REVOLVING LOANS" shall have the meaning ascribed thereto in SECTION 2.3 hereof.

"SECURITY AGREEMENT" shall have the meaning ascribed thereto in SECTION 5.1 hereof.

"SOLVENT" shall mean, with respect to any Person, that (i) fair value of the property of the Person is, on the date of determination, greater than the total amount of liabilities (including contingent liabilities) of the Person as of that date, (ii) as of that date, the Person is able to pay all liabilities of the Person as those liabilities mature, and (iii) the Person does not have unreasonably small capital for the business in which it is engaged or for any business or transaction in which it is about to engage. In computing the

amount of contingent liabilities at any time, it is intended that they be computed at the amount that, in light of all the facts and circumstances existing at the time, represents the amount that can reasonably be expected to become an actual or matured liability.

"SPECIAL ACCOUNTS" shall mean, collectively, the Bliss Special Account and the Parent Special Account, and "Special Account" shall mean either the Bliss Special Account of the Parent Special Account, as the case may be.

"SUBSIDIARY" shall mean any Person as to which Borrower owns, directly or indirectly, at least fifty percent (50%) of the outstanding shares of capital stock or other interests (including, without limitation, membership interests) having ordinary voting power for the election of directors, officers, managers, trustees or other controlling Persons, or an equivalent controlling interest.

"TERM LOANS" shall mean, collectively, the Bliss Equipment Term Loan, the Real Estate Term Loan and the Special Term Loan.

"TOTAL FACILITY" shall have the meaning ascribed thereto in SECTION 2.1 hereof.

"UNUSED REVOLVING LOAN FACILITY AMOUNT" shall mean, for any period, the average daily amount for such period by which:

(i) Thirteen Million Dollars ($13,000,000) on each day during such period

EXCEEDS

(ii) the sum of (a) the aggregate outstanding principal amount of all Revolving Loans on each day during such period plus (b) the aggregate Letter of Credit Face Amount of all Letters of Credit outstanding on each day during such period .

"WELFARE PLAN" shall mean a "welfare plan", as such term is defined in Section 3(1) of ERISA.

1.2 ACCOUNTING TERMS. Any accounting terms used in this Agreement which are not specifically defined shall have the meanings customarily given them in accordance with generally accepted accounting principles.

2. LOANS AND OTHER FINANCIAL ACCOMMODATIONS.

2.1 TOTAL FACILITY. Bank will make up to a Twenty Million Dollar

($20,000,000) reducing total credit facility (the "Total Facility") available to Borrowers, subject to the terms and conditions of this Agreement and comprised of the following loans or other financial accommodations advanced, made or made available under the following facilities (collectively, the "Loans") : (i) Revolving Loans (as hereinafter defined) to be advanced under the Revolving Loan facility (the "Revolving Loan Facility"), (ii) a term loan with respect to certain real property (the "Real Estate Term Loan") to be advanced under the Real Estate Term Loan facility (the "Real Estate Term Loan Facility"), (iii) a term loan with respect to machinery and equipment owned by Bliss (the "Bliss Equipment Term Loan") to be advanced under the Bliss Equipment Term Loan facility (the "Bliss Equipment Term Loan Facility"), (iv) a special term loan (the "Special Term Loan") to be advanced under the Special Term Loan facility (the "Special Term Loan Facility"), and (v) as a portion of the Revolving Loan Facility, a letter of credit facility (the "Letter of Credit Facility"), all as more particularly described below.

2.2 AFFIRMATION OF EXISTING LOANS. Parent acknowledges, affirms and agrees that, as of the Effective Date, Six Million Seven Hundred Fifty Thousand Nine Hundred Fifty-Two Dollars ($6,750,952) of the Existing Loans is currently due and owing directly by Parent to Bank ("Parent's Existing Loans") . Bliss acknowledges, affirms and agrees that, as of the Effective Date, Thirteen Million Two Hundred Forty Nine Thousand Forty-Eight Dollars ($13,249,048) of the Existing Loans is currently due and owing directly by Bliss to Bank ("Bliss' Existing Loans").

2.3 REVOLVING LOAN FACILITY. Until the termination of this Agreement pursuant to SECTION 11 and/or SECTION 13 hereof, revolving loans under the Revolving Loan Facility will be lent and relent to each Borrower from time to time (such loans being referred to collectively as the "Revolving Loans" and each of such loans being referred to individually as a "Revolving Loan") in an amount not to exceed the Individual Borrower Revolving Loan Borrowing Base applicable to such Borrower. Notwithstanding the foregoing sentence, in no event shall Bank be obligated to make Revolving Loans if, either immediately before or after giving effect to any such Revolving Loan, (i) a Deficiency has occurred and is continuing or shall occur, or (ii) an Event of Default has occurred and is continuing or shall occur by making such Revolving Loan. The Eligible Inventory will be valued at the lower of cost or market value, determined on a "first in first out" basis, consistently applied. Bank shall, to the extent of Four Million Five Hundred Thousand Dollars ($4,500,000) of the Parent's Existing Loans, satisfy all or a portion of its agreement to make Revolving Loans to Parent on

the Effective Date by converting such amount of the Parent's Existing Loans into a revolving Loan, whereupon such converted amount shall be a Revolving Loahn owing by Parent for all purposes of this Agreement and the other Loan Documents. In addition, Bank shall, to the extent of Eight Million Five Hundred thousand dollars ($8,500,000) of Bliss' Existing Loans, satisfy all or a portion of its agreement to make Revolving Loans to Bliss on the Effective Date by converting such amount of Bliss' Existing Loans into a Revolving Loan, whereupon such converted amount shall be a Revolving Loan owing by Bliss for all purposes of this Agreement and the other Loan documents. Each such conversion shall be deemed to have taken place at the time the applicable Borrower executes and delivers this Agreement. the Revolving Loan Facility hereunder represents, in part, a renewal of certain of the Existing Loans outstanding as of the Effective Date. The amounts of the Existing Loans referred to above originally outstanding under the Existing Credit Agreement are continuing Indebtedness of borrowers to Bank, and nothing contained herein or in any other Loan document shall be construed to deem such amounts paid, or to release or terminate any lien, guaranty or security interest given to secure such amounts. Payment in full of and satisfaction of all Indebtedness with respect to the Revolving Loans hereunder shall also be deemed to be payment in full and satisfaction of such amounts of the Existing Loans. The borrowers acknowledge and agree that, after its review of the results of the collateral survey to be performed on behalf of Bank by Barber & Mooney promptly after the Effective Date, Bank may, among other things and without limiting the discretion of Bank hereunder, reduce the amount available hereunder for Revolving Loans and increase the principal amount of the Special Term Loan by the amount of any changes described in the immediately preceding sentence after its receipt of such collateral survey, Bank shall notify borrowers of such changes. Any such changes shall be deemed to be effective as of the date Bank notifies Borrowers of such changes.

2.4 REAL ESTATE TERM LOAN FACILITY. The Real Estate Term Loan under the Real Estate Term Loan Facility will be made to Bliss with respect to the Mortgaged Premises in the amount of Two Million Two Hundred fifty Thousand dollars ($2,250,00) on the Effective Date. The principal of the Real Estate Term Loan shall be payable by Bliss in one hundred twenty (120) consecutive equal monthly installments of Eighteen Thousand Seven Hundred fifty dollars ($18,750) each, commencing on July 1, 1997 and thereafter on the first day of each calendar month; PROVIDED, HOWEVER, that notwithstanding for foregoing amortization schedule for the Real estate Term Loan, upon the effective date of any temrination of this Agreement pursuant to SECTION 11 and/or SECTION 13

hereof, all amounts then outstanding under the Real Estate Term Loan shall

become immediately due and payable without notice or demand. No repayment or prepayment of the Real Estate Term Loan shall be reason for any relending or additional lending of Real Estate Term Loan proceeds to Bliss. Bank shall, to the extent of Two Million Two Hundred Fifty Thousand Dollars ($2,250,000) of Bliss' Existing Loans, satisfy all of its agreement to make the Real Estate Term Loan to Bliss on the Effective Date by converting such amount of Bliss' Existing Loans into the Real Estate Term Loan, whereupon such converted amount shall be the Real Estate Term Loan owing by Bliss for all purposes of this Agreement and the other Loan Documents. Such conversion shall be deemed to have taken place at the time Bliss executes and delivers this Agreement. The Real Estate Term Loan Facility hereunder represents, in part, a renewal of certain of the Existing Loans outstanding as of the Effective Date. The amount of the Existing Loans referred to above originally outstanding under the Existing Credit Agreement is continuing Indebtedness of Bliss to Bank, and nothing contained herein or in any other Loan Document shall be construed to deem such amount paid, or to release or terminate any lien, guaranty or security interest given to secure such amount. Payment in full of and satisfaction of all Indebtedness with respect to the Real Estate Term Loan hereunder shall also be deemed to be payment in full and satisfaction of such amount of the Existing Loans.

2.5 (INTENTIONALLY OMITTED]

2.6 BLISS EQUIPMENT TERM LOAN FACILITY. The Bliss Equipment Term Loan under the Bliss Equipment Term Loan Facility will be made to Bliss with respect to Bliss' eligible machinery and equipment in the amount of Two Million Four Hundred Ninety-Nine Thousand Forty-Eight Dollars ($2,499,048) on the Effective Date. The principal of the Bliss Equipment Term Loan shall be payable by Bliss in eighty-four (84) consecutive equal monthly installments of Twenty-Nine Thousand Seven Hundred Fifty-One Dollars ($29,751) each, commencing on July 1, 1997 and thereafter on the first day of each calendar month; PROVIDED, HOWEVER, that notwithstanding the foregoing amortization schedule for the Bliss Equipment Term Loan, upon the effective date of any termination of this Agreement pursuant to SECTION 11 and/or SECTION 13 hereof, all amounts then outstanding under the Bliss Equipment Term Loan shall become immediately due and payable without notice or demand. No repayment or prepayment of the Bliss Equipment Term Loan shall be reason for any relending or additional lending of Bliss Equipment Term Loan proceeds to Bliss. Bank shall, to the extent of Two Million Eight Hundred Seventeen Thousand Eighty-Five Dollars ($2,817,085) of Bliss' Existing Loans, satisfy all of its agreement to make the Bliss Equipment Term Loan to Bliss on the Effective Date by converting such amount of Bliss' Existing Loans into the Bliss Equipment Term Loan, whereupon such converted amount shall be the Bliss Equipment

Term Loan owing by Bliss for all purposes of this Agreement and the other Loan Documents. Such conversion shall be deemed to have taken place at the time Bliss executes and delivers this Agreement. The Bliss Equipment Term Loan Facility hereunder represents, in part, a renewal of certain of the Existing Loans outstanding as of the Effective Date. The amount of the Existing Loans referred to above originally outstanding under the Existing Credit Agreement is continuing Indebtedness of Bliss to Bank, and nothing contained herein or in any other Loan Document shall be construed to deem such amount paid, or to release or terminate any lien, guaranty or security interest given to secure such amount. Payment in full of and satisfaction of all Indebtedness with respect to the Bliss Equipment Term Loan hereunder shall also be deemed to be payment in full and satisfaction of such amount of the Existing Loans.

2.7 SPECIAL TERM LOAN FACILITY. The Special Term Loan under the Special Term Loan Facility will be made to Parent in the amount of Two Million Two Hundred Fifty Thousand Nine Hundred Fifty-Two Dollars ($2,250,952) on the Effective Date. The principal of the Special Term Loan shall be due and payable upon the effective date of any termination of this Agreement pursuant to SECTION 11 and/or SECTION 13 hereof. Prior to such time, Parent shall reduce the outstanding principal amount of the Special Term Loan by (i) making a payment to Bank of Two Million Dollars ($2,000,000) to Bank on or prior to August 31, 1997 (which payment may be made utilizing HRS Proceeds and which payment shall be applied to the principal installments of the Special Term Loan set forth in clause (ii) below in inverse order of maturity), and (ii) making consecutive equal monthly principal payments of Fifty Thousand Dollars ($50,000) each, commencing on July 1, 1997 and thereafter on the first day of each calendar month. No repayment or prepayment of the Special Term Loan shall be reason for any relending or additional lending of Special Term Loan proceeds to Parent. Bank shall, to the extent of Two Million Two Hundred Fifty Thousand Nine Hundred Fifty-Two Dollars ($2,250,952) of the Parent's Existing Loans, satisfy all of

its agreement to make the Special Term Loan to Parent on the Effective Date by converting such amount of the Parent's Existing Loans into the Special Term Loan, whereupon such converted amount shall be the Special Term Loan owing by Parent for all purposes of this Agreement and the other Loan Documents. Such conversion shall be deemed to have taken place at the time Parent executes and delivers this Agreement. The Special Term Loan Facility hereunder represents, in part, a renewal of certain of the Existing Loans outstanding as of the Effective Date. The amount of the Existing Loans referred to above originally outstanding under the Existing Credit Agreement is continuing Indebtedness of Parent to Bank, and nothing contained herein or in any other Loan Document shall be construed to deem such amount paid, or to release or

terminate any lien, guaranty or security interest given to secure such amount. Payment in full of and satisfaction of all Indebtedness with respect to the Special Term Loan hereunder shall also be deemed to be payment in full and satisfaction of such amount of the Existing Loans.

2.8 (INTENTIONALLY OMITTED]

2.9 LETTER OF CREDIT FACILITY. Until the termination of this Agreement pursuant to SECTION 11 and/or SECTION 13 hereof, Bank may issue letters of credit for the account of either Borrower from time to time ("Letters of Credit") under the Letter of Credit Facility; PROVIDED, HOWEVER, that the Individual Letter of Credit Availability for each Borrower and the Aggregate Letter of Credit Availability shall always be greater than or equal to zero (0). In the event Bank determines that it shall issue a Letter of Credit, such Letter of Credit shall be for an amount and a term, and shall be subject to such other terms and conditions, as may be acceptable to Bank, in its sole discretion. In no event shall any commercial Letter of Credit have an expiration date which is more than ninety (90) days from the date of issuance thereof, unless Bank shall otherwise agree. Notwithstanding the foregoing, Bank shall not be obligated to issue Letters of Credit if, either immediately before or after giving effect to any such issuance, (i) a Deficiency has occurred and is continuing or shall occur or (ii) an Event of Default has occurred and is continuing or shall occur by issuing any such Letter of Credit. All Existing Letters of Credit, including, but not limited to, the First Chicago Letter of Credit, shall be deemed to be outstanding hereunder as Letters of Credit for all purposes of this Agreement and shall be subject to the terms of this Agreement from and after the Effective Date.

2.10 DISBURSEMENT OF LOANS. All disbursements of proceeds of the Loans requested by Borrower pursuant to SECTION 2.11 shall be effectuated by Bank's crediting (i) Account No. 8055204 at Bank, in the case of Loans requested by Parent, and (ii) Account No. 8055253 at Bank, in the case of Loans requested by Bliss. Each such account is structured and utilized as a non-controlled disbursement account; PROVIDED, HOWEVER, that Bank may at any time hereafter elect not to credit proceeds of the Loans to the aforedescribed non- controlled disbursement accounts, but instead may establish a similar controlled disbursement account for either Borrower at Bank and disburse proceeds of the Loans by crediting such controlled disbursement account of such Borrower at Bank.

2.11 PROCEDURE FOR ADVANCING REVOLVING LOANS AND ISSUING LETTERS OF CREDIT. Subject to the terms and conditions of this Agreement, Bank will, from time to time on any Business Day prior to the termination of this Agreement pursuant to SECTION 11 and/or SECTION 13 hereof, upon the oral

or written request of a Requesting Borrower therefor, advance Revolving Loans to such Requesting Borrower's account described in SECTION 2.10 hereof or issue Letters of Credit, as the case may be; PROVIDED, HOWEVER, that in the event Bank elects to establish a controlled disbursement account as set forth in SECTION 2.10 for a Borrower, then such Borrower shall thereafter be deemed to have requested a Revolving Loan each time a check drawn on such account by such Borrower is presented to Bank for payment thereof. The Requesting Borrower shall specify in each such request whether a Revolving Loan or a Letter of Credit is being requested by such Requesting Borrower. In the event a Requesting Borrower requests a Letter of Credit, such request shall be accompanied by a completed version of Bank's customary letter of credit application form. If Bank receives a request from a Requesting Borrower for a Revolving Loan prior to 12:00 noon, Cincinnati, Ohio time on a Business Day, Bank will advance such Revolving Loan on that same Business Day. If Bank receives a request from a Requesting Borrower for a Revolving Loan after 12:00 noon, Cincinnati, Ohio time on a Business Day, Bank will advance such requested Revolving Loan on the next Business Day. If

Bank receives a request from a Requesting Borrower for a Letter of Credit, Bank will issue such Letter of Credit on the third (3rd) Business Day following receipt of such request and the application form for such Letter of Credit from such Requesting Borrower. Notwithstanding anything in this Agreement to the contrary, Bank shall not be obligated to advance Loans or issue Letters of Credit if, either immediately before or after giving effect to any such Loan or issuance of a Letter of Credit, (i) a Deficiency has occurred and is continuing or shall occur or (ii) an Event of Default has occurred and is continuing or shall occur by making such Loan or issuing such Letter of Credit. In the event that any of the terms of the above- referenced letter of credit application conflict with the terms of this Agreement, the terms of this Agreement shall control.

2.12 NO LIMITATION ON LIENS. The limits on outstanding advances against the Individual Borrower Revolving Loan Borrowing Bases set forth in SECTION 2.3 hereof are not intended and shall not be deemed to limit in any way Bank's security interest in or lien on the Receivables, Inventory, Equipment, the Premises or any other collateral for the Obligations.

2.13 DEFICIENCY. If a Deficiency occurs, the Parent or Bliss, as the case may be, shall immediately, without demand or notice, reduce the outstanding balance of the Loans made to Parent or Bliss, as the case may be, so that such Deficiency shall no longer exist; PROVIDED, HOWEVER, that with respect to the occurrence of a Discretionary Base Deficiency, the applicable Borrower shall have ten (10)

Business Days following the occurrence thereof to eliminate such Discretionary Base Deficiency.

2.14 DRAWING UNDER LETTERS OF CREDIT TO CONSTITUTE REVOLVING LOANS. Upon each drawing under a Letter of Credit, Bank shall seek reimbursement from any amounts then on deposit in the applicable Borrower's Letter of Credit Collateral Account. In the event that (i) no amounts are then on deposit in such Letter of Credit Collateral Account, (ii) the amount then on deposit in such Letter of Credit Collateral Account is insufficient to pay the amount of such drawing, (iii) Bank is legally prevented or restrained from immediately applying amounts on deposit in such Letter of Credit Collateral Account or (iv) the applicable Borrower is required to make a payment under SECTION 13.3 hereof and fails to make such payment as required, then the amount of each unreimbursed drawing under such Letter of Credit and payment required to be made under SECTION 13.3 shall automatically be converted into a Revolving Loan made to such Borrower on the date of such drawing for all purposes of this Agreement (but without any requirement for compliance with any conditions to the making of Revolving Loans contained in SECTION 6 and SECTION 2.11 hereof). To the extent that Bank applies amounts on deposit in the applicable Borrower's Letter of Credit Collateral Account as aforesaid and, thereafter, such application (or any portion thereof) is rescinded or any amount so applied must otherwise be returned by Bank upon the insolvency, bankruptcy or reorganization of such Borrower or otherwise, then the amount so rescinded or returned shall automatically be converted into a Revolving Loan made to such Borrower on the date of such drawing for all purposes of this Agreement (but without any requirement for compliance with any conditions to the making of Revolving Loans contained in SECTION 6 and SECTION 2.11 hereof). Each Borrower's obligation to reimburse Bank with respect to each drawing under a Letter of Credit shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim, or defense to payment which such Borrower may have or have had against Bank or any beneficiary of a Letter of Credit, including any defense based upon the occurrence of an Event of Default, any draft, demand or certificate or other document presented under a Letter of Credit proving to be forged, fraudulent, invalid or insufficient, the failure of any drawing under a Letter of Credit to conform to the terms of such Letter of Credit or any nonapplication or misapplication by the beneficiary of the proceeds of such drawing or the legality, validity, form, regularity or enforceability of such Letter of Credit.

2.15 NATURE OF REIMBURSEMENT OBLIGATIONS. Borrowers shall assume all risks of the acts, omissions or misuse of any Letter of Credit by the beneficiary thereof. Bank shall not be responsible for:

(a) the form, validity, sufficiency, accuracy, genuineness or legal effect of any Letter of Credit or any document submitted by any party in connection with the application for and issuance of a Letter of Credit, even if it should in fact prove to be in any or all respects

invalid, insufficient, inaccurate, fraudulent or forged;

(b) the form, validity, sufficiency, accuracy, genuineness or legal effect of any instrument transfer- ring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof in whole or in part, which may prove to be invalid or ineffective for any reason;

(c) failure of the beneficiary to comply fully with conditions required in order to demand payment under a Letter of Credit;

(d) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise; or

(e) any loss or delay in the transmission or otherwise of any document or draft required in order to make a drawing under a Letter of Credit or of the proceeds thereof.

None of the foregoing shall affect, impair or prevent the vesting of any of the rights or powers granted the Bank hereunder. In furtherance and extension, and not in limitation or derogation of any of the foregoing, any action taken or omitted to be taken by the Bank in good faith shall be binding upon Borrowers and shall not put the Bank under any resulting liability to Borrowers.

2.16 EFFECT OF AMENDMENT AND RESTATEMENT. Each Borrower and, by its execution and delivery of the Consent and Agreement attached hereto, each Guarantor Subsidiary acknowledges and agrees that (i) this Agreement and the documents executed and delivered in connection herewith do not constitute a novation, payment and reborrowing, or termination of (y) the Existing Loans or the Existing Letter of Credit Obligations under the Existing Credit Agreement and the Existing Letter of Credit Related Documents as in effect prior to the Effective Date or (z) the existing guaranty obligations under the Existing Credit Agreement (the "Existing Guaranty Obligations") as in effect prior to the Effective Date, (ii) the Existing Loans, the Existing Guaranty Obligations and the Existing Letter of Credit Obligations are in all respects enforceable with only the terms thereof being modified as provided by this Agreement and the other Loan Documents, (iii) the liens and security interests of Bank securing payment of

the Existing Loans, the Existing Guaranty Obligations and the Existing Letter of Credit Obligations under the Loan Documents (as defined in the Existing Financing Agreement) and the Existing Letter of Credit Related Documents are in all respects continuing and in full force and effect with respect to the Obligations hereunder, and (iv) all references to the "Credit Agreement" or words of like import in any document, instrument or agreement executed and delivered in connection with the Existing Credit Agreement (to the extent not amended and restated in connection with this Agreement or expressly superseded by any agreement, instrument or other document executed in connection with this Agreement) shall be deemed to refer, without further amendment, to this Agreement as this Agreement may be further amended or modified. The security interest in, lien upon and/or conditional assignment of rights and interest of Borrowers and each other Person granted to Bank pursuant to the Loan Documents (as defined in the Existing Financing Agreement) are hereby ratified and shall continue from and after the Effective Date.

3. INTEREST CHARGES; FEES.

3.1 INTEREST ON LOANS. The applicable Borrower shall pay Bank interest on the average daily outstanding principal amount of its (a) Revolving Loans and all other Obligations (other than the Letter of Credit Obligations and the Term Loans) at a per annum rate which shall vary from time to time equal to the rate announced at Bank from time to time as its prime rate (the "Prime Rate"), (b) Bliss Equipment Term Loan and Real Estate Term Loan at a per annum rate which shall vary from time to time equal to the Prime Rate plus one-half percent (.50%), and (c) Special Term Loan at a per annum rate which shall vary from time to time equal to the Prime Rate PLUS two percent (2.00%), each such rate to be adjusted on the effective date of any change in the Prime Rate by Bank. Notwithstanding clause (c) above, in the event that the HRS Sale shall not have been consummated on or before June 30, 1997, the per annum rate of interest on the outstanding principal amount of the Special Term Loan shall be increased to the Prime Rate PLUS two and one-quarter percent (2.25%). Such interest rate shall be reduced to the rate referred to in clause (c) above upon the consummation of the HRS Sale in compliance with the terms of this Agreement. The Prime Rate is determined solely by Bank pursuant to market factors and its own operating needs and is not necessarily Bank's best or most favorable rate for commercial or other loans. The per annum rate of interest applicable at all

times after the occurrence of an Event of Default shall be the applicable rate of interest set forth above plus an additional two percent (2.00%) per annum.

3.2 INCREASED COSTS - CAPITAL ADEQUACY. In case of any change in law or governmental rules, regulations,

guidelines or orders (or any interpretations thereof) or the introduction of new laws, regulations or guidelines regarding capital adequacy, capital maintenance or similar requirement or has the effect thereof (including a requirement which affects the manner in which Bank allocates capital resources to any of its commitments, including its commitments hereunder) and as a result of such change or introduction, in the opinion of Bank (in its sole and absolute discretion), the rate of return on Bank's capital as a consequence of its lending commitments hereunder is reduced to a level below that which Bank could have achieved but for such circumstances (taking into consideration Bank's policies with respect to capital adequacy and capital maintenance) by an amount deemed by Bank to be material, then and in each such case Bank may charge Borrowers an additional fee which will compensate Bank for such reduction in the rate of return caused by such requirements.

3.3 (INTENTIONALLY OMITTED]

3.4 TERM LOAN FEE. Borrowers shall pay Bank a closing fee of Five Thousand Dollars ($5,000) with respect to the Bliss Equipment Term Loan and the Real Estate Equipment Term Loan on the Effective Date.

3.5 UNUSED FACILITY FEE. Borrowers shall pay to the Bank, for the period from and including the Effective Date and continuing until the termination of this Agreement pursuant to SECTION 11 and/or SECTION 13 hereof, an unused facility fee computed at the rate of one-quarter of one percent (0.25%) per annum on the Unused Revolving Loan Facility Amount, payable for each month (or, in the case of the first such payment, portion of the calendar month since the Effective Date) by Borrowers monthly in arrears on the first day of the following calendar month, commencing with the first such date following the Effective Date, and on the date this Agreement shall have been terminated pursuant to SECTION 11 and/or SECTION 13 hereof.

3.6 LETTER OF CREDIT FEES. The applicable Borrower shall pay Bank a letter of credit fee equal to (a) one and one-half percent (1.50%) per annum of the face amount of each standby Letter of Credit, computed on the basis of a year of three hundred sixty (360) days and applied to actual days elapsed and payable monthly in arrears on the first day of each month, and (b) Bank's customary fees with respect to commercial Letters of Credit, payable on the date of issuance thereof (and upon each renewal thereof, if applicable). In addition, the applicable Borrower shall pay Bank all of Bank's standard and customary fees and charges to issue, terminate or amend any Letter of Credit.

3.7 INTEREST RATE PROTECTION. Each Borrower may, at such Borrower's cost, obtain and maintain interest rate protection to protect against future increases in the Prime Rate.

3.8 CALCULATION OF CERTAIN CHARGES. Accrued interest charges and the fees set forth in SECTION 3.5 shall be computed on the basis of a year of three hundred sixty (360) days and applied to actual days elapsed and shall be payable monthly to Bank on the first day of each month hereafter. All such interest charges and other fees hereunder shall be paid in arrears, except that the fees set forth in SECTION 3.3 and SECTION 3.4, shall be paid in accordance with such Sections.

3.9 CHARGING LOAN ACCOUNT. Each Borrower hereby authorizes Bank, at Bank's option, to charge any account or charge or increase any Loan balance of Borrower at Bank for the payment or repayment of any interest or principal of the Loans or any fees, charges or other amounts due to Bank hereunder or otherwise.

3.10 MAXIMUM RATE. If at any time the rate of interest computed in the manner provided in this SECTION 3 ("Applicable Rate"), together with all fees and charges as provided for herein or in any other Loan Document (collectively, the "Charges"), which are treated as interest under applicable law exceeds the maximum lawful rate (the "Maximum Rate") allowed under applicable law, the rate of interest payable hereunder, together with all Charges, shall be limited to the Maximum Rate; PROVIDED, HOWEVER, that any subsequent reduction in the Prime Rate shall not reduce the Applicable Rate below the Maximum Rate until the

total amount of interest earned hereunder, together with all Charges, equals the total amount of interest which would have accrued at the Applicable Rate if the Applicable Rate had at all times been in effect. If any payment hereunder, for any reason, results in a Borrower having paid interest in excess of that permitted by applicable law, then all excess amounts theretofore collected by Bank shall be credited on the principal balance owing hereunder (or, if all sums owing hereunder have been paid in full, refunded to such Borrower), and the amounts thereafter collectible hereunder shall immediately be deemed reduced, without the necessity of the execution of any new document, so as to comply with applicable law and permit the recovery of the fullest amount otherwise called for hereunder.

4. MONTHLY ACCOUNTINGS. Bank will provide each Borrower monthly with a statement of advances, charges and payments made pursuant to this Agreement and such account rendered by Bank shall be presumptive evidence of the amount of the Obligations owing and unpaid by such Borrower and shall be

deemed binding as against such Borrower unless such statement contains manifest errors.

5. SECURITY. The Obligations shall be secured by the documents and collateral described in this SECTION 5 and the documents described in the Exhibits and Schedules to this Agreement, each of which are incorporated herein by reference. The following documents shall be in form and substance satisfactory to Bank and its counsel, and the Collateral, the Premises, and other assets and property covered thereby shall secure the Obligations in such order as may be determined by Bank in its sole discretion.

5.1 SECURITY AGREEMENT. The Obligations shall be secured by a security interest in all of the Collateral, pursuant to an Amended and Restated Security Agreement in substantially the form of EXHIBIT A attached hereto and incorporated herein by reference (the "Security Agreement") and accompanying financing statements in form and substance suitable for filing under the applicable state(s) version(s) of the Uniform Commercial Code. The Obligations also shall be secured by a security interest in all of the Collateral of HMI Inc., Tube-Fab and HMI Acceptance, pursuant to (i) a General Security Agreement, dated June 6, 1997, executed by HMI Inc. in favor of Bank, (ii) a General Security Agreement, dated June 6, 1997, executed by Tube-Fab in favor of Bank, (iii) a General Security Agreement, dated June 6, 1997, executed by HMI Acceptance in favor of Bank, and (iv) a Demand Debenture, dated June 6, 1997, executed by Tube-Fab in favor of Bank, each of which is attached hereto as EXHIBIT B and incorporated herein by reference (as the same may be further amended, amended and restated, supplemented or otherwise modified from time to time, the "Canadian Security Agreements") and accompanying financing statements in form and substance suitable for filing under Ontario's and Prince Edward Island's equivalent of the Uniform Commercial Code.

5.2 PATENT ASSIGNMENTS. The Obligations shall be secured by an assignment of (a) Parents's patents, trademarks, licenses and related rights and interests, pursuant to a Contingent Patent, Trademark and License Assignment in substantially the form attached hereto as EXHIBIT C-1, and incorporated herein by reference, and (b) Bliss' patents, trademarks, licenses and related rights and interests, pursuant to a Contingent Patent, Trademark and License Assignment in substantially the form attached hereto as EXHIBIT C-2, and incorporated herein by reference (collectively, the "Patent Assignments").

5.3 [INTENTIONALLY OMITTED]

5.4 MORTGAGES. The Obligations shall be secured by a mortgage on and security interest in all of Bliss' and

Newton's owned real property and all improvements thereon and all of Bliss' and Newton's right, title and interest in and to its leasehold interest in the real property, as applicable, located at (i) 1536 First Street, Newton Falls, Ohio 44444, (ii) 1536 First Street, Newton Falls, Ohio 44444, and (iii) 207 N. Four Mile Run Road, Youngstown, Ohio 44515, (collectively and individually, the "Mortgaged Premises"), pursuant to Open-End Mortgage and Security Agreements, and First Amendments to Open-End Mortgages, in substantially the forms attached hereto as Exhibit E-1, Exhibit E-2, Exhibit E-3 and Exhibit E-4, respectively (collectively, the "Mortgages"), and incorporated herein by reference.

5.5 (INTENTIONALLY OMITTED]

5.6 (INTENTIONALLY OMITTED)

5.7 INTERCREDITOR AGREEMENT. Bank, Noteholders, Borrowers and the Guarantor Subsidiaries shall enter into an Intercreditor Agreement in form and substance satisfactory to Bank ("Intercreditor Agreement"), and incorporated herein by reference.

5.8 GUARANTYS. The Obligations shall be unconditionally guaranteed by (a) HMI Inc., Tube-Fab and HMI Acceptance pursuant to the terms of a Canadian Guaranty in substantially the form of EXHIBIT I-1 attached hereto and incorporated herein by reference (the "Canadian Guaranty") I and (b) each Borrower and each Guarantor Subsidiary (other than HMI Inc., Tube-Fab and HMI Acceptance) pursuant to the terms of an Amended and Restated Guaranty in substantially the form of EXHIBIT I-2 attached hereto and incorporated herein by reference (the "Guaranty") .

5.9 PLEDGE AGREEMENT. The Obligations shall be secured by a pledge of and security interest in all of the outstanding shares of capital stock of Bliss and each Guarantor Subsidiary, pursuant to a Pledge and Security Agreement in substantially the form of EXHIBIT J attached hereto and incorporated herein by reference (the "Pledge Agreement") .

6. DELIVERIES PRIOR TO DISBURSEMENT; FURTHER ASSURANCES. Prior to the effectiveness of this Agreement, Borrowers shall have delivered to Bank all of the documents, instruments and other information and shall have satisfied all other conditions described in EXHIBIT K attached hereto and incorporated herein by reference. Borrowers agree to execute and deliver or cause to be executed and delivered any and all further documents and instruments and to take any and all further actions as may be determined by Bank to be necessary or appropriate to the transactions contemplated herein.

7. RECEIVABLES; COLLECTION OF RECEIVABLES; DISPUTED RECEIVABLES; PROCEEDS OF INVENTORY.

7.1 REPRESENTATIONS AND WARRANTIES REGARDING RECEIVABLES. Each Borrower agrees, represents and warrants that each Receivable of either Borrower or of HMI Inc. or Tube-Fab or HMI Acceptance and each invoice representing any such Receivable (other than proceeds of letters of credit, insurance proceeds, contract rights, chattel paper, instruments and documents not arising directly out of a sale or lease of goods or services) will cover a bona fide sale or lease and delivery of merchandise usually dealt in by such Borrower, HMI Inc. or Tube-Fab or HMI Acceptance, as the case may be, or the rendition by such Borrower, HMI Inc. or Tube-Fab or HMI Acceptance, as the case may be, of services to customers in the ordinary course of business, and will be for a liquidated amount maturing as stated in the schedule thereof and in the duplicate invoice covering said sale, and Bank's security interest therein, will not be subject to any offset, deduction, counterclaim, lien or other condition. None of either Borrower's, HMI Inc.'s or Tube-Fab's or HMI Acceptance's invoices shall be backdated, postdated or redated and neither Borrower nor HMI Inc. or Tube-Fab or HMI Acceptance shall make sales on extended dating or credit terms beyond that customary in such Borrower's, HMI Inc.'s or Tube- Fab's or HMI Acceptance's, as the case may be, industry. If any warranty is breached as to any Receivable or as to the invoice representing any such Receivable, then Bank may deem such Receivable ineligible, but Bank shall retain its security interest in such Receivable, until all Obligations have been fully satisfied. Each Borrower shall notify Bank promptly upon, but in no event later than one (1) Business Day after such Borrower's learning thereof, in the event any Eligible Receivable becomes ineligible for any reason other than the aging of such receivable and of the reasons for such ineligibility.

7.2 DISPUTES AND CLAIMS REGARDING RECEIVABLES . On request after the occurrence of an Event of Default, the applicable Borrower, HMI Inc., or Tube-Fab, as the case may be, shall deliver any merchandise which has been returned to or recovered by it to Bank at a location or locations selected by Bank in its sole discretion. Each Borrower, HMI Inc. and Tube-Fab and HMI Acceptance shall also notify Bank in writing, simultaneously with the delivery of the Financials required to be delivered under SECTION 8.5, of all disputes and claims in the event that the aggregate amount of all such disputes and claims equal or exceed Two Hundred Fifty Thousand Dollars ($250,000) at any time during any calendar month. Each Borrower, HMI Inc. or Tube-Fab, as the case may be, shall settle or adjust all disputes and claims at no expense to Bank, but, after the occurrence of an Event of Default, no discount, credit or allowance outside the ordinary course of

business or adverse extension, compromise or settlement shall be granted to any customer or account debtor and no returns of merchandise outside the ordinary course of business shall be given, made or accepted by such Borrower, HMI Inc., or Tube- Fab, as the case may be, without Bank's prior written consent.

7.3 LOCKED BOXES. Bank may at any time deliver written notice to each Borrower (such notice being referred to as a "Cash Collateralization Notice") stating that on and after the date of such notice, all remittances of every kind due such Borrower ("Remittances") must be forwarded to its Locked Box and/or deposited into its Special Account. On and after the date on which Bank shall have delivered a Cash Collateralization Notice to each Borrower, (a) Parent shall rent and shall continue to rent a post office box at the U.S. Post Office bearing an address to be determined at that time (the "Parent Locked Box"), and (b) Bliss shall rent and shall continue to rent a post office box at the U.S. Post Office bearing an address to be determined at that time (the "Bliss Locked Box") . On and after the date on which Bank shall have delivered a Cash Collateralization Notice to each Borrower, each Borrower shall notify all of its customers and account debtors to forward all Remittances to its Locked Box (such notices to be in such form and substance as Bank may require from time to time), and immediately upon receipt thereof, such Borrower shall deposit all other proceeds of Receivables, other Collateral or the Premises into its Locked Box (or into its Special Account) . Bank shall have sole access to the Locked Boxes at all times and Borrowers shall take all action necessary to grant Bank such sole access. Once established, neither Borrower shall remove, or permit to be removed by any Person other than Bank, any item from the Locked Boxes without Bank's prior written consent, and neither Borrower shall notify any customer or account debtor to pay any Remittance to any other place or address without Bank's prior written consent. If either Borrower should neglect or refuse to notify any customer or account debtor to pay any Remittance to its Locked Box, Bank shall be entitled to make such notification. Each Borrower hereby grants to Bank an irrevocable power of attorney, coupled with an interest, to take in Borrower's name on and after delivery of a Cash Collateralization Notice all action necessary (i) to grant Bank sole access to its Locked Box, (ii) to contact account debtors to pay any Remittance to its Locked Box or for any other reason, and (iii) to endorse each Remittance delivered to its Locked Box for deposit to its Special Account.

