

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1994-03-16** | Period of Report: **1993-12-31**
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FILER

KEYSTONE CONSOLIDATED INDUSTRIES INC

CIK: **55604** | IRS No.: **370364250** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **10-K** | Act: **34** | File No.: **001-03919** | Film No.: **94516329**
SIC: **3312** Steel works, blast furnaces & rolling mills (coke ovens)

Business Address
5430 LBJ FWY STE 1440
THREE LINCOLN CENTRE
DALLAS TX 75240
2144580028

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

<TABLE>
<S> <C>
/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE
ACT OF 1934 [FEE REQUIRED] --
</TABLE>

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1993

COMMISSION FILE NUMBER 1-3919

KEYSTONE CONSOLIDATED INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

<TABLE>
<S> <C>
DELAWARE 37-0364250
(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification No.)
5430 LBJ FREEWAY, SUITE 1740
THREE LINCOLN CENTRE, DALLAS, TX 75240-2697
(Address of principal executive offices) (Zip Code)
</TABLE>

Registrant's telephone number, including area code: (214) 458-0028

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

<TABLE>
<CAPTION>
TITLE OF EACH CLASS NAME OF EACH EXCHANGE
ON WHICH REGISTERED

<S> COMMON STOCK, \$1 PAR VALUE <C> NEW YORK STOCK EXCHANGE
</TABLE>

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

NONE.

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

As of March 1, 1994, 5,592,751 shares of common stock were outstanding. The aggregate market value of the 2,180,468 shares of voting stock held by nonaffiliates of the Registrant, as of such date, was approximately \$25.6 million.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III is incorporated by reference from the Registrant's definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this report.

ITEM 1. BUSINESS.

GENERAL

Keystone Consolidated Industries, Inc. ("Keystone" or the "Company"), incorporated in Delaware in 1955, is the successor to Keystone Steel & Wire Company, which was founded in 1889. The Company is a diversified manufacturer of carbon steel rod, wire and a wide range of wire products for a variety of end uses. The Company's operations are conducted by four divisions, Keystone Steel & Wire, Keystone Fasteners, Sherman Wire ("Sherman") and KeyWest Wire, and two wholly-owned subsidiaries, Wire Products Company and Sherman Wire of Caldwell, Inc. Keystone owns and operates five plants in Illinois, Texas, Arkansas and Wisconsin and leases one distribution facility in California. Product distribution is concentrated primarily in the midwestern and southwestern regions of the United States.

At December 31, 1993, Contran Corporation ("Contran") held, directly or indirectly, approximately 62% of the Company's outstanding common stock. All of Contran's outstanding common stock is held by trusts established for the benefit of the children and grandchildren of Harold C. Simmons, of which Mr. Simmons is the sole trustee. Mr. Simmons, Chairman of the Board and Chief Executive Officer of Contran, may be deemed to control Contran and the Company.

MANUFACTURING AND DISTRIBUTION

The Company's manufacturing operations consist of a steel mill, a carbon steel rod mill and five wire and wire product fabrication facilities. The steel mill, rod mill and the Company's largest wire facility are located in Peoria, Illinois. The manufacturing process commences in the steel mill with scrap steel being loaded into an electric arc furnace and converted into molten steel. The molten steel is then transferred by ladle into a six-strand continuous casting machine that produces five-inch square strands that are cut to predetermined lengths, referred to as billets. These billets, along with any billets purchased from outside suppliers, are then transferred to the adjoining on-site rod mill.

Upon entering the rod mill, the billets pass through a computer-controlled, multi-zone recuperative reheat furnace. The heated billets are fed into the rolling line, where they pass through various finishing stands during the rod production process. After rolling, the rod is coiled and control cooled and then passed through inspection stations for metallurgical, surface and diameter checks. Finished coils are compacted and banded, and then either transferred to the Company's fabrication facilities for processing into wire, nails and other wire products or shipped to rod customers.

While the Company does not maintain a significant "shelf" inventory of finished rod, it generally does have on hand approximately a one-month supply of wire products inventory which enables the Company to respond to customer orders and shifts in product demand.

The Company operates production facilities utilizing approximately 2.5 million square feet for manufacturing and office space, approximately 85% of which is located at Peoria, Illinois. The Company also leases 121,000 square feet of warehouse and office space in California.

PRODUCTS AND MARKETS

The Company produces carbon steel rod, wire and a wide range of wire products for agricultural, industrial, construction, commercial, original equipment manufacturers ("OEM") and retail consumer markets.

Carbon Steel Rod. The Company produces carbon steel rod at its Peoria rod mill. In 1993, approximately 53% of the rod manufactured by the Company was used internally at the Company's five wire mills and fabrication facilities and approximately 47% was sold directly to producers of construction products, wire and wire products, including products similar to those manufactured by the Company. The Company believes its

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ability to internally convert a large portion of its rod production into a wide variety of wire and wire products provides significant opportunities for improving margins and enhances marketing flexibility, compared to non-integrated or single product rod producers. Sales of carbon steel rod were \$84.1 million in 1991, \$82.4 million in 1992 and \$99.9 million in 1993.

Drawn Carbon Steel Wire. The Company believes it is one of the largest manufacturers of carbon steel wire in the United States. At its Peoria, Sherman

and Caldwell plants, the Company produces custom-drawn carbon steel wire in a variety of gauges, finishes and packages for industrial fabrication and OEM customers. The Company's drawn wire is used by these customers in the production of a broad range of finished goods including nails, coat hangers, barbecue grills, air conditioners, tools, refrigerators and other appliances. Sales of drawn wire were \$47.5 million in 1991, \$55.2 million in 1992 and \$67.8 million in 1993.