7.4 SPECIAL ACCOUNTS. After delivery of a Cash Collateralization Notice, upon collection of Remittances and other proceeds of Receivables, other Collateral, the Premises and any other security for the Obligations from (a) the Parent Locked Box, Bank shall deposit the same in an account to be established at Bank for Remittances and other

proceeds of Receivables, other Collateral, the Premises and any other security for the Obligations of the Parent (the "Parent Special Account"), and (b) the Bliss Locked Box, Bank shall deposit the same in an account to be established at Bank for Remittances and other proceeds of Receivables, other Collateral, the Premises and any other security for the Obligations of Bliss (the "Bliss Special Account") . Prior to, on and after the date a Cash Collateralization Notice shall have been delivered, any Remittance or other proceeds of Receivables, other Collateral, the Premises or other security for the Obligations received by either Borrower shall be deemed held by such Borrower in trust and as fiduciary for Bank, and on and after the date a Cash Collateralization Notice shall have been delivered, such Borrower immediately shall deposit the same, in its original form, into its Locked Box or its Special Account. On and after the date a Cash Collateralization Notice shall have been delivered, each Borrower agrees that it will not commingle any such Remittance or other proceeds of Receivables, other Collateral, the Premises or any other security for the Obligations with any of such Borrower's other funds or property, but will hold it separate and apart therefrom in trust and as fiduciary for Bank. All deposits to the Special Accounts shall be Bank's property and shall be subject only to the signing authority designated from time to time by Bank, and neither Borrower nor any Person other than Bank shall have any interest therein or control thereover. Bank shall have sole access to the Special Accounts, and neither Borrower nor any Person other than Bank shall have access thereto. Bank shall have, and each Borrower hereby grants to Bank, a security interest in all funds held in such Borrower's Locked Box and Special Account as security for the Obligations. The Special Accounts shall not be subject to any deduction, set-off, banker's lien or any other right in favor of any person or entity other than Bank. Subject to the terms of this Agreement, prior to the occurrence of an Event of Default, deposits to the Special Accounts shall be applied FIRST to all accrued and unpaid interest on the principal amount of the applicable Borrower's Loans, SECOND to the outstanding principal amount of the applicable Borrower's Revolving Loans, THIRD to the then outstanding principal amount of the Special Term Loan, fourth to the principal installments of the Real Estate Term Loan in the inverse order of maturity, FIFTH to the principal installments of the Bliss Equipment Term Loan in the inverse order of maturity, and SIXTH to the other Obligations in such order and method of application as may be elected by Bank in

its sole discretion. Subject to the terms of this Agreement, after the occurrence and during the continuance of an Event of Default, deposits to the Special Accounts may be applied against the Obligations in such order and method of application as may be elected by Bank in its sole discretion. Any funds in the Special Accounts which Bank elects not to apply to the Obligations as provided in the preceding

sentences may, at Bank's option, be paid over by Bank to the applicable Borrower or retained in the Special Account as continuing security for the Obligations. Each Borrower hereby indemnifies and holds Bank harmless from and against any loss or damage with respect to any Remittance deposited in the Special Accounts which is dishonored or returned for any reason. If any Remittance deposited in the Special Accounts is dishonored or returned unpaid for any reason, Bank, in its sole discretion, may charge the amount of such dishonored or returned Remittance directly against the applicable Borrower and/or any account maintained by such Borrower with Bank and such amount shall be deemed part of the obligations hereunder. Bank shall not be liable for any loss or damage resulting from any error, omission, failure or negligence on the part of Bank under this Agreement, other than loss or damage which is the consequence of Bank's gross negligence or willful misconduct. Each Borrower hereby agrees that it will not assert any claims or set-off rights against Bank as a result of such Borrower's maintaining its Special Account with Bank.

7.5 CREDITING OF REMITTANCES. On and after the date a Cash Collateralization Notice shall have been delivered, for the purpose of calculating interest, all Remittances and other proceeds of Receivables, other Collateral, the Premises and any other security for the Obligations shall be credited to the applicable Borrower (conditional upon final collection) two (2) Business Days after Bank receives notice of deposit of the same into such Borrower's Special Account; provided, however, in the event that Bank receives notice of such deposit later than 12:00 noon on any Business Day, such Remittance deposited shall be credited to such Borrower (conditional upon final collection) three (3) Business Days after such deposit. On and after the date a Cash Collateralization Notice shall have been delivered, for the purpose of determining the aggregate loan availability hereunder, all such Remittances shall be credited on the Business Day on which Bank receives notice of such deposit into the applicable Borrower's Special Account. From time to time, Bank may adopt such regulations and procedures as it may deem reasonable and appropriate with respect to the operation of the Special Accounts, the Locked Boxes and the services to be provided by Bank under this Agreement.

7.6 COST OF COLLECTION. All costs of collection of Borrowers' Receivables, including Attorney's Fees, out-of-pocket expenses, administrative and record- keeping costs, and all service charges and costs related to the establishment and maintenance of the Locked Boxes and the Special Accounts shall be the sole responsibility of Borrowers, whether the same are incurred by Bank or either Borrower, and Bank, in its sole discretion, may charge the same against Borrowers and/or any account maintained by

Borrowers with Bank and the same shall be deemed part of the Obligations hereunder.

8. EXAMINATION OF COLLATERAL AND THE PREMISES; REPORTING.

8.1 MAINTENANCE OF BOOKS AND RECORDS. Each Borrower shall keep and maintain complete books of account, records and files with respect to its business in accordance with generally accepted accounting principles consistently applied and shall accurately and completely record all transactions therein.

8.2 ACCESS AND INSPECTION. Bank may at all times have access to and the right to examine and inspect all of either Borrower's or any Guarantor Subsidiary's real and personal property, and access to and the right to inspect, audit and make extracts from all of either Borrower's or any Guarantor Subsidiary's records, files and books of account; additionally, each Borrower shall execute and deliver at the request of Bank such instruments as may be necessary for Bank to obtain such information concerning the business of such Borrower or any Guarantor Subsidiary as Bank may require from any Person. Each Borrower shall furnish Bank with such statements and reports regarding such Borrower's or any Guarantor Subsidiary's financial condition and the results of such Borrower's or Guarantor Subsidiary's operations, in addition to those hereinafter required, and such other information as Bank may request from time to time. Each Borrower shall permit Bank to discuss such Borrower's or any Guarantor Subsidiary's financial matters with such Borrower's or Guarantor Subsidiary's officers and accountants (and hereby authorizes such officers and

accountants to discuss such Borrower's or Guarantor Subsidiary's financial matters with Bank) .

8.3 REPORTING REGARDING RECEIVABLES. (a) No later than forty (40) days after the end of each month, or sooner if available, each Borrower shall provide to Bank schedules in such form and substance and accompanied by such documents as Bank may require describing all Receivables created or acquired by such Borrower and by HMI Inc., Tube-Fab and HMI Acceptance.

(b) No later than forty (40) days after the end of each month, or sooner if available, each Borrower shall deliver to Bank a monthly borrowing base certificate in the form of Exhibit L attached hereto and incorporated herein by reference (a "Borrowing Base Certificate") and monthly summary reports of such Borrower's (and HMI Inc.'s and Tube-Fab's and HMI Acceptance's) sales, credits to sales or credit memoranda applicable to sales, collections and non-cash charges in such form and substance as Bank may require.

(c) No later than forty (40) days after the end of each month, or sooner if available, each Borrower shall deliver to Bank monthly summary reports in such form and substance as Bank may require of agings, broken down by invoice date, of accounts receivable, reconciled to the Borrowing Base Certificate for the end of such month , together with such further information with respect thereto as Bank may require. Each such monthly summary report also shall include a summary report of HMI Inc.'s and Tube-Fab's and HMI Acceptance's agings, broken down by invoice date, of accounts receivable for the end of such month, together with such further information with respect thereto as Bank may require. No later than forty (40) days after the end of each month, or sooner if available, each Borrower also shall deliver to Bank monthly summary reports in such form and substance as Bank may require of agings of accounts payable listed by invoice date, together with such further information with respect thereto as Bank may require. Each such monthly summary report shall include a report of HMI Inc.'s and Tube-Fab's and HMI Acceptance's agings of accounts payable listed by invoice date, together with such further information with respect thereto as Bank may require.

8.4 REPORTING REGARDING INVENTORY. (a) Each Borrower shall conduct a full and complete physical count of its Inventory (and the Inventory of HMI Inc. and Tube-Fab and HMI Acceptance) at least quarterly or more frequently if Bank shall require, in a manner and in accordance with procedures approved by such Borrower's independent certified public accountants and Bank, and shall promptly extend, price and summarize such physical counts and submit a written report thereof to Bank no later than forty (40) days after the end of each calendar quarter.

(b) Values shown on reports of Inventory shall be at the lower of cost or market value determined on a "first in first out" basis, consistently applied.

(c) No later than forty (40) days after the end of each month, or more frequently, if Bank shall so request, each Borrower shall submit to Bank a summary inventory report in such form and substance as Bank may require reconciled to the Borrowing Base Certificate for the end of such month, broken down into such detail and with such categories as Bank shall require. Each such monthly summary report shall include an inventory report of HMI Inc. and Tube-Fab and HMI Acceptance, broken down into such detail and with such categories as Bank shall require

(d) No later than forty (40) days after the end of each month, or sooner if available, each Borrower shall deliver to Bank a monthly Borrowing Base Certificate reporting the value of such Borrower's Inventory as of the end of the

period for which such Borrower has provided Bank information in accordance with SECTION 8.4(c).

8.5 MONTHLY FINANCIAL STATEMENTS. Promptly when available and in any event not later than forty (40) days after the end of each month, Borrowers shall furnish to Bank monthly statements, on a consolidated and consolidating basis, showing each Borrower's and Guarantor Subsidiary's financial condition and the results of each Borrower's and Guarantor Subsidiary' 5 operations for the periods covered by such statements in such detail as Bank may from time to time require, prepared in accordance with generally accepted accounting

principles consistently applied (subject to normal year-end adjustments and excluding footnotes) and containing all disclosures (other than footnotes) required to fully and accurately present the financial position and results of operations of each Borrower, each Guarantor Subsidiary and each of their respective divisions and to make such statements not misleading under the circumstances. Said statements shall include: (i) a comparison prepared by Borrowers of the consolidated projected financial position and results of operations of each of the Manufactured Product Segment and the Consumer Goods Segment of the Borrowers' and the Guarantor Subsidiaries' businesses provided for in Section 8.6 hereof with the consolidated actual financial position and results of operations of each of the Manufactured Product Segment and the Consumer Goods Segment of the Borrowers' and the Guarantor Subsidiaries' businesses and an explanation of any variations between them; and (ii) a comparison between consolidated actual calculated results and consolidated covenanted results for each of the Financial Covenants contained in Exhibit M attached hereto and incorporated herein by reference.

8.6 ANNUAL PROJECTIONS. No later than thirty (30) days after the end of each of each Borrower's fiscal years, Borrowers shall furnish to Bank detailed consolidated projections for the next twelve (12) months setting forth consolidated projected income and cash flow for each month and the consolidated projected balance sheet as of the end of each month for each of the Manufactured Product Segment and the Consumer Goods Segment of the Borrowers' and the Guarantor Subsidiaries' businesses. Such consolidated projections shall be prepared in a manner fully and accurately presenting the consolidated projected financial condition and results of operations of each of the Manufactured product Segment and the Consumer Goods Segment of the Borrowers' and the Guarantor Subsidiaries' businesses and making such projections not misleading under the circumstances.

8.7 AUDITED ANNUAL FINANCIAL STATEMENTS. Promptly when available and in any event not later than ninety (90) days after the end of each of Borrowers' fiscal years, Borrowers shall submit to Bank statements (prepared on a

consolidated basis), showing the financial condition of the Borrowers and the Guarantor Subsidiaries, the results of operations of the Borrowers and the Guarantor Subsidiaries, a balance sheet and related statements of income, shareholder's equity, and changes in cash flows of the Borrowers and the Guarantor Subsidiaries for the year then ended. Such statements shall be audited in accordance with generally accepted auditing standards by an independent certified public accountant acceptable to Bank and shall be prepared and presented in accordance with generally accepted accounting principles consistently applied. Such statements shall be delivered to Bank together with an audit report of such independent certified public accountant addressed to Bank.

8.8 MANAGEMENT REPORTS. Borrowers shall furnish to Bank promptly upon receipt copies of all management letters and any other material reports provided by Borrowers' and the Guarantor Subsidiaries' independent accountants. Borrowers hereby authorize Bank to communicate directly with Borrowers' and Guarantor Subsidiaries' independent accountants to discuss Borrowers' and Guarantor Subsidiaries' affairs, finances, accounts and such other matters as Bank deems necessary .

8.9 FINANCIAL CERTIFICATE. Borrowers shall furnish Bank together with all materials required pursuant to Section 8.5, Section 8.6, Section 8.7, Section 8.11 and Section 8.12 hereof, a certificate signed by the Chief Financial Officer of each Borrower in the form of Exhibit N attached hereto.

8.10 PUBLIC FILINGS. Borrowers shall furnish to Bank promptly upon any filing thereof by either Borrower or any Guarantor Subsidiary with the Securities and Exchange Commission, any annual, periodic or special report or registration statement (without exhibits) generally available to the public and all proxies. Borrowers also shall furnish to Bank upon release thereof any press releases regarding Borrowers or the Guarantor Subsidiaries.

8.11 QUARTERLY FINANCIAL STATEMENTS. Promptly when available and in any event not later than forty-five (45) days after the end of each quarter, Borrowers shall furnish to Bank quarterly statements, on a consolidated and consolidating basis, showing each Borrower's and Guarantor Subsidiary's financial condition and the results of each Borrower's and Guarantor Subsidiary's operations for the periods covered by such statements in such detail as Bank may from time to time require, prepared in accordance with generally accepted accounting principles consistently applied (subject to normal year-end adjustments and excluding footnotes) and containing all disclosures (other than footnotes) required to fully and accurately present the financial position and results of

operations of each Borrower, each Guarantor Subsidiary and each of their respective divisions and to make such statements not misleading under the circumstances. Said statements shall include: (i) a comparison prepared by Borrowers of the consolidated projected financial position and results of operations of each of the Manufactured Product Segment and the Consumer Goods Segment of the Borrowers' and the Guarantor Subsidiaries' businesses provided for in Section 8.6 hereof with the consolidated actual financial position and results of operations of each of the Manufactured Product Segment and the Consumer Goods Segment of the Borrowers' and the Guarantor Subsidiaries' businesses and an explanation of any variations between them; and (ii) a comparison between consolidated actual calculated results and consolidated covenanted results for each of the Financial Covenants contained in Exhibit M attached hereto and incorporated herein by reference.

8.12 UNAUDITED ANNUAL FINANCIAL STATEMENTS. Promptly when available and in any event not later than ninety (90) days after the end of each of Borrowers' fiscal years, Borrowers shall submit to Bank statements (prepared on a consolidated and consolidating basis), showing the financial condition of each Borrower and each Guarantor Subsidiary, the results of operations of each Borrower and each Guarantor Subsidiary, a balance sheet (which balance sheet shall be a consolidated balance sheet, if applicable) and related statements of income, and shareholder's equity of each Borrower and each Guarantor Subsidiary for the year then ended. Such statements shall be prepared and presented by Borrowers in accordance with generally accepted accounting principles consistently applied. Said statements shall include: (i) a comparison prepared by Borrowers of the consolidated projected financial position and results of operations of each of the Manufactured Product Segment and the Consumer Goods Segment of the Borrowers' and the Guarantor Subsidiaries' businesses provided for in SECTION 8.6 hereof with the consolidated actual financial position and results of operations of each of the Manufactured Product Segment and the Consumer Goods Segment of the Borrowers' and the Guarantor Subsidiaries' businesses and an explanation of any variations between them; and (ii) a comparison between consolidated actual calculated results and consolidated covenanted results for each of the Financial Covenants contained in Exhibit M attached hereto and incorporated herein by reference.

9. WARRANTIES, REPRESENTATIONS AND COVENANTS. In order to induce Bank to enter into this Agreement and to make Loans hereunder, each Borrower warrants, represents and covenants that, on the Effective Date, on each date upon which a Loan is made hereunder, and until the Obligations are fully paid, per- formed and satisfied, the representations, warranties and covenants set forth below are and shall remain true.

9.1 ORGANIZATION, ETC. Each Borrower and each Guarantor Subsidiary is and shall remain duly organized, validly existing and in good standing under the laws of the states and other jurisdictions set forth on SCHEDULE 1 attached hereto and incorporated herein by reference, and is and shall remain qualified to do business and is and shall remain in good standing as a foreign corporation under the laws of the states and other jurisdictions set forth on SCHEDULE 1 attached hereto and incorporated herein by reference and in each other jurisdiction in which the failure to be so qualified and in good standing could have a Material Adverse Effect. Each Borrower and each Guarantor Subsidiary has and shall maintain all requisite power and authority, corporate or otherwise, to conduct its business, to own its property and to execute, deliver and perform all of its obligations under this Agreement and each of the other Loan Documents to which it is a party.

9.2 DUE AUTHORIZATION. VALIDITY, ETC. This Agreement and each of the other Loan Documents have been duly executed and delivered and authorized by all requisite corporate, organizational or other action of each Borrower and each Guarantor Subsidiary, and each will constitute, upon the due execution and delivery thereof, the legal, valid, and binding obligation of each Borrower and each Guarantor Subsidiary, enforceable in accordance with its respective terms.

9.3 NO VIOLATION. The execution, delivery and/or performance by either Borrower or any Guarantor Subsidiary of this Agreement and the other Loan Documents does not and will not (i) constitute a violation of any applicable law or a breach of any provision contained in such Borrower's or such Guarantor Subsidiary's Articles or Certificate of Incorporation or Code of Regulations or By-Laws or contained in any order of any court or other governmental agency or in any agreement, instrument or document to which such Borrower or such Guarantor Subsidiary is a party or by which such Borrower or such Guarantor Subsidiary or any of such Borrower's or such Guarantor Subsidiary's properties

is bound or (ii) result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of such Borrower's or such Guarantor Subsidiary's properties (other than in favor of Bank hereunder) .

9.4 USE OF LOAN PROCEEDS. Each Borrower's uses of the proceeds of the Loans made by Bank to such Borrower pursuant to this Agreement are, and will continue to be, legal and proper corporate uses (duly authorized by such Borrower' s Board of Directors), such uses do not and shall not violate any applicable laws or statutes as in effect as of the date hereof or hereafter, and the Loans are not and shall not be secured, directly or indirectly, by any stock For the

purpose of purchasing or carrying any margin stock or for any purpose which would violate either Regulation U, 12 C.F.R. Part 221, or Regulation X, 12 C.F.R. Part 224, promulgated by the Board of Governors of the Federal Reserve System.

9.5 MANAGEMENT: OWNERSHIP OF ASSETS, LICENSES, PATENTS. ETC. Each Borrower and each Guarantor Subsidiary possesses and shall continue to possess active, full-time, professional management adequate to handle its affairs and adequate employees, assets, governmental approvals, permits, licenses, patents, copyrights, trademarks and trade names to continue to conduct its business as heretofore and hereafter conducted by it, and all such governmental approvals, permits, licenses, patents, copyrights, trademarks and trade names are described in Schedule 2 attached hereto and incorporated herein by reference.

9.6 INDEBTEDNESS. Except for (i) Indebtedness disclosed in either the Financials delivered on or before the Effective Date or in SCHEDULE 3 attached hereto and incorporated herein by reference, (ii) the Obligations, (iii) Indebtedness (a) which is unsecured, (b) which is not for borrowed money, (c) which has been incurred in the ordinary course of business, (d) which is not otherwise prohibited under any provision of this Agreement or any other Loan Document, and (e) the nonpayment or other default under which would not have a Material Adverse Effect, and (iv) other Indebtedness permitted to be incurred or paid by such Borrower or such Guarantor Subsidiary pursuant to Section 10.11, neither Borrower nor any Guarantor Subsidiary has Indebtedness, and, except as otherwise set forth in Schedule 3 attached hereto, has not guaranteed the obligations of any other Person.

9.7 TITLE TO PROPERTY; NO LIENS. Each Borrower and each Guarantor Subsidiary has good, indefeasible and merchantable title to and ownership of, or leasehold interest in, all of its real and personal property, including, without limitation, its Collateral, the Premises, and other security for the Obligations, free and clear of all liens, claims, security interests, assignments, mortgages, pledges and encumbrances, except Permitted Liens and except as described in SCHEDULE 4 attached hereto and incorporated herein by reference.

9.8 RESTRICTIONS; LABOR DISPUTES; LABOR CONTRACTS, ETC. Except as described in Schedule 5 attached hereto and incorporated herein by reference, neither Borrower nor any Guarantor Subsidiary is a party or subject to any charge, restriction, judgment, decree or order, adversely affecting its business, property, assets, operations or condition, financial or otherwise, or any labor dispute which could have a Material Adverse Effect; and there are not any

strikes or walkouts relating to any labor contracts and, except as described in SCHEDULE 5 attached hereto, no such contract is scheduled to expire within three (3) years of the date hereof. Except as described in Schedule 5 attached hereto and incorporated herein by reference, neither Borrower nor any Guarantor Subsidiary is a party to any or labor contract .

9.9 NO VIOLATION OF LAW; HAZARDOUS MATERIALS. Except as described in Schedule 6 attached hereto and incorporated herein by reference, Borrower is not in violation of any applicable statute, regulation or ordinance of any governmental entity (including, but not limited to, any Environmental Law) , the violation of which could have a Material Adverse Effect. Without limiting the generality of the foregoing sentence, no Hazardous Material (i) is located on any real property owned or leased by either Borrower or any Guarantor Subsidiary except to the extent that such presence is maintained in compliance with all applicable laws, the noncompliance with which could have a Material Adverse Effect, or (ii) has been discharged or is penetrating into any real property or surface or subsurface rivers or streams crossing or adjoining any

real property owned or leased by either Borrower or any Guarantor Subsidiary or the aquifer underlying any real property owned or leased by either Borrower or any Guarantor Subsidiary except to the extent that such discharge or penetration does not violate any applicable law, the violation of which could have a Material Adverse Effect, or give rise to any claim against such Borrower or such Guarantor Subsidiary under any applicable law to the extent such claim could have a Material Adverse Effect. "Hazardous Material" as used herein means any existing or future asbestos, polychlorinated byphenyls and petroleum products, solid wastes, ureaformaldehyde, discharges of sewer or effluent, paint containing lead and any other hazardous or toxic material, substance or waste which is defined, determined or identified by those or similar terms or is regulated as such under any such statute, law, ordinance, rule or regulation (whether now existing or hereafter promulgated) or any local, state or federal authority, or any judicial or administrative interpretation of any such statute, law, ordinance, rule or regulation, including but not limited to any material, substance or waste which is a hazardous substance within the meaning of 33 U.S.C. +SC 1251 et seq., as amended, or 42 U.S.C. 9601 et seq., as amended, or a hazardous waste within the meaning of 42 U.S.C. 6901 et seq., as amended) . All inventory manufactured and produced by each Borrower has been and shall continue to be manufactured and produced in compliance with all applicable requirements of Sections 6, 7 and 12 of the Fair Labor Standards Act, as amended, and all regulations and orders of the United States Department of Labor.

9.10 ABSENCE OF DEFAULT. Neither Borrower nor any Guarantor Subsidiary is in default under any note, indenture, loan agreement, mortgage, lease, or other similar agreement relating to the borrowing of monies or the incurring of indebtedness to which such Borrower or such Guarantor Subsidiary is a party or by which such Borrower or such Guarantor Subsidiary or any of such Borrower's or such Guarantor Subsidiary's assets are bound, which default could have a Material Adverse Effect.

9.11 ACCURACY OF FINANCIALS; NO MATERIAL CHANGES. The Financials have been prepared in accordance with generally accepted accounting principles consistently applied (except that, in the case of unaudited internally prepared Financials (other than unaudited annual Financials), such Financials lack footnotes and are subject to normal recurring year-end adjustments) and are true, correct and complete in all material respects; all Financials fairly present each Borrower's and each Guarantor Subsidiary's assets, liabilities and financial condition and results of operations and those of such other Persons described therein as of the date thereof (subject to the lack of footnotes and normal recurring year- end adjustments, in the case of unaudited internally prepared Financials (other than unaudited annual Financials)); there are no omissions from the Financials or other facts or circumstances not reflected in the Financials which are or may be material; except as set forth in SCHEDULE 14 attached hereto, there has been no material and adverse change in either Borrower's or any Guarantor Subsidiary's assets, liabilities or financial condition since the date of the Financials attached to EXHIBIT T to this Agreement and delivered on the Effective Date nor has there been any material damage to or loss of any of either Borrower's or any Guarantor Subsidiary's assets or properties since such date.

9.12 PENSION PLANS. No "reportable event" or "prohibited transaction," as defined by the Employee Retirement Income Security Act of 1974 ("ERISA"), has occurred or is continuing as to any plan of either Borrower, any Guarantor Subsidiary or any Controlled Group member, which poses a threat of termination of such plans (or trusts related thereto) or the imposition of taxes or penalties against such plans (or trusts related thereto); neither Borrower nor any Guarantor Subsidiary or Controlled Group member has violated the requirements of any "qualified pension benefit plan," as defined in ERISA and the Internal Revenue Code of 1986 or done anything to create liability under the Multi-Employer Pension Plan Amendments Act; and except as set forth in Schedule 7 attached hereto and incorporated herein by reference, neither Borrower nor any Guarantor Subsidiary or Controlled Group member has incurred any liability to the Pension Benefit Guaranty Corporation in connection with such plans.

9.13 TAXES AND OTHER CHARGES. Except as set forth on Schedule 15 attached hereto, each Borrower and each Guarantor Subsidiary has (a) filed and shall file all federal, state and local tax returns and other reports which it is required by law to file, (b) paid all taxes, assessments and other similar

charges that are due and payable, except for any such taxes, assessments or charges which are being contested in good faith by appropriate proceedings promptly commenced and diligently prosecuted, for which adequate reserves in accordance with generally accepted accounting principles have been set aside on its books, and the continuance of which will neither result in any part of the Collateral or the Premises or any other property of the Borrower being made the subject of any proceeding in foreclosure, or of any levy or execution, which cannot be stayed or dismissed, or the subject of any seizure or other loss, nor prevent Bank from acquiring and/or maintaining a perfected first priority security interest in the Collateral or a first priority mortgage of the Mortgaged Premises after the Effective Date or with respect to future advances hereunder, (c) withheld all employee and similar taxes which it is required by law to withhold, and (d) maintained adequate reserves for the payment of all taxes and similar charges. No tax liens have been filed with respect to either Borrower or any Guarantor Subsidiary and no claims are being asserted with respect to any such taxes, assessments or charges (and, to the best knowledge of Borrowers (after due inquiry), no basis exists for any such claims) .

9.14 NO LITIGATION. There is not any litigation, action or proceeding pending or, to the best of Borrowers' knowledge (after due inquiry), threatened, against either Borrower or any Guarantor Subsidiary, which, if adversely determined, is could have a Material Adverse Effect. Schedule 8 attached hereto and incorporated herein by reference correctly sets forth all litigation, actions and proceedings pending or, to the best of Borrowers' knowledge (after due inquiry), threatened, against either Borrower or any Guarantor subsidiary as of the Effective Date (none of which could have a Material Adverse Effect) .

9.15 NO BROKERAGE FEE. No brokerage, finder's or similar fee or commission is due to any party by reason of either Borrower entering into this Agreement or by reason of any of the transactions contemplated hereby or thereby, and each Borrower shall indemnify and hold Bank harmless from all such fees and commissions.

9.16 AFFILIATES. All Persons who are Borrowers' and Guarantor Subsidiaries' Affiliates (other than members of the immediate family of each shareholder, officer, and director of the Borrowers and Guarantor Subsidiaries) are identified in SCHEDULE 9 attached hereto and incorporated herein by reference. Parent has no Subsidiaries. other than

Bliss, the Guarantor Subsidiaries, Health-Mor Mexicana S.A. de C.V., Home Impressions, Inc. and Experimental Distributing, Inc. None of the Guarantor Subsidiaries, Health-Mor Mexicana S.A. de C.V., Home Impressions, Inc. or Experimental Distributing, Inc. has any Subsidiaries.

9.17 CAPITALIZATION; WARRANTS, ETC. The authorized capital stock of each Borrower and each Guarantor Subsidiary and the number of shares of such authorized stock outstanding as of the Effective Date is set forth on Schedule 10 attached hereto and incorporated herein by reference; each outstanding share of capital stock is duly authorized, validly issued, fully paid and nonassessable. All warrants, puts, subscriptions, options, instruments and agreements under which any shares of capital stock of either Borrower or any Guarantor Subsidiary are or may be redeemed, retired, encumbered, bought, sold or issued are described in Schedule 10 attached hereto.

9.18 NONCOMPETITION AGREEMENTS. Neither Borrower nor any Guarantor Subsidiary is subject to any contract or agreement containing a covenant not to compete in any line of business with any Person.

9.19 DEPOSIT AND OTHER ACCOUNTS. All of the accounts maintained by each Borrower and each Guarantor Subsidiary with any bank, brokerage house or other financial institution are set forth in SCHEDULE 11 attached hereto and incorporated herein by reference, and, after the delivery by Bank of a Cash Collateralization Notice (except as may be agreed upon by Bank in writing), none of such other accounts (other than accounts designated as "Payroll Accounts") is subject to withdrawal other than by transfers of amounts therein to one (1) of the Locked Boxes or the Special Accounts .

9.20 SOLVENCY. Each Borrower and each Guarantor Subsidiary is Solvent as of the Effective Date and will be Solvent after receipt and application of the Loans in accordance with the terms of this Agreement.

9.21 FULL DISCLOSURE. No representation or warranty made by either Borrower, any Guarantor Subsidiary or any of their respective Affiliates, as the case may be, in this Agreement or any Loan Document or other document furnished from time to time in connection herewith or therewith contains or will contain at the time such representation is made or such document furnished, any untrue statement of a material fact or omits or will omit to state any material fact necessary to make the statements herein or therein not misleading. There is no fact known to either Borrower, any Guarantor Subsidiary or any of their respective Affiliates which adversely affects, or which, in Borrowers'

reasonable judgment, could in the future adversely affect (i) the business, property, assets, operations, prospects or condition, financial or otherwise, of either Borrower, any Guarantor Subsidiary or any of their respective Affiliates, (ii) the ability of either Borrower, any Guarantor Subsidiary or any of their respective Affiliates to perform any of their respective payment or other Obligations under this Agreement any of the other Loan Documents, or (iii) the ability of Bank to exercise its rights and remedies with respect to or otherwise realize upon any of the Collateral or the Premises.

9.22 CASUALTIES. Neither the business nor the properties of either Borrower or any Subsidiary Guarantor are affected by any fire, explosion, accident, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other Casualty Loss (whether or not covered by insurance) which could have a Material Adverse Effect.

9.23 LEASES. Except as described in Schedule 12 attached hereto and incorporated herein by reference, neither Borrower nor any Guarantor Subsidiary is a party to any lease, assignment, sublease, or other agreement relating to any real property or leasehold, or any equipment or other personal property.

9.24 INSURANCE POLICIES. Schedule 13 attached hereto and incorporated herein by reference correctly sets forth all of the insurance policies maintained by each Borrower and each Guarantor Subsidiary, including, without limitation, the carriers thereof, and the types of coverage (which coverage shall include environmental liability insurance) and insured amounts covered thereby. Each Borrower and each Guarantor Subsidiary is in compliance with all requirements of such insurance and is in compliance with all insurance requirements set forth in any purchase orders or other agreements with its customers.

9.25 CONSENTS. No authorization or approval or other action by, and no notice to or filing with, any govern- mental authority or regulatory body or other Person is required for (i) the due execution, delivery and performance by either Borrower or any Guarantor Subsidiary of any Loan Document to which it is or will be a party, (ii) the conduct of either Borrower' s or any Guarantor Subsidiary' s business or (iii) the ownership or the lease of any of either Borrower's or any Guarantor Subsidiary's properties.

10. COVENANTS. Until the Obligations are fully paid, performed and satisfied and this Agreement is terminated, each Borrower will comply, and will cause each Guarantor Subsidiary to comply, with each of the covenants set forth below in this SECTION 10, unless Bank shall have given Borrower its prior written consent.

10.1 PAYMENT OF CERTAIN EXPENSES. Each Borrower will pay to Bank immediately any and all fees, costs and expenses which Bank pays to a bank or other similar institution arising out of or in connection with (i) the forwarding to either Borrower, or any other Person on either Borrower's behalf, by Bank of proceeds of Loans made by Bank to either Borrower pursuant to this Agreement, and (ii) the depositing for collection by Bank of any check or item of payment received and/or delivered to Bank on account of the Obligations and reimburse Bank, immediately, for any claims asserted by any bank at which a blocked account is established for the deposit of proceeds of the Collateral and the Premises in connection with such blocked account or any returned or uncollected checks received by such bank as proceeds of the Collateral or the Premises.

10.2 NOTICE OF LITIGATION. Each Borrower will notify Bank in writing, promptly upon such Borrower's learning thereof, of any litigation, suit or administrative proceeding which may materially and adversely affect either Borrower's or any Guarantor Subsidiary's (a) operations, financial condition or business, (b) the ability of either Borrower or any Guarantor Subsidiary to perform any of its payment or other Obligations under this Agreement or any of the other Loan Documents or (c) Bank's lien on or security interest in the Collateral, the Premises or other security for the Obliga- tions, whether or not

the claim is considered by either Borrower to be covered by insurance.

10.3 NOTICE OF ERISA EVENTS. Each Borrower will notify Bank in writing (i) promptly upon the occurrence of any event described in Section 4043 of ERISA relating to either Borrower or any Guarantor Subsidiary, other than a termination, partial termination or merger of a "Plan" (as defined in ERISA) or a transfer of a Plan's assets, and (ii) prior to any termination, partial termination or merger of a Plan or a transfer of a Plan's assets relating to either Borrower or any Guarantor Subsidiary.

10.4 NOTICE OF LABOR DISPUTES. Each Borrower will notify Bank in writing, promptly upon either Borrower's learning thereof, of any material labor dispute to which either Borrower or any Guarantor Subsidiary may become a party, any strikes or walkouts relating to any of either Borrower's or any Guarantor Subsidiary's plants or other facilities, and the expiration of any labor contra .ct to which

either Borrower or any Guarantor Subsidiary is a party or by which either Borrower or any Guarantor Subsidiary is bound.

10.5 COMPLIANCE WITH LAWS, ETC. Each Borrower will comply, and each Borrower will cause each Guarantor Subsidiary to comply, with the requirements of all applicable laws, statutes, regulations, rules or ordinances of any governmental entity, or of any agency thereof (including, but not limited to, any Environmental Laws), the noncompliance with which could have a Material Adverse Effect.

10.6 NOTICE OF VIOLATIONS OF LAW, TAX ASSESSMENTS. Each Borrower will notify Bank in writing, promptly upon either Borrower's learning thereof, of (i) any violation by either Borrower or any Guarantor Subsidiary of any law, statute, regulation, rule or ordinance of any govern- mental entity, or of any agency thereof, which violation could have a Material Adverse Effect, (ii) the nonpayment of any federal, state or local withholding tax applicable to either Borrower or any Guarantor Subsidiary to the extent the amount involved equals or exceeds One Hundred Thousand Dollars ($100,000), and (iii) any federal, state or local tax assessment applicable to either Borrower or any Guarantor Subsidiary to the extent such assessment equals or exceeds One Hundred Thousand Dollars ($100,000).

10.7 COMPLIANCE WITH OTHER AGREEMENTS. Each Borrower will comply, and each Borrower will cause each Guarantor Subsidiary to comply, with the provisions of each note, indenture, loan agreement, mortgage, lease, deed or other similar agreement to which either Borrower or any Guarantor Subsidiary is a party or by which either Borrower or any Guarantor Subsidiary is bound, the noncompliance with which could have a Material Adverse Effect. 10.8 Notice of Violations of Certain Agreements. Each Borrower will notify Bank in writing, promptly upon the occurrence thereof, of either Borrower's or any Guarantor Subsidiary's default under any note, indenture, loan agreement, mortgage, lease, deed or other similar agreement to which either Borrower or any Guarantor Subsidiary is a party or by which either Borrower or any Guarantor Subsidiary is bound.

10.9 NOTICE OF CUSTOMER DEFAULTS. Each Borrower will notify Bank in writing, promptly upon the occurrence thereof, of (a) any default by any obligor under any note or other evidence of debt payable to either Borrower or any Guarantor Subsidiary having outstanding indebtedness thereunder or relating thereto (or face amount in the case of any letter of credit) of One Hundred Thousand Dollars ($100,000) or more, or (b) anything which might have a

material adverse effect on the credit of a customer of either Borrower or any Guarantor Subsidiary.

10.10 TAXES AND CHARGES. Each Borrower will (i) file, and will cause each Guarantor Subsidiary to file, all federal, state and local tax returns and other reports which either Borrower or any Guarantor Subsidiary is required by law to file, (ii) pay, and will cause each Guarantor Subsidiary to pay, all taxes, assessments and other sirnilar charges that are due and payable; PROVIDED, HOWEVER, that no such taxes, assessments or charges need be paid during such period as they are being contested in good faith by the applicable Borrower or applicable Guarantor Subsidiary, in appropriate proceedings promptly

commenced and diligently prosecuted, if adequate reserves in accordance with generally accepted accounting principles have been set aside on the applicable Borrower's or applicable Guarantor Subsidiary's books, and the continuance of such contest shall neither result in any part of the Collateral or the Premises or any other property of either Borrower or any Guarantor Subsidiary being made the subject of any proceeding in foreclosure, or of any levy or execution, which shall not have been stayed or dismissed, or the subject of any seizure or other loss, nor prevent Bank from acquiring a perfected first priority security interest in the Collateral after the Effective Date or with respect to future advances hereunder; and PROVIDED, FURTHER, that the applicable Borrower or applicable Guarantor Subsidiary will promptly pay such tax when the dispute is finally settled, (iii) withhold, and will cause each Guarantor Subsidiary to withhold, all employee and similar taxes which the applicable Borrower or applicable Guarantor Subsidiary is required by law to withhold, and (iv) maintain adequate reserves for the payment of all taxes and similar charges.

10.11 INDEBTEDNESS; GUARANTIES. Neither Borrower will, and each Borrower will cause each Guarantor Subsidiary not to, incur or pay any Indebtedness other than (i) the Obligations, (ii) Indebtedness reflected in the Financials delivered on or before the Effective Date or described in SCHEDULE 3 attached hereto, (iii) Indebtedness (a) which is unsecured, (b) which is not for borrowed money, (c) which has been incurred in the ordinary course of business, (d) which is not otherwise prohibited under any provision of this Agreement or any other Loan Document, and (e) the nonpayment or other default under which would not have a Material Adverse Effect, (iv) Indebtedness in respect of capitalized leases and purchase money Indebtedness so long as the aggregate amount of such Indebtedness does not exceed Five Hundred Thousand Dollars ($500,000) at any one time outstanding, (v) Indebtedness in respect of taxes, assessments or governmental charges to the extent that payment thereof shall not at the time be required to be made in accordance with the provisions of SECTION 10.10, (vi) with respect to

Pty, Indebtedness secured by the First Chicago Letter of Credit, (vii) with respect to Parent, Indebtedness under the Note Agreement, and (viii) Indebtedness in respect of operating leases so long as the aggregate amount of such Indebtedness incurred by Borrowers and Guarantor Subsidiaries in any fiscal year does not exceed Three Hundred Thousand Dollars ($300,000); PROVIDED that no Indebtedness (y) for borrowed money permitted under this SECTION 10.11 (other than the Indebtedness described in clauses (vi) and (vii) above), shall contain any provisions making a default under or in respect of some other Indebtedness for money borrowed, a default thereunder, and (z) otherwise permitted to be incurred shall be permitted to be incurred if, after giving effect to the incurrence thereof, any Event of Default shall have occurred. Neither Borrower will, and each Borrower will cause each Guarantor Subsidiary not to, guarantee the obligations of any other Person except as set forth on SCHEDULE 3 attached hereto; PROVIDED, HOWEVER, that the Borrowers and the Guarantor Subsidiaries may guarantee the obligations of each other to the extent that the obligations guaranteed are permitted to be incurred under the terms of this Agreement.

10.12 TITLE TO PROPERTY; NO LIENS. Each Borrower will, and each Borrower will cause each Guarantor Subsidiary, Home Impressions, Inc. and Experimental Distributing, Inc. to, continue to maintain good, indefeasible and merchantable title to and ownership of, or interest (leasehold or otherwise) in, all of its real and personal property, including, without limitation, the Collateral, the Premises, and other security for the Obligations, free and clear of all liens, claims, security interests, assignments, mortgages, pledges and encumbrances, except Permitted Liens and except as described on Schedule 4 attached hereto and incorporated herein by reference.

10.13 RESTRICTIONS; LABOR DISPUTES, ETC. Neither Borrower will, and each Borrower will cause each Guarantor subsidiary not to, become a party or subject to any (a) charge, restriction, judgment, decree or order, which could have a Material Adverse Effect, or (b) any labor dispute, strike or walkout which could have a Material Adverse Effect.

10.14 PENSION PLANS. Neither Borrower will permit any "reportable event" or "prohibited transaction," as defined by ERISA, to occur or to continue as to any plan of either Borrower, any Guarantor Subsidiary or any Controlled Group member, which poses a threat of (i) termination of such plans (or trusts related thereto) or (ii) the imposition of taxes or penalties against such plans (or trusts related thereto) ; neither Borrower will, and each Borrower will cause each Guarantor Subsidiary and each Controlled Group member not to, violate the requirements of any "qualified pension benefit

plan," as defined in ERISA and the Internal Revenue Code of 1986 or do anything to create liability under the Multi- Employer Pension Plan Amendments Act; and except as set forth on SCHEDULE 6 attached hereto and incorporated herein by reference, neither Borrower will, and each Borrower will cause each Guarantor Subsidiary and each Controlled Group member not to, incur, any liability to the Pension Benefit Guaranty Corporation in connection with such plans.

10.15 SOLVENCY. Each Borrower and each Guarantor Subsidiary will continue to be Solvent.

10.16 PROPERTY INSURANCE. (a) Each Borrower and each Guarantor Subsidiary will insure all of its real and personal property, including, without limitation, the Collateral, the Premises and other security for the Obligations, in Bank's name against loss or damage by fire, theft, burglary, pilferage, loss in transit and such other hazards as Bank shall specify in amounts and under policies by insurers acceptable to Bank; if applicable, each policy with respect to such insurance shall name Bank (and no other party) as mortgagee under a New York Standard Mortgage clause or other similar clause acceptable to Bank; each such policy shall contain a lender's loss payable clause acceptable to Bank naming Bank (and no other party) as loss payee thereunder and shall provide that such policy may not be amended or cancelled without thirty (30) days prior written notice to Bank. Bank acknowledges that the insurance coverage set forth on Schedule 13 attached hereto as of the Effective Date meets the foregoing requirements and is acceptable to Bank as of the Effective Date.

(b) The policies or a certificate thereof signed by the insurer evidencing that such insurance coverage is in effect for periods of not less than one (1) year shall be delivered to Bank within five (5) Business Days after the issuance of the policies and after each renewal thereof.

(c) All premiums thereon shall be paid by the applicable Borrower or applicable Guarantor Subsidiary monthly in advance; and if any Borrower or any Guarantor Subsidiary fails to do so, Bank may (but shall not be required to) procure such insurance and charge the cost to either Borrower's account as part of the Obligations payable on demand and secured by the Collateral, the Premises and other security for the Obligations.

10.17 LIABILITY INSURANCE. Each Borrower and each Guarantor Subsidiary will, at all times, maintain in full force and effect such liability insurance with respect to its activities and business interruption, product liability and other insurance as may be required by Bank, such insurance to be provided by insurer(s) acceptable to Bank, and if requested

by Bank such insurance shall name Bank (and no other party) as an additional insured as its interest may appear.

10.18 DEPOSIT ACCOUNTS. Each Borrower and each Guarantor Subsidiary (other than HMI Inc. and Tube-Fab and HMI Acceptance) will consider maintaining throughout the term of this Agreement all of such Borrower's or such Guarantor Subsidiary's depository, disbursement, trust, payroll and other account relationships with Bank and not alter existing account relationships which bear on the creditworthiness of Borrower and/or the pricing of the Loans or this credit arrangement or such other account relationships. Each Borrower hereby agrees that it will not, and each Borrower will cause each Guarantor subsidiary not to, assert any claims or set off rights against Bank as a result of its maintaining any account relationship with Bank or any Affiliate of Bank.

10.19 MERGER, ETC. Neither Borrower will, and each Borrower will cause each Guarantor subsidiary not to, merge or consolidate or form a joint venture or partnership with or acquire any other Person; provided, however, that, notwithstanding the foregoing, (a) any Guarantor Subsidiary may merge or consolidate with another Guarantor subsidiary but only so long as (i) both immediately before and after giving effect thereto, no Event of Default exists or shall exist and (ii) the Parent shall own, either directly or indirectly, one hundred percent (100%) of the equity interests of the surviving or resulting entity, and (b) the Parent may merge or consolidate with Bliss or a Subsidiary Guarantor but only so long as (i) both immediately before and after giving effect thereto, no Event of Default exists or shall exist and (ii) the Parent shall be the surviving or resulting entity.

10.20 INVESTMENTS. Neither Borrower will, and each Borrower will cause each Guarantor Subsidiary not to, make any investment in the securities of any Person other than investments in Cash Equivalents which are pledged to Bank as collateral and security for the Obligations.

10.21 DIVIDENDS. Neither Borrower will, and each Borrower will cause each Guarantor Subsidiary not to, declare or pay cash or stock dividends upon

any of its stock (including, without limitation, any preferred stock now or hereafter issued) or make any distributions of its assets, or make any loans, advances and/or extensions of credit, to any Persons, including, without limitation, any of either Borrower' s or any Guarantor Subsidiary's Affiliates, officers or employees; PROVIDED, HOWEVER, that Borrowers may make loans and advances to employees for (i) entertainment, travel and other similar expenses in the ordinary course of business not to exceed Fifty Thousand Dollars ($50,000) in the aggregate at any time outstanding and (ii) moving and other relocation expenses in the ordinary course of business not to exceed

Three Hundred Thousand Dollars ($300,000) in the aggregate at any time outstanding; and PROVIDED, FURTHER, that intercompany loans, advances and/or extensions of credit may be made by (i) Parent to Bliss or any Guarantor Subsidiary, or (ii) Bliss to Parent or any Guarantor Subsidiary, but only so long as, in each case, either immediately before or after giving effect thereto, no Event of Default exists or shall exist. In no event shall either Borrower or any Guarantor Subsidiary make any distributions of its assets to, or make any loans, advances and/or extensions of credit to, or engage in any other transaction with, Home Impressions, Inc. or Experimental Distributing, Inc.

10.22 REDEMPTION OF STOCK. Neither Borrower will, and each Borrower will cause each Guarantor Subsidiary not to, voluntarily or pursuant to any contractual or other obligations redeem, retire, purchase, repurchase or otherwise acquire, directly or indirectly, or exercise any call rights relating to, any of its capital stock or any other securities now or hereafter issued by either Borrower or any Guarantor Subsidiary (including, without limitation, any warrants).

10.23 STOCK RIGHTS. Neither Borrower will, and each Borrower will cause each Guarantor Subsidiary not to, change the rights or obligations associated with, or the terms of any class of its stock or issue any new class of stock, or its Articles or Certificate of Incorporation or its Code of Regulations or By-laws to the extent any such action could have a Material Adverse Effect.

10.24 CAPITAL STRUCTURE, Etc. Neither Borrower will, and each Borrower will cause each Guarantor Subsidiary not to, make any change in its capital structure or in any of its business objectives, purposes and operations which might in any way materially and adversely affect the repayment of the Obligations.

10.25 AFFILIATE TRANSACTIONS. Neither Borrower will, and each Borrower will cause each Guarantor Subsidiary not to, enter into, or be a party to, any transaction with any of its Affiliates, except in the ordinary course of business, pursuant to the reasonable requirements of its business, and upon fair and reasonable terms which are fully disclosed in any filings with the Securities and Exchange Commission and are no less favorable to it than it could obtain in a comparable arm's length transaction with a Person not its Affiliate.

10.26 [INTENTIONALLY OMITTED]

10.27 SALE OF ASSETS. Neither Borrower will, and each Borrower will cause each Guarantor Subsidiary, Home Impressions, Inc. and Experimental Distributing, Inc. not to,

sell, lease or otherwise dispose of or transfer, whether by sale, merger, consolidation, liquidation, dissolution, or otherwise, any of its assets, including, without limitation, the Collateral, the Premises and other security for the Obligations, except for (i) the sale of Inventory in the ordinary course of business, (ii) the sale of individual tangible assets consisting of personal property (as opposed to the sale of all or substantially all of the tangible assets of either Borrower, any Guarantor Subsidiary, Home Impressions, Inc., Experimental Distributing, Inc. or any division or business thereof) having a purchase price not in excess of One Hundred Thousand Dollars ($100,000), and in any fiscal year, having aggregate purchase prices in excess of Two Hundred Fifty Thousand Dollars ($250,000), and (iii) subject to the other terms of this Agreement, the HRS Sale; PROVIDED, HOWEVER, that the proceeds of the sale of any assets permitted pursuant to this SECTION 10.27 shall be immediately paid over to Bank and

(a) in the case of sales of any of the Parent's or Bliss' Equipment, (1) first, applied to all accrued and unpaid interest on the principal of all of the Loans, and (2) SECOND, one hundred percent (100%) of the remainder of such proceeds equal to the appraised value (as of the Effective Date) of the Equipment sold (i.e., after the

applications set forth in clause (a) (1) above) applied up to the amount of the principal installments of the Bliss Equipment Term Loan, as applicable, in the inverse order of maturity;

(b) in the case of (A) any remaining proceeds after the applications set forth in clauses (a) (1) an (a) (2) above, (B) sales of any of the Parent's or Bliss' Equipment where the Bliss Equipment Term Loan has been paid in full or (C) sales of any other assets permitted to be sold under this SECTION 10.27 (other than Inventory in the ordinary course of business and other than the assets sold in connection with the HRS Sale), applied (1) FIRST, to all accrued and unpaid interest on the principal of all of the Loans to the extent not previously applied in clause (a) above, (2) SECOND, fifty percent (50%) of the remainder of such proceeds (i.e., after the applications set forth in clause (b) (1) above) to the outstanding principal amount of the applicable Revolving Loans, (3) THIRD, twenty-five percent (25%) of the remainder of such proceeds (i.e., after the applications set forth in clause (b) (1) above) to the principal installments of the Special Term Loan in the order of maturity, (4) FOURTH, twenty-five percent (25%) of the remainder of such proceeds (i.e., after the applications set forth in clause (b) (1) above) to the principal installments of the Special Term Loan in the inverse order of maturity, and (5) FIFTH, to the payment

of the other Obligations, in a manner satisfactory to Bank, in its sole discretion; and

(c) in the case of the HRS Sale, Two Million Dollars ($2,000,000) of the HRS Proceeds shall be applied to the principal installments of the Special Term Loans in the inverse order of maturity and the remainder of the HRS Proceeds shall be applied to the outstanding principal amount of the Revolving Loans,

The proceeds of the sales of Inventory in the ordinary course of business shall be applied to the principal of and interest on the Revolving Loans. The purchase price in connection with the sale of any assets permitted pursuant to this SECTION 10.27 (other than, subject to the terms of this Agreement, the HRS Sale) shall be payable solely in cash. With respect to the sales of assets referred to in clause (ii) above, the applicable Borrower or applicable Guarantor Subsidiary shall give Bank prior written notice of any such sale of assets in the event the sale price of the assets proposed to be sold exceeds Seventy-Five Thousand Dollars ($75,000). In the event Bank shall have given its prior written consent to any sale of assets not otherwise permitted under this Section 10.27, the proceeds of such permitted sale shall be immediately paid over to Bank and applied in a manner similar to the manner of application set forth in clauses (a) and (b) above.

10.28 CONSIGNMENTS. Etc. Neither Borrower will, and each Borrower will cause each Guarantor Subsidiary not to, make a sale to any customer on a bill-and-hold, guaranteed sale, sale and return, sale on approval, consignment or any other repurchase or return basis.

10.29 CHANGE IN MANAGEMENT OR BUSINESS. Neither Borrower will, and each Borrower will cause each Guarantor Subsidiary not to, permit to occur any seizure, vesting or intervention by or under the authority of any government by which its management is displaced or its authority in the conduct of its business is curtailed.

10.30 CLAIMS AGAINST COLLATERAL OR PREMISES. Neither Borrower will, and each Borrower will cause each Guarantor Subsidiary not to, (a) permit to occur any attachment or distraint of any material portion of the Collateral, the Premises or other security for the Obligations or (b) permit any material portion of the Collateral or other security for the Obligations to become subject, at any time, to any mandatory court order or other legal process.

10.31 JUDGMENTS. Neither Borrower will, and each Borrower will cause each Guarantor Subsidiary not to, permit any judgment in excess of Two Hundred Thousand Dollars ($200,000) or any number of judgments in excess of Three

Hundred Thousand Dollars ($300,000), in the aggregate, to be rendered against it; PROVIDED, HOWEVER, that this SECTION 10.31 shall not be breached to the extent that (a) any such judgment(s) is discharged or satisfied within thirty (30) days after the date of the order, decree or process under which or pursuant to which such judgment(s) was entered, or (b) a stay of execution is secured pending appeal of such judgment, and during the appeal of such judgment, a bond is posted in the full amount of the judgment (plus interest) and the full amount of the judgment (plus interest) is adequately reserved for on the applicable Borrower's or Subsidiary Guarantor's books.

10.32 STOCK OWNERSHIP. Parent will at all times own one hundred percent (100%) of the stock (voting or otherwise) of Bliss and each Guarantor Subsidiary (other than Personal Care which shall be owned as set forth in Schedule 10 attached hereto).

10.33 FINANCIAL COVENANTS. Each Borrower will comply with all of the financial covenants contained in Exhibit M (the "Financial Covenants") attached hereto and incorporated herein by reference.

10.34 CHANGE OF OFFICERS; Good Standing Certificates. (a) Each Borrower will, and each Borrower will cause each Guarantor Subsidiary to, notify Bank in writing of (i) any removal, resignation, or replacement of any of either Borrower's officers holding office on the Effective Date, prior to any such removal, resignation or replacement, and (ii) the creation of any category of officer not in place on the Effective Date and the name of the Person who will act in such capacity, prior to such creation.

(b) Upon Bank's request therefor, each Borrower will furnish to Bank a certificate from the Secretary of State of the state or other jurisdiction of formation of each Borrower and each Guarantor Subsidiary indicating that each Borrower and each Guarantor Subsidiary is in good standing under the laws of such state or jurisdiction and certificates indicating that each Borrower and each Guarantor Subsidiary is qualified to do business under the laws of all states and jurisdictions where the failure to be so qualified could have a Material Adverse Effect.

10.35 HRS SALE; HRS PROCEEDS. The cash consideration for the HRS Sale shall be at least Two Million Dollars ($2,000,000) and such sale shall be consummated on or before August 31, 1997. Any non-cash consideration for such

sale shall be pledged to Bank as security for the Obligations. Any cash consideration for the HRS Sale in excess of Two Million Dollars ($2,000,000) shall be applied as set forth in clause (c) of Section 10.27 hereof.

10.36 AMENDMENTS TO NOTE AGREEMENT. Parent will not, and will not permit any other Person to (i) replace any of the promissory notes issued under the Note Agreement which are in place as of the Effective Date, (ii) waive compliance with any of the terms of the Note Agreement or any of the agreements, instruments or other documents executed in connection therewith to the extent such waiver could materially and adversely affect the Bank or otherwise could have a Material Adverse Effect, or (iii) replace, amend, supplement or otherwise modify any of the terms or provisions of the Note Agreement or any of the agreements, instruments or other documents executed in connection therewith as in effect on the Effective Date to the extent any such action (u) changes the maturity date of such Indebtedness, (v) increases the principal amount of such Indebtedness, (w) changes the amortization schedule for such Indebtedness, (x) increases the interest charged on the principal amount of such Indebtedness, (y) grants the holder(s) of such Indebtedness rights with respect thereto greater than those in effect on the Effective Date, or (z) otherwise could materially and adversely affect Bank or could have a Material Adverse Effect.

10.37 AMENDMENTS TO PTY INDEBTEDNESS. Parent and/or Pty will not, and will not permit any other Person to (i) replace any of the promissory notes issued under the Indebtedness secured by the First Chicago Letter of Credit which are in place as of the Effective Date, (ii) waive compliance with any of the terms or provision of or relating to such Indebtedness to the extent such waiver could materially and adversely affect the Bank or otherwise could have a Material Adverse Effect, or (iii) replace, amend, supplement or otherwise modify any of the terms or provisions of or relating to such Indebtedness as in effect on the Effective Date to the extent any such action (u) changes the maturity date of such Indebtedness, (v) increases the principal amount of such Indebtedness, (w) changes the amortization schedule for such Indebtedness, (x) increases the interest charged on the principal amount of such Indebtedness, (y) grants the holder(s) of such Indebtedness rights with respect thereto greater than those in effect on the Effective Date, or (z) otherwise could materially and adversely affect Bank or could have a Material Adverse Effect. Parent and/or

Pty will not permit the Indebtedness secured by the First Chicago Letter of Credit to be secured by any rights, liens, mortgages or security interests in any assets of either Borrower or any Guarantor Subsidiary (other than the First Chicago Letter of Credit) .

10.38 FISCAL YEAR. Neither Borrower will, and each Borrower will cause each Guarantor Subsidiary not to, change its fiscal year from a year ending September 30.

10.39 PAYMENT OF OUTSTANDING FEES AND EXPENSES. On or before the Effective Date, Borrowers shall pay or reimburse to Bank all (a) legal fees and expenses, (b) fees and expenses of any appraisers and environmental consultants, (c) UCC search fees and filing fees, and (d) other similar fees, which, in each case, have been incurred and/or paid by Bank prior to the Effective Date and which remain unpaid or unreimbursed as of the Effective Date. Bank shall provide Borrowers with the amount of the foregoing fees and expenses on or prior to the Effective Date, together with copies of any invoices therefor which the Bank may have in its possession.

11. EFFECTIVE DATE; TERMINATION.

11.1 EFFECTIVE DATE AND TERMINATION DATE. This Agreement shall be effective on the date upon which all of the conditions set forth herein and in Exhibit K attached hereto have been fully satisfied in a manner satisfactory to Bank and upon which the initial Loans have been made by Bank to Borrowers. Unless otherwise terminated in accordance with the provisions of this Agreement, this Agreement shall terminate on October 1, 1998.

11.2 RECOURSE TO SECURITY. Recourse to security will not be required at any time. Each Borrower waives presentment and protest of any instrument and notice thereof, notice of default and all other notices to which such Borrower might otherwise be entitled.

11.3 ACCELERATION UPON TERMINATION. Upon the effective date of any termination of this Agreement, all of each Borrower' s and each Guarantor Subsidiary' 5 Obligations to Bank shall become immediately due and payable without notice or demand.

11.4 BORROWERS REMAINS LIABLE. Notwithstanding any termination, until all of the Obligations have been fully performed, paid and satisfied, each Borrower and each Guarantor Subsidiary shall remain liable for the full and prompt performance and payment of the Obligations and the indemnification set forth in Section 15.10, and Bank shall retain all of its rights and privileges hereunder, including, without limitation, the retention of its interest in and to all of the Collateral, the Premises and other security for the Obligations .

12. EVENTS OF DEFAULT. Each of the following shall consti- tute an "Event of Default" hereunder:

(a) either Borrower shall fail to pay, when due (whether by demand, at maturity or otherwise) , any portion of the principal amount of any of the Loans;

(b) either Borrower shall fail to pay, when due (whether by demand, at maturity or otherwise), any portion of any interest on or with respect to any of the Loans and such failure shall continue for three (3) consecutive Business Days;

(c) either Borrower shall fail to pay, when due (whether by demand, at maturity or otherwise), any portion of any of the other Obligations owing from such Borrower to Bank and such failure shall continue for five (5) consecutive Business Days after Bank shall have delivered notice to such Borrower of such failure;

(d) either Borrower shall commit any breach of Section 8.1, Section 10.10, Section 10.14, Section 10.16(b) or Section 10.34(a) of this Agreement and such Borrower shall not have cured such breach within ten (10) days after the occurrence of such breach;

(e) either Borrower shall commit any breach of this Agreement (other than under Section 8.1, Section 10.10, Section 10.14, Section

10.16(b) or Section 10.34(a) hereof), as amended or supplemented;

(f) any representation or warranty made by either Borrower herein, in connection with this Agreement, in connection with any transaction relating to this Agreement, or in any of the other Loan Documents is, or becomes, untrue or misleading in any respect when made or deemed made;

(g) any representation or warranty made by any Guarantor Subsidiary or any other guarantor of the Obligations herein or in any other Loan Document to which it is a party is, or becomes, untrue or misleading in any respect when made or deemed made;

(h) either Borrower, any Guarantor Subsidiary or any other guarantor of the Obligations, as the case may be, shall: (i) fail to be Solvent, (ii) become generally unable to pay its debts as they become due, (iii) make an assignment for the benefit of creditors, (iv) call a meeting of creditors for the composition of debts, (v) make any misrepresentation to Bank in connection with this Agreement or any transaction relating hereto, (vi) make any misrepresentation to any Affiliate of Bank, or

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(vii) fail to make any payment due to any Affiliate of Bank (subject to any applicable grace periods);

(i) (i) there shall be filed by or against either Borrower, any Guarantor subsidiary or any other guarantor of the obligations, as the case may be, a petition in bankruptcy or for reorganization, or (ii) a custodian, receiver or agent shall be appointed or authorized to take charge of any of their respective properties;

(j) there shall occur any material and adverse change in the business operations or condition, financial or otherwise, of the Borrowers and the Guarantor Subsidiaries, taken as a whole;

(k) either Borrower or any Guarantor Subsidiary or any other guarantor of the obligations shall be in default under its guaranty of the obligations;

(1) any Guarantor subsidiary or any other guarantor of the obligations shall be in default under any other agreement to which it is a party and such default could have a Material Adverse Effect;

(m) either Borrower or any Guarantor Subsidiary or any other guarantor of the obligations dies, denies its obligation to guarantee any then existing obligations or attempts to limit or terminate its obligation to guarantee any future obligations (including, without limitation, any future advance by Bank to Borrowers);

(n) there shall occur a casualty Loss in excess of One Hundred Thousand Dollars ($100,000) with respect to the Collateral, the Premises or other security for the Obligations which is not covered by insurance;

(o) the audit report required pursuant to Section 8.7 is not an unqualified audit report, unless the reason for qualification is not material to either Borrower's or any subsidiary Guarantor's financial condition in Bank's reasonable opinion;

(p) a Discretionary Base Deficiency shall occur and shall not have been eliminated by the applicable Borrower within ten (10) Business Days following the occurrence thereof;

(q) a Deficiency, other than a Discretionary Base Deficiency, shall occur;

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(r) t:he Collateral, or other security for the obliga- tions shall decline in value with the result that Bank's security for the Obligations is materially diminished;

(s) any default shall occur under the terms applicable to any Indebtedness owing (i) to Bank or any Affiliate of Bank (other than Indebtedness incurred in connection with this Agreement) by either Borrower or any Guarantor subsidiary (subject to any applicable grace periods), or (ii) to any other Person by either Borrower or any Guarantor Subsidiary in an aggregate amount exceeding Two Hundred Fifty Thousand Dollars ($250,000) which represents any borrowing or financing or arises under any other agreement from, by or with any such Person (subject to any applicable grace periods);

(t) a contribution failure occurs with respect to any Pension Plan, Multiemployer Plan or Welfare Plan sufficient to give rise to a lien under Section 302(f) of ERISA;

(u) there shall have been instituted against either Borrower or any Guarantor subsidiary any criminal proceedings for which forfeiture of any assets having an aggregate value of One Hundred Thousand Dollars ($100,000) is a potential penalty; or

(v) either Borrower or any Guarantor subsidiary shall default in the due performance and observance of any covenant or agreement contained in, or otherwise commit any breach of, any Loan Document to which it is a party (other than this Agreement) or any other agreement between Bank and such Borrower (other than this Agreement) or between such Borrower and any Affiliate of Bank (subject, in each case, to any applicable grace periods) .

13. BANK'S RIGHTS AND REMEDIES.

13.1 ACCELERATION, ETC. Upon the occurrence of any Event of Default, in addition to all other rights and remedies provided herein or available at law or in equity, Bank may, without further notice or demand, declare the Loans and all other Obligations to be immediately due and payable (except that with respect to any Event of Default under SECTION 12(h) or(i), such acceleration of the Loans shall be automatic), and, to the extent that the maximum amount of the Total Facility has not yet been used or fully drawn on by Borrowers, terminate the undrawn balance of same, and Bank shall have all rights to realize upon the Collateral, the premises and other security for the Obligations set forth in the documents

providing for such security as described in SECTION 5 hereof, the terms of which are incorporated herein by reference as if set forth herein in full, and as otherwise provided by applicable law. Bank's rights and remedies under this Agreement shall be cumulative and not exclusive of any other right or remedy which Bank may have.

13.2 FEES AND EXPENSES. Each Borrower shall pay to Bank, immediately and as part of the Obligations, all costs and expenses, including court costs, Attorneys' Fees and costs of sale, incurred by Bank in exercising any of its rights or remedies hereunder .

13.3 ACTIONS IN RESPECT OF THE LETTERS OF CREDIT. If any Event of Default shall have occurred and be continuing, Bank may, whether in addition to taking any of the actions described in Section 13.1 above or otherwise, if any Letters of Credit shall have been issued and be outstanding for the account of a Borrower, make demand upon such Borrower to, and forthwith upon such demand such Borrower will, pay to Bank in same day funds at Bank's office designated in such demand, for deposit in a special non-interest bearing cash collateral account for such Borrower (each such account maintained for each Borrower being referred to as the "Letter of Credit Collateral Account") to be maintained at such office of Bank, an amount equal to the aggregate Letter of Credit Face Amount for such Borrower. Each Letter of Credit Collateral Account shall be in the name of the applicable Borrower (as a cash collateral account), but under the sole dominion and control of Bank and subject to the terms of this Agreement.

13.4 LETTER OF CREDIT COLLATERAL ACCOUNT.

(a) Each Borrower hereby pledges, and grants to Bank a lien and security interest in, all funds held in its Letter of Credit Collateral Account from time to time and all proceeds thereof, as security for the payment of all amounts due and to become due from such Borrower to Bank under the Loan Documents.

(b) Bank may, at any time or from time to time after funds are

deposited in a Letter of Credit Collateral Account, apply funds then held in such Letter of Credit Collateral Account to the payment of any amounts, in such order as Bank may elect, as shall have become or shall become due and payable by the applicable Borrower to Bank under the Loan Documents first, in respect of the Letters of Credit of such Borrower and second, in respect of all other Obligations.

(c) Neither Borrower nor any person claiming on behalf of or through either Borrower shall have any right to withdraw any of the funds held in a Letter of Credit

Collateral Account, except as otherwise provided in subsection (d) below.

(d) So long as no Event of Default shall be continuing, Bank will apply to the Obligations, at the written request of the applicable Borrower, funds held in such Borrower' 5 Letter of Credit Collateral Account in an amount up to but not exceeding the excess, if any (immediately prior to the release of any such funds), of (i) the total amount of funds held in such Letter of Credit Collateral Account over (ii) the Letter of Credit Obligations of such Borrower. If at any time the Letter of Credit Obligations of such Borrower shall have been indefeasibly paid or otherwise satisfied in full and no Event of Default shall then exist, Bank will apply any remaining amount on deposit in such Letter of Credit Collateral Account to the other Obligations of Borrower to Bank in such order and method of application as may be elected by Bank in its sole discretion and/or retain such amount as continuing security for the Obligations.

(e) Each Borrower agrees that it will not (i) sell or otherwise dispose of any interest in its Letter of Credit Collateral Account or any funds held therein, or (ii) create or permit to exist any lien, security interest or other charge or encumbrances upon or with respect to its Letter of Credit Collateral Account or any funds held therein other than in favor of Bank.

(f) Bank shall exercise reasonable care in the custody and preservation of any funds held in each Letter of Credit Collateral Account and shall be deemed to have exercised such care if such funds are accorded treatment substantially equivalent to that which Bank accords its own property, it being understood that Bank shall not have any responsibility for taking any necessary steps to preserve rights against any parties with respect to any such funds.

(g) If any Event of Default shall have occurred and be continuing:

(i) Bank may, without notice to the applicable Borrower at any time or from time to time, charge, set-off and otherwise apply all or any part of the obligations of such Borrower now or hereafter existing under any of the Loan Documents against its Letter of Credit Collateral Account or any part thereof.

(ii) Bank may also exercise in respect of a Letter of Credit Collateral Account, in addition to other rights and remedies provided for herein or

otherwise available to it, all the rights and remedies of a secured party upon default under the Uniform Commercial Code in effect in the State of Ohio at that time, and Bank may, without notice except as specified below, sell such Letter of Credit Collateral Account or any part thereof in one or more parcels at public or private sale, at any of Bank's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as Bank may deem commercially reasonable. Each Borrower agrees that, to the extent notice of sale shall be required by law, at least five (5) days' notice to such Borrower of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. Bank shall not be obligated to make any sale of a Letter of Credit Collateral Account, regardless of notice of sale having been given. Bank may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at

the time and place to which it was so adjourned.

(iii) Any cash held by Bank in a Letter of Credit Collateral Account, and all cash proceeds received by Bank in respect of any sale of, collection from or other realization upon all or any part of such Letter of Credit Collateral Account shall, then be applied (after payment of any amounts payable pursuant to Section 13.2) in whole by Bank against the Obligations in such order as Bank shall elect. Any surplus of such cash or cash proceeds held by Bank and remaining after payment in full of all the Obligations shall be paid over to the applicable Borrower or to whomsoever may be lawfully entitled to receive such surplus.

14. WAIVER; AMENDMENTS; SUCCESSORS AND ASSIGNS.

14.1 RELEASE OF COLLATERAL AND PREMISES. Bank's rights with respect to the Collateral, the premises and other security for the Obligations and its liens thereon and security interest therein shall continue unimpaired, and each Borrower shall remain obligated in accordance with the terms hereof, notwithstanding the release or substitution of any Collateral, the Premises or other security for the Obligations at any time(s), or any rights or interests therein, or any delay, extension of time, renewal, compromise or other indulgence granted by Bank in reference to any Obligations, and each Borrower hereby waives all notice of the same. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

14.2 WAIVERS AND AMENDMENTS IN WRITING. Failure by Bank to exercise any right, remedy or option under this Agreement or any supplement hereto or in any other agreement between either Borrower or any Guarantor Subsidiary and Bank or delay by Bank in exercising the same shall not operate as a waiver by Bank of its right to exercise any such right, remedy or option. No waiver by Bank shall be effective unless it is in writing and then only to the extent specifically stated. This Agreement cannot be changed or terminated orally .

14.3 ASSIGNMENT. Bank shall have the right to assign all or any part of this Agreement and/or the other Loan Documents. Neither Borrower may assign, transfer or otherwise dispose of any of its rights or obligations hereunder or under any of the other Loan Documents to which it is a party, by operation of law or otherwise, and any such assignment, transfer or other disposition without Bank's written consent shall be void. All of the rights, privileges, remedies and options given to Bank hereunder shall inure to the benefit of Bank's successors and assigns, and all the terms, conditions, covenants, provisions and warranties herein shall inure to the benefit of and bind the representatives, successors and assigns of each Borrower and Bank, respectively.

15. MISCELLANEOUS.

15.1 SEVERABILITY. Each provision of this Agreement shall be interpreted in such manner as to be valid under applicable law, but if any provision hereof shall be invalid under applicable law, such provision shall be ineffective to the extent of such invalidity, without invalidating the remainder of such provision or the remaining provisions hereof .

15.2 GOVERNING LAW. THIS AGREEMENT HAS BEEN DELIVERED AND ACCEPTED AT AND SHALL BE DEEMED TO HAVE BEEN MADE AT CLEVELAND, OHIO. THIS AGREEMENT SHALL BE DEEMED TO BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF OHIO. For purposes of any action or proceeding involving this Agreement, each Borrower hereby expressly submits to the nonexclusive jurisdiction of all federal and state courts located in the State of Ohio and consents that it may be served with any process or paper by registered mail or by personal service within or without the State of Ohio in accordance with applicable law, provided a reasonable time for appearance is allowed.

15.3 WAIVER OF JURISDICTION. AS A SPECIFICALLY BARGAINED INDUCEMENT FOR BANK TO ENTER INTO THIS AGREEMENT AND EXTEND CREDIT TO BORROWERS, EACH BORROWER AGREES THAT ANY ACTION, SUIT OR PROCEEDING IN RESPECT OF OR ARISING OUT OF THIS AGREEMENT, ITS VALIDITY OR PERFORMANCE, AT THE SOLE

OPTION OF BANK, ITS SUCCESSORS AND ASSIGNS, AND WITHOUT LIMITATION ON THE ABILITY OF BANK, ITS SUCCESSORS AND ASSIGNS, TO EXERCISE ALL RIGHTS AS TO THE COLLATERAL, THE PREMISES AND OTHER SECURITY FOR THE OBLIGATIONS OR INITIATE AND PROSECUTE IN ANY APPLICABLE JURISDICTION ACTIONS RELATED TO REPAYMENT OF THE OBLIGATIONS, SHALL BE INITIATED AND PROSECUTED AS TO ALL PARTIES AND THEIR

SUCCESSORS AND ASSIGNS AT CLEVELAND, OHIO. BANK AND EACH BORROWER EACH CONSENTS TO AND SUBMITS TO THE EXERCISE OF JURISDICTION OVER ITS PERSON BY ANY COURT SITUATED AT CLEVELAND, OHIO HAVING JURISDICTION OVER THE SUBJECT MATTER, WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS UPON IT AND CONSENTS THAT ALL SUCH SERVICE OF PROCESS BE MADE BY CERTIFIED MAIL DIRECTED TO THE APPLICABLE BORROWER AND BANK AT THEIR RESPECTIVE ADDRESSES SET FORTH IN SECTION 15.9 BELOW OR AS OTHERWISE PROVIDED UNDER THE LAWS OF THE STATE OF OHIO. EACH BORROWER WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS, AND ANY OBJECTION TO VENUE OF ANY ACTION INSTITUTED HEREUNDER, AND CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY THE COURT .

15.4 SURVIVAL OF REPRESENTATIONS ANA WARRANTIES. Each Borrower covenants, warrants and represents that all of its representations and warranties contained in this Agreement are true at this time, shall survive the execution, delivery and acceptance hereof by the parties hereto and the closing of the transactions described herein or related hereto, and shall remain true until the Obligations are fully performed, paid and satisfied, subject to such changes as may not be prohibited hereby, do not constitute Events of Default hereunder, and have been consented to by Bank in writing.

15.5 EVIDENCE OF LOANS. Each loan or advance made by Bank to either Borrower pursuant to this Agreement may or may not (at Bank's sole discretion) be evidenced by notes or other instruments issued or made by such Borrower to Bank. Where such loans or advances are not so evidenced, such loans and advances shall be evidenced solely by entries upon Bank's books and records. The Replacement Revolving Note, dated as of February 28, 1997, executed by Borrowers and the Guarantor Subsidiaries in favor of Bank in the principal amount of up to $20,000,000 shall be deemed to be replaced by the terms and provisions of this Agreement and the Guaranty at the time the Borrowers and the Guarantor Subsidiaries execute and deliver this Agreement and the Guaranty.

15.6 BANK'S ABILITY REGARDING COLLATERAL AND PREMISES. All of the Obligations shall constitute one loan secured by all security as described in Section 5 above and by all other security now and from time to time hereafter granted by either Borrower and any Subsidiary Guarantor to Bank. Bank may, in its sole discretion, (i) exchange, enforce, waive or release any such security or portion thereof, (ii) apply such

security and direct the order or manner of sale thereof as Bank may, from time to time, determine and (iii) settle, compromise, collect or otherwise liquidate any such security in any manner without affecting or impairing its right to take any other further action with respect to any security or any part thereof.

15.7 APPLICATION OF PAYMENTS, ETC. Bank shall have the continuing right to apply or reverse and reapply any payments to any portion of the Obligations, subject to the terms of this Agreement. To the extent either Borrower or any Guarantor Subsidiary makes a payment or payments to Bank or Bank receives any payment or proceeds of the Collateral, the Premises or any other security for either Borrower's or any Guarantor Subsidiary's benefit, which payment(s) or proceeds or any part thereof are subsequently voided, invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy act, state or federal law, common law or equitable cause, then, to the extent of such payment or proceeds received, the Obligations or part thereof intended to be satisfied shall be revived and shall continue in full force and effect, as if such payment or proceeds had not been received by Bank.

15.8 FEES AND EXPENSES. Borrowers shall reimburse Bank for all costs, fees, expenses and liabilities incurred by Bank or for which Bank becomes obligated in connection with or arising out of: (i) the negotiation, preparation, closing and enforcement of this Agreement, any amendment hereof and any agreements, documents and instruments in any way relating hereto and any of Bank's rights hereunder; (ii) any loans or advances made by Bank hereunder; (iii) any transaction contem- plated by this Agreement; (iv) any inspection and/or audit and/or verification of the Collateral, the Premises and/or other security for the Obligations and/or either Borrower or any Guarantor Subsidiary; (v) any liability under Section 3505 of the Internal Revenue Code and all other local, state and federal statutes of similar import; and (vi) costs of settle- ment incurred by Bank after the occurrence of an Event of Default (a) in enforcing any Obligation or in foreclosing against the Collateral or the Premises or exercising or enforcing any other right or remedy available by reason of such Event of Default, (b) in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement in the nature of a "work-out" or in any insolvency or bankruptcy proceeding, (c) in commencing, defending or intervening in any litigation or in filing a petition, complaint, answer, motion or other pleadings in any legal proceeding relating to either Borrower or any Guarantor Subsidiary and related to or arising out of the transactions contemplated hereby or by any of the Loan Documents, (d) in taking any other action in or with respect to any suit or

proceeding (whether in bankruptcy or otherwise), (e) in protecting, preserving, collecting, leasing, selling, taking possession of, or liquidating any of the Collateral or the Premises, (f) attempting to enforce or enforcing any lien on or security interest in any of the Collateral or the Premises or any other rights under the Loan Documents or (g) in meeting with either Borrower or any Guarantor Subsidiary to discuss such Event of Default and the course of action to be taken in connection therewith. The foregoing costs, fees, expenses and liabilities shall include, without limitation, Attorneys' Fees and fees of other professionals all lien search and title search fees, all title insurance premiums, all filing and recording fees and all travel expenses. All of the foregoing shall be part of the Obligations, payable upon demand, and secured by the Collateral and other security for the Obligations described in Section 5 above. The Obligations described under this Section 15.8 shall survive any termination of this Agreement.

15.9 NOTICES. Any notice required, permitted or contemplated hereunder shall be in writing and addressed to the party to be notified at the address set forth below or at such other address as each party may designate for itself from time to time by notice hereunder, and shall be deemed validly given (i) three (3) days following deposit in the U.S. mails, with proper postage prepaid, or (ii) the next business day after such notice was delivered to a regularly scheduled overnight delivery carrier with delivery fees either prepaid or an arrangement, satisfactory with such carrier, made for the payment thereof, or (iii) upon receipt of notice given by telecopy, mailgram, telegram, telex or personal delivery:

To Bank: Star Bank, National Association
1350 Euclid Avenue
Cleveland, Ohio 44115
Attention: Large Corporate Lending Department
Telecopy No: (216) 623-9208

To Either Borrower or any Guarantor Subsidiary: c/o HMI Industries Inc.
3631 Perkins Avenue
Cleveland, Ohio 44114
Attention: Chief Executive Officer
Telecopy No: (216) 432-0013

15.10 INDEMNIFICATION. In consideration of the execution and delivery of this Agreement by Bank and the extension of the commitments hereunder, each Borrower hereby indemnifies, exonerates and holds Bank and each of its officers, directors, employees and agents (collectively the "Indemnified Parties" and, individually, an "Indem-

nified Party") free and harmless from and against any and all actions, causes of action, suits, losses, costs, liabilities, damages, and expenses actually incurred in connection therewith (irrespective of whether such Indemnified Party is a party to the action for which indemnification hereunder is sought), including attorneys' fees and disbursements (the "Indemnified Liabilities"), incurred by the Indemnified Parties or any of them as a result of, or arising out of, or relating to, or as a direct or indirect result of:

(a) any transaction financed or to be financed in whole or in part or directly or indirectly with the proceeds of any Loan;

(b) the entering into and performance of this Agreement and the other Loan Documents by any of the Indemnified Parties;

(c) any investigation, litigation or proceeding related to any acquisition or proposed acquisition by either Borrower or any Guarantor Subsidiary of all or any portion of the stock or all or substantially all the assets of any Person, whether or not Bank is party thereto; and

(d) the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission, discharging or releases from, any real property owned or operated by either Borrower or any Guarantor Subsidiary of any Hazardous Material (including, without limitation, any losses, liabilities, damages, injuries, costs, expenses or claims asserted or arising under the Comprehensive Environmental Response, Compensation and Liability Act, any so-called "Superfund" or "Superlien"

law, or any other federal, state, local or other statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to or imposing liability or standards on conduct concerning, any Hazardous Material), regardless of whether or not caused by, or within the control of, either Borrower or any Guarantor Subsidiary;

except for any such Indemnified Liabilities arising for the account of a particular Indemnified Party by reason of Indemnified Party's gross negligence or willful misconduct or breach by such Indemnified Party of its obligations under the Loan Documents, and if and to the extent that the foregoing undertaking may be unenforceable for any reason, each Borrower hereby agrees to make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law, except as aforesaid to the extent not payable by reason of the Indemnified Party's gross negligence or willful misconduct or breach of such

obligations. The Obligations described under this SECTION 15.10 shall survive any termination of this Agreement.

15.11 EQUITABLE RELIEF. Each Borrower recognizes that, in the event such Borrower fails to perform, observe or discharge any of its obligations or liabilities under this Agreement or any of the other Loan Documents, any remedy of law may prove to be inadequate relief to Bank; therefore, each Borrower agrees that Bank, if Bank so requests, shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving actual damages.

15.12 ENTIRE AGREEMENT. This Agreement sets forth the entire agreement of the parties with respect to its subject matter and supersedes all previous understandings, written or oral, in respect thereof. 15.13 Headings. Section headings in this Agreement are included for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

15.14 WAIVER OF JURY TRIAL. AS A SPECIFICALLY BARGAINED INDUCEMENT FOR BANK TO ENTER INTO THIS AGREEMENT AND EXTEND CREDIT TO EACH BORROWER, EACH BORROWER AND BANK EACH WAIVES TRIAL BY JURY WITH RESPECT TO ANY ACTION, CLAIM, SUIT OR PROCEEDING IN RESPECT OF OR ARISING OUT OF THIS AGREEMENT AND/OR THE CONDUCT OF THE RELATIONSHIP BETWEEN BANK AND BORROWERS.

15.15 REVOCATION OF APPOINTMENT OF PARENT AS AGENT. Each Borrower and, by its execution and delivery of the Consent and Agreement attached hereto, each Guarantor Subsidiary hereby agrees that the appointment of Parent as agent for the Borrowing Group (as defined in the Existing Credit Agreement) is hereby revoked. Bank hereby acknowledges and consents to such revocation.

15.16 NO STRICT CONSTRUCTION. Notwithstanding the fact that this Agreement has been initially drafted and prepared by one of the parties, all of the parties hereto confirm that they and their respective counsel have reviewed, negotiated and adopted this Agreement as the joint agreement and understanding of the parties, and the language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any person.

15.17 CONFESSION OF JUDGMENT. Each Borrower hereby irrevocably authorizes and empowers any attorney-at-law to appear for such Borrower in any action upon or in connection with this Agreement at any time after the Loans and/cr other obligations become due, as herein provided, in any court in or of the State of Ohio or elsewhere, and waives with and

irrevocably authorizes and empowers any such attorney-at-law to confess judgment in favor of Bank against such Borrower, the amount due thereon or hereon, plus interest as herein provided, and all costs of collection, and waives and releases all errors in said proceedings and judgments and all rights of appeal from the judgment rendered. Each Borrower agrees and consents that the attorney confessing judgment on behalf of such Borrower may also be counsel to the Bank or any of Bank's Affiliates, waives any conflict of interest which might otherwise arise, and consents to Bank paying such confessing attorney a reasonable legal fee or allowing such attorney's reasonable fees to be paid from the proceeds of collection of the Loans and/or Obligations or proceeds of Collateral, the Premises or any other security for the Loans and the other Obligations.

IN WITNESS WHEREOF, this Agreement has been duly executed by each Borrower as of the ____ day of June, 1997.

WARNING--BY SIGNING THIS PAPER YOU GIVE UP YOUR RIGHT TO NOTICE AND COURT TRIAL. IF YOU DO NOT PAY ON TIME A COURT JUDGMENT MAY BE TAKEN AGAINST YOU WITHOUT YOUR PRIOR KNOWLEDGE AND THE POWERS OF A COURT CAN BE USED TO COLLECT FROM YOU REGARDLESS OF ANY CLAIMS YOU MAY HAVE AGAINST THE CREDITOR WHETHER FOR RETURNED GOODS, FAULTY GOODS, FAILURE ON HIS PART TO COMPLY WITH THE AGREEMENT, OR ANY OTHER CAUSE.

Signed and acknowledged
in the presence of:

HMI INDUSTRIES INC.

/s/ Carl A. Young III

Name: Carl A. Young III

By: /s/ Mark A. Kirk

Its: Vice President

Name:

WARNING- -BY SIGNING THIS PAPER YOU GIVE UP YOUR RIGHT TO NOTICE AND COURT TRIAL. IF YOU DO NOT PAY ON TIME A COURT JUDGMENT MAY BE TAKEN AGAINST YOU WITHOUT YOUR PRIOR KNOWLEDGE AND THE POWERS OF A COURT CAN BE USED TO COLLECT FROM YOU REGARDLESS OF ANY CLAIMS YOU MAY HAVE AGAINST THE CREDITOR WHETHER FOR RETURNED GOODS, FAULTY GOODS, FAILURE ON HIS PART TO COMPLY WITH THE AGREEMENT, OR ANY OTHER CAUSE.

Signed and acknowledged
in the presence of:

BLISS MANUFACTURING COMPANY

/s/ Carl A. Young III

Name: Carl A. Young III

By: /s/ Mark A. Kirk

Its: Vice President

Name:

STATE OF OHIO)
) ss:
COUNTY OF CUYAHOGA)

The foregoing instrument was acknowledged before me this 6th day of June, 1997, by Mark A. Kirk, Vice President of HMI Industries Inc., a Delaware corporation, on behalf of the company.

c

/s/ Caroline A. Gale

CAROLYN A. GALE
Notary Public, State of Ohio, Cuy. Cty.
My Commission Expires Jan. 28, 2001

STATE OF OHIO)
) SS:
COUNTY OF CUYAHOGA)

The foregoing instrument was acknowledged before, this 6th day of June, 1997, by Mark A. Kirk, Vice President of Bliss Manufacturing Company, an Ohio corporation, on behalf of the company.

/s/ Caroline A. Gale

CAROLYN A. GALE
Notary Public, State of Ohio, Cuy. Cty.
My Commission Expires Jan. 28, 2001

Accepted at Cleveland, Ohio,
as of June 6, 1997

STAR BANK, NATIONAL ASSOCIATION

By: /s/ John D. Barrett

John D. Barrett, Senior Vice President

Schedule 1

INCORPORATION AND QUALIFICATION JURISDICTION

BORROWERS	STATE/PROVINCE OF INCORPORATION
HMI Industries Inc.	Delaware
Bliss Manufacturing Company	Ohio
GUARANTOR SUBSIDIARIES	
Tube Form, Inc.	Ohio
Health-Mor Acceptance Corporation	Delaware
Newton Falls Holding Company	Delaware
Tube-Fab Ltd.	Ontario
Health-Mor International Inc.	US Virgin Islands
HMI Acceptance Corporation	Ontario
Health-Mor Acceptance PTY LTD	Australia
HMI Incorporated	Ontario
Health-Mor Personal Care Corp.	Delaware
Home Impressions, Inc.	
Experimental Distributing, Inc.	Ohio

SCHEDULE 2

LICENSES, PATENTS, ETC.

Set forth below is a list of each Borrower's and Guarantor Subsidiary's governmental approvals, permits, licenses, patents, copyrights, trademarks and trade names.

U.S. TRADEMARKS	REGISTRATION NUMBERS
Ascension Plus	1,727,261
Ascension	1,720,029
Miscellaneous Design "Bird Logo"	2,033,003
Captiva	2,034,466
Captiva	1,980,046
Comfort Lounger	1,944,528
Defender	2,050,553
ElektraPure	2,010,472
Empress	1,973,733
Enviropure	1,810,559
Filter Queen	378,297
Filter Queen & Crown Design	663,742
Filter Queen & Crown Design	663,256
Filter Queen Pow-R-Nozzle & Crown Design	1,070,550
Filter Queen Pow-R Clean-Up Team & Design	1,111,650
Miscellaneous Filter Design "Cone Dude"	1,815,375
GentleJet	2,021,467

Groomex	1,754,460
Health-Mor	1,753,732
Home Impressions	1,949,110
Majestic	1,866,813
Mini Pow-R-Nozzle	1,838,584
Optima	1,954,079
Optima	1,959,113
Optima Plus	2,000,968
Preci-Jet	1,438,533
Princess	1,941,266
Seal Guard	1,287,898
Triangle in a Circle	1,593,851
Triple Crown	1,996,371
True Colors	2,051,602
Vacu-Queen	T33286
Vacuum Cleaner Design	1,976,252
Vista	1,790,181
5-in-1	2,024,542

U.S. PATENTS	PATENT NUMBERS
Suction Cleaner Power Nozzle	4,199,839
Multi-motor suction cleaner (upright)	4,225,999
Top cover for tank type suction cleaner	D260, 151
Design for hand suction cleaner	D268,057
Seal Guard	1,287,898
Power nozzle sudser for a cannister vac	4,507,819
Medicine vial adaptor for injector	4,662,878
Needless hypodermic injector	4,722,728
Central Vac housing design	D294,187
Vacuum cleaner and filter thereof	5,248,323
Elbow design	D345,413
Vacuum cleaner canister base connector	5,515,573
Filter bag for a vacuum cleaner	5,522,908
Telescoping Flagpole	5,572,835
Filter System	5,593,479
Vacuum cleaner and filter bag with air management	5,603,741

SCHEDULE 3

PERMITTED INDEBTEDNESS

HMI Industries Inc.	3/31/97
STAR Bank revolving line of credit and term facility - actual usage at 3/31/97 was $17,880,000.	$20,000,000
Private Placement Notes - 7 year, 9.86% promissory notes -due Nov. '97	$1,666,667
Distributor deposits (normal course of business)	$446,555
Capitalized lease obligations	
- Computer hardware and software	$212,176
- Filter Cone machine lease	$331,214
- Computer lease	$25,075
STAR Bank building mortgage/loan	$2,214,923
Hollandsche-Unit Bank loan (Rotterdam) -actual loan total is 1,000,000 Netherland Guilders	$542,741
Industrial Revenue Bond - Lombard property	$911,715

Bliss Manufacturing Company

STAR BANK leases	
-#410	$119,416
-#411	$164,434
-#412	$75,362
-#413	$495,775

SCHEDULE 3 (continued)

PERMITTED INDEBTEDNESS

Health-Mor Acceptance Pty Ltd.

NBD Bank line of credit - actual loan availability is 840,000 Australian $	$727,050

Health-Mor Personal Care Corp.

Mortgage on land and building - details to be arranged	$316,537

HMI Incorporated

Distributor deposits (normal course of business)	$202,590

Tube-Fab Ltd.

DIPP Government grant (MPD Div.)	$99,447

Various other indebtedness not exceeding $100,000 which does not have a material adverse effect on the Borrowers' and Guarantors' financial condition.

SCHEDULE 4

PERMlTTED LIENS

HMI Industries Inc.

STAR Bank revolving line of credit and term facility

Private Placement Notes
- 7 year, 9.86% promissory notes
-due Nov. '97

Capitalized lease obligations
- Computer hardware and software
- Filter Cone machine lease
- Computer lease

STAR Bank building mortgage/loan

Surety Bond Indemnifications

The practise since HMI Industries Inc. acquired HMI Incorporated in 1987 has been to continue to have HMI Incorporated guarantee the surety bonds of distributors so that the distributors can be bonded to carry on business in Canada.

As of 1997, the bonding company (London Guarantee) is requiring that those bonds requiring a corporate guarantee of HMI be done under the name of HMI Industries Inc.

As of May 1997, the status of these bonds are as follows:

Active Bonds	$162,000
Lapsed bonds (within discovery period)	$702,000

The amount of lapsed bonds represents a) the proactive move to have the Regional Distributor indemnify the bonds, b) the proactive nature of having distributors stand on their own (or under their Regional Distributor) and c) the elimination of distributors whose bond the company had previously indemnified (clean up).

SCHEDULE 4 (continued)

PERMITTED LIENS

Bliss Manufacturing Company

STAR BANK leases

-#410, #411, #412, #413

Health-Mor Acceptance Pty Ltd.

NBD Bank line of credit

Health-Mor Personal Care Corp.

Mortgage on land and building

SCHEDULE 5

RESTRICTIONS, LABOR ISSUES

1. Except as set forth herein, neither Borrower nor Guarantor Subsidiary is a party or subject to any charge, restriction, judgment, decree or order.

None

2. Except as set forth herein, neither Borrower's nor any Guarantor Subsidiary's labor contracts are scheduled to expire within three years of the date of the Agreement.

None

3. Except as set forth herein, neither Borrower nor any Guarantor Subsidiary is a party to any employment contract or labor contract.

Kirk Foley
Gary Moore
Ted Timmers
Carl Young
Mark Kirk
Jim Malone
Robert Benedict

Bliss Manufacturing Employees Association - expires 8/31/2001

SCHEDULE 6

VIOLATION OF LAW

No violations

SCHEDULE 7

PENSION PLAN LIABILITY

None

SCHEDULE 8

LITIGATION

See Litigation Status Report attached hereto.

LITIGATION STATUS REPORT

May 1997

MULTIPLE ALABAMA CUSTOMER LAWSUITS

HMI Industries is a principal defendant, with its distributor Ike Walden, d/b/a Filter Queen Center, and his distributor, Mance Terry, d/b/a Mance Modern Air, in 11 lawsuits filed in as many separate counties in Alabama by lawyers representing Alabama purchasers of the Majestic Filter Queen during the last six years. At the outset of litigation, there were 206 plaintiffs.

Insurance

Chubb Insurance, the company's present insurance carrier, is providing the defense and has set aside reserves per claimant.

Unlike Chubb, the company's prior insurance carrier Cigna has refused to either defend or indemnify the company on the claims. While Cigna's policy was in effect when certain of the purchases were made, Cigna has maintained that because the claim arose in the fall of 1995 when the plaintiffs knew or should have known of the misrepresentations, the Cigna policy is not applicable. We are exploring on behalf of HMI potential claims against Cigna for "bad faith" refusal to defend.

Status

The litigation has been resolved as a result of a mediation conference held February 17, 1997 in Birmingham, Alabama. Settlement documents are being completed. Costs of settlement for plaintiffs approximate $250,000, with a similar amount being paid by Chubb.

Hatch v. Health-Mor, Inc. et al.

Suit by consumer against distributor and HMI for fraud and misrepresentation that Filter Queen sold as a black lung machine.

ACTION SINCE LAST REPORT: Matter settled as part of overall settlement of Alabama litigation.

MICHELLE ARNOLD V. DENNIS BRUCE PULLEN, D/B/A A-1 VACUUM & SUPPLY

Negligent hiring/supervision claim alleged against HMI by an employee of a distributor. Claim against HMI is that it "forced" distributor to hire assailant.

ACTION SINCE LAST REPORT: Summary judgment grant HML

HMI V. NORIAN. FEDERAL DISTRICT COURT

ACTION SINCE LAST REPORT: Matter settled. Apology, noncompete and promissory note calling for payment of $63,000 by Norton.

HMI V. UNIVERSAL VACUUM CORPORATION AND HARLAN WILSON, GRAND RAPIDS, MICHIGAN

Suit filed by HMI to secure materials purchased from UVC in an asset purchase agreement. UVC unable to produce machines due to lack of funds and inept management. Trial court has granted HMI's request for product and materials to be sent to HMI for production. Universal has counterclaimed. Mediation in August 1996 resulted in a positive award to HMI. Mediation rejected by Universal, which seeks sums in excess of $200,000. Matter set for trial May 28, 1997.

HMI V. MCLAIN, FEDERAL DISTRICT COURT, NORTHERN DISTRICT OF OHIO

HMI has sued former distributor Brian McLain for violation of HMI's Filter Queen trademark and in an action on an account. HMI terminated its relationship with McLain in August 1995 due to customer complaints and bad business practices. McLain never filed a responsive pleading or motion and HMI won a default. On December 4, 1995, the day before a scheduled default judgment hearing which would have ended the case, McLain filed a petition for Chapter 7 bankruptcy, staying HMI's action against him. HMI's Complaint was filed September 8, 1995.

MCLAIN V. HMI. FEDERAL DISTRICT COURT. NORTHERN DISTRICT OF TEXAS

On June 19, 1996, Brian McLain filed an action against HMI seeking in excess of $50,000 in damages for tortious interference with business relationships and breach of contract. HMI agreed to waive service of summons and a responsive pleading or motion is due on August 19, 1996 We have sought dismissal or transfer of venue as compulsory counterclaim to HMI's action in Ohio.

BEAGLE V. HMI, ET AL., JEFFERSON COUNTY, TEXAS

The Beagles brought an action in Texas state court stemming from their purchase of a Filter Queen from Brian McLain. According to the Beagels, McLain and HMI engaged in deceptive sales practices and breached the purchase contract, among other things. Through local counsel, HMI has answered the Complaint, denying liability as to HMI. No written agreement exists between HMI and Brian McLain. There has been no other action in the case.

R&D DISTRIBUTING AND RONALD STEAD V. HMI INDUSTRIES INC.

In December 1996, after negotiations with distributor Ronald Stead failed to produce any resolution, Stead commenced legal action in state court in Michigan. HMI has removed the action to federal court and counterclaimed for sums in excess of $150,000. Stead had announced to HMI his desire to retire and wished to provide for himself a "retirement package" that was neither justified nor warranted by past actions. The counterclaim of HMI is based on nonpayment by Stead for various items purchased. Stead is now working for a competitor of HMI.

Discovery to commence.

SCHEDULE 9

Affiliates

Set forth below is a list of all persons who own 10% or more of the outstanding common stock of HMI Industries, Inc.

NAME	OWNERSHIP PERCENTAGE
Kirk W. Foley	14.31%
Barry S. Needler	37.97%

Affiliates also include those officers and directors of Borrowers and Guarantor Subsidiaries and such additional Persons as are included in the definition of Affiliate.

Schedule 10

CAPITALIZATION

HMI INDUSTRIES INC.

Preferred stock, $5 par value
300,000 authorized, none issued

Common Stock, $1 par value
10,000,000 authorized, 5,295,556 issued $5,295,556
Capital Paid in Excess of Par Value $7,634,886
Common Stock Held in Treasury $1,790,202

(see Proxy Statement for Shareholdings)

BLISS MANUFACTURING COMPANY

Outstanding shares 100% owned by HMI Industries Inc.

TUBE FORM, INC.

Outstanding shares 100% owned by HMI Industries Inc.

HEALTH-MOR ACCEPTANCE CORPORATION

Outstanding shares 100% owned by HMI Industries Inc.

NEWTON FALLS HOLDING COMPANY

Outstanding shares 100% owned by Bliss Manufacturing Company

TUBE-FAB LTD.

Outstanding shares 100% owned by HMI Industries Inc.

HEALTH-MOR INTERNATIONAL, INC.

Outstanding shares 100% owned by HMI Industries Inc.

HMI ACCEPTANCE CORPORATION

Outstanding shares 100% owned by HMI Industries Inc.

HEALTH-MOR ACCEPTANCE PTY LTD

Outstanding shares 100% owned by HMI Industries Inc.

HMI INCORPORATED

Outstanding shares 100% owned by HMI Industries Inc.

EXPERIMENTAL DISTRIBUTING, INC.

Outstanding shares 100% owned by HMI Industries Inc.

HEALTH-MOR PERSONAL CARE CORP.

Common Stock, $1 par value
10,000 shares authorized and issued

Shareholder	# shares	%	$
HMI Industries Inc.	8,500	85%	$ 8,500
Gary Moore/MIl Investment Corp.	1,000	10%	$ 1,000
Four other investors	500	5%	$ 500
			$10,000
Capital Paid in Excess of Par Value			$ 6,000

SCHEDULE 11

DEPOSIT AND OTHER ACCOUNTS

Attached is a list of all bank accounts for the Borrowers and the Guarantor Subsidiaries.

<TABLE>
<CAPTION>

Bank Accounts for HMI Industries Inc. & Subsidiaries

HMI Industries Inc.
Federal ID #36-1202810

805-8828	48573-9981
Control led Disbursements-Payroll	Workman's Compensation Checking
Star Bank	Star Bank
1301 Euclid Ave	1301 Euclid Ave
Cleveland, Ohio 44115	Cleveland, Ohio 44115
Contact: John Barrett 623-9220	Contact: John Barrett 623-9220
48039-0012	48573-9791
Guaranteed Loans - Checking	Supernaturals Acct
Star Bank	Star Bank
1301 Euclid Ave	1301 Euclid Ave
Cleveland, Ohio 44115	Cleveland, Ohio 44115
Contact: John Barrett 623-9220	Contact: John Barrett 623-9220
805-5238	805-5204
Business Checking - Payables	Checking - Concentration Account
Star Bank	Star Bank
1301 Euclid Ave	1301 Euclid Ave
Cleveland, Ohio 44115	Cleveland, Ohio 44115
Contact: John Barrett 623-9220	Contact: John Barrett 623-9220

HMAC
Federal ID #34-1639758

805-5702
HMAC Business Checking
Star Bank
1301 Euclid Ave
Cleveland, Ohio 44115
Contact: John Barrett 623-9220
</TABLE>

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<CAPTION>

BANK ACCOUNTS FOR AMT INDUSTRIES INC. & SUBSIDIARIES

BLISS MANUFACTURING
FEDERAL ID# 34-1231433

805-5253	GT-09337-49
Business Checking	Business Checking
Star Bank	Painewebber Inc.
1301 Euclid Ave	3701 Boardman-Canfield Rd.
Cleveland, Ohio 44115	PO Box 100
Contact: John Barrett	Canfield, Ohio 44406
(216) 623-9220	Contact: Ray McCune
	(330) 533-7191
	ACCT CLOSED AS OF 5/27/97
10383	147303
Business Checking	Business Checking
Bank One	Bank One
6 Federal Plaza West	6 Federal Plaza West
Youngstown, Ohio 44503	Youngstown, Ohio 44503
Contact: Patty Nesbitt	Contact: Patty Nesbitt
(330) 742-6778	(330) 742-6678

</TABLE>

BANK ACCOUNTS FOR HMI INDUSTRIES INC. & SUBSIDIARIES

HMI INC.

<TABLE>
<CAPTION>

37-02618	02-06016

HMI Inc. - $CDN
CIBC
2866 Dufferin St.
North York, Ontario M6B 3S6
Contact: Eric Macklin
(416) 781-5613

HMI Inc. - $US
CIBC
2866 Dufferin St.
North York, Ontario M6B 3S6
Contact: Eric Macklin
(416) 781-5613

43-05914
Household Rental Systems - $CDN
CIBC
2866 Dufferin St.
North York, Ontario M6B 3S6
Contact: Eric Macklin
(416) 781-5613

35-05219
FQ Home Shoppe-Burlington - $CDN
CIBC
2866 Dufferin St.
North York, Ontario M6B 3S6
Contact: Eric Macklin
(416) 781-5613

36-03717
FQ H S-Burlington - Defender $CDN
CIBC
2866 Dufferin St
North York, Ontario M6B 3S6
Contact: Eric Macklin
(416) 781-5613

36-03512
FQ Home Shoppe - Vancouver $CDN
CIBC
2866 Dufferin St.
North York, Ontario M6B 3S6
Contact: Eric Macklin
(416) 781-5613

36-03415
FQ H S -Vancouver-Defender $CDN
CIBC
2866 Dufferin St.
North York, Ontario M6B 3S6
Contact: Eric Macklin
(416) 781-5613

43-03814
HMI Acceptance Corp $CDN
CIBC
136 Rexdale Blvd.
Rexdale, Ontario M9W 1P6
Contact: Terri Politi
(416) 743-8291

1040-624
HMI Inc. - MASTERCARD - $ CDN
MONTREAL
155 Rexdate Blvd.
Rexdale, Ontario M9W 5Z8
Contact: Nancy Van Wert
(416) 744-6367

1029-591
FQ H S-Burlington-Mastercard-$CDN Bank of
Bank of Montreal
777 Guelph Line
Burlington, Ontario L7R 3N2
Contact: Mastercard a/c rep.
(905) 632-7000

</TABLE>

<TABLE>
<CAPTION>

BANK ACCOUNTS FOR HMI INDUSTRIES INC. & SUBSIDIARIES

TUBE FAB LTD & MANUFACTURED PRODUCTS DIVISION

<S>
91-02116
Business Checking -CDN $
CIBC
Markborough Place
671 1 Mississauga Road
Mississauga, Ontario L5N 2W3
Contact: Janet Ashby
(905) 826-3771

<C>
02-03416
Business Checking -US $
CIBC
Markborough Place
671 1 Mississauga Road
Mississauga, Ontario L5N 2W3
Contact: Janet Ashby
(905) 826-3771

HEALTH-MOR INTERNATIONAL, INC.

719-1-298715
Business CHECKING
Chase Manhattan
PO Box 309600
St. Thomas, VI 00803-9600
Contact: Diane Forde
(809) 693-1726

HEALTH-MOR PERSONAL CARE CORP.

73-3002099-6	73-3002100-2
Business Checking	Payroll Account
First Bank of America-Kankakee	First Bank of America-Kankakee
1 Dearborn Square	1 Dearborn Square
Kankakee, IL 60901	Kankakee, IL 60901
No individual assigned as contact	No individual assigned as contact
(815) 693-3600	(815) 935-3600

</TABLE>

<TABLE>
<CAPTION>
BANK ACCOUNTS FOR HMI INDUSTRIES INC. & SUBSIDIARIES

HEALTH-MOR ACCEPTANCE PTY. LTD.

<S>	<C>
10620801	10620800
Distributor Acct - Checking	Business Checking
State Bank Of New South Wales	State Bank of New South Wales
342 Victoria Ave	342 Victoria Ave
Chatswood NSW 2067	Chatswood NSW 2067
Contact: the Manager	Contact: the Manager
0011 1612 9412 2811	0011 1612 9412 2811

Loan Acct
First Chicago Australia
Level 24 Grosvenor Place
225 George Street
Sydney NSW 2000
Contact: Bill Giffen
Oll 1612 9954 3677

HMI INDUSTRIES - INC. ROTTERDAM

61 9907 819	62 8161 999
HBU Bank	HBU Bank
PO Box 249	PO Box 249
3000 AE Rotterdam	3000 AE Rotterdam
Contact: C. de Jong	Contact: C. de Jong
011 31 10 2820282	Oll 31 10 2820282

</TABLE>

JULY 17, 1996

TO: KELLEY CROOKSTON FROM HELEN NORRIS

CANADIAN BANK ACCOUNT LISTING

<TABLE>
<CAPTION>

<S>	<C>	<C>	<C>
BANK NAME	Canadian Imperial Bank of Commerce	Canadian Imperial Bank of Commerce	Canadian Imperial Bank of Commerce
BANK ADDRESS	2866 Dufferin St. North York, Ontario M6B 3S6	2866 Dufferin St. North York, Ontario M6B 3S6	2866 Dufferin St. North York, Ontario M6B 3S6
ACCOUNT NUMBER	37-02618	02-06016	43-05914
ACCOUNT NAME	HMI Incorporated	HMI Incorporated	Household Rental Systems

TYPE OF ACCOUNT	Current - Canadian Funds	U.S. Funds	Current - Canadian Funds
SIGNING AUTHORITIES AND LIMITS	Kirk Foley - Unlimited Kevin Dow - Unlimited Helen Norris - Unlimited	Kirk Foley - Unlimited Kevin Dow - Unlimited Helen Norris - Unlimited	Kirk Foley - Unlimited Kevin Dow - Unlimited Helen Norris - Unlimited Frank Solloh - Unlimited
NUMBER OF SIGNATURES REQUIRED	Any two of the above	Any two of the above	Any two of the above

<CAPTION>

<S>	<C>	<C>
BANK NAME	Canadian Imperial Bank of Commerce	Canadian Imperial Bank of Commerce
BANK ADDRESS	2866 Dufferin St. North York, Ontario M6B 3S6	2866 Dufferin St. North York, Ontario M6B 3S6
ACCOUNT NUMBER	35-05219	36-03717
ACCOUNT NAME	Filter Queen Home Shoppe-Burlington	Filter Queen Home Shoppe-Burlington "Defender"
TYPE OF ACCOUNT	Current - Canadian Funds	Current - Canadian Funds
SIGNING AUTHORITIES AND LIMITS	Kirk Foley - Unlimited Kevin Dow - Unlimited Helen Norris - Unlimited (*) Jim Adams - Unlimited (*)	Kirk Foley - Unlimited Kevin Dow - Unlimited Helen Norris - Unlimited Jim Adams - Unlimited
NUMBER OF SIGNATURES REQUIRED	(*) One sign, up to $2000 or any two of the above	Any two of the above

</TABLE>

<TABLE>
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<S>	<C>	<C>	<C>
BANK NAME	Canadian Imperial Bank of Commerce	Canadian Imperial Bank of Commerce	Canadian Imperial Bank of Commerce
BANK ADDRESS	2866 Dufferin St. North York, Ontario M6B 3S6	2866 Dufferin St. North York, Ontario M6B 3S6	136 Rexdale Boulevard Rexdale, Ontario M9W 1P6
ACCOUNT NUMBER	36-03512	36-03415	43-03814
ACCOUNT NAME	Filter Queen Home Shoppe-Vancouver	Filter Queen Home Shoppe-Vancouver "Defender"	HMI Acceptance Corporation
TYPE OF ACCOUNT	Current - Canadian Funds	Current - Canadian Funds	Current - Canadian Funds
SIGNING AUTHORITIES AND LIMITS	Kirk Foley - Unlimited Kevin Dow - Unlimited Helen Norris - Unlimited (*) Amin Behbahany - Unlimited (*)	Kirk Foley - Unlimited Kevin Dow - Unlimited Helen Norris - Unlimited Amin Behbahany - Unlimited	Kevin Dow - Unlimited Robert Abrahams-Unlimited Helen Norris - Unlimited
NUMBER OF SIGNATURES REQUIRED	(*) One sign, up to $2000 or any two of the above	Any two of the above	Any two of the above

<CAPTION>

<S>	<C>	<C>
BANK NAME	Bank of Montreal	Bank of Montreal
BANK ADDRESS	155 Rexdale Boulevard Rexdale, Ontario M9W 5Z8	777 Guelph Line Burlington, Ontario L7R 3N2
ACCOUNT NUMBER	1040-624	1029-591
ACCOUNT NAME	HMI Incorporated	Filter Queen Home Shoppe-

		Burlington
TYPE OF ACCOUNT	Mastercard - Cdn. Funds	Mastercard - Cdn. Funds
SIGNING AUTHORITIES AND LIMITS	Kirk Foley - Unlimited Kevin Dow - Unlimited Helen Norris - Unlimited	Kevin Dow - Unlimited Helen Norris - Unlimited (*) Jim Adams - Unlimited (*)
NUMBER OF SIGNATURES REQUIRED	Any one of the above	(*) One sign up to $2000 or any two of the above

</TABLE>

106
TO: KEVIN DOW
FROM: CHARLES HALL

TUBE-FAB LTD. - CANADIAN BANK ACCOUNT LISTING

<TABLE>
<CAPTION>

<S>	<C>	<C>	<C>
Bank Name:	Canadian Imperial Bank of Commerce	Bank Name:	Canadian Imperial Bank of Commerce
Bank Address:	Markborough Place 6711 Mississauga Road Mississauga Ontario. L5N 2W3	Bank Address:	Markborough Place 6711 Mississauga Road Mississauga Ontario. L5N 2W3
Account Number:	91-02116	Account Number:	02-03416
Account Name:	Tube-Fab Ltd.	Account Name:	Tube-Fab Ltd.
Type of Account:	Current - Canadian Funds	Type of Account:	US $ Operating
Signing Authorities and Limits:	John Dalziel - Unlimited Mark Kirk - Unlimited Denis Pickler - Unlimited Kevin Dow - Unlimited Helen Norris - Unlimited Mike Harper - Unlimited Charles Hall - $2,500.00 Margaret Burns - $2,500.00	Signing Authorities and Limits:	John Dalziel - Unlimited Mark Kirk - Unlimited Denis Pickler - Unlimited Kevin Dow - Unlimited Helen Norris - Unlimited Mike Harper - Unlimited Charles Hall - $2,500.00 Margaret Burns - $2,500.00
Number of Signatures Required:	Any two of the above	Number of Signatures Required:	Any two of the above

</TABLE>

107
SCHEDULE 12

LEASES

Attached is a schedule of propety lease for various locations.

VARIOUS OTHER LEASES NONE OF WHICH IN THE AGREGATE EXCEEDS $100,000 WHICH DO OT HAVE A MATERIAL ADVERSE EFFECT ON THE BORROWERS' FINANCIAL CONDITION.

108

HMI MEMORANDUM

May 27, 1997

To: Kevin Dow
From: Helen Norris
Re: Canadian Property Leases

<TABLE>
<CAPTION>

LOCATION	CHARACTER	SQUARE FOOTAGE	PAYEE	MONTHLY RENT [NET]	EXPIRY DATE
<S>	<C>	<C>	<C>	<C>	<C>
#3-9670 188TH STREET Surrey, BC [HRS]	Office & Warehouse	4,100	Lexington Properties	$2,135.42	March 31, 1999

9407 - 47th Street Edmonton, AB [HRS]	Office & Warehouse	3,513	#657346 Alberta Ltd.	$663.00	March 1996
220 Guthrie Avenue Dorval, QC [HRS]	Office & Warehouse	4,762	La Prudent	$1,488.00	March 1997 ***
6500 Van Deemter Ct. Mississauga, ON [HRS]	Office & Warehouse	10,372	Ulmar Holdings	$3,457.33	Month to Month
2440 New Street Burlington, ON [FQHS]	Office & Retail Store	1,100	Rosehall Mgmt. Inc.	$870.83	June 30, 1997
3594 Main Street Vancouver, BC [FQHS]	Office & Retail Store	2,292	Burritt Brothers Carpet	$3,200.00	April 30, 1999
6845 Davand Drive Mississauga, ON [HMI, HRS, TFL]	Office, Warehouse and Manufacturing	38,400	Director Industrial Properties, Inc.	$11,830.00	September 30, 2006

</TABLE>

Note: Monthly Rent [Net] - Does not include property taxes, management fees, insurance by Landlord, or any other fees from Landlord [GST Extra]

SCHEDULE 13

INSURANCE POLICIES

The purpose of this schedule is the summarize the commercial liability and property insurance in effect together with confirmation of the naming of STAR Bank, N.A. as a loss payee. These coverages renewed on May 31, 1997 and accordingly, I have included confirmation by way of two Certificates of Insurance with STAR Bank N.A. as loss payee (one for STAR Bank N.A. and one for STAR's Equipment Division).

<TABLE>
<CAPTION>

ACORD(TM) DATE (MM/DD/YY) 5/30/97

PRODUCER JOHNSON & HIGGINS 1301 E. Ninth St. Suite 1900 CLEVELAND, OHIO 44114-1824 IFFANY ZELINKO (216) 523-3559	THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. COMPANIES AFFORDING COVERAGE COMPANY A FEDERAL INS CO
INSURED BLISS MFG. HMI INDUSTRIES, INC. 3631 Perkins Avenue Cleveland, Ohio 44114	COMPANY B Company C Company D

COVERAGES

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED, NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.
</TABLE>

<TABLE>
<CAPTION>

CO LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS
<S>	<C>	<C>	<C>	<C>	<C>

A	GENERAL LIABILITY	35326461	5/31/97	5/31/98	GENERAL AGGRETAGE	$2,000,000
	[X] COMMERCIAL GENERAL LIABILITY				PRODUCTS-COMP/OP AGG	$2,000,000
	[ ] [ ] CLAIMS MADE [X] OCCUR				PERSONAL & ADV INJURY	$1,000,000
	[ ] OWNERS & CONTRACTOR'S PROT				EACH OCCURRENCE	$1,000,000
	[ ] _____				FIRE DAMAGE (Any one fire)	$1,000,000
	[ ] _____				MED EXP (Any one person)	$ 10,000
A	AUTOMOBILE LIABILITY	73203691	5/31/97	5/31/98	COMBINED SINGLE LIMIT	$1,000,000
	[X] ANY AUTO				BODILY INJURY (Per Person)	$
	[ ] ALL OWNED AUTOS					
	[ ] SCHEDULED AUTOS					
	[X] HIRED AUTOS				BODILY INJURY (Per Accident)	$
	[X] NON-OWNED AUTOS					
	[ ] _____ [ ]				PROPERTY DAMAGE	$
	GARAGE LIABILITY				AUTO ONLY - EA ACCIDENT	$
	[ ] AUTO AUTO				OTHER THAN AUTO ONLY:	
	[ ] _____				EACH ACCIDENT	$
	[ ]				AGGREGATE	$
A	EXCESS LIABILITY	79747037	5/31/97	5/31/98	EACH OCCURRENCE	$8,000,000
	[X] UMBRELLA FORM				AGGREGATE	$8,000,000
	[ ] OTHER THAN UMBRELLA FORM					$
A	WORKER'S COMPENSATION AND EMPLOYERS' LIABILITY	71634449	5/31/97	5/31/98	|X| WC STATU-TORY LIMITS | | OTH-ER |	
	THE PROPRIETOR/ [ ] INCL				EL EACH ACCIDENT	$1,000,000
	PARTNERS/EXECUTIVE				EL DISEASE-POLICY LIMIT	$1,000,000
	OFFICERS ARE: [ ] EXCL				EL DISEASE-EA EMPLOYEE	$1,000,000
A	OTHER REAL & PERSONAL PROPERTY, SPECIAL FORM INCL THEFT	35326461	5/31/97	5/31/98	BLANKET LIMIT $10,000 DEDUCTIBLE	

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS (LIMITS MAY BE SUBJECT TO DEDUCTIBLES OR RETENTIONS).

CERTIFICATE HOLDER	CANCELLATION
STAR BANK NATIONAL ASSOCIATION 425 WALNUT STREET, LOC. 8135 CINCINNATI, OH 45202	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE COMPANY, ITS AGENTS OR REPRESENTATIVES. AUTHORIZED REPRESENTATIVE /s/ Nancy A. Baker
	Certificate No. 002001-00059

</TABLE>

<TABLE>
<CAPTION>

ACORD (TM) Date (MM/DD/YY) 5/30/97

<S>	<C>
PRODUCER JOHNSON & HIGGINS 1301 E. Ninth St. Suite 1900 CLEVELAND, OHIO 44114-1824 IFFANY ZELINKO (216) 523-3559	THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. COMPANIES AFFORDING COVERAGE COMPANY A FEDERAL INS CO
INSURED HMI INDUSTRIES, INC. AND ITS SUBSIDIARIES 3631 Perkins Avenue Cleveland, Ohio 44114	COMPANY B Company C Company D

COVERAGES

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED, NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

<CAPTION>

CO LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
<S>		<C>	<C>	<C>	<C>	<C>
A	GENERAL LIABILITY	35326461	5/31/97	5/31/98	GENERAL AGGRETAGE	$2,000,000
	[X] COMMERCIAL GENERAL LIABILITY				PRODUCTS-COMP/OP AGG	$2,000,000
	[ ] [ ] CLAIMS MADE [X] OCCUR				PERSONAL & ADV INJURY	$1,000,000
	[ ] OWNERS & CONTRACTOR'S PROT				EACH OCCURRENCE	$1,000,000
	[ ] _____				FIRE DAMAGE (Any one fire)	$1,000,000
	[ ] _____				MED EXP (Any one person)	$ 10,000
A	AUTOMOBILE LIABILITY	73203691	5/31/97	5/31/98	COMBINED SINGLE LIMIT	$1,000,000
	[X] ANY AUTO				BODILY INJURY (Per Person)	$
	[ ] ALL OWNED AUTOS					
	[ ] SCHEDULED AUTOS					
	[X] HIRED AUTOS				BODILY INJURY (Per Accident)	$
	[X] NON-OWNED AUTOS					
	[ ] _____ [ ]				PROPERTY DAMAGE	$
	GARAGE LIABILITY				AUTO ONLY - EA ACCIDENT	$
	[ ] AUTO AUTO				OTHER THAN AUTO ONLY:	
	[ ] _____				EACH ACCIDENT	$
	[ ]				AGGREGATE	$
A	EXCESS LIABILITY	79747037	5/31/97	5/31/98	EACH OCCURRENCE	$8,000,000
	[X] UMBRELLA FORM				AGGREGATE	$8,000,000
	[ ] OTHER THAN UMBRELLA FORM					$
A	WORKER'S COMPENSATION AND EMPLOYERS' LIABILITY	71634449	5/31/97	5/31/98	|X| WC STATU-TORY LIMITS / | | OTH-ER	
	THE PROPRIETOR/ [ ] INCL				EL EACH ACCIDENT	$1,000,000
	PARTNERS/EXECUTIVE				EL DISEASE-POLICY LIMIT	$1,000,000

	OFFICERS ARE: [ ] EXCL				EL DISEASE-EA EMPLOYEE $1,000,000
A	OTHER REAL & PERSONAL PROPERTY, SPECIAL FORM INCL THEFT	35326461	5/31/97	5/31/98	BLANKET LIMIT $10,000 DEDUCTIBLE

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS (LIMITS MAY BE SUBJECT TO DEDUCTIBLES OR RETENTIONS).

IT IS AGREED THAT CERTIFICATE HOLDER IS ADDED AS ADDITIONAL INSURED/LOSS PAYEE AS RESPECT LEASED FORKLIFTS AND A TURRET PRESS PUNCH.

CERTIFICATE HOLDER	CANCELLATION
STAR BANK NA EQUIPMENT FINANCE DIVISION ATTN: KAREN M. WARTMAN 425 WALNUT STREET, LOC. #8135 CINCINNATI, OH 45202	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE COMPANY, ITS AGENTS OR REPRESENTATIVES. AUTHORIZED REPRESENTATIVE/s/ Nancy A. Baker
	Certificate No. 001001-00026

</TABLE>

SCHEDULE 14

SEVERANCE/LOSS ON SALE OF ASSETS

Severance charge related to Kirk Foley's retirement on May 14, 1997, and the Company-wide layoffs of May 28, 1997.

Loss, if any, on disposal of non-core assets.

SCHEDULE 15

TAX LIABILITIES

Health-Mor International, Inc. FSC has a tax liability currently due but unpaid to the Internal Revenue Service for the fiscal year 1996 tax year. This liability will be offset by a refund to be received by HMI Industries Inc. upon filing an amended return for the same tax period.

Exhibit 10.10(a)

EXECUTION COPY

WAIVER AND AMENDMENT NO. 1
TO
AMENDED AND RESTATED CREDIT AGREEMENT

This WAIVER AND AMENDMENT NO. 1 TO AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment"), made as of this 5th day of December, 1997, among STAR BANK, NATIONAL ASSOCIATION, a national banking association ("Bank"), HMJ INDUSTRIES INC., a Delaware corporation ("Parent"), and BLISS MANUFACTURING COMPANY, an Ohio corporation ("Bliss") (Parent and Bliss being sometimes hereinafter collectively referred to as the "Borrowers" and individually as a "Borrower").

WITNESSETH:

WHEREAS, the Borrowers and Bank have entered into that certain Amended and Restated Credit Agreement, dated as of June 6, 1997 (the "Credit Agreement"), pursuant to which Bank has made certain loans and financial accommodations available to the Borrowers;

WHEREAS, the Borrowers and Bank desire to amend the Credit Agreement as hereinafter set forth;

NOW, THEREFORE, in consideration of the mutual promises and agreements contained herein and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Bank and the Borrowers agree as follows:

SECTION 1. DEFINED TERMS.

Each defined term used herein and not otherwise defined herein has the meaning ascribed to such term in the Credit Agreement.

SECTION 2. AMENDMENT TO CREDIT AGREEMENT.

The Credit Agreement is amended, effective as of the date of all of the conditions set forth in SECTION 4 hereof shall have been satisfied, as follows:

2.1 AMENDMENT TO PRELIMINARY SECTION. The first paragraph following WITNESSETH in the Credit Agreement is amended in its entirety to read as follows:

WHEREAS, HMI Incorporated, an Ontario corporation ("HMI Inc."), Newton Falls Holding Company, a Delaware corporation ("Newton"), Tube-Fab Ltd., an

Ontario corporation ("Tube-Fab"), Tube Form, Inc., an Ohio corporation ("Tube Form", which at the time of the execution and delivery of the Existing Credit Agreement was a subsidiary of Parent), Health-Mor International, Inc., a U.S. Virgin Islands corporation ("International"), Health-Mor Acceptance Corporation, a Delaware corporation ("Acceptance"), HMI Acceptance Corporation, an Ontario corporation ("HMI Acceptance"), and Health-Mor

Acceptance Pty. Ltd., an Australian corporation ("Pty") (HMI Inc., Newton, Tube-Fab, International, Acceptance, HMI Acceptance, Pty and Health-Mor Personal Care Corporation, a Delaware corporation ("Personal Care") being sometimes hereinafter collectively referred to as the "Guarantor Subsidiaries" and individually as a "Guarantor Subsidiary"), Borrowers and Bank entered into that certain Credit Agreement, dated as of August 14, 1996, as amended by that certain First Amendment to Credit Agreement, dated as of November 15, 1996, and as further amended by that certain Second Amendment to Credit Agreement, dated as of December 19, 1996, that certain Third Amendment to Credit Agreement, dated as of March 7, 1997, and that certain Fourth Amendment to Credit Agreement, dated as of April 7, 1997 (collectively, the "Existing Credit Agreement");

2.2 AMENDMENT TO SECTION 2.7. Section 2.7 of the Credit Agreement is amended in its entirety to read as follows:

2.7 SPECIAL TERM LOAN FACILITY. The Special Term Loan under the Special Term Loan Facility will be made to Parent in the amount of Two Million Two Hundred Fifty Thousand Nine Hundred Fifty-Two Dollars ($2,250,952) on the Effective Date. The principal of the Special Term Loan shall be payable as set forth in this Agreement. The principal of the Special Term Loan then outstanding shall be due and payable upon the effective date of any termination of this Agreement pursuant to SECTION 11 and/or SECTION 13 hereof. No repayment or prepayment of the Special Term Loan shall be reason for any relending or additional lending of Special Term Loan proceeds to Parent. Bank shall, to the extent of Two Million Two Hundred Fifty Thousand Nine Hundred Fifty-Two Dollars ($2,250,952) of the Parent's Existing Loans, satisfy all of its agreement to make the Special Term Loan to Parent on the Effective Date by converting such amount of the Parent's Existing Loans into the Special Term Loan, whereupon such converted amount shall be the Special Term Loan owing by Parent for all purposes of this Agreement and the other Loan Documents. Such conversion shall be deemed to have taken place at the time Parent executes and delivers this Agreement. The Special Term Loan Facility hereunder represents, in part, a renewal of certain of the Existing Loans outstanding as of the Effective Date. The amount of the Existing Loans referred to above originally outstanding under the Existing Credit Agreement is continuing Indebtedness of Parent to Bank, and nothing contained herein or in any other Loan Document

shall be construed to deem such amount paid, or to release or terminate any lien, guaranty or security interest given to secure such amount. Payment in full of and satisfaction of all Indebtedness with respect to the Special Term Loan hereunder shall also be deemed to be payment in full and satisfaction of such amount of the Existing Loans. As of December 5, 1997, the outstanding principal amount of the Special Term Loan is One Million Five Hundred Eighty Thousand Fifty-Two Dollars ($1,580,052).

2.3 ADDITION OF SECTION 2.17. Section 2 of the Credit Agreement is amended by the addition of the following Section 2.17 in proper numeric order:

2.17 SPECIAL PAYMENT BY PARENT. On or prior to March 31, 1998, if this Agreement has not been terminated pursuant to SECTION 11 and/or SECTION 13 hereof, Parent

shall make a payment to Bank of Two Million Dollars ($2,000,000), to be applied (1) first, to the outstanding principal of the Special Term Loan, (2) second, to all accrued and unpaid interest on the Special Term Loan, and (3) third, to the payment of the other Obligations, in a manner satisfactory to Bank, in its sole discretion.

2.4 AMENDMENT TO EXHIBIT M. Exhibit M to the Credit Agreement is amended in its entirety to read as set forth on Exhibit M to this Waiver and Amendment No.1 to Amended and Restated Credit Agreement.

SECTION 3. REPRESENTATIONS AND WARRANTIES.

Each Borrower represents and warrants to Bank as follows:

3.1 THE AMENDMENT. This Amendment has been duly and validly executed by an authorized executive officer of each Borrower and constitutes the legal, valid and binding obligation of such Borrower, enforceable against such Borrower in accordance with its terms.

3.2 CLAIMS AND DEFENSES. Each Borrower hereby represents, warrants and acknowledges that as of the date of this Amendment, it has no defenses, claims, counterclaims or setoffs with respect to the Credit Agreement, as amended by this Amendment, or its Obligations thereunder or with respect to any actions of the Bank or any of its officers, directors, shareholders, employees, agents or attorneys, and each Borrower irrevocably and absolutely waives any such defenses, claims, counterclaims and setoffs and releases the Bank and each of its officers, directors, shareholders, employees, agents and attorneys from the same.

3.3 CREDIT AGREEMENT. The Credit Agreement, as amended by this Amendment, remains in full force and effect and remains the valid and binding obligation of each Borrower enforceable against each Borrower in accordance with its terms. Each Borrower hereby ratifies and confirms the Credit Agreement, as amended by this Amendment.

3.4 NONWAIVER. Except as otherwise expressly provided herein, the execution, delivery, performance and effectiveness of this Amendment shall not operate nor be deemed to be nor construed as a waiver (i) of any right, power or remedy of Bank under the Credit Agreement, nor (ii) of any term, provision, representation, warranty or covenant contained in the Credit Agreement or any other documentation executed in connection therewith. Further, except as otherwise specifically set forth herein, none of the provisions of this Amendment shall constitute, be deemed to be or construed as, a waiver of any Event of Default under the Credit Agreement, as amended by this Amendment.

3.5 REFERENCE TO AND EFFECT ON THE CREDIT AGREEMENT. Upon the effectiveness of this Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein", or words of like import shall mean and be a reference to the Credit Agreement, as amended hereby, and each reference to the Credit Agreement in any other document, instrument or agreement executed and/or delivered in connection with the Credit Agreement shall mean and be a reference to the Credit Agreement, as amended hereby.

SECTION 4. CONDITIONS PRECEDENT TO EFFECTIVENESS OF THIS AMENDMENT NO. 1

In addition to all of the other conditions and agreements set forth herein, the effectiveness of this Amendment is subject to the each of the following conditions precedent:

4.1 WAIVER AND AMENDMENT NO.1 TO AMENDED AND RESTATED CREDIT AGREEMENT. Bank shall have received an original counterpart of this Waiver and Amendment No. 1 to Amended And Restated Credit Agreement, executed and delivered by a duly authorized officer of each Borrower and acknowledged, consented to and agree to by each Guarantor Subsidiary.

4.2 CONSENT, AGREEMENT AND ACKNOWLEDGMENT. Bank shall have received an original counterpart of the Consent, Agreement and Acknowledgment to this Amendment executed and delivered by a duly authorized officer of each Guarantor Subsidiary.

4.3 PAYMENT OF ALL LEGAL FEES AND EXPENSES. The Borrowers shall have

paid to Bank all of Bank's legal fees and expenses incurred through the date hereof, in connection with the Credit Agreement, this Amendment and all other matters, and documentation relating thereto and which is unpaid as of the date hereof.

SECTION 5. WAIVER OF PAST DEFAULT.

Subject to and conditioned on the effectiveness of this Amendment, Bank hereby waives the Events of Default existing as of the date of this Amendment as a result of the Borrowers' defaults under SECTION 10.33 of the Credit Agreement caused by Borrowers' failure to comply with SUBSECTIONS (B), (C) and (D) of EXHIBIT M to the Financing Agreement for the quarter ended 9/30/97.

SECTION 6. MISCELLANEOUS.

6.1 GOVERNING LAW. This Amendment has been delivered and accepted at and shall be deemed to have been made at Cleveland, Ohio. This Amendment shall be interpreted and the rights and liabilities of the parties hereto determined in accordance with the laws of the State of Ohio, without regard to principles of conflict of law, and all other laws of mandatory application.

6.2 SEVERABILITY. Each provision of this Amendment shall be interpreted in such manner as to be valid under applicable law, but if any provision hereof shall be invalid under applicable law, such provision shall be ineffective to the extent of such invalidity, without invalidating the remainder of such provision or the remaining provisions hereof.

6.3 COUNTERPARTS. This Amendment may be executed in one or more counterparts, each of which, when taken together, shall constitute but one and the same agreement.

6.4 CONFESSION OF JUDGMENT. Each Borrower hereby irrevocably authorizes and empowers any attorney-at-law to appear for such Borrower in any action upon or in connection with this Amendment at any time after the Loans and/or other Obligations become due, as herein provided, in any court in or of the State of Ohio or elsewhere, and waives the issuance and service of process with respect thereto, and irrevocably authorizes and empowers any attorney-at-law to confess judgment in favor of Bank against such Borrower, the amount due thereon or hereon, plus interest as herein provided, and all costs of collection, and waives and releases all errors in said proceedings and judgments and all rights of appeal from the judgment rendered. Each Borrower agrees and consents that the attorney confessing judgment on behalf of such Borrower may also be counsel to Bank or any of Bank's Affiliates, waives any conflict of interest which might

otherwise arise, and consents to Bank paying such confessing attorney a reasonable legal fee or allowing such attorney's reasonable fees to be paid from the proceeds of collection of the Loans and/or Obligations or proceeds of any Collateral, the Premises or any other security for the Loans and the other Obligations.

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IN WITNESS WHEREOF, each Borrower has caused this Waiver and Amendment No. 1 to Amended And Restated Credit Agreement to be duly executed and delivered by its duly authorized officer as of the date first above written.

WARNING--BY SIGNING THIS PAPER YOU GIVE UP YOUR RIGHT TO NOTICE AND COURT TRIAL. IF YOU DO NOT PAY ON TIME A COURT JUDGMENT MAY BE TAKEN AGAINST YOU WITHOUT YOUR PRIOR KNOWLEDGE AND THE POWERS OF A COURT CAN BE USED TO COLLECT FROM YOU REGARDLESS OF ANY CLAIMS YOU MAY HAVE AGAINST THE CREDITOR WHETHER FOR RETURNED GOODS, FAULTY GOODS, FAILURE ON HIS PART TO COMPLY WITH THE AGREEMENT, OR ANY OTHER CAUSE.

Signed and acknowledged
in the presence of:

HMI INDUSTRIES INC.

_____

By:_____

Name:_____

Its:_____

_____

Name:_____

WARNING--BY SIGNING THIS PAPER YOU GIVE UP YOUR RIGHT TO NOTICE AND COURT TRIAL. IF YOU DO NOT PAY ON TIME A COURT JUDGMENT MAY BE TAKEN AGAINST YOU WITHOUT YOUR PRIOR KNOWLEDGE AND THE POWERS OF A COURT CAN BE USED TO COLLECT FROM YOU REGARDLESS OF ANY CLAIMS YOU MAY HAVE AGAINST THE CREDITOR WHETHER FOR RETURNED GOODS, FAULTY GOODS, FAILURE ON HIS PART TO COMPLY WITH THE AGREEMENT, OR ANY OTHER CAUSE.

Signed and acknowledged
in the presence of:

BLISS MANUFACTURING COMPANY

_____

By:_____

Name:_____ Its:_____

_____

Name:_____

STATE OF)
) ss:
COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of December, 1997, by _____, _____ of HMI Industries Inc., a Delaware corporation, on behalf of the company.

Notary Public

STATE OF)
) ss:
COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of December, 1997, by _____, _____ of Bliss Manufacturing Company, an Ohio corporation, on behalf of the company.

Notary Public

Accepted at Columbus, Ohio,
as of December ___, 1997.

STAR BANK, NATIONAL ASSOCIATION

By:_____
Mark E. Storer, Vice President

Exhibit M

Financial Covenants

FINANCIAL COVENANTS. Each Borrower agrees that it shall:

(A) CAPITAL EXPENDITURES. Not permit the Borrowers and the Guarantor Subsidiaries to make any Capital Expenditures, all as determined on a Consolidated basis (net after trade-ins, if any), in an aggregate amount exceeding One Million Three Hundred Thousand Dollars ($1,300,000) for the Fiscal Year ending September 30, 1997; and Three Million Dollars ($3,000,000) for the Fiscal Year ending September 30, 1998 and for each Fiscal Year thereafter.

(B) TANGIBLE NET WORTH. Not, at any time on or after March 31, 1998, permit Borrowers' and the Guarantor Subsidiaries' Consolidated Tangible Net Worth to be less than an amount equal to (a) Eighteen Million Dollars ($18,000,000), plus (b) either (i) fifty percent (50%) of Net Income at such time if Net Income is a positive number at such time or (ii) zero percent (0%) of Net Income at such time if Net Income is a negative number at such time, minus (c) the aggregate Permitted Special Charges (after Taxes) taken as of such time. Notwithstanding the forgoing, if the FASB 106 Adjustment is equal to or less than Eight Million Five Hundred Thousand Dollars ($8,500,000), then each Borrower agrees that it shall not, permit Borrowers' and the Guarantor Subsidiaries' Consolidated Tangible Net Worth to be less than an amount equal to (r) Nine Million Six Hundred Ninety Four Thousand Dollars ($9,694,000), MINUS the amount of the FASB 106 Adjustment at any time during the period commencing on March 31, 1998 and ending on April 29, 1998, (s) Nine Million Six Hundred Sixty Nine Thousand Dollars ($9,669,000), MINUS the amount of the FASB 106 Adjustment at any time during the period commencing on April 30, 1998 and ending on May 30, 1998, (t) Nine Million Six Hundred Forty Four Thousand Dollars ($9,644,000), MINUS the amount of the FASB 106 Adjustment at any time during the period commencing on May 31, 1998 and ending on June 29, 1998, (u) Nine Million

Six Hundred Nineteen Thousand Dollars ($9,619,000), MINUS the amount of the FASB 106 Adjustment at any time during the period commencing on June 30, 1998 and ending on July 30, 1998, (w) Nine Million Four Hundred Seventy Nine Thousand Dollars ($9,479,000), MINUS the amount of the FASB 106 Adjustment at any time during the period commencing on July 31, 1998 and ending on August 30, 1998, (x) Nine Million Four Hundred Sixty Thousand Dollars ($9,460,000), MINUS the amount of the FASB 106 Adjustment at any time during the period commencing on August 31, 1998 and ending on September 29, 1998, (y) Nine Million Four Hundred Forty Two Thousand Dollars ($9,442,000), MINUS the amount of the FASB 106 Adjustment at any time during the period commencing on September 30, 1998 and ending on October 31, 1998, and (z) Nine Million Four Hundred Thousand Dollars ($9,400,000), MINUS the amount of the FASB 106 Adjustment at any time after October 31, 1998. For purposes of the foregoing, Net Income shall be accounted for commencing on

June 1, 1997.

(C) LEVERAGE RATIO. Not, at any time on or after March 31, 1998, permit Borrowers and the Guarantor Subsidiaries' Leverage Ratio, determined on a Consolidated basis, to exceed 0.6 to 1.0 at any time. Notwithstanding the forgoing, if the FASB 106 Adjustment is equal to or less than Eight Million Five Hundred Thousand Dollars ($8,500,000), then each Borrower agrees that it shall not, at any time, permit Borrowers and the Guarantor Subsidiaries' Leverage Ratio, determined on a Consolidated basis (computed as if the FASB 106 Adjustment had not been made), to exceed (i) 0.68 to 1.0 at any time during the period commencing on March 31, 1998 and ending on April 29, 1998, (ii) 0.67 to 1.0 at any time during the period commencing on April 30, 1998 and ending on May 30,1998, (iii) 0.69 to 1.0 at any time during the period commencing on May 31, 1998 and ending on June 29, 1998, (iv) 0.69 to 1.0 at any time during the period commencing on June 30, 1998 and ending on October 31, 1998, and (z) 0.7 to 1.0 at any time during at any time after October 31, 1998.

(D) FIXED CHARGE COVERAGE RATIO. Not permit Borrowers' and the Guarantor Subsidiaries' Fixed Charge Coverage Ratio, determined on a Consolidated basis, to be less than (i) -0.08 to 1.0 at any time during the period commencing on March 31, 1998 and ending on April 29, 1998, (ii) -0.03 to 1.0 at any time during the period commencing on April 30, 1998 and ending on May 30, 1998, (iii) 0.01 to 1.0 at any time during the period commencing on May 31, 1998 and ending on June 29, 1998, (iv) 0.16 to 1.0 at any time during the period commencing on June 30, 1998 and ending on July 30, 1998, (iv) 0.29 to 1.0 at any time during the period commencing on July 31, 1998 and ending on August 30, 1998, (iv) 0.36 to 1.0 at any

time during the period commencing on August 31, 1998 and ending on September 29, 1998, and (iv) 0.39 to 1.0 at any time after September 29, 1998. Such Fixed Charge Coverage Ratio will be calculated based on (i) the cumulative and annualized results for each period commencing on June 1, 1997 and ending on the date of calculation until May 31, 1998 and (ii) after May 31, 1998, the cumulative results for the most-recently concluded twelve (12)-month period.

II. DEFINITIONS TO FINANCIAL COVENANTS

(A) The term "CAPITAL EXPENDITURES" for purposes of this EXHIBIT M shall mean any and all amounts invested, expended or incurred (including by reason of Capitalized Lease Obligations incurred by Borrowers and Guarantor Subsidiaries) in respect of the purchase, acquisition, improvement, renovation or expansion of any properties or assets of the Borrowers and Guarantor Subsidiaries, including, without limitation, expenditures required to be capitalized in accordance with GAAP.

(B) The term "CAPITALIZED LEASE OBLIGATIONS" means, as to any Person, the obligations of such Person to pay rent or other amounts under leases of, or other agreements conveying the right to use real and/or personal property, which obligations are required to be classified and

accounted for as capital leases on a balance sheet of such Person, prepared in accordance with GAAP.

(C) The term "CONSOLIDATED TANGIBLE NET WORTH" for purposes of this EXHIBIT M shall mean an amount equal to the sum of (i) Assets, MINUS (ii) Intangibles, MINUS (iii) GAAP Liabilities, of each of the Borrowers and the Guarantor Subsidiaries, determined on a Consolidated basis in accordance with GAAP, applied on a consistent basis.

(D) The term "LEVERAGE RATIO" for purposes of this EXHIBIT M shall mean, as at any time, the ratio of (a) Consolidated Indebtedness at such time to (b) the sum of (i) Consolidated Tangible Net Worth at such time PLUS (ii) Consolidated Indebtedness at such time PLUS (iii) the aggregate Permitted Special Charges (after Taxes) taken as of such time.

(E) The term "CONSOLIDATED INDEBTEDNESS" for purposes of this EXHIBIT M shall mean Indebtedness for Borrowed Money of the Borrowers and the Guarantor Subsidiaries on a Consolidated basis.

(F) The term "INDEBTEDNESS FOR BORROWED MONEY" for purposes of this EXHIBIT M shall mean, for any Person at any date, without duplication, (i) all

obligations of such Person for borrowed money, including, without limitation, all borrowings under insurance policies, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price for property or services, except accounts payable in the ordinary course of business, (iv) all Capitalized Lease Obligations of such Person, (v) all Indebtedness for Borrowed Money of others secured by a lien on any asset of such Person, whether or not such Indebtedness for Borrowed Money is assumed by such Person, and (vi) all Indebtedness for Borrowed Money of others Guaranteed by such Person.

(G) The term "GUARANTEED" or to "GUARANTEE" for purposes of this EXHIBIT M as applied to an obligation shall mean and include (a) a guarantee or guaranty (other than by endorsement of negotiable instruments for collection in the ordinary course of business), directly or indirectly, in any manner, of any part of all of such obligation and (b) an agreement, direct or indirect, contingent or otherwise, and whether or not constituting a guaranty, the practical effect of which is to assure the payment or performance (or payment of damages in the event of non-performance) of any part or all of such obligation whether by (i) the purchase of securities or obligations, (ii) the purchase, sale or lease (as lessee or lessor) of property or the purchase of sale of services primarily for the purpose of enabling the obligor with respect to such obligation to make any payment or performance (or payment of damages in the event of non-performance) of or on account of any part of all of such obligation, or to assure the owner of such obligation against loss, (iii) the supplying of funds to or in any other manner investing in the obligor with respect to such obligation, (iv) repayment of amounts drawn down by beneficiaries of letters of credit or (v) the supplying of funds to or investing in a Person on account of all or any part of such Person's obligation under a Guarantee of any obligation of indemnifying or holding harmless, in any way such Person against any part or all of such obligation.

(H) The term "PERMITTED SPECIAL CHARGES" for purposes of this EXHIBIT M shall mean non-cash charges, not to exceed an aggregate amount equal to Five Million Dollars ($5,000,000), of the Borrowers and the Guarantor Subsidiaries related to (a) employee severance costs, (b) costs in connection with the retirement of Kirk Foley, and (c) the sale of stock or assets of Personal Care or the Tubular Products Division of Bliss or the HRS Sale.

(I) The term "TAXES" for purposes of this EXHIBIT M shall mean all federal, state and local or foreign income, payroll, withholding, excise, sales,

use, real and personal property, use and occupancy, business and occupation, mercantile, real estate, capital stock and franchise or other taxes, including interest and penalties thereon, and including estimated taxes thereof.

(J) The term "FIXED CHARGE COVERAGE RATIO" for purposes of this EXHIBIT M shall mean, as at any time, the ratio of (a) Consolidated Cash Flow at such time to (b) Fixed Charges at such time.

(K) The term "NET INCOME" for purposes of this EXHIBIT M shall mean the Consolidated net income, after payment of all Taxes, of the Borrowers and the Guarantor Subsidiaries determined in accordance with GAAP applied on a consistent basis.

(L) The term "FISCAL YEAR" for purposes of this EXHIBIT M means a period consisting of four (4) Quarters ending on September 30.

(M) The term "QUARTER" for purposes of this EXHIBIT M means a period of three (3) successive calendar months ending on March 31, June 30, September 30 or December 31.

(N) The term "GAAP" for purposes of this EXHIBIT M means generally accepted accounting principles as consistently applied in the United States on the Effective Date.

(O) The term "CONSOLIDATED" for purposes of this EXHIBIT M means on a consolidated basis for the Borrowers and the Guarantor Subsidiaries, as determined in accordance with GAAP.

(P) The term "ASSETS" for purposes of this EXHIBIT M means all items which, in accordance with GAAP applied on a consistent basis, would be included in determining total assets as shown on the asset side of a balance sheet as of the date on which Assets are to be determined.

(Q) The term "INTANGIBLES" for purposes of this EXHIBIT M means any Assets which, in accordance with GAAP applied on a consistent basis, would be treated as intangible assets, including without limitation, such items as goodwill, trademarks, trade names, service marks, patents, licenses, rights with regard to any such items, unamortized debt discount, deferred charges and organization expenses.

(R) The term "GAAP LIABILITIES" for purposes of this EXHIBIT M means all items which, in accordance with GAAP applied on a consistent basis, would be included in determining

total liabilities as shown on the liability side of a balance sheet as

of the date on which liabilities are to be determined.

(S) The term "CONSOLIDATED CASH FLOW" for purposes of this EXHIBIT M means, for any period, the sum of (a) Net Income for such period, PLUS (b) depreciation for such period, PLUS (c) amortization for such period, PLUS (d) other non-cash charges for such period, plus (e) interest expense for such period, PLUS (f) Taxes in respect of income for such period, PLUS (g) the aggregate Permitted Special Charges taken during such period to the extent not already included in clause (d) above, all as determined on a Consolidated basis in accordance with GAAP applied on a consistent basis.

(T) The term "FIXED CHARGES" for purposes of this EXHIBIT M means, for any period or at any time, the aggregate of (a) interest expense for such period, PLUS (b) the current portion of Funded Indebtedness at such time, PLUS (e) Capital Expenditures for such period, PLUS (d) Distributions for such period, all as determined on a Consolidated basis in accordance with GAAP applied on a consistent basis.

(U) The term "FUNDED INDEBTEDNESS" for purposes of this EXHIBIT M means Indebtedness for Borrowed Money (other than any such Indebtedness described in clause (vi) of the definition of "Indebtedness for Borrowed Money".

(V) The term "DISTRIBUTION" for purposes of this EXHIBIT M means any payment or distribution or transfer to, redemption, acquisition or purchase from, or exchange with (directly or indirectly), a Shareholder made in respect of his Equity Interest, of any property, including, without limitation, cash, whether or not the same shall be made from earnings of the Borrowers and the Guarantor Subsidiaries or a redemption of a Shareholder's Equity Interest, but, excluding in all cases, any of the foregoing made by a Guarantor Subsidiary to the Parent or stock dividends or splits of the capital stock of the Parent.

(W) The term "SHAREHOLDER" for purposes of this EXHIBIT M means each Person owning or possessing any Equity Interest (or right to acquire an Equity Interest by warrant, option or otherwise).

(X) The term "FASB 106 ADJUSTMENT" for purposes of this EXHIBIT M means the adjustment to the Borrowers' and the Guarantor Subsidiaries' Consolidated Liabilities pursuant to the Financial Accounting Standards Board Statement No.106, Postretirement Benefits Other Than Pensions, as determined by Coopers & Lybrand L.L.P.

(Y) All capitalized terms used in this EXHIBIT M and not otherwise defined in this EXHIBIT M shall have the meanings ascribed thereto in the Agreement.

CONSENT. AGREEMENT AND ACKNOWLEDGMENT

The undersigned, HMI Incorporated, an Ontario corporation, Newton Falls Holding Company, a Delaware corporation, Tube-Fab Ltd., an Ontario corporation, Health-Mor International, Inc., a U.S. Virgin Islands corporation, Health-Mor Acceptance Corporation, a Delaware corporation, HMI Acceptance Corporation, an Ontario corporation, Health-Mor Acceptance Pty. Ltd., an Australian corporation, and Health-Mor Personal Care Corporation, an Illinois corporation, hereby acknowledge, consent and agree to the terms of the foregoing Waiver and Amendment No.1 to Amended and Restated Credit Agreement, dated as of December 5, 1997, among Star Bank, National Association, HMI Industries, Inc. and Bliss Manufacturing Company (the "Amendment"). All capitalized terms used herein and not otherwise defined herein shall have the meaning ascribed thereto in the Amendment. Each of the undersigned represents and warrants to Bank that its obligations under or in connection with the Credit Agreement, as amended by the Amendment, remain the valid and binding obligations of each of the undersigned, enforceable against them in accordance with their respective terms. Each of the undersigned, having guaranteed the indebtedness of the Borrowers under the Credit Agreement, as amended by the Amendment, pursuant to the Amended and Restated Guaranty, and/or the Canadian Guaranty (collectively, the "Guaranties"), the Security Agreement and the Canadian Security Agreements (collectively, the "Security Agreements"), executed and delivered by the undersigned to Bank, hereby acknowledges and agrees to the terms of the foregoing Amendment and to the terms of the Credit Agreement, as amended through the date hereof. Each of the undersigned represents and warrants to Bank that the respective Guaranties and the respective Security Agreements to which it is a party remain the valid and binding obligation of each of the undersigned, enforceable against it in accordance with its terms. Each of the undersigned hereby represents, warrants and acknowledges that as of the date of the Amendment, it has no defenses, claims, counterclaims or setoffs with respect to the Credit Agreement, as amended by the Amendment, the Guaranties or its Obligations (as defined in each such document) thereunder or with respect to any actions of the Bank or any of its officers, directors, shareholders, employees, agents or attorneys, and each of the undersigned irrevocably and absolutely waives any such defenses, claims, counterclaims and setoffs and releases the Bank and each of its officers, directors, shareholders, employees, agents and attorneys from the same. Each of the undersigned acknowledges and agrees that the execution of this Consent, Agreement and Acknowledgment to the Amendment does not grant to any of the undersigned the right or power to require notice to the undersigned of, or the consent of any of the undersigned to, any future waiver, amendment, consent, termination or other modification of, or with respect to, the Credit Agreement or any other Loan Document.

HMI INCORPORATED

By: _____
Its: _____

NEWTON FALLS HOLDING COMPANY

By: _____
Its: _____

TUBE-FAB LTD.

By: _____

Its: _____

HEALTH-MOR PERSONAL CARE CORPORATION

By: _____

Its: _____

HEALTH-MOR INTERNATIONAL, INC.

By: _____

Its: _____

HEALTH-MOR ACCEPTANCE CORPORATION

By: _____

Its: _____

HMI ACCEPTANCE CORPORATION

By: _____

Its: _____

HEALTH-MOR ACCEPTANCE PTY. LTD.

By: _____

Its: _____

Dated: December 5, 1997

Exhibit 10.10(b)

EXECUTION COPY

AMENDMENT NO.2
TO
AMENDED AND RESTATED CREDIT AGREEMENT

This AMENDMENT NO.2 TO AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment"), made as of this 24th day of December, 1997, among STAR BANK, NATIONAL ASSOCIATION, a national banking association ("Bank"), HMI INDUSTRIES INC., a Delaware corporation ("Parent"), and BLISS MANUFACTURING COMPANY, an Ohio corporation ("Bliss") (Parent and Bliss being sometimes hereinafter collectively referred to as the "Borrowers" and individually as a "Borrower").

WITNESSETH:

WHEREAS, the Borrowers and Bank have entered into that certain Amended and Restated Credit Agreement, dated as of June 6, 1997, as amended by that certain Waiver and Amendment No.1 to Amended and Restated Credit Agreement ("Amendment No. 1"), dated December 5, 1997 (collectively the "Credit Agreement") pursuant to which Bank has made certain loans and financial accommodations available to the Borrowers;

WHEREAS, as of the date of this Amendment, Amendment No. 1 remains ineffective as a result of the Borrower's failure to satisfy the condition precedent set forth in Section 4.3 of Amendment No. 1;

WHEREAS, the Borrowers and Bank desire to amend the Credit Agreement as hereinafter set forth;

NOW, THEREFORE, in consideration of the mutual promises and agreements contained herein and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Bank and the Borrowers agree as follows:

SECTION 1. DEFINED TERMS.

Each defined term used herein and not otherwise defined herein has the meaning ascribed to such term in the Credit Agreement.

SECTION 2. AMENDMENT TO CREDIT AGREEMENT.

The Credit Agreement is amended, effective as of the date all of the conditions set forth in SECTION 4 hereof shall have been satisfied, as follows:

2.1 AMENDMENT TO PRELIMINARY SECTION. The first paragraph following WITNESSETH in the Credit Agreement is amended in its entirety to read as follows:

> WHEREAS, HMI Incorporated, an Ontario corporation ("HMI Inc."), Newton Falls Holding Company, a Delaware corporation ("Newton"), Tube-Fab Ltd., an Ontario corporation ("Tube-Fab"), Tube Form, Inc., an Ohio corporation ("Tube Form"), Health-Mor International, Inc., a U.S. Virgin Islands corporation ("International"), Health-Mor Acceptance Corporation, a Delaware corporation ("Acceptance"), HMI Acceptance Corporation, an Ontario corporation ("HMI Acceptance"), and Health-Mor Acceptance Pty. Ltd., an Australian corporation ("Pty") (HMI Inc., Newton, Tube-Fab, Tube Form, International, Acceptance, HMI Acceptance, Pty and Health-Mor Personal Care Corporation, a Delaware corporation ("Personal Care") being sometimes hereinafter collectively referred to as the "Guarantor Subsidiaries" and individually as a "Guarantor Subsidiary"), Borrowers and Bank entered into that certain Credit Agreement, dated as of August 14, 1996, as amended by that certain First Amendment to Credit Agreement, dated as of November 15, 1996, and as further amended by that certain Second Amendment to Credit Agreement, dated as of December 19, 1996, that certain Third Amendment to Credit Agreement, dated as of March 7, 1997, and that certain Fourth Amendment to Credit Agreement, dated as of April 7, 1997 (collectively, the "Existing Credit Agreement");

2.2 AMENDMENT TO SECTION 1.1. Section 1.1 of the Credit Agreement is amended by adding the following new definitions in proper alphabetical order:

> "SPECIAL TERM LOAN" shall have the meaning ascribed thereto in SECTION 2.1 hereof.
>
> "SPECIAL TERM LOAN FACILITY" shall have the meaning ascribed thereto in SECTION 2.1 hereof.
>
> "SPECIAL TERM LOAN B" shall have the meaning ascribed thereto in SECTION 2.1 hereof.
>
> "SPECIAL TERM LOAN B FACILITY" shall have the meaning ascribed thereto in SECTION 2.1 hereof.

2.3 AMENDMENT TO SECTION 1.1. The definition of "Term Loans" in Section 1.1 of the Credit Agreement are amended in their entirety to read as follows:

"TERM LOANS" shall mean, collectively, the Bliss Equipment Term Loan, the Real Estate Term Loan, the Special Term Loan, and the Special Term Loan B.

2.4 AMENDMENT TO SECTION 2.1. Section 2.1 of the Credit Agreement is amended in its entirety to read as follows:

2.1 TOTAL FACILITY. Bank will make up to a Twenty Million Dollar ($20,000,000) reducing total credit facility (the "Total Facility") available to Borrowers, subject to the terms and conditions of this Agreement and comprised of the following loans or other financial accommodations advanced, made or made available under the following facilities (collectively, the "Loans"): (i) Revolving Loans (as hereinafter defined) to be advanced under the Revolving Loan facility (the "Revolving Loan Facility"), (ii) a term loan with respect to certain real property (the "Real Estate Term Loan") to be advanced under the Real Estate Term Loan facility (the "Real Estate Term Loan Facility"), (iii) a term loan with respect to machinery and equipment owned by Bliss (the "Bliss Equipment Term Loan") to be advanced under the Bliss Equipment Term Loan facility (the "Bliss Equipment Term Loan Facility"), (iv) a special term loan (the "Special Term Loan") to be advanced under the Special Term Loan facility (the "Special Term Loan Facility"), (v) a special term loan (the "Special Term Loan B") to be advanced under the Special Term Loan B facility (the "Special Term Loan B Facility"), and (vi) as a portion of the Revolving Loan Facility, a letter of credit facility (the "Letter of Credit Facility"), all as more particularly described below.

2.5 AMENDMENT TO SECTION 2. Section 2 of the Credit Agreement is amended by adding the following new Section 2.18:

2.18 SPECIAL TERM LOAN B FACILITY. The Special Term Loan B under the Special Term Loan B Facility will be made to Parent in the amount of Two Million Dollars ($2,000,000) on or after December 24, 1997, upon the oral or written request of Parent. The principal of the Special Term Loan B then outstanding, together with and all accrued and unpaid interest thereon, shall be due and payable upon the earlier to occur of (i) the effective date of any termination of this Agreement pursuant to SECTION 11 and/or SECTION 13 hereof, or (ii) March 31, 1998. No repayment or prepayment of the Special Term Loan B shall be reason for any relending or additional lending of Special Term Loan B proceeds to Parent. The Special Term Loan B may be prepaid in whole or in part so long as such prepayment is accompanied by the fee referred to in SECTION 3.11 hereof. Any payments required to be made pursuant to this SECTION 2.18 shall be in addition to any payments made pursuant to SECTION 2.17 hereof.

2.6 AMENDMENT TO SECTION 3.1. Section 3.1 of the Credit Agreement is amended in its entirety to read as follows:

3.1 INTEREST ON LOANS. The applicable Borrower shall pay Bank interest on the average daily outstanding principal amount of its (a) Revolving Loans and all other Obligations (other than the Letter of Credit Obligations and the Term Loans) at a per annum rate which shall vary from time to time equal to the rate announced at Bank from time to time as its prime rate (the "Prime Rate"), (b) Bliss Equipment Term Loan and Real Estate

Term Loan at a per annum rate which shall vary from time to time equal to the Prime Rate PLUS one-half percent (.50%), (c) Special Term Loan at a per annum rate which shall vary from time to time equal to the Prime Rate PLUS two and one-quarter percent (2.25%), and (d) Special Term Loan B at a per annum rate which shall vary from time to time equal to the Prime Rate PLUS two percent (2%), each such rate to be adjusted on the effective date of any change in the Prime Rate by Bank. The Prime Rate is determined solely by Bank pursuant to market factors and its own operating needs and is not necessarily Bank's best or most favorable rate for commercial or other loans. The per annum rate of interest applicable at all times after the occurrence of an Event of Default shall be the applicable rate of interest set forth above plus an additional two percent (2.00%) per annum.

2.7 ADDITION OF SECTION 3.11. Section 3 of the Credit Agreement is amended by the addition of the following Section 3.11 in proper numeric order:

3.11 SUCCESS FEE. Borrowers shall pay Bank a success fee of Eighty Thousand Dollars ($80,000) with respect to the Special Term Loan B on the date any payment is made upon the Special Term Loan B.

SECTION 3. REPRESENTATIONS AND WARRANTIES.

Each Borrower represents and warrants to Bank as follows:

3.1 THE AMENDMENT. This Amendment has been duly and validly executed by an authorized executive officer of each Borrower and constitutes the legal, valid and binding obligation of such Borrower, enforceable against such Borrower in accordance with its terms.

3.2 CLAIMS AND DEFENSES. Each Borrower hereby represents, warrants and

acknowledges that as of the date of this Amendment, it has no defenses, claims, counterclaims or setoffs with respect to the Credit Agreement or its Obligations thereunder or with respect to any actions of the Bank or any of its officers, directors, shareholders, employees, agents or attorneys, and each Borrower irrevocably and absolutely waives any such defenses, claims, counterclaims and setoffs and releases the Bank and each of its officers, directors, shareholders, employees, agents and attorneys from the same.

3.3 CREDIT AGREEMENT. The Credit Agreement, as previously amended and as further amended by this Amendment, remains in full force and effect and remains the valid and binding obligation of each Borrower enforceable against each Borrower in accordance with its terms. Each Borrower hereby ratifies and confirms the Credit Agreement, as previously amended and as farther amended by this Amendment.

3.4 NONWAIVER. Except as otherwise expressly provided herein, the execution, delivery, performance and effectiveness of this Amendment shall not operate nor be deemed to be nor construed as a waiver (i) of any right, power or remedy of Bank under the Credit Agreement, nor (ii) of any term, provision, representation, warranty or covenant contained in the

Credit Agreement or any other documentation executed in connection therewith. Further, except as otherwise specifically set forth herein, none of the provisions of this Amendment shall constitute, be deemed to be or construed as, a waiver of any Event of Default under the Credit Agreement, as previously amended and as further amended by this Amendment. Nor shall this Amendment constitute, be deemed to be or construed as, consent to the Bliss Sale or the Bliss Sale Documents.

3.5 REFERENCE TO AND EFFECT ON THE CREDIT AGREEMENT. Upon the effectiveness of this Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof', "herein", or words of like import shall mean and be a reference to the Credit Agreement, as amended hereby, and each reference to the Credit Agreement in any other document, instrument or agreement executed and/or delivered in connection with the Credit Agreement shall mean and be a reference to the Credit Agreement, as previously amended and as further amended hereby.

3.6 DELIVERY OF BLISS SALE DOCUMENTS. The Borrowers have delivered to Bank true, correct and complete fully executed copies of that certain Stock Purchase Agreement, dated December 17, 1997, between Parent and Rhone Capital LLC, together with all exhibits and schedules thereto, and other agreements, instruments and other documents executed and/or delivered in connection with such Stock Purchase Agreement (collectively the "Bliss Sale Documents").

3.7 CONSENTS. No authorization or approval or other action by, and no

notice to or filing with, any governmental authority or regulatory body or other Person is required for the execution, delivery and performance by Borrowers or any Guarantor Subsidiary, as the case maybe, of this Amendment or any of the agreements, instruments and documents required to be executed and/or delivered in connection herewith as conditions precedent hereof (such agreements, instruments and documents, together with this Amendment, are Collectively referred to as the "Amendment Documents").

3.8 NO VIOLATION. The execution, delivery and/or performance by Borrowers or the Guarantor Subsidiaries of the Amendment Documents do not and will not (i) constitute a violation of any applicable law or breach any provision contained in the Borrowers' or Guarantor Subsidiaries' Articles or Certificate of Incorporation or Code of Regulations or By-Laws or contained in any order of any court or other governmental agency or in any agreement, instrument or document to which any of them is a party or by which any of them or their respective properties are bound, or (ii) result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of their property.

SECTION 4. CONDITIONS PRECEDENT TO EFFECTIVENESS OF THIS AMENDMENT NO.2

In addition to all of the other conditions and agreements set forth herein, the effectiveness of this Amendment is subject to the each of the following conditions precedent:

4.1 AMENDMENT NO.2 TO AMENDED AND RESTATED CREDIT AGREEMENT. Bank shall have received an original of this Amendment No.2 to Amended And Restated Credit Agreement, executed and delivered by a duly authorized officer of each Borrower.

4.2 CONSENT, AGREEMENT AND ACKNOWLEDGMENT. Bank shall have received an original counterpart of the Consent, Agreement and Acknowledgment to this Amendment executed and delivered by a duly authorized officer of each Guarantor Subsidiary.

4.3 BLISS SALE DOCUMENTS. Bank shall have received executed copies of the Bliss Sale Documents certified as true, correct and complete by a duly authorized officer of each Borrower.

4.4 PROCEEDINGS OF BORROWERS. Bank shall have received certificates of the Secretary of each Borrower and each Guarantor Subsidiary dated as of the date hereof as to (i) true copies of all action taken by each Borrower and each Guarantor Subsidiary, as the case may be, approving or otherwise relating to the

Amendment Documents, and (ii) the incumbency and signature of the respective officers of each Borrower and each Guarantor Subsidiary, as the case maybe, executing the Amendment Documents, together with satisfactory evidence of the incumbency of each such Secretary.

4.5 PAYMENT OF ALL LEGAL FEES AND EXPENSES. The Borrowers shaH have paid to Bank all of Bank's legal fees and expenses incurred through the date hereof, in connection with the Credit Agreement, this Amendment and all other matters, and documentation relating thereto and which is unpaid as of the date hereof.

4.6 COOPERS & LYBRAND LETTER. Bank shall have received and satisfactorily reviewed a letter from Coopers & Lybrand explaining the loss carry-back and containing an estimation of the tax refund which will be due to Parent.

SECTION 5. MISCELLANEOUS.

5.1 GOVERNING LAW. This Amendment has been delivered and accepted at and shall be deemed to have been made at Cleveland, Ohio. This Amendment shall be interpreted and the rights and liabilities of the parties hereto determined in accordance with the laws of the State of Ohio, without regard to principles of conflict of law.

5.2 SEVERABILITY. Each provision of this Amendment shall be interpreted in such manner as to be valid under applicable law, but if any provision hereof shall be invalid

under applicable law, such provision shall be ineffective to the extent of such invalidity, without invalidating the remainder of such provision or the remaining provisions hereof.

5.3 COUNTERPARTS. This Amendment may be executed in one or more counterparts, each of which, when taken together, shall constitute but one and the same agreement.

5.4 NO CONSENT. In no event shall Borrower's delivery of, and Bank's receipt of, the Bliss Sale Documents Constitute, be deemed to be or construed as, consent to the consummation of the transactions contemplated by the Bliss Sale Documents. Such consent shall only be given by Bank in writing after its satisfactory review of the Bliss Sale Documents. Borrowers acknowledge and agree that the transactions contemplated by the Bliss Sale Documents cannot and will not be consummated without the Bank's prior written consent. Any breach of the foregoing shall constitute an Event of Default under the Credit Agreement, as previously amended, as amended hereby and as the same may be hereafter further amended.

5.5 CONFESSION OF JUDGMENT. Each Borrower hereby irrevocably authorizes and empowers any attorney-at-law to appear for such Borrower in any action upon or in connection with this Amendment at any time after the Loans and/or other Obligations become due, as herein provided, in any court in or of the State of Ohio or elsewhere, and waives the issuance and service of process with respect thereto, and irrevocably authorizes and empowers any attorney-at-law to confess judgment in favor of Bank against such Borrower, the amount due thereon or hereon, plus interest as herein provided, and all costs of collection, and waives and releases all errors in said proceedings and judgments and all rights of appeal from the judgment rendered. Each Borrower agrees and consents that the attorney confessing judgment on behalf of such Borrower may also be counsel to Bank or any of Bank's Affiliates, waives any conflict of interest which might otherwise arise, and consents to Bank paying such confessing attorney a reasonable legal fee or allowing such attorney's reasonable fees to be paid from the proceeds of collection of the Loans and/or Ohhgations or proceeds of any Collateral, the Premises or any other security for the Loans and the other Obligations.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

IN WITNESS WHEREOF, each Borrower has caused this Amendment No.2 to Amended And Restated Credit Agreement to be duly executed and delivered by its duly authorized officer as of the date first above written.

WARNING--BY SIGNING THIS PAPER YOU GIVE UP YOUR RIGHT TO NOTICE AND COURT TRIAL. IF YOU DO NOT PAY ON TIME A COURT JUDGMENT MAY BE TAKEN AGAINST YOU WITHOUT YOUR PRIOR KNOWLEDGE AND THE POWERS OF A COURT CAN BE USED TO COLLECT FROM YOU REGARDLESS OF ANY CLAIMS YOU MAY HAVE AGAINST THE CREDITOR WHETHER FOR RETURNED GOODS, FAULTY GOODS, FAILURE ON HIS PART TO COMPLY WITH THE AGREEMENT, OR ANY OTHER CAUSE.

Signed and acknowledged
in the presence of:

_____

Name:_____

HMI INDUSTRIES INC.

By:_____

Its:_____

Name:_____

WARNING--BY SIGNING THIS PAPER YOU GIVE UP YOUR RIGHT TO NOTICE AND

COURT TRIAL. IF YOU DO NOT PAY ON TIME A COURT JUDGMENT MAY BE TAKEN AGAINST YOU WITHOUT YOUR PRIOR KNOWLEDGE AND THE POWERS OF A COURT CAN BE USED TO COLLECT FROM YOU REGARDLESS OF ANY CLAIMS YOU MAY HAVE AGAINST THE CREDITOR WHETHER FOR RETURNED GOODS, FAULTY GOODS, FAILURE ON HIS PART TO COMPLY WITH THE AGREEMENT, OR ANY OTHER CAUSE.

Signed and acknowledged
in the presence of:

_____

Name:_____

BLISS MANUFACTURING COMPANY

By:_____

Its:_____

Name:_____

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STATE OF)
) ss:
COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of December, 1997, by _____, _____ of HMI Industries Inc., a Delaware corporation, on behalf of the company.

Notary Public

STATE OF)
) ss:
COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of December, 1997, by _____, _____ of Bliss Manufacturing Company, an Ohio corporation, on behalf of the company.

Notary Public

Accepted at _____, Ohio,
as of December ___, 1997.

STAR BANK, NATIONAL ASSOCIATION

By:_____
Mark E. Storer, Vice President

CONSENT, AGREEMENT AND ACKNOWLEDGMENT

The undersigned, HMI Incorporated, an Ontario corporation, Newton Falls Holding Company, a Delaware corporation, Tube Form, Inc., and Ohio corporation, Tube-Fab Ltd., an Ontario corporation, Health-Mor International, Inc., a U.S. Virgin Islands corporation, Health-Mor Acceptance Corporation, a Delaware corporation, HMI Acceptance Corporation, an Ontario corporation, Health-Mor Acceptance Pty. Ltd., an Australian corporation, and Health-Mor Personal Care Corporation, an Illinois corporation, hereby acknowledge, consent and agree to the terms of the foregoing Amendment No. 2 to Amended and Restated Credit Agreement, dated as of December 24, 1997, among Star Bank, National Association, HMI Industries, Inc. and Bliss Manufacturing Company (the "Amendment"). All capitalized terms used herein and not otherwise defined herein shall have the meaning ascribed thereto in the Amendment. Each of the undersigned represents and warrants to Bank that its obligations under or in connection with the Credit Agreement, as amended by the Amendment, remain the valid and binding obligations of each of the undersigned, enforceable against them in accordance with their respective terms. Each of the undersigned, having guaranteed the indebtedness of the Borrowers under the Credit Agreement, as amended by the Amendment, pursuant to the Amended and Restated Guaranty, and the Canadian Guaranty, (collectively, the "Guaranties"), the Security Agreement and the Canadian Security Agreements (collectively, the "Security Agreements"), executed and delivered by the undersigned to Bank, hereby acknowledges and agrees to the terms of the foregoing Amendment and to the terms of the Credit Agreement, as amended through

the date hereof. Each of the undersigned represents and warrants to Bank that the respective Guaranties and the respective Security Agreements to which it is a party remain the valid and binding obligation of each of the undersigned, enforceable against it in accordance with its terms. Each of the undersigned hereby represents, warrants and acknowledges that as of the date of the Amendment, it has no defenses, claims, counterclaims or setoffs with respect to the Credit Agreement, as amended by the Amendment, the Guaranties or its Obligations (as defined in each such document) thereunder or with respect to any actions of the Bank or any of its officers, directors, shareholders, employees, agents or attorneys, and each of the undersigned irrevocably and absolutely waives any such defenses, claims, Counterclaims and setoffs and releases the Bank and each of its officers, directors, shareholders, employees, agents and attorneys from the same. Each of the undersigned acknowledges and agrees that the execution of this Consent, Agreement and Acknowledgment to the Amendment does not grant to any of the undersigned the right or power to require notice to the undersigned of, or the consent of any of the undersigned to, any future waiver, amendment, consent, termination or other modification of, or with respect to, the Credit Agreement or any other Loan Document.

HMI INCORPORATED
By_____

Its_____

NEWTON FALLS HOLDING COMPANY
By_____

Its_____

TUBE-FAB LTD.

By_____

Its_____

HEALTH-MOR PERSONAL CARE CORPORATION

By_____

Its_____

HEALTH-MOR INTERNATIONAL, INC.

By_____

Its_____

HEALTH-MOR ACCEPTANCE CORPORATION

By_____

Its_____

HMI ACCEPTANCE CORPORATION

HEALTH-MOR ACCEPTANCE PTY. LTD.

By_____

Its_____

By_____

Its_____

TUBE FORM, INC.

By_____

Its_____

Dated: December 24, 1997

Exhibit 10.11

STOCK PURCHASE AGREEMENT

By and Between

HMI INDUSTRIES INC.

and

RHONE CAPITAL LLC

Dated

December 17, 1997

STOCK PURCHASE AGREEMENT

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STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement (the "Agreement") is made as of December 17, 1997, by and between HMI Industries Inc., a Delaware corporation ("Seller"), and Rhone Capital LLC, a Delaware limited liability company, and together with its assigns, collectively, "Buyer").

Seller owns all of the issued and outstanding shares of common stock

(the "Shares") of Bliss Manufacturing Company, an Ohio corporation (the "Company"). Subject to the terms and conditions stated herein, Seller wishes to sell and Buyer wishes to purchase from Seller all of the Shares of the Company owned by Seller which constitute 100% of the issued and outstanding shares of the capital stock of the Company. The term "Business" shall mean the business and operations conducted by the Company and Newton Falls Holding Company, a Delaware corporation ("Sub").

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth herein, the parties hereto hereby agree as follows:

ARTICLE I

PURCHASE AND SALE OF SHARES

1.1 SALE AND PURCHASE OF SHARES. On the terms and subject to the conditions herein expressed and based on the representations, warranties, covenants and agreements contained herein, Seller agrees to sell, assign, transfer and convey to Buyer, and Buyer agrees to purchase, acquire and accept from Seller at the Closing, as that term is hereinafter defined, all of Seller's right, title and interest in and to the Shares.

1.2 PURCHASE PRICE. (a) In consideration for the sale and transfer of the Shares described in Section 1.1 above, at the Closing, Buyer shall deliver (D to Seller an amount equal to $30,500,000 by wire transfer of immediately available funds to Seller's account at Star Bank, N.A. and (b) to The Chase Manhattan Bank or such other escrow agent reasonably agreeable to the parties (the "Escrow Agent"), under an Escrow Agreement substantially in the form attached hereto as EXHIBIT A (the "Escrow Agreement"), $1,000,000 (the "Escrow") by wire transfer of immediately available funds to an interest bearing account specified by the Escrow Agent (the amounts described in clauses (i) and (ii) being referred to as the "Purchase Price"). Seller shall pay and distribute from the portion of the Purchase Price that is delivered by Buyer to Seller at the Closing the following closing payments: (x) $1,000,000 shall be paid to Liberty Steel in accordance with the letter agreement between Seller and Liberty Steel referred to in SCHEDULE 5.1 and (y) $500,000 shall be paid to the Company to fund future employee benefits (the "Closing Payments"). The Purchase Price shall be subject to post-closing adjustments in accordance with the procedures set forth in Article II hereof.

(b) If Buyer delivers to Seller the Acceptance Notice referred to in Section 2.1(d) or fails to deliver an Objection Notice (as defined below) within the forty-five (45) day period required by Section 2.1(d), then, as soon as practicable (but not more than two (2) business days) after final

determination of the Final Net Current Assets (as defined below), (j) in the event the Final Net Current Assets are less than the Reference Net Current Assets (as defined below), Seller and Buyer shall provide joint written instructions to the Escrow Agent directing the Escrow Agent to remit to Buyer, the amount by which the Reference Net Current Assets exceeds the Final Net Current Assets (PROVIDED that, to the extent that such amount would reduce the Escrow to less than $500,000, only an amount that

would reduce the Escrow to $500,000 shall be paid to Buyer out of the Escrow and Seller shall remit to Buyer the balance of such amount owed to Buyer pursuant to this clause (i)), or (ii) in the event the Final Net Current Assets exceed the Reference Net Current Assets, Buyer shall remit to Seller the amount by which the Final Net Current Assets is greater than the Reference Net Current Assets. Alternatively, if Buyer delivers to Seller the Objection Notice referred to in Section 2.1(d), within two (2) business days after such delivery, (y) Seller and Buyer shall provide joint written instructions to the Escrow Agent directing the Escrow Agent to remit to Buyer the amount, if any, by which the undisputed portion of the Final Net Current Assets is less than the Reference Net Current Assets (PROVIDED that, to the extent that such amount would reduce the Escrow to less than $500,000, only an amount that would reduce the Escrow to $500,000 shall be paid to Buyer out of the Escrow and Seller shall remit to Buyer the balance of such amount owed to Buyer pursuant to this clause (y)), or (z) Buyer shall remit to Seller the amount, if any, by which the undisputed portion of the Final Net Current Assets is greater than the Reference Net Current Assets. Within two (2) business days after the resolution of any dispute by the parties or the Unrelated Accounting Firm (as defined below) relating to the Objection Notice, Seller and Buyer shall provide joint written instructions to the Escrow Agent directing the Escrow Agent to remit to Buyer (PROVIDED that, to the extent that such amount would reduce the Escrow to less than $500,000, only an amount that would reduce the Escrow to $500,000 shall be paid to Buyer out of the Escrow and Seller shall remit to Buyer the balance of such amount owed to Buyer), in the case where the portion of the Final Net Current Assets is less than the Reference Net Current Assets, or Buyer shall remit to Seller, in the case where the portion of the Final Net Current Assets is more than the Reference Net Current Assets, the amount of any further adjustment required.

(c) Any payment pursuant to Section 1.2(b) shall be made by certified or bank cashier's check, or, at the recipient's option, by wire transfer of immediately available funds.

1.3 CLOSING. The closing (the "Closing") of the transactions contemplated hereby shall take place at the offices of Squire, Sanders & Dempsey L.L.P., 4900 Key Tower, 127 Public Square, Cleveland, Ohio 44114-1304 (or at

such other place as the parties may agree in writing), at 10:00 a.m. on March 15, 1998, or such other date mutually designated by Seller and Buyer, but in no event later than five (5) business days after the date when each of the conditions specified in Article VI has been fulfilled (or waived by the party entitled to waive that condition). The date on which the Closing is held is referred to in this Agreement as the "Closing Date." At the Closing, the parties shall execute and deliver the documents referred to in Article VII.

ARTICLE H

POST-CLOSING ADJUSTMENTS

2.1 ADJUSTMENT OF PURCHASE PRICE. (a) The Purchase Price shall be adjusted as follows:

(i) For purposes hereof, "Final Net Current Assets" shall mean the current assets of the Business less the current liabilities of the Business, as reflected in the Final Balance Sheet (as defined in Section 2.1(b)). "Reference Net Current Assets" shall mean the current assets of the Business less the current liabilities of the Business as reflected on the Reference Balance Sheet (as defined in Section 3.9).

(ii) If the amount of the Final Net Current Assets determined in accordance with this Section 2.1 is less than the Reference Net Current Assets, the Purchase Price shall be decreased by an amount equal to the difference between the Final Net Current Assets and the Reference Net Current Assets.

(iii) If the amount of the Final Net Current Assets is greater than the Reference Net Current Assets, the Purchase Price shall be increased by an amount equal to the difference between the Final Net Current Assets and the Reference Net Current Assets.

(b) The Final Net Current Assets shall be determined as of the close of business on the day immediately preceding the day of the Closing (the "Determination Time") on the basis of the balance sheet of the Business as of the Determination Time (the "Final Balance Sheet"). The Final Balance Sheet shall be prepared by Seller in accordance with generally accepted accounting principles applied on a basis consistent with the principles used in the preparation of the Reference Balance Sheet (the "Accounting Principles") and shall be reported upon by Coopers & Lybrand LLP ("C&L"). For purposes of calculating the Purchase Price adjustment, any current assets and current liabilities relating to (j) the adoption of FAS 106 and (ii) current or deferred income tax shall be excluded from both the Reference Balance Sheet and the Final Balance Sheet. Additionally, Seller and Buyer agree that the only amount to be

accrued for employee profit sharing and incentive compensation shall be at the rate of $75,000 per month in the aggregate for each month commencing October 1, 1997 until the Final Balance Sheet date, PROVIDED that the accrual shall be pro rata for any partial month. C&L shall hereinafter be referred to as the "Auditor" . Seller shall be responsible for the fees and expenses of the Auditor.

(c) Seller shall engage the Auditor to examine the Final Balance Sheet and shall deliver to Buyer the Final Balance Sheet within sixty (60) days after the Closing, together with a report of the Auditor thereon (j) setting forth the amount of Final Net Current Assets reflected in the Final Balance Sheet, (ii) stating that (y) the examination has been made in accordance with generally accepted auditing standards as supplemented by the Accounting Principles, and (z) the Final Balance Sheet has been prepared in conformity with the Accounting Principles, and (iii) setting forth the amount of any required adjustment to the Purchase Price pursuant to this Section 2.1. Buyer and Seller shall take such actions as are necessary to cause the Auditor's audit of the Final Balance Sheet to be performed expeditiously. During the period from the Closing Date until the date of delivery of the Final Balance Sheet, Buyer shall give Seller, the Auditor and other appropriate personnel such assistance and access to the assets and books and records of the Company as Seller and the Auditor shall reasonably request during normal business hours in order to enable them to prepare and examine, respectively, the Final Balance Sheet. Price Waterhouse LLP or such other independent accounting firm engaged by Buyer at Buyer's sole expense (which shall not be the Unrelated Accounting Firm referred to below) ("Buyer's Auditor") shall have the opportunity to observe the taking of the inventory of the Business in connection with the preparation of the Final Balance Sheet, and to examine the work papers, schedules and other documents prepared by Seller in connection with its preparation of the Final Balance Sheet. Seller shall use its reasonable efforts to cause the Auditor to permit Buyer and Buyer's Auditor to examine the Auditor's work papers used in connection with its audit of the Final Balance Sheet.

(d) Within forty-five (45) days following the delivery of the Final Balance Sheet and the related report of the Auditor, Buyer shall deliver to Seller a notice of objection (an "Objection Notice") or a notice of acceptance (an "Acceptance Notice") with respect to the Final Balance Sheet and related Auditor's report. Such Final Balance Sheet and related Auditor's report shall be final and binding on the parties if an Acceptance Notice is delivered to Seller or if no Objection Notice is delivered to Seller within such forty-five (45) day period. Any Objection Notice shall specify in reasonable detail the items on the Final Balance Sheet disputed and shall describe in reasonable detail the basis for the objection and all information in the possession of the objecting party

which forms the basis thereof, as well as the amount in dispute. If an Objection Notice is given, the parties shall consult with each other with respect to the objection. If the parties are unable to reach agreement within fifteen (15) days after an Objection Notice has been given, any unresolved disputed items shall be promptly referred to Arthur Andersen LLP (the "Unrelated Accounting Firm"). The Unrelated Accounting Firm shall be directed to render a written report on the unresolved disputed issues with respect to the Final Balance Sheet as promptly as practicable and to resolve only those issues of dispute set forth in the Objection Notice. The resolution of the dispute by the Unrelated Accounting Firm shall be final and binding on the parties. The fees and expenses of the Unrelated Accounting Firm shall be borne equally by Seller and Buyer. Within two (2) business days following the latest to occur of (D the delivery by Buyer of an Acceptance Notice, (ii) the expiration of the 45-day objection period or (iii) the receipt of the written report rendered by the Unrelated Accounting Firm, Buyer and Seller shall direct the Escrow Agent to release to Seller from the Escrow, in immediately available funds to Seller's account as specified in Section 1.2(a) or as otherwise directed by Seller, an amount that, after making

any payments from the Escrow to Buyer, would leave a remaining balance of $500,000 in the Escrow Account.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Buyer (which representations and warranties shall survive the Closing to the extent provided in Section 11.3 hereof) that:

3.1 ORGANIZATION, STANDING AND AUTHORITY OF SELLER. Seller, the Company and Sub are corporations duly organized, validly existing and in good standing under the laws of the states indicated on SCHEDULE 3.1 and Seller has full corporate power and authority to enter into and perform this Agreement, the Escrow Agreement and the Stockholder Voting Agreement dated the date hereof among Seller, the shareholders of Seller named therein and Buyer (the "Voting Agreement"). Each of the Company and Sub is duly qualified to do business and is in good standing in each jurisdiction in which the properties owned or leased by it or the conduct of the Business requires such qualification, except where the failure to be so qualified or in good standing would not have a material adverse effect on the operations of the Business taken as a whole.

3.2 AUTHORIZATION. The execution, delivery and performance of each of this Agreement, the Escrow Agreement and the Voting Agreement by Seller have

been duly authorized by all necessary corporate action of Seller, and this Agreement and the Voting Agreement constitute and, when executed and delivered, the Escrow Agreement will constitute the valid and binding obligation of Seller enforceable against it in accordance with its terms, except to the extent enforceability may be limited by bankruptcy, insolvency, reorganization,

moratorium or other similar laws affecting the enforcement of creditors' rights in general and subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

3.3 NO VIOLATIONS, NO CONFLICT. Subject to receipt of the consents and approvals listed in SCHEDULE 3.3, the execution, delivery and performance of this Agreement, the Voting Agreement and the Escrow Agreement and the consummation of the transactions contemplated hereby and thereby by Seller will not (j) violate or conflict with the certificates of incorporation or the by-laws or regulations, as the case may be, of Seller, the Company or Sub, (ii) conflict with, or result in the breach of, or termination of, or constitute a default under (whether with notice or lapse of time or both), or accelerate or permit the acceleration of the performance required by, any indenture, mortgage, lien, lease, agreement, commitment or other instrument, or any order, judgment or decree, to which Seller or the Company or Sub is a party or by which Seller or the Company or Sub or any of their properties are bound, (iii) constitute a violation of any law, regulation, order, writ, judgment, injunction or decree applicable to Seller or the Company or Sub, or (iv) result in the creation of any lien, charge or encumbrance upon the capital stock, properties or assets of Seller or the Company or Sub, other than violations, conflicts, breaches, terminations, accelerations and defaults specified in the foregoing clauses (ii) and (iv) which could not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the Company or Sub or on Seller's ability to perform its obligations under this Agreement, the Voting Agreement or the Escrow Agreement.

3.4 CONSENTS. The only authorization, consent, approval or notice of any federal, state, local or foreign regulatory body required to be obtained or given or waiting period

required to expire with respect to Seller in order that this Agreement, the Voting Agreement or the Escrow Agreement and the transactions contemplated hereby or thereby may be consummated by the Buyer and Seller is (a) notification to the Federal Trade Commission and the Antitrust Division of the Department of Justice pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and the rules promulgated thereunder (the "HSR Act", and such notification, an "HSR Filing") and the expiration of the applicable waiting periods under the HSR

Act and (b) filings with the Pension Benefit Guaranty Corporation (the "PBGC"), the Internal Revenue Service (the "IRS"), the Department of Labor (the "DOL") and any other similar governmental entity with respect to the transfer of assets and liabilities of Plans (as defined below). Except as disclosed in SCHEDULE 3.3 or 3.4, no consent or approval of any other party (other than any governmental entity referred to above) is required to be obtained by Seller for the execution, delivery or performance of this Agreement, the Voting Agreement or the Escrow Agreement or the performance by Seller of the transactions contemplated hereby and thereby, except where the failure to obtain any such consent or approval would not prevent or delay the consummation of the transactions contemplated hereby, or otherwise prevent Seller from performing its obligations under this Agreement, the Voting Agreement or the Escrow Agreement or would not, individually or in the aggregate, have a material adverse effect on Seller or the Company or Sub.

3.5 CERTIFICATE OF INCORPORATION, BY-LAWS AND REGULATIONS. SCHEDULE 3.5 sets forth correct and complete copies of the certificates of incorporation, as amended and restated from time to time, and the regulations and by-laws, as the case may be, of the Company and Sub. SCHEDULE 3.5 sets forth a list of the directors and officers of each of the Company and Sub.

3.6 OUTSTANDING SHARES. The authorized capital stock of the Company and Sub, the number of shares issued and outstanding and the shareholders of the Company and Sub are set forth on SCHEDULE 3.6.

3.7 OWNERSHIP OF SHARES. The Shares of the Company and the outstanding capital stock of Sub are owned by Seller and the Company, respectively, beneficially and of record, free and clear of all liens, encumbrances or claims. At the Closing, Seller will transfer and deliver to Buyer valid title to all of the Shares, free and clear of any liens, claims, charges, pledges, security interests, options or other legal or equitable encumbrances of any kind (collectively "Claims"). Except for Sub and except as disclosed in SCHEDULE 3.7 hereto, the Company is neither the record nor beneficial holder of any capital stock, membership interest in any limited liability company, partnership interest or other similar interest or right to acquire any capital stock, membership interest in any limited liability company, partnership interest or other similar interest in any entity.

3.8 AUTHORIZED SHARES. All of the Shares of the Company and shares of capital stock of Sub are duly authorized, validly issued, fully paid and nonassessable. Except for this Agreement, there are no options or rights of any kind to acquire any shares of any class of securities or any securities convertible into or exchangeable for any capital stock of the Company or Sub.

3.9 FINANCIAL STATEMENTS. SCHEDULE 3.9 sets forth financial statements including the balance sheet as of September 30, 1997 (the "Reference Balance Sheet"), and the income statements for the fiscal years ended September 30,

1995, 1996 and 1997 for the Company and Sub (together with the Reference Balance Sheet, the "Financial Statements"). SCHEDULE 3.9 sets forth certain items which represent a combination of actual events and transactions

that occurred in the year ended September 30, 1997. The Financial Statements present fairly, in all material respects, the financial condition and results of operations of the Company and Sub as of the dates and for the periods indicated therein. Such Financial Statements were used in the preparation of Seller's consolidated financial statements and were prepared in accordance with generally accepted accounting principles and the Financial Statements were prepared in accordance with past accounting practices applied consistently except as noted in SCHEDULE 3.9. Since September 30, 1997, there has been no adverse change to the business, assets, operations, properties, financial condition, liabilities, or results of operations of the Company or Sub which change is material to the Company and Sub taken as a whole (a "Material Adverse Change"). Except as set forth in SCHEDULE 3.9 there has been no Material Adverse Change since September 30, 1997 involving the relationship or agreements with any customers, suppliers or labor force of the Company. Except as reflected in the Financial Statements or as set forth in SCHEDULE 3.9 or in any other Schedule to this Agreement, or as incurred since September 30, 1997 in the ordinary course of business consistent with past practice, there are no debts, obligations, guaranties of obligations of others or liabilities (whether accrued, absolute, contingent or otherwise) that would be required to be disclosed on a consolidated balance sheet of the Company prepared under generally accepted accounting principles.

3.10 TITLE TO ASSETS. Each of the Company and Sub has good and marketable title to all real and tangible personal property reflected on the Reference Balance Sheet as currently owned and used in the operation of the Business (excluding inventory and obsolete equipment that may have been sold in the ordinary course of business consistent with past practice from September 30, 1997) and such property is free from all Claims, except for (j)

liens for taxes not yet due and payable and similar liens arising by operation of law in the ordinary course of business for which adequate reserves have been made on the Company's balance sheets, (ii) such liens, charges, options or encumbrances noted in the title report furnished to Buyer that individually or in the aggregate do not materially affect the use of such assets in the Business in accordance with Company's past practice or (iii) except as otherwise described in SCHEDULE 3.10 to this Agreement.

The assets reflected on the Reference Balance Sheet constitute all assets currently used or held for use in the Business, constitute all assets

necessary to continue to operate the Business consistent with current and historical practice and, except as set forth in SCHEDULE 3.10 are in good repair, working order and operating condition (subject to normal wear and tear). The Company owns all of the rights, properties and assets used in and which are necessary for the conduct of the Business as presently conducted.

3.11 INTELLECTUAL PROPERTY. Except for the logo set forth in SCHEDULE 3.11 neither the Company nor Sub owns or uses in the Business any patents, patent applications, trade names, trademarks, services marks or other names, logos or marks or any licenses, proprietary or other intellectual property rights. The logo of the Company has not been registered. To Seller's knowledge, such logo does not infringe on any rights owned or held by any other person.

3.12 REAL PROPERTY. SCHEDULE 3.12 sets forth a list of all real property owned by the Company or Sub on the date of this Agreement which is necessary to the conduct of the Business as presently conducted. Neither the Company nor Sub leases any real property. With respect to the real property owned by the Company or Sub and the improvements thereon, (i) neither the Company nor Sub has received any written notice of condemnation

proceedings pending or threatened against any portion thereof, (ii) such property is not in violation of any zoning or building laws, except where such violations would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Change, (iii) such property does not violate any restrictive covenants or encroach on any property owned by others, except where such violations or encroachments would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Change, and (ix) the improvements thereon have been maintained in accordance in all material respects with all applicable laws, ordinances, regulations and orders.

3.13 CONTRACTS. Except for this Agreement or any agreement contemplated hereby, and agreements, contracts and commitments listed in SCHEDULE 3.13 (which Schedule includes contracts entered into with key management personnel), complete and correct copies or descriptions of which have previously been made available to Buyer or included in the Schedules to this Agreement, neither the Company nor Sub is a party to any written or oral:

(a) contract for the sale of goods or the purchase of inventory, materials, supplies, services, equipment or any capital item or items that involve a payment of more than $25,000 in one year or that cannot be cancelled by the Company without penalty in less than six months from the date of this Agreement;

(b) agreement, indenture or other instrument relating to the borrowing of more than $25,000 or the guaranty of any obligation for the borrowing of more than $25,000;

(c) lease of personal property, including capital leases, involving a consideration of more than $25,000 and which has a term, including renewal

options exercisable by any party thereto, ending more than six (6) months after the date of this Agreement;

(d) distribution, agency, sales representative, compensation, labor or employment contract which is not terminable by the Company without penalty upon notice of sixty (60) days or less;

(e) lease or agreement with an affiliated company;

(f) agreement or understanding regarding the disposition of any stock or assets of the Company or Sub;

(g) noncompete agreements or other documents that will limit the freedom of Buyer, the Company or Sub to compete in any line of business; or

(h) any other agreement, contract or commitment that is material to the Company or Sub or not made in the ordinary course of business consistent with past practice.

Neither the Company nor Sub is in breach or default in any material respect under any of the agreements, contracts or commitments set forth in SCHEDULE 3.13, except for such breaches or defaults as would not, singly or in the aggregate, reasonably be expected to have a Material Adverse Change. All of the agreements, contracts and commitments set forth in SCHEDULE 3.13 are in full force and effect and enforceable against the Company or Sub, as the case may be, except for such agreements, contracts and commitments as would not reasonably be expected to have, singly or in the aggregate, a Material Adverse Change.

3.14 ACCOUNTS RECEIVABLE. All of the Company's accounts receivable that are reflected in the Financial Statements have arisen in the ordinary course of business consistent with past practice. The reserves for doubtful accounts reflected on the Financial Statements

were determined in accordance with generally accepted accounting principles consistent with past practice and are reasonable in light of the Company's past experience and expected future collections. Net accounts receivable less

allowances, as reflected in the Financial Statements, will be collectible in the ordinary course of business consistent with past practice within 90 days after the Closing Date.

3.15 INVENTORY. The inventory is of a quality and quantity usable and saleable in the ordinary course of business of the Company consistent with past practice, except for obsolete items or items below standard quality as to which a provision determined in a manner consistent with the prior practice of the Business has been made in the Financial Statements. The value of all inventory items, including finished goods, work-in-process and raw materials, has been recorded on the books of the Company as reflected in the Financial Statements at the lower of cost (FIFO) (determined in accordance with generally accepted accounting principles consistently applied and as set forth in the Reference Balance Sheet, except as disclosed in SCHEDULE 3.15) or fair market value. As the Business is currently conducted by the Company, net inventory after reserves will be usable and saleable, with respect to work-in-process and finished goods, within 90 days, and, with respect to raw materials, within six (6) months from the Closing Date, except as disclosed in SCHEDULE 3.15.

3.16 LITIGATION AND COMPLIANCE WITH LAWS. (a) There are no judicial or administrative actions, proceedings or investigations pending or, to Seller's knowledge, threatened, that question the validity of this Agreement or any action taken or to be taken by Seller or the Company in connection with this Agreement. Except as set forth in SCHEDULE 3.16, there is no, and in the preceding three years there has been no, action, claim, litigation, proceeding or governmental investigation pending or, to Seller's knowledge,

threatened, or any order, injunction or decree outstanding, against the Company involving more than $25,000 individually or $100,000 in the aggregate and Seller knows of no basis for any such action, claim, litigation, proceeding or investigation.

(b) The Business is not affected by any present or, to the knowledge of Seller, threatened strike, walkout, slowdown or other labor disturbance except as described in SCHEDULE 3.16. All litigation required to be disclosed by Seller under the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, for fiscal years 1993 and 1994 were properly disclosed in Seller's periodic reports.

(c) Except as disclosed in SCHEDULE 3.16, (j) each of the Company and Sub has complied and is in compliance with all laws, regulations, rules and orders applicable to the Business (other than Environmental Laws (as defined in Section 8.5)), including, without limitation, laws, rules, regulations, permits, franchises, licenses, judgments and orders relating to occupational safety and health ("OSHA Laws"), except where the failure to so be in compliance would not, individually or in the aggregate, reasonably be expected to result in a Material

Adverse Change and (ii) to Seller's knowledge, there is no present condition relating to the Company or Sub or the real property described in SCHEDULE 3.12 that would, individually or in the aggregate, reasonably be expected to result in a Material Adverse Change for violation of any OSHA Laws or other federal, state or local laws, rules, regulations, permits, franchises, licenses, judgments and orders (other than Environmental Laws). Except as set forth on SCHEDULE 3.16, neither the Company nor Sub is subject to any order, writ, injunction or decree relating to the operations of the Business or affecting its properties except where such orders, writs, injunctions or decrees would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Change.

(d) Except as set forth in SCHEDULE 3.16, to Seller's knowledge, (j) neither the Company nor Sub has violated or is in violation of any requirements of any Environmental Laws, (ii) there are no present or past conditions relating to the Company or Sub or relating to the real property described in SCHEDULE 3.12 or any other real property owned or operated by the Company or any of its present or past affiliates, or any real property or surface or subsurface rivers or streams crossing or adjoining any such real property, or any appurtenances to or improvements on any such real property, that would, individually or in the aggregate, reasonably be expected to lead to any material liability against, or have a Material Adverse Change for violation of any Environmental Laws and (iii) each of the Company and Sub has operated the real property described in SCHEDULE 3.12 and all appurtenances thereto and improvements thereon and has received, handled, used, stored, treated, shipped and disposed of all hazardous or toxic materials, substances and wastes (whether or not on its properties or properties owned or operated by others) in compliance with all applicable Environmental Laws.

3.17 DEFAULTS AND PERMITS. Except as disclosed in SCHEDULE 3.17, no event of default has occurred under any agreement, contract or other instrument relating to the Business to which the Company or Sub is a party, and, as of the date hereof there does not exist thereunder any event or condition that, with or without the lapse of time or the giving of notice, or both, would have a material effect on the Business. Except as set forth in SCHEDULE 3.17 all franchises, licenses, ordinances and permits material to and relating to the Business are in full force and effect, no violations have been recorded in respect thereof and no proceeding (not including any application for renewal) is pending or, to Seller's knowledge, threatened which would have the effect of revoking or materially limiting any such franchises,

licenses, ordinances or permits. Except as set forth in SCHEDULE 3.17, the Business has all franchises, licenses, ordinances and permits necessary to the conduct of the Business as currently conducted, and which if not present, or not in full force and effect, would reasonably be expected to have, individually or in the aggregate, a Material Adverse Change. Except as disclosed in SCHEDULE 3.17, this Agreement and the transactions contemplated by this Agreement will not result in the denial of the application for renewal or the revocation, nonrenewal or suspension of any franchise, license, ordinance or permit relating to the Business or held by the Company or Sub and Seller knows of no basis for any such denial, revocation, nonrenewal or suspension. A current list of such material franchises, licenses, ordinances and permits is set forth on SCHEDULE 3.17 to this Agreement.

3.18 INSURANCE. SCHEDULE 3.18 sets forth a list of all material policies of insurance pursuant to which the Company or Sub is insured and sets forth the types and amounts of coverage under such policies. Neither the Company nor Sub has received any notice of cancellation with respect to any such policy, and, except as set forth in SCHEDULE 3.18, no claims are pending. SCHEDULE 3.18 sets out all claims made by or on behalf of the Company or Sub under any policy of insurance during the past 12 months with respect to the Business. There are no other claims asserted, and Seller knows of no basis for any such claims to be asserted by the Company or Sub under any insurance policy. Insurance has been maintained by or for the benefit of the Company and Sub without interruption since July 1, 1990 of a type that is and has been not less than that generally maintained by persons owning properties and engaging in operations similar to those of the Company and Sub.

3.19 Environmental Matters. Except as set forth on SCHEDULE 3.19, (a)(i) neither the Company nor Sub has received since July 1, 1990, any claim, action, cause of

action, proceeding, investigation, request for information, notice or citation (collectively, "Citation") from any governmental agency for noncompliance with such agency's requirements with respect to air, water, ground or environmental pollution pertaining to the Business and (ii) there are no pending or unresolved Citations against the Company or Sub.

(b) Neither the Company nor Sub has received any Citation that it is or may be potentially responsible with respect to any investigation or clean-up of any threatened or actual release of any hazardous substance (as that or any similar term is presently defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601 et seq. ("CERCLA"), comparable state law or any other Environmental Law) or petroleum products, regardless of whether such threatened or actual release took place at any location owned, operated or leased by the Company or Sub (whether or not prior to or during the Company's or Sub's ownership, operation or leasing

thereof) or elsewhere with respect to the Business.

3.20 EMPLOYEE BENEFIT PLANS. SCHEDULE 3.20 sets forth (j) a list of the employee pension benefit plans (as defined in section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) established and maintained by the Company or with respect to which the Company is a participating or contributing employer (the "Pension Plans"), (b) a brief description of the employee benefit plans and arrangements with employees for profit-sharing, stock ownership, stock purchase, stock option, phantom stock, stock appreciation right, disability, death benefit, life insurance, medical, hospitalization, disability, workers' compensation, supplemental unemployment, vacations, severance pay, retirement, insurance or other employee benefits maintained by the Company not set forth in the foregoing clause (i), and (iii) a list containing a description of any other employment,

consulting or severance contract, bonus program, incentive compensation arrangement, deferred compensation arrangement, or employee or retiree benefits maintained by the Company and not described in (i) or (ii) above (individually, a "Plan"; collectively, the "Plans"). No employee of the Business is a participant in any employee benefit plan or arrangement other than a Plan. The Company has no liability (including, without limitation, any potential or contingent liability under Title IV of ERISA) with respect to any employee benefit plan, other than a Plan. Seller has delivered to Buyer true and complete copies of (A) each Plan, (B) the summary plan description for each Plan, (C) the latest annual report which has been filed with the IRS for each Plan for which such filing was required, (D) the most recent IRS determination letter for each Pension Plan, (E) copies of any report for the three most recent Plan years showing compliance with discrimination rules under those of Code Sections 401(a), 401(k), 401(m), 419, 419A, 505, 501(c)(9), 105(h), 125 or 129 applicable to such Plan, and (F) all correspondence with any governmental agency concerning any audit, investigation, or controversy concerning any Plan. With respect to Pension Plans: (a) no liability has been incurred by the Company to the PGBC or the IRS or to the participants or beneficiaries thereof, other than claims for Pension Plan benefits and other immaterial benefits in the ordinary course which claims have been satisfied in full and each Pension Plan has been operated in all material respects in accordance with its terms and with applicable law; (b) no prohibited transaction, within the meaning of section 406 or 408 of ERISA, has occurred with respect to any Pension Plan; (c) all governmental filings and all disclosures and communications to participants and beneficiaries required to be made pursuant to ERISA with respect to the Pension Plans and related trusts have been made in a timely manner; (d) each Pension Plan is qualified within the meaning of section 401(a) of the Internal Revenue Code

of 1986, as amended (the "Code"), and each related trust is exempt from taxation under section 501(a) of the Code and no event has occurred and no circumstance exists that would adversely affect such qualification or exemption; (e) a favorable determination letter has been received from the IRS with respect to each Pension Plan; and (D no Pension Plan is a multiemployer plan (within the meaning of section 3(37) of ERISA). No material liability, contingent or otherwise, exists with respect to any Plan other than retiree welfare benefit liabilities disclosed in SCHEDULE 5.7(a) which liabilities are accurately reflected on such Schedule. No Plan is subject to the provisions of Section 412 of the Code or Part 3 of Subtitle B of Title I of ERISA. There are no actions, claims, lawsuits or arbitrations (other than routine claims for benefits) pending, or, to the knowledge of Seller, threatened, with respect to any Plan or the assets of any Plan, and Seller has no knowledge of any facts which could give rise to any such actions, claims, lawsuits or arbitrations (other than routine claims for benefits). With respect to each Plan, all contributions and insurance premiums paid by the Company are tax deductible. The Company has paid all contributions (including employee salary reduction contributions) and all insurance premiums that have become due and any such expense accrued but not yet due has been properly reflected in the financial information furnished pursuant to Section 3.9. Except as disclosed in SCHEDULE 5.7(a), no Plan provides or is required to provide, now or in the future, health, medical, dental, accident, disability, death or survivor benefits to or in respect of any person beyond termination of employment with the Company, except to the extent required under the state insurance law or under Part 6 of Subtitle B of Title I of ERISA and under Section 4980(B) of the Code. No Plan covers any individual other than with respect to periods of employment with the Company, other than spouses and dependents of employees of the Company under health and child care Plans

disclosed to Buyer. The consummation of the transactions contemplated by this Agreement will not entitle any employee of the Company to severance pay or termination benefits for which Buyer or any of its affiliates (including the Company) may become liable, or accelerate the time of payment or vesting or increase the amount of compensation due to any such employee or former employee of the Company for which Buyer or any of its affiliates (including the Company) may become liable.

3.21 EMPLOYEE MATTERS. Except for the Bliss Manufacturing Employees Association (the "Employee Association"), no other employee association or union represents members of the Company's workforce. Set forth in SCHEDULE 3.21 is a list of the members of the Employee Association. No controversies or disputes are pending or, to Seller's knowledge, threatened between the Company and any of its employees other than controversies and disputes with individual employees

arising in the ordinary course of business that would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Change.

3.22 TAXES AND RETURNS. All federal, state, county, local, foreign and other income, franchise, gross receipts, sales and use, payroll, real and personal property and other taxes and governmental charges, assessments and contributions of the Company with respect to the Business or with respect to which Buyer or the Company could have any liability, including interest and penalties, as a result of being a member of a controlled, combined or affiliated group of corporations ("Taxes") required to be paid, collected or withheld with respect to all open years have been paid, collected or withheld and remitted to the appropriate governmental agency except for (j) those Taxes which the Company is contesting in good faith and (ii) accrued and unpaid Taxes as to which appropriate reserves have been established by the

Company ("Tax Reserves"). The Company has filed all tax returns and reports required to be filed by it, or requests for extensions to file such returns or reports have been timely filed and granted and have not expired, and all tax returns and reports are complete and accurate in all material respects. No requests for waivers of the time to assess any Taxes against the Company have been granted or are pending, except for requests with respect to such taxes as to which appropriate reserves have been established by the Company. SCHEDULE 3.22 sets forth the amount of Taxes that the Company is contesting in good faith and the amount of Taxes not yet paid which are accrued to the extent not specifically set forth in the Financial Statements. All tax returns required to be filed by Seller with respect to Taxes have been filed in a timely manner, and all Taxes reflected on such returns as being due have been paid. No election under section 341(f) of the Code has been made to treat the Company as a "consenting corporation." The Company has not been a United States real property holding company within the meaning of section 897(c)(2) of the Code during the period specified in section 897(c)(l)(A)(ii) of the Code. The Company is not a party to a tax sharing or tax indemnity agreement or any other agreement of a similar nature that remains in effect. The Company is not a party to any contract that would result, separately or in the aggregate, in the requirement to pay any "excess parachute payments" within the meaning of Section 2800 of the Code. The Company has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder or other third party.

3.23 ABSENCE OF MATERIAL CHANGES. Except as has previously been disclosed to Buyer, or as otherwise disclosed in Section 3.9 or SCHEDULE 3.23 hereof, since September 30, 1997, there has not been:

(a) any material damage, destruction or other casualty loss to any property material to the Business;

(b) any disposition by the Company or Sub of any asset other than sales of inventory in the ordinary course of business, consistent with past practice;

(c) except as set forth on SCHEDULE 3.23(c), any direct or indirect redemption, purchase or other acquisition of, or any declaration, setting aside or payment of any dividend or other distribution on or in respect of, any Shares or any other securities of the Company or Sub;

(d) any obligation or liability (whether absolute, accrued, contingent or otherwise, and whether due or to become due) incurred by the Company or Sub, other than liabilities or obligations incurred in the ordinary course of business, consistent with past practice;

(e) any change in the accounting methods or practices followed by the Company or Sub or any change in depreciation or amortization policies or rates theretofore adopted;

(f) any capital expenditure or commitment therefor in excess of $25,000 for any single item or $50,000 in the aggregate for additions to property, plant or equipment of the Company or Sub;

(g) any cancellation of any debts or claims owing to the Company or Sub without the Company or Sub receiving consideration equal to the amount of such debt or claim or any amendment, termination or waiver of any rights of value to the business of the Company or Sub;

(h) any write-down of the value of any inventory or other asset of the Company or Sub or any write-off as uncollectible of any accounts or notes receivable or any portion thereof, other than in the ordinary course of business and consistent with past practice;

(i) amend, extend, terminate or waive any provision under any employment or labor agreement or other agreement, except as required by law or in accordance with the terms of such agreement and in the ordinary course of business, consistent with past practice; or

(j) any payment, discharge or satisfaction of any claim, lien, encumbrance, liability or obligation by the Company (whether absolute, accrued, contingent or otherwise, and whether due or to become due), except in the ordinary course of business and consistent with past practice.

3.24 BROKER'S COMMISSION OR FINDER'S FEES. Neither Seller nor its affiliates have entered into any agreement with any other party and are not responsible for claims by any other party for brokerage or other commissions related to this Agreement or the transactions contemplated hereby, except that Seller has retained McDonald & Company Securities, Inc. ("McDonald") as Seller's financial advisor and Seller is responsible for, and shall, indemnify Buyer against, any obligations with respect to the fee of McDonald.

3.25 VENDORS AND CUSTOMERS. SCHEDULE 3.25 contains a complete and correct list of the largest 20 vendors to the Company by dollar volume for the year ended September 30, 1997 and a complete and correct list of the largest 20 customers of the Company by dollar volume for each of the three years ended September 30, 1997. As of the date hereof, neither Seller nor the Company is aware of any fact, circumstance or other matter on which to form a reasonable belief that any vendor or customer intends to terminate or materially and adversely

modify any relationship with the Company (whether prior to or following the consummation of the transactions contemplated by the Agreement).

3.26 ACCOUNTS PAYABLE. Set forth in SCHEDULE 3.26 is a complete and correct list of all accounts payable of the Company as of November 30, 1997. Such list sets forth with respect to each payable thereon the payee and the invoice date. The accounts payable set forth in SCHEDULE 3.26 were incurred in the ordinary course of business, consistent with past practice.

3.27 AFFILIATE TRANSACTIONS. Except as set forth in SCHEDULE 3.27, no current or former director, officer, employee or shareholder of the Company or any associate or affiliate (as defined in the rules promulgated under the Securities Exchange Act of 1934, as amended) thereof, or any relative with a relationship of not more remote than first cousin or spouse of any of the foregoing, is presently, or during the 12-month period ending on the date hereof has been (a) a party to any transaction with the Company or (b) the direct or indirect owner of an interest in any corporation, firm, association or business organization which is a present (or potential) competitor, supplier or customer of the Company, nor does any such person receive income from any source other than the Company which relates to the business of, or should properly accrue to, the Company.

3.28 KNOWLEDGE. As used in this Article III, "knowledge", "know" or any derivation thereof means the actual knowledge of the Company's currently elected officers and what such persons should have known after making due inquiry into the subject matter thereof with the Company's or Sub's management responsible for oversight of such matters, and with respect to Joseph Dubaj, Fred Chordas, Terry Duvall, Andrew A. Welch, Michael Hildack, and Roger Wellman, the actual

knowledge of each of such individuals as to the

matters addressed in this Agreement, obtained in the normal course of their respective duties, but without any further investigation or inquiry by any of such individuals.

3.29 DISCLOSURE. No representation or warranty of Seller contained in this Agreement, and no statement contained in any certificate, schedule, annex, list or other writing furnished to Buyer pursuant hereto, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein or therein in light of the circumstances under which they were made, not misleading.

3.30 INFORMATION IN PROXY STATEMENT. None of the information supplied by Seller or the Company or Sub for inclusion or incorporation by reference in the Proxy Statement prepared in connection with a special meeting of Seller's shareholders to approve this Agreement and the consummation of the transactions contemplated hereby (the "Proxy Statement") will, at the date mailed to Seller's shareholders and at the time of Seller's special shareholder meeting convened to vote on this Agreement and the transactions contemplated hereby, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller (which representations and warranties shall survive the Closing to the extent provided in Section 11.3 hereof) as follows:

4.1 ORGANIZATION, STANDING AND AUTHORITY OF BUYER. Rhone is a limited liability company duly formed, validly existing and in good standing under the laws of the State of

Delaware and has full liability company power and authority to enter into and to perform this Agreement, the Escrow Agreement and the Voting Agreement.

4.2 AUTHORIZATION. The execution, delivery and performance of each of

this Agreement, the Escrow Agreement and the Voting Agreement and the consummation of the transactions contemplated hereby or thereby by Buyer have been duly authorized by all necessary liability company action of Buyer, including by Buyer's members, if required, and the Agreement and the Voting Agreement constitute, and, when executed, the Escrow Agreement will constitute, the valid and binding obligation of Buyer and will be enforceable against Buyer in accordance with its terms, except to the extent enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights in general and subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

4.3 NO CONFLICT. NO VIOLATION. The execution, delivery and performance of this Agreement, the Voting Agreement and the Escrow Agreement by Buyer will not: (j) violate or conflict with the certificate of formation, operating agreement or other constitutive documents of Buyer; (ii) conflict with, or result in the breach or termination of, or constitute a default under (whether with notice or lapse of time or both), or accelerate or permit the acceleration of the performance required by, any indenture, mortgage, lien, lease, agreement, commitment or other instrument or any order, judgment or decree, to which Buyer is a party or by which it or its properties are bound; (iii) constitute a violation of any law, regulation, order, writ, judgment, injunction or decree applicable to Buyer; or (iv) result in the creation of any lien, charge or encumbrance upon the partnership interests, properties or assets of Buyer, other than violations, conflicts, breaches, terminations, accelerations and defaults

specified in the foregoing clauses (ii) and (iv) which would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on Buyer and on Buyer's ability to perform its obligations under this Agreement, the Voting Agreement or the Escrow Agreement.

4.4 CONSENTS. The only authorization, consent, approval or notice of any federal, state, local or foreign regulatory body required to be obtained or given or waiting period required to expire with respect to Buyer in order that this Agreement, the Voting Agreement or the Escrow Agreement and the transactions contemplated hereby or thereby may be consummated by Buyer and Seller is (a) an HSR Filing and the expiration of the applicable waiting periods under the HSR Act and (b) filings with the PBOC, the IRS, the DOL and any other similar governmental entity referred to above with respect to the transfer of assets and liabilities of Plans. No consent or approval of any other party (other than any governmental entity) is required to be obtained by Buyer for the execution, delivery or performance of this Agreement, the Voting Agreement or the Escrow Agreement or the performance by Buyer of the transactions contemplated hereby or thereby, except where the failure to obtain any such consent or approval would not prevent or delay the consummation of the transactions contemplated hereby, or otherwise prevent Buyer from performing its

obligations under this Agreement, the Voting Agreement or the Escrow Agreement or would not, individually or in the aggregate materially impair or delay the consummation of the transactions contemplated hereby.

4.5 LITIGATION. There are no judicial or administrative actions, proceedings or investigations pending or, to the best of Buyer's knowledge, threatened, that question the validity of this Agreement or any action taken or to be taken by Buyer in connection with this

Agreement. There is no, and has been no, action, claim, litigation, proceeding or governmental investigation pending or, to the best of Buyer's knowledge, threatened, or any order, injunction or decree outstanding, against Buyer that, if adversely determined, would have a material adverse effect upon Buyer's ability to perform its obligations under this Agreement.

4.6 INVESTMENT INTENT. Buyer is acquiring the Shares solely for the purpose of investment and not with a view to, or for sale in connection with, any distribution thereof. Buyer acknowledges that the Shares are not registered under the Securities Act of 1933, as amended, and that such Shares may not be transferred or sold except pursuant to the registration provisions of such Act or pursuant to an applicable exemption therefrom and pursuant to state securities laws and regulations as applicable.

4.7 FINANCING. Buyer has sufficient funds or has secured a firm commitment from a third party or parties to provide sufficient funds to pay the Purchase Price and related fees and expenses.

4.8 NO DEALING WITH AFFILIATES. Except as set forth on SCHEDULE 4.8, Buyer has no agreement, commitment, understanding or arrangement, express or implied, with any subsidiary or other affiliate of Seller, or with any person employed thereby, other than such agreements as may be expressly contemplated by this Agreement.

4.9 BROKER'S COMMISSION OR FINDER'S FEES. Buyer has not entered into any agreement with any other party and is not responsible for any claims by any other party for brokerage or other commissions related to this Agreement or the transactions contemplated hereby, and shall indemnify Seller against, any obligations with respect to any such fee.

4.10 INFORMATION IN PROXY STATEMENT. None of the information supplied by Buyer for inclusion or incorporation by reference in the Proxy Statement will, at the date mailed to Seller's shareholders and at the time of Seller's special

shareholder meeting convened to vote on this Agreement and the transactions contemplated hereby, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

ARTICLE

ADDITIONAL AGREEMENTS OF THE PARTIES

5.1 ORDINARY COURSE. From the date hereof until the Closing, except as Buyer may, in its sole discretion, otherwise agree in writing, or except as set forth in SCHEDULE 5.1, Seller shall cause the Company and Sub to conduct their business in the ordinary course consistent with past practice, and neither the Company nor Sub shall:

(a) borrow any sums or enter into any financial guarantees or otherwise incur any indebtedness, including for the payment of trade payables, other than in the ordinary course of business consistent with past practice; PROVIDED THAT neither the Company nor Sub shall have any obligation with respect to indebtedness for borrowed money or guarantees with respect thereto; or

(b) make or authorize any compensation increase for any employee of the Company or Sub whether such increase relates to base compensation, commissions, bonuses, or benefits, or otherwise unless such increase is consistent with the Company's prior practices with regard to such increases and

Buyer consents to such increases, except that, as set forth in SCHEDULE 5.1(b), the Company shall, immediately prior to the Closing, pay (j) certain employees discretionary bonuses for fiscal 1997 in accordance with past practice the aggregate amount of which bonuses shall not exceed $300,000, (ii) amounts that shall become due and payable at the time of the Closing under those contracts set forth in SCHEDULE 3.13 hereto; and (iii) up to $250,000 for a one-time cash bonus for employees eligible for the Company's profit sharing plan, PROVIDED, that any payments made pursuant to this clause (iii) shall reduce the amount to be paid pursuant to Section 5.13; or

(c) except for the sale by the Company of inventory or work-in-process and in the ordinary course of business consistent with past practice, sell, assign, transfer, lease, mortgage, pledge or make

or cause to become subject to any Claim, any of the assets of the Company or Sub; or

(d) enter into any agreement with respect to the Business pursuant to which the aggregate obligation of the Company and Sub subsequent to the date hereof may exceed $50,000 individually or in the aggregate, and which is not terminable by the Company without penalty upon 90 days' notice or less; or

(e) manage inventories and other supplies and parts other than in the ordinary course of business consistent with past practice; or

(f) issue or sell any shares of its capital stock of any class, or issue or sell any securities convertible into, or options with respect to, or warrants to purchase or rights to subscribe to, any shares of its capital stock of any class, nor make any commitment to issue or sell any such shares or securities; or

(g) except as may be disclosed on SCHEDULE 3.9, declare, pay or set aside for payment any dividend, distribution or return of capital in respect of its capital stock nor, directly or indirectly, redeem, purchase or otherwise acquire any shares of its capital stock; or

(h) settle or compromise any Tax liability; or

(i) without limiting the generality of the foregoing, take any action or omit to take any action, which act or omission would result in a breach of any of the representations or warranties set forth in clauses (a) through (j) of Section 3.23; or

(j) otherwise enter into any transaction not in the ordinary course of business.

5.2 ACCESS AND CONFIDENTIALITY. (a) Upon reasonable notice, Seller shall afford Buyer and its representatives (including, without limitation, its independent public accountants and counsel) reasonable access during regular business hours from the date hereof until the Closing to any and all of the premises, properties, contracts, books, records and data of or relating to the Business and the Company and Sub, and Seller shall, and shall cause the Company and Sub to furnish to Buyer during that period all documents and copies of documents and information concerning the Business as Buyer reasonably may request.

(b) From and after the Closing Date: (i) Seller shall permit Buyer, the

Company and their respective affiliates and representatives reasonable access, during reasonable business hours and at Buyer's expense, to the relevant books and records (including all relevant tax returns and related work papers) of Seller in existence at the Closing Date relating to the Business or the Company or Sub (ii) Seller shall provide such information to Buyer or the

Company as it may reasonably request in connection with the Business prior to the Closing Date; and (iii) Seller shall use its reasonable efforts to cause its independent accountants to consult with Buyer and the Company, and an independent auditor of Buyer or the Company, and to permit Buyer and the Company, and an independent auditor of Buyer or the Company, to examine work papers of such accountant of Seller relating to the Business or the Company or Sub; PROVIDED that Seller shall not be required to maintain any records relating to the Business for a period of more than five (5) years from the Closing.

(c) Buyer shall hold, and shall cause its representatives to hold, all such information and documents and all other information and documents delivered pursuant to this agreement confidential and, if the transactions contemplated by this Agreement are not consummated for any reason, shall return to Seller all such information and documents and any copies as soon as practicable and not disclose any such information (that has not previously been disclosed by a party other than Buyer, its affiliates or representatives) to any third party unless required to do so pursuant to a request or order under applicable laws and regulations or pursuant to a subpoena or other legal process. Buyer's obligations under this Section shall survive the termination of this Agreement.

5.3 PRESERVATION OF AND ACCESS TO RECORDS. Buyer agrees that it shall preserve and keep the records of the Company delivered to it hereunder for period of five (5) years from the Closing, or for any longer period as may be required by any governmental agency or ongoing litigation, and shall make such records available to Seller and its affiliates as may be reasonably required by Seller and its affiliates in connection with any legal proceedings against or governmental investigations of Seller or its affiliates or in connection with any tax examination of Seller or its affiliates. In the event Buyer wishes to destroy such records after

that time, it shall first give 90 days' prior written notice to Seller and Seller shall have the right at its option, upon prior written notice given to Buyer within said 90-day period, to take possession of said records within 180 days after the date of Seller's notice to Buyer hereunder.

5.4 REGULATORY AND OTHER AUTHORIZATIONS. The parties hereto shall use

their reasonable efforts to file within twenty (20) business days after the receipt of the Phase II Study (as defined in Section 8.5(a)), HSR Filings and documentary material that comply with the provisions of the HSR Act, and will promptly file any additional information requested as soon as practicable after receipt of the request. The parties hereto will not take any action that is designed to have the effect of delaying, impairing or impeding the receipt of any required approvals, including the consents referred to in Sections 3.3 and 3.4, and will use their reasonable efforts to secure such approvals as promptly as possible.

5.5 FURTHER ASSURANCES. At any time and from time to time after the Closing, the parties agree to cooperate with each other, to execute and deliver such other documents, instruments of transfer or assignment, files, books and records and do all such further acts and things as may be reasonably required to carry out the transactions contemplated hereunder.

5.6 AGREEMENTS WITH RESPECT TO INSURANCE.

(a) Seller and Buyer acknowledge that the policies of insurance applicable to the Business are not necessarily exclusive to the Business whereby certain coverages and limits may be impaired by claims arising from other companies currently or previously owned by Seller, by whom Seller is owned or with whom Seller is otherwise affiliated. Except as otherwise disclosed in Section 3.18 hereof, Seller makes no representations or warranties in respect of any policy of insurance and shall not be responsible for any allocations,

determinations as to coverage or lack thereof or any decision or interpretation made by insurers or their agents with respect thereto.

(b) If, on or prior to the Closing Date, any property owned or leased by the Company or Sub suffers any material damage, destruction or loss, Seller shall surrender to Buyer (i) all insurance proceeds received by Seller or the Company with respect to such damage or loss and (ii) all rights of Seller or the Company with respect to any causes of action, whether or not litigation has commenced on the Closing, in connection with such damage or loss.

5.7 EMPLOYEE AND EMPLOYEE BENEFIT MATTERS.

(a) EMPLOYEE BENEFIT OBLIGATIONS AND PLANS. On and after the Closing, Seller shall have no liability whatever, except as provided for in Article VIII hereof, for providing or causing the Company to provide employee welfare benefits for the employees of the Company or fulfilling collective bargaining agreement obligations or negotiations. Buyer agrees to cause the Company to fulfill the collective bargaining obligations of the Company in accordance with the Basic Labor Agreement effective as of September 1, 1995, between the Company and the Employee Association (the "Collective Bargaining Agreement") during the

term thereof, and to cause the Company to maintain for no less than 12 months after the Closing Date, employee welfare benefits, arrangements and commitments to employees of the Company substantially comparable in the aggregate to those currently in effect for such employees, PROVIDED, HOWEVER, that this sentence shall under no circumstances confer upon any person not a party to this Agreement the rights of a third party beneficiary of this Agreement. Specifically, and not by way of limitation, Buyer shall cause the Company to recognize employees' vacation time and sick leave accrued prior to the Closing and to fulfill

the Company's obligations existing at the date of the Closing under the employee and retiree plans described in SCHEDULE 5.7(a).

(b) CONTINUED PLANS. (j) Subject to Section 3.20 and Article VIII hereof, as of the Closing, Buyer shall cause the Company to be fully responsible for the maintenance and administration of the Plans and for all expenses, liabilities, and obligations with respect thereto arising on or after the Closing.

(ii) Subject to Section 3.20 and Article VIII hereof, Buyer shall cause the Company to be fully responsible and to indemnify and hold Seller harmless for any and all liabilities, obligations, expenses, losses or taxes arising on or after the Closing with respect to: (v) any and all benefits and claims for benefits under any Plan; (w) compliance with the reporting and disclosure requirements of the Code and ERISA for plan years occurring on and after the Closing with respect to each Plan; (x) the minimum funding obligations under the Code and ERISA with respect to any Plan for plan years ending after the Closing; (y) the termination of any Plan that occurs after the Closing; and (z) any act or omission of Buyer that adversely affects the qualification of any Plan under section 401(a) of the Code for any year.

(c) EMPLOYER PLAN. With respect to the Pension Plans, Seller agrees to cause the Company to make to such Pension Plans all contributions required to be made with respect to the time period prior to the Closing in accordance with the terms of the Collective Bargaining Agreement. Buyer agrees to cause to be made to such Pension Plans all contributions required to be made with respect to the time period beginning on the Closing in accordance with the terms of the Collective Bargaining Agreement as long as such agreement remains in force. Subject to Article VIII hereof, Buyer shall cause the Company to indemnify

Seller against all contributions required and liabilities assessed under such Pension Plans after the Closing.

5.8 ACCOUNTS RECEIVABLE AND INVENTORY. Seller and Buyer agree that, with respect to Sections 3.14 and 3.15 hereof, in the event that (j) (x) 90% of the accounts receivable of the Company reflected on the Final Balance Sheet are not collected within ninety (90) days after the Closing Date, at Buyer's option, Buyer shall assign to Seller, and Seller shall purchase from Buyer, the uncollected accounts receivable reflected on the Final Balance Sheet so that the Company shall have received cash for 90% of the accounts receivable reflected on the Final Balance Sheet and (y) the remaining 10% of the accounts receivable of the Company reflected on the Final Balance Sheet are not collected within 180 days after the Closing Date, at Buyer's option, the Company shall assign to Seller, and Seller shall purchase from Buyer, the uncollected accounts receivable reflected on the Final Balance Sheet so that the Company shall have received cash for such remaining 10% of the accounts receivable reflected on the Final Balance Sheet; and (ii) the inventory of the Company reflected on the Final Balance Sheet is not useable and saleable within, with respect to matters disclosed on SCHEDULE 3.15, twelve months, with respect to all other work-in-process and finished goods, 90 days, and, with respect to all other raw materials, six (6) months, after the Closing Date, at Buyer's option, the Company shall sell to Seller, and Seller shall purchase from the Company such unuseable and unsaleable inventory. The purchase price for any such uncollected accounts receivable or unuseable and unsaleable inventory, as the case may be, shall be an amount equal to the amount reflected on the Final Balance Sheet for such items, less applicable pro rated reserves.

5.9 OTHER OFFERS. Until the termination of this Agreement, neither Seller, the Company nor any of their respective affiliates will, nor will they authorize the officers, directors, employees, representatives or other agents of Seller, the Company or any of such affiliates to, directly or indirectly, (a) take any action to solicit or initiate any Acquisition Proposal (as defined below) or (b) engage in negotiations with, or disclose any nonpublic information relating to the Company or Sub or afford access to the properties, books or records of the Company or Sub to, any person that has advised the Company or Seller or otherwise made known the fact that such person may be considering making, or that has made, an Acquisition Proposal. The Company will promptly notify Buyer orally and in writing after receipt of any Acquisition Proposal or any notice that any person is considering making an Acquisition Proposal or any request for nonpublic information relating to the Company or Sub or for access to the properties, books or records of the Company or its Sub by any person that has advised the Company or Seller or otherwise made known the fact that such person may be considering making, or that has made, an Acquisition Proposal and will promptly disclose to Buyer the status and details of any such Acquisition Proposal, indication or request. Seller shall (j) immediately cease and cause to be terminated as of the date of this Agreement any ongoing discussions or negotiations with any third parties concerning an Acquisition Proposal and direct such third parties to return to Seller all information received by them

from the Company or Seller or their respective representatives and (b) direct and cause all of its representatives to cease engaging in the foregoing. For purposes of this Agreement, "Acquisition Proposal" means any offer or proposal for, or any written indication of interest in, a merger or other business combination involving the Company or Sub or the acquisition of any significant equity interest in, or a significant portion of the assets of, the

Company or its subsidiary, other than the transactions with Buyer contemplated by this Agreement.

5.10 RESTRICTIVE COVENANTS.

(a) For a period of three (3) years commencing on the Closing, Seller shall not, directly or indirectly, solicit the employment of any employee of the Company or Sub or induce any such employee to leave the employment of the Company or Sub.

(b) To the extent permitted by law, for a period of five years from and after the Closing Date, Seller shall not, and shall not permit any of its subsidiaries or other affiliates to, directly or indirectly, conduct any business competitive with the Company or Sub or assist others in engaging in any such business.

5.11 SHAREHOLDER APPROVAL; PROXY STATEMENT. Seller will duly call, give notice of, convene and hold a meeting of its shareholders for the purpose of approving this Agreement and the transactions contemplated hereby. Seller will, through its Board of Directors, recommend to its shareholders approval of this Agreement and the transactions contemplated hereby. As promptly as practicable, Seller shall prepare and file with the Securities Exchange Commission ("SEC") the Proxy Statement. Seller shall use its reasonable efforts to cause the Proxy Statement to be mailed to Seller's shareholders as promptly as practicable after the date of this Agreement.

5.12 PROPOSED LIQUIDATION, DISTRIBUTION. Etc. Seller shall give Buyer written notice, at least 30 days in advance, of the proposed liquidation, distribution, sale, assignment, exchange or other transfer, in one transaction or in a series of related transactions, of all or substantially all of the property or assets of Seller or the dissolution of Seller.

5.13 PAYMENT TO PROFIT SHARING PLAN. Subject to 5.1(b), Seller shall make a contribution on or about the Closing to the Company's profit sharing plan in an amount of up to $1,000,000 out of the portion of the Purchase Price that

is received by Seller from Buyer at the Closing pursuant to Section 1.2(a) hereof, PROVIDED that any amount in excess of the liabilities reflected in the Financial Statements shall not have any impact on the Purchase Price adjustments described in Article II.

5.14 SUPPLEMENTS TO SCHEDULES. From time to time prior to the Closing Date, Seller may amend or supplement the Schedules with respect to any matter that, if existing or occurring at or prior to the Closing Date, would be required to be set forth or described in any Schedule or that would be necessary to complete or correct any information in any representation or warranty contained in Article III, other than any matter that, to Seller's knowledge on the date hereof, was required to be set forth or described in such Schedule or otherwise necessary to render such representation or warranty true and correct in all material respects on the date hereof. Each such amendment or supplement shall be given effect for all purposes under or in connection with this Agreement and the transactions contemplated hereby, other than for purposes of determining the fulfillment of the conditions precedent set forth in Section 6.2(a) and Section 6.2(b); PROVIDED that Buyer's consummation of the Closing shall constitute, without any further action on the part of Buyer, a waiver by Buyer of its right to require satisfaction of the conditions precedent in Section 6.2(a) and Section 6.2(b); provided further, that nothing set forth in this Section 5.14 shall affect or limit in any way Seller's liability to Buyer under this Agreement for a breach by Seller of any of Seller's covenants or agreements set forth in this Agreement.

ARTICLE VI

CONDITIONS TO CLOSING

6.1 SELLER'S CONDITIONS TO CLOSE. The obligations of Seller under this Agreement are subject to the satisfaction at or prior to the Closing of each of the following conditions, but compliance with any or all of such conditions may be waived by Seller:

(a) The representations and warranties of Buyer contained in Article IV shall be true and correct in all respects;

(b) Buyer shall have performed and complied with all of the covenants and agreements in all material respects, including the delivery of the documents specified in Section 7.2, and satisfied all the conditions applicable to Buyer required by this Agreement, the Escrow Agreement and the Voting Agreement to be performed or complied with or satisfied by Buyer at or prior to the Closing;

(c) The applicable waiting periods under the HSR Act shall have expired, and there shall be in effect no preliminary or permanent

injunction or other order of a court or governmental or regulatory agency of competent jurisdiction directing that the transactions contemplated herein, or any of them, not be consummated;

(d) Buyer shall have provided Seller evidence satisfactory to Seller that Buyer shall have obtained the consents and approvals listed in Section 4.4;

(e) The Escrow Agreement shall have been duly executed and delivered by Buyer and the Escrow Agent; and

(f) This Agreement and the transactions contemplated herein shall have been adopted and approved by the holders of more than 50% of the shares of common stock of Seller in accordance with applicable law and the provisions of Seller's certificate of incorporation and by-laws.

6.2 BUYER'S CONDITIONS TO CLOSE. The obligations of Buyer under this Agreement are subject to the satisfaction at or prior to the Closing of each of the following conditions, but compliance with any or all of any such conditions may be waived by Buyer:

(a) The representations and warranties of Seller contained in Article III shall be true and correct in all respects;

(b) Seller shall have performed and complied with all the covenants and agreements in all material respects, including the delivery of the documents specified in Section 7.1, and satisfied all the conditions applicable to Seller required by this Agreement, the Escrow Agreement and the Voting Agreement to be performed or complied with or satisfied by it at or prior to the Closing;

(c) The applicable waiting periods under the HSR Act shall have expired, and there shall be in effect no preliminary or permanent injunction or other order of a court or governmental or regulatory agency of competent jurisdiction directing that the transactions contemplated herein, or any of them, not be consummated;

(d) Since the date of this Agreement, there shall not have occurred any Material Adverse Change or a material adverse change with respect to Seller;

(e) The Phase II Study (as defined in Section 8.5(a)) shall have been completed, Buyer shall have received a true and complete copy of the written

report prepared by the consultants regarding the Phase II Study and Buyer shall be satisfied that the reasonably likely aggregate Environmental Damages (as defined in Section 8.5 hereof) shall not exceed $2 million; PROVIDED, HOWEVER, that this condition shall expire ten (10) business days after receipt by Buyer of any such report on the Phase II Study;

(f) Seller shall have provided Buyer evidence satisfactory to Buyer that Seller and the Company shall have obtained the consents and approvals listed in schedules 3.3 and 3.4;

(g) The Escrow Agreement shall have been duly executed by Seller and the Escrow Agent;

(h) Seller shall have entered into a transitional services agreement with the Company, in form and substance reasonably satisfactory to Buyer, to provide to the Company and Sub administrative services of the same nature and scope as presently provided, at no cost to the Company or Sub, for a period of six (6) months from and after the Closing Date; and

(i) This Agreement and the transactions contemplated herein shall have been adopted and approved by the holders of more than 50% of the shares of common stock of Seller in accordance with applicable law and the provisions of Seller's certificate of incorporation and by-laws.

ARTICLE VII

THE CLOSING

7.1 SELLER'S DELIVERIES. At the Closing, Buyer shall receive from Seller the following documents:

(a) Copies of duly adopted resolutions of Seller's board of directors and Seller's shareholders approving the execution, delivery and performance of this Agreement and the transactions contemplated hereby, as required, certified by Seller's Secretary;

(b) A certificate of good standing as to the corporate status of the Company from the Secretary of State of the State of Ohio and of Sub from the Secretary of State of the State of Delaware;

(c) A complete and correct copy of the certificate of incorporation of each of Seller, Company and Sub certified by the Secretary of State of the State of Ohio or Delaware, as the case may be;

(d) A complete and correct copy of the by-laws or regulations of Seller, the Company and Sub, each certified by the Secretary of Seller, the Company or Sub, as the case may be;

(e) A certificate, dated the Closing Date, from Seller's and the Company's Secretary to Buyer stating that Seller's, the Company's and Sub's certificate of incorporation and regulations or by-laws, as the case may be, have not been amended since the date hereof;

(f) A certificate, dated the Closing Date, of an appropriate officer or agent of Seller with respect to the matters described in Sections 6.2(a) and (b);

(g) A certificate or certificates representing the Shares with valid stock powers attached, together with the stock ledger of the Company and Sub;

(h) A Certification of Non-Foreign Status under and in accordance with Section 897 and Section 1445 of the Code;

(i) The resignations of all of the directors of the Company and Sub;

(j) The resignations of all of the officers of the Company and Sub;

(k) An opinion of Squire, Sanders & Dempsey L.L.P., counsel to Seller, with respect to the matters described on Annex A hereto;

(1) Seller shall have paid the Closing Payments specified in Section 1.2; and

(m) Such other documents and certificates as Buyer may reasonably request in connection with the consummation of the transactions contemplated by this Agreement.

7.2 BUYER'S DELIVERIES. At the Closing, Seller shall have received from Buyer the following documents:

(a) Copies of duly adopted resolutions of Buyer's member, if required, approving the execution, delivery and performance of this

Agreement and the transactions contemplated hereby, as required, certified by an appropriate officer of Buyer;

(b) A certificate of good standing as to the limited liability company status of Buyer from the Secretary of State of the State of Delaware;

(c) A complete and correct copy of the certificate of formation of Buyer certified by the Secretary of State of the State of Delaware;

(d) A complete and correct copy of the operating agreement or similar governing agreement of Buyer certified by an appropriate officer of Buyer;

(e) A certificate, dated the Closing Date, of a principal officer of Buyer with respect to the matters described in Sections 6.1(a) and (b);

(f) Evidence satisfactory to Seller of the wire transfer by Buyer to Seller of $30,500,000;

(g) An opinion of Howard, Darby & Levin, counsel to Buyer, with respect to matters described on Annex B hereto; and

(h) Such other documents and certificates as Seller may reasonably request in connection with the consummation of the transactions contemplated by this Agreement.

ARTICLE VIII

INDEMNIFICATION

8.1 INDEMNIFICATION BY BUYER. From and after the Closing, Buyer shall, without any further responsibility or liability of or recourse to Seller or its affiliates or any of Seller's or its affiliates' directors, shareholders, beneficiaries, officers, employees, agents, consultants, representatives, successors or assigns (collectively, the "Seller Indemnified Parties"), absolutely and irrevocably indemnify, defend and hold harmless the Seller Indemnified Parties from and against any and all losses, liabilities, obligations, damages (whether actual or punitive), deficiencies, costs or expenses (including interest, penalties and reasonable attorneys' fees and disbursements) (individually, a "Loss"; collectively, "Losses") of any of

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the foregoing persons, after netting any related tax benefit realized or to be realized by such persons, arising from, asserted against or associated with:

(a) a breach of any representation or warranty made by Buyer in this Agreement, the Escrow Agreement or the Voting Agreement;

(b) the failure to perform any covenant, obligation or agreement of Buyer made herein, the Escrow Agreement or the Voting Agreement; or

(c) any and all actions, suits, proceedings, demands, judgments, costs and legal and other expenses incident to any of the matters referred to in clauses (a) through (b) of this Section 8.1.

8.2 INDEMNIFICATION BY SELLER. From and after the Closing, Seller shall, without any further responsibility or liability of or recourse to Buyer or its affiliates or any of Buyer's or its affiliates' directors, shareholders, partners, members, beneficiaries, officers, employees, agents, consultants, representatives, successors or assigns (collectively, the "Buyer Indemnified Parties"), absolutely and irrevocably indemnify, defend and hold harmless the Buyer Indemnified Parties from and against any and all Losses of any of the foregoing persons after netting any related tax benefit realized or to be realized by such persons, arising from, asserted against or associated with:

(a) a breach of any representation or warranty made by Seller in this Agreement, the Escrow Agreement or the Voting Agreement; or

(b) failure to perform any covenant, obligation or agreement of Seller made herein, the Escrow Agreement or the Voting Agreement; or

(c) the business formerly conducted by the Company regarding the manufacture of metal vacuum cleaner tubular components and the sale of such

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business, including (without limitation) any and all obligations under the Asset Purchase Agreement and the Supply Transition Agreement, each dated as of August 27, 1997, between the Company and H-P Products, Inc.; or

(d) any product sold by the Company or Sub or any product processed or manufactured by the Company or Sub but not yet sold by the Company or Sub prior to the Closing;

(e) in connection with the Company's classification of the different inventory valuation method adopted by the Company, as described in Schedules 3.9, 3.15 and 3.23, as a change in method rather than a change in principle; or

(f) any and all actions, suits, proceedings, demands, judgments, costs and legal and other expenses incident to any of the matters referred to in clauses (a) through (e) of this Section 8.2; or

8.3 LIMITATION ON INDEMNITY. Except with respect to the representations and warranties contained in Sections 3.1, 3.6, 3.7 and 3.8 hereof or claims arising out of fraud (collectively, "Excluded Claims"), liability for which shall be unlimited, Seller's, on the one hand, and Buyer's, on the other hand, maximum aggregate liability under Section 8.1 or 8.2, as the case may be, shall in no event exceed Five Million Dollars ($5,000,000). No claim for indemnification under Section 8.1 or Section 8.2 may be made more than two years after the Closing; PROVIDED, HOWEVER, that (j) claims regarding Excluded Claims may be made at any time after the Closing and (ii) if prior to two years after the Closing, any claim for indemnity hereunder shall have been made and such claim shall not have been finally resolved or disposed of at such date, such claim shall in no way be prejudiced or impaired by the passage of time and any representation or warranty that is the basis for such claim shall continue to

survive as to such claim and shall remain a basis for indemnity until such claim is finally resolved or disposed of.

8.4 INDEMNIFICATION PROCEDURES. The obligation to indemnify under Sections 8.1, 8.2 and 8.5 is conditioned upon receiving from the party seeking indemnification (the "Indemnified Party") written notice of the assertion or institution of a claim arising from or related to any Loss ("Claim") after the Indemnified Party has actual knowledge of such a Claim, PROVIDED that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its indemnification obligation under this Agreement except to the extent that such failure results in a lack of notice to the Indemnifying Party and the Indemnifying Party is materially prejudiced as a result of such failure to give notice. Upon written unqualified acknowledgement of its indemnification obligations with respect to a third-party Claim, the party from whom indemnification is sought (the "Indemnifying Party") shall have the absolute right, in its sole discretion and expense, to elect to defend, contest, settle or otherwise protect against any such Claim with legal counsel reasonably acceptable to the Indemnified Party; PROVIDED that the relief sought in any such Claim is for money damages only and the Indemnified Party reasonably determines that the Indemnifying Party has the financial resources to pay such damages; and PROVIDED FURTHER that the Indemnifying Party shall not settle or compromise any Claim without the consent of the Indemnified Party, which consent

to settlement or compromise shall not be unreasonably withheld. If the Indemnifying Party conducts such defense, the Indemnified Party shall have the right, but not the obligation, to participate, at its own expense, in the defense thereof through counsel of its own choice and shall have the right, but not the obligation, to assert any and all cross-claims or counterclaims it may have. The Indemnified Party shall, and shall

cause its affiliates to, at the cost of the Indemnifying Party, at all times cooperate in all reasonable ways with, make their relevant files and records available for inspection and copying by, and make their employees available or otherwise render reasonable assistance to the Indemnifying Party in its defense of any action being indemnified hereunder. In the event the Indemnified Party, without the prior consent of the Indemnifying Party (which consent shall not be unreasonably withheld), makes any settlement with respect to any Claim, the Indemnifying Party shall not be bound to such settlement. In the event the Indemnifying Party fails timely to defend, contest or otherwise protect against any suit, action, investigation, claim or preceding related to a Claim, Indemnified Party shall have the right, but not the obligation, to defend, contest, assert crossclaims, or counterclaims or otherwise protect against the same and may make any compromise or settlement thereof and recover and be indemnified for the entire cost thereof from the Indemnifying Party including, without limitation, legal expenses, disbursements and all amounts paid as a result of such suit, action, investigation, claim, proceeding, crossclaim or counterclaim or compromise or settlement thereof, and provided, further, if the Indemnified Party should incur any such expense, the Indemnifying Party shall pay the Indemnified Party's interest incurred on all such amounts, from the date incurred by the Indemnified Party through the date of payment by the Indemnifying Party, at a rate per annum equal to the publicly announced base interest rate of Citibank, N.A., in New York City, in effect from time to time, which rate shall change as and when such base interest rate shall change.

8.5 ENVIRONMENTAL MATTERS.

(a) Upon the signing of this Agreement, (j) Seller shall cause the Company to conduct Phase II environmental testing (the "Phase II Study"), including soil and ground water sampling, on the premises owned or leased by the Company and such adjacent areas with respect to which the Company or Sub might reasonably be expected to have liability, and Seller shall make, or shall cause the Company to make, available to Buyer all data collected and reports prepared in connection with the Phase II Study, or (ii), at Buyer's option, Seller shall perform an analysis, which may be based on existing data (to the extent existing

data is sufficient for such purpose), to determine if any contaminants which might reasonably be expected to be found would not present unreasonable risks to health or the environment under continued industrial use of the property. The Phase II Study shall be conducted by environmental consultants reasonably acceptable to Buyer, and the scope of work in the Phase II Study shall be reasonably acceptable to Buyer. Buyer and its representatives shall have the right to observe the Company's environmental consultants during the course of their on-site examination of the relevant properties, review the findings of such consultants and discuss with the Company, Seller and their respective representatives, including such environmental consultants, the nature of the study and the findings therefrom. Seller shall cause the Company to use its reasonable efforts to make such environmental consultants available to the Buyer for such purpose. Seller shall be solely responsible for providing any required notifications under any federal, state or local law, regulation, standard, order, decree, rule, ordinance, permit, franchise, license or judgment now existing or hereafter developing, relating to protection of health, safety or the environment, including without limitation CERCLA and the Solid Waste Disposal Act, 42 U.S.C. Section 6901 ET SEQ. (such laws, regulations,

standards, orders, decrees, rule, ordinance, permit, franchise, license or judgment, collectively, "Environmental Laws").

(b)(i) Subject to Section 8.5(d)(vii), this Section 8.5(b) governs the allocation between the Seller Indemnified Parties, on the one hand, and the Buyer Indemnified Parties and the Company and Sub (collectively, the "Buyer Environmental Indemnitees"), on the other hand, of Environmental Damages to any Buyer Indemnified Party, the Company or Sub arising from or in connection with (A) the operations of the Business or of any predecessor-in-interest of the Company or Sub on or prior to the Closing, (B) any environmental condition existing as of the Closing (including any future spreading of contamination existing at such time) on any real property owned or leased by the Company or Sub and on any property adjacent to such owned or leased real property, PROVIDED, that the Environmental Damages do not result from acts or omissions of Buyer after the Closing (whether or not caused by the Company or Sub), (C) in response to a claim, demand, investigation or inquiry made against any Buyer Environmental Indemnitee by any third party, including any governmental authority or agency, or (D) to correct or remediate any environmental condition as required by authority or any Environmental Law or a governmental authority or agency, to achieve compliance with any Environmental Law. For the purpose of this Agreement, "Environmental Damages" shall mean any and all Losses, including, without limitation, costs of investigation, attorneys and consultants, analysis, cleanup, containment or other environmental remediation, actually incurred by any Buyer Environmental Indemnitee in connection with any matter described in any of clauses (A) through (D) above.

(ii) With respect to any Environmental Damages pursuant to which a claim is made by any Buyer Environmental Indemnitee against Seller: (a) before or on the

second anniversary of the Closing, Seller shall indemnify and hold Buyer harmless to the extent of 90% of such Environmental Damages and Buyer shall pay for 10% of such Environmental Damages; (b) after the second anniversary but before or on the third anniversary of the Closing, Seller shall indemnify and hold Buyer harmless to the extent of 80% of such Environmental Damages, and Buyer shall pay for 20% of such Environmental Damages; (c) after the third anniversary but before or on the fourth anniversary of the Closing, Seller shall indemnify and hold Buyer harmless to the extent of 70% of such Environmental Damages, and Buyer shall pay for 30% of such Environmental Damages; (d) after the fourth anniversary but before or on the fifth anniversary of the Closing, Seller shall indemnify and hold Buyer harmless to the extent of 60% of such Environmental Damages, and Buyer shall pay for 40% of such Environmental Damages; or (e) after the fifth anniversary but before or on the seventh anniversary of the Closing, Seller shall indemnify and hold Buyer harmless to the extent of 50% of such Environmental Damages, and Buyer shall pay for 50% of such Environmental Damages.

(c) No claim for indemnification made pursuant to this Section 8.5 may be made more than seven years after the Closing; PROVIDED that if prior to seven years after the Closing, any claim for indemnity under this Section 8.5 shall have been made and such claim shall not have been finally resolved or disposed of at such date, such claim shall in no way be prejudiced or impaired by the passage of time and the obligations of Seller under this Section 8.5 with respect to such claim shall continue to survive as to such claim and shall remain a basis for indemnity until such claim is finally resolved or disposed of.

(d) It is further agreed as follows:

(i) The parties hereto agree to act in good faith in undertaking work to address environmental matters that give rise to a claim for indemnification hereunder with a view toward avoiding unnecessary costs.

(ii) Environmental Damages shall be limited to damages directly related to rectifying the environmental matter to the minimum extent (A) satisfactory to the governmental authority or agency with responsibility for such matter or (B) that a prudent business owner would, in its reasonable business judgment, consider reasonably necessary, in light of prior use of the

properties and facilities of the Company and demonstrated unreasonable risks associated with the environmental conditions. Each party agrees that, except as required by Environmental Law or a governmental authority or agency or in accordance with the preceding sentence, it shall not by voluntary or discretionary action, accelerate the timing, or increase the cost, of any obligations of the party under this Section 8.5.

(iii) At Buyer's election, Buyer shall have the right to control and manage all discussions with third parties and all proceedings and activities regarding the satisfaction and discharge of any Environmental Damages, and planning or performing any work at such property, PROVIDED that Seller shall have the right, at its expense, to participate in all such discussions and all proceedings and activities.

(iv) If Seller is required to investigate, clean up or otherwise address Environmental Damages, Buyer shall give Seller and its authorized representatives and agents reasonable access to the Company's property, all natural materials (including without limitation, water, dirt, clay and related materials) on such property and all equipment,

facilities and utilities on such property, all subject to this Section 8.5. Seller shall make commercially reasonable efforts to avoid interfering with operations of the Business.

(v) Buyer will take all reasonable measures to reduce the cost of any required remediation, including, without any limitation, permitting Seller to file on or prior to Closing a deed permanently restricting use of the Company's property for commercial or industrial purposes, PROVIDED that Buyer will take such reasonable measures commensurate with existing zoning with respect to adjacent property.

(vi) The party performing the remedial or other work relating to Environmental Damages shall keep the other party regularly advised of any studies, reports, correspondence or other significant documents relating to the project, and shall, to the extent practicable, provide the other party with reasonable advance notice of any planned activities.

(vii) If Environmental Damages are attributed to transactions or occurrences that take place before and after the Closing Date and to which both Seller and a Buyer Environmental Indemnitee have contributed, Seller's liability hereunder shall be further apportioned on a reasonable basis, taking into account, in addition to other relevant factors, the degree of contribution on the part of Seller and such Buyer Environmental Indemnitee before and after the Closing Date.

ARTICLE IX

TAXES

9.1 APPORTIONMENT AND INDEMNIFICATION. (a) Seller and Buyer agree that the Company will be included in the consolidated federal income Tax return and the combined Tax return for Ohio and any other state, where permitted, in which Tax returns are filed by the Company or its parent for the period from September 30, 1997 through the Closing. Prior

to the Closing, the Company shall not increase the Tax Reserves other than in the ordinary course of business.

(b) Seller shall indemnify and hold Buyer harmless against any and all Taxes of Seller and its affiliates and the Company for any taxable year or period ending on or before the Closing, and the portion of any such Taxes for any taxable year or period beginning before and ending after the Closing that is attributable to the portion of such year or period prior to the Closing, in either case, however, only to the extent such Taxes exceed the Tax Reserves, and Seller shall be entitled to all refunds of such Taxes. In determining the Taxes attributable to any year or period prior to the Closing, the books and records of the Company will be closed as of the Closing, in accordance with Seller's past practices, and the taxable income of the Company attributable to the portion of the year or period prior to the Closing will be determined from such closed books and records.

(c) Buyer shall indemnify and hold Seller harmless against any and all Taxes relating to the Company, or any affiliated group of which the Company becomes a member, after the Closing for any taxable year or period beginning on or after the Closing, and the portion of any such Taxes for any taxable year or period beginning before and ending after the Closing that is attributable to the portion of such year or period beginning after the Closing Date (determined in the manner parallel to that described in Section 9.1(b) above), and Buyer shall be entitled to all refunds of such Taxes.

(d) Any payment by Seller or Buyer under this Section 9.1 will be treated for Tax purposes as an adjustment to the Purchase Price.

(e) Whenever it is necessary for purposes of this Article IX to determine the Tax liability of a taxable entity for a taxable year or period that begins before and ends after a prescribed date, the determination shall be made by apportioning the total Tax liability in the

manner described in Section 9.1(b) and (c) above, except that exemptions, allowances or deductions that are calculated on an annual basis, such as the deduction for depreciation, shall be apportioned on a time basis.

9.2 FILING OF TAX RETURNS.

(a) Seller shall file or cause to be filed when due all returns in respect of Taxes of the Company for taxable years or periods ending before or on the Closing. Seller shall be responsible for the audits of such returns.

(b) Buyer shall file or cause to be filed when due all returns in respect of Taxes of the Company for taxable years or periods ending after the Closing. Buyer shall be responsible for the audits of such returns and shall be entitled to receive from Seller reimbursement for any payment that it makes in connection with the settlement or other disposition of such proceeding, to the extent such Taxes exceed the Tax Reserves.

(c) Buyer and Seller agree to furnish or cause to be furnished to each other, upon request, as promptly as practicable, such information (including access to books and records) and assistance relating to the Company and the Business as is reasonably necessary for preparation of and filing of any return, for the preparation for any audit, and for the prosecution or defense of any claim, suit or proceeding relating to any proposed adjustment. Buyer and Seller shall cooperate with each other in the conduct of any audit or other proceedings involving the Company or any other entity with which they may be consolidated or combined for any Tax purposes and Buyer and Seller shall each execute and deliver such powers of attorney and other documents as are necessary to carry out the intent of this Section 9.2; PROVIDED, that Buyer shall have the right to control the resolution of such audit or settlement of proceedings for which Buyer is to bear the cost of any resulting Tax, interest or penalties; and, PROVIDED, FURTHER, that Seller shall have the right to control the resolution of

such audit or settlement of proceedings for which Seller is to bear the cost of any resulting Tax, interest or penalties.

9.3 SECTION 338(H)(10) ELECTION.

(a) Buyer shall be responsible for and prepare, and Buyer and Seller shall sign and deliver, timely and irrevocable elections under section 33 8(h)(10) of the Code and, if permissible, similar elections under any applicable state and local income tax laws. Each of Seller and Buyer shall report the transaction consistent with such elections under section 33 8(h)(10) of the Code or any similar state or local tax provision (the "Elections") and shall

take no position contrary thereto unless and to the extent required to do so pursuant to a determination (as defined in section 1313(a) of the Code or any similar state or local tax provision). Seller shall pay, and indemnify the Company and Buyer for, any and all Taxes that result from any of the Elections that is properly prepared and filed; provided, however, that Seller shall not pay nor indemnify the Company or the Buyer for any Taxes resulting from, or otherwise be responsible for any consequences of, an invalid, ineffective, or untimely Election.

(b) Each of Seller and Buyer shall execute at Closing any and all forms necessary to effectuate the Elections (including, without limitation, IRS Form 8023-A and any similar forms under applicable state and local income tax laws (the "Section 338 Forms")). Each of Seller and Buyer shall cause the Section 338 Forms to be duly executed by an authorized person and shall duly and timely file the Section 338 Forms in accordance with applicable Tax laws and the terms of this Agreement.

(c) Each of Seller and Buyer agrees to allocate the Aggregate Deemed Sale Price (as defined under applicable Treasury Regulations) of the assets of the Company as set forth in SCHEDULE 9.3. Each of Seller and Buyer will reflect such allocation in all applicable

tax returns filed by any of them, including but not limited to the Section 338 Forms. Each of Seller and Buyer shall not take a position before any taxing authority or otherwise (including in any tax return) inconsistent with such allocation unless and to the extent required to do so pursuant to a determination (as defined in Section 1313(a) of the Code or any similar state or local law).

ARTICLE X

TERMINATION

10.1 TERMINATION. Notwithstanding anything in this Agreement to the contrary, this Agreement may be terminated only (a) by the mutual written consent of the parties to this Agreement, (b) by Buyer or Seller if, for any reason, the Closing has not occurred prior to April 30, 1998 or (c) by Buyer in the event that the condition set forth in Section 6.2(e) with respect to Environmental Damages would not be satisfied as of the Closing; PROVIDED that if the failure to close by such date is due to Buyer's or Seller's breach of this Agreement, such party shall not be entitled to terminate this Agreement.

10.2 EFFECT OF TERMINATION. In the event of the termination and abandonment of this Agreement pursuant to Section 10.1 of this Agreement, other

than with respect to the Buyer's obligations under Section 4.9, Seller's obligations under Section 3.24 and Buyer's and Seller's obligations under Section 11.1, this Agreement shall thereafter become void and have no effect, and without any liability on the part of any party or its shareholders, directors or officers in respect thereof, except that nothing herein will relieve any party from liability for any breach of this Agreement.

ARTICLE XI

MISCELLANEOUS

11.1 EXPENSES. Unless otherwise indicated, the parties shall bear their own respective expenses (including, but not limited to, all compensation and expenses of counsel, financial advisors, consultants, actuaries and independent accountants) incurred in connection with the preparation and execution of this Agreement and consummation of the transactions contemplated hereby.

11.2 PUBLIC DISCLOSURE. Each of the parties hereto hereby agrees that, except as and to the extent required to comply with the requirements of applicable law, no press releases or similar public announcement or communication will be made or caused to be made concerning the execution, terms or performance of this Agreement unless specifically approved in advance by all parties. The parties shall consult with one another prior to making any press release or announcement required to be disclosed by law and shall use their reasonable efforts to reach agreement on any such press release or announcement.

11.3 SURVIVAL. Subject to the provisions of Sections 5.2, 5.3 and 5.10 and Article VIII hereof, the representations, warranties, covenants and agreements made by the parties pursuant to this Agreement shall survive the Closing for a period of two (2) years.

11.4 GOVERNING LAW. This Agreement shall be deemed to be made in, and in all respects shall be interpreted, construed and governed by and in accordance with the law of, the State of Ohio without giving effect to the provisions thereof relating to conflicts of law.

11.5 NOTICES. All notices, claims, demands and other communications under this Agreement shall be in writing and shall be deemed given upon (a) delivery in person, (b) confirmation of receipt of telex or telecopier transmission, (C) confirmed delivery by a standard overnight carrier or (d) when mailed by registered or certified service, postage

prepaid, return receipt requested, on the expiration of the fifth business day thereafter, addressed to the respective parties at the following addresses or such other address as shall be specified by like notice):

(a) If to Seller:

HMI Industries Inc.
3631 Perkins Avenue
Cleveland, Ohio 44114
Telecopier No. (216) 432-0329

ATTENTION: Carl H. Young, General Counsel

with a copy to:

Squire, Sanders & Dempsey L.L.P.
4900 Key Tower
127 Public Square
Cleveland, Ohio 44114-1304
Telecopier No. (216) 479-8793

ATTENTION: Carolyn J. Buller, Esq.

(b) If to Buyer:

Rhone Capital LLC
1330 Avenue of the Americas
New York, NY 10019
Telecopier No. (212) 757-1718

ATTENTION: David R. Ramsay
Ferdinand P. Oroos
M. Brett Herman
Nancy Cooper

with a copy to:

Howard, Darby & Levin
1330 Avenue of the Americas
New York, NY 10019
Telecopier No. (212) 841-1010

ATTENTION: Kelly Vance, Esq.

11.6 ASSIGNMENT. This Agreement may not be assigned, by operation of or otherwise, except that Buyer may assign its rights under this Agreement in whole or in part, as collateral security to parties providing financing to Buyer or

the Company in connection with the transactions contemplated hereby and to one or more affiliates of Buyer which will take title to the Shares and will assume all obligations of Buyer hereunder; PROVIDED, HOWEVER, that in such event, Buyer will remain fully liable for the fulfillment of all such obligations, and except that this Agreement shall be binding upon any assignee, transferee or successor to all or substantially all of the business of Seller.

11.7 SECTION HEADINGS. The section headings contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

11.8 COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

11.9 AMENDMENT. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

11.10 WAIVER. At any time prior to the Closing, the parties hereto may (a) extend the time for the performance of any of the obligations or other acts of the others parties hereto, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto and (C) waive compliance with any of the agreements of conditions contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party.

11.11 MISCELLANEOUS. This Agreement (including the SCHEDULES, Exhibit A, Annexes A and B and the Voting Agreement and the other documents and instruments referred to herein): (a) constitutes the entire agreement and supersedes ail prior agreements and understandings, both written and oral, among the parties, with respect to the subject matter hereof, including, without limitation, any transaction between or among the parties hereto, and Seller and Buyer hereby release each other from any claims which Seller and Buyer may now or hereafter have under any Environmental Law; PROVIDED, HOWEVER, that this Section 11.11 shall not release Buyer and Seller from their respective obligations under Article VIII of this Agreement; (b) is not intended to confer upon any other persons, including, but not limited to, employees of Seller or the Company, any rights or remedies hereunder except as specifically provided in Section 5.2(b) or 5.10 or Article VIII; and (e) in case any provision in this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. Seller agrees to use its best efforts to cause stockholders of Seller that together own or control a majority of Seller's outstanding common stock to execute, within two business days after the date hereof, the Stockholder Voting Agreement in the form of Exhibit B attached to this Agreement (the "Stockholder

Voting Agreement"). Notwithstanding anything to the contrary set forth in this Agreement, in the event Seller fails to cause all of such stockholders to execute the Stockholder Voting Agreement within such two business day period, by notice to Seller within two business days thereafter, Buyer may terminate this Agreement and have no further obligation to Seller hereunder.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be duly executed as of the date first above written.

RHONE CAPITAL LLC

By: /s/ David Ramsay

Name: David Ramsay
Title:

HMI INDUSTRIES INC.

By: /s/ Mark A. Kirk

Name: Mark A. Kirk
Title: President

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