Fencing and Related Wire Products. The Company believes it is a leading supplier in the United States of agricultural fencing, barbed wire, stockade panels and a variety of welded and woven wire mesh, fabric and netting for agricultural, construction and industrial applications through farm supply distributors, hardlines merchandisers and building and industrial materials distributors. Many of these fencing and related wire products are marketed under the Company's RED BRAND(R) label. As part of its marketing strategy, the Company designs merchandise packaging, product supportive literature and point-of-purchase displays for marketing of many of these products to the retail consumer market. Sales of fencing and related wire products were \$96.2 million in 1991, \$101.9 million in 1992 and \$102.2 million in 1993.

Construction Products. The Company manufactures products for residential and commercial construction, including nails, pipe reinforcing fabric, rebar ty wire, stucco netting and reinforcing building fabric. The primary customers for these products are construction contractors and building materials distributors. The Company sells most of its nails through PrimeSource, Inc., one of the largest nail distributors in the United States, under the latter's Grip-Rite(R) label. Sales of construction products were \$74.3 million in 1991, \$76.8 million in 1992 and \$75.3 million in 1993.

INDUSTRY AND COMPETITION

The carbon steel rod, wire and wire products industries in the United States are highly competitive and are comprised primarily of several large mini-mill rod producers, many small independent wire companies and a few large diversified rod and wire producers, such as the Company. Foreign steel and wire producers also compete with the Company and other domestic producers. Since carbon steel rod is a commodity steel product, price is the primary competitive factor. Competition in the wire and fabricated wire product categories is based primarily on price, delivery performance, product quality, service, and brand name preference.

Although some economic conditions affecting the domestic steel industry have improved in recent years, many problems remain unresolved. Worldwide overcapacity continues to exist. The Voluntary Restraint Agreements, negotiated in the mid-80's by the United States government with foreign governments to curtail steel imports, expired in March 1992. Since that time, imports of wire rod and certain wire products have increased approximately 20%.

The domestic carbon steel rod industry experienced a consolidation of operations over the past decade, as large integrated steel producers disposed of or, to a significant degree, discontinued their carbon steel rod and wire operations. Some of this capacity was replaced by the capacity of domestic mini-mills and foreign producers. The mini-mills are typically modern, relatively small and low cost steel rod producers that, like the Company, make steel from scrap with the electric arc furnace process. The Company also competes with many small independent wire companies who purchase rod from domestic and foreign sources. The Company believes that, as one of the few domestic diversified rod and wire producers, it is well positioned to compete effectively with non-diversified rod producers and wire companies. This is due to its broad range of fabricated wire products, its diverse geographic and product markets, and its low cost internal supply of steel rod.

The Company also believes its facilities are well located to serve markets throughout the continental United States, with principal markets located in the midwestern and southwestern regions. Close proximity to

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its customer base provides the Company with certain advantages over foreign and certain domestic competition by reducing its shipping costs and allowing improved customer service and shortened delivery times. The Company believes higher transportation costs and the lack of local distribution centers tends to limit foreign producers' penetration of the Company's principal rod, wire and wire products markets, but there can be no assurance this will continue to be the case.

ENVIRONMENTAL MATTERS

The Company's production facilities are affected by a variety of environmental laws and regulations, including laws governing the discharge of water pollutants and air contaminants, the generation, transportation, storage, treatment and disposal of solid wastes and hazardous substances and the handling of toxic substances, including certain substances used or generated by the Company's manufacturing operations. Many of these laws and regulations require permits to operate the facilities to which they pertain. Denial, revocation, suspension or expiration of such permits could impair the ability of the affected facility to continue operations.

Environmental legislation and regulations have changed rapidly in recent years and it is likely that the Company will be subject to increasingly stringent environmental standards in the future. See Item 7 -- "Management's Discussion And Analysis Of Financial Condition And Results Of Operations -- Liquidity and Capital Resources" regarding capital expenditures expected to be incurred in 1994 for environmental related items.

Information in Note 14 to the Consolidated Financial Statements is incorporated herein by reference.

RAW MATERIALS AND ENERGY

The principal raw material used in the Company's operations is scrap steel, which currently is readily available. The Company's Peoria steel mill is located close to numerous sources of high density automobile, industrial and railroad scrap. The purchase of scrap steel is highly competitive and its price volatility is influenced by periodic shortages, freight costs, weather, speculation by scrap brokers and other conditions beyond the control of the Company. The cost of scrap can vary significantly and product selling prices cannot always be adjusted, especially in the short-term, to recover the costs of large increases in scrap prices. See Item 7 -- "Management's Discussion And Analysis Of Financial Condition And Results Of Operations."

The Company's manufacturing processes also consume large amounts of energy in the form of electricity and natural gas. The Company purchases its electrical energy for its Peoria plant from a regulated utility under an interruptible service contract which provides for more economical electricity rates.

PATENTS AND TRADEMARKS

The Company has registered the trademark "RED BRAND" for field fence and related products. The "RED BRAND" trademark has been widely advertised and, in management's opinion, enjoys high levels of market recognition and brand preference. The Company maintains other trademarks for various products which have been promoted in their respective markets. While the Company owns one patent relating to product packaging, the loss of such would not have a material adverse effect on the financial condition of the Company.

EMPLOYMENT

The Company currently employs approximately 1,900 persons, of whom approximately 1,200 are represented by the Independent Steel Workers Alliance ("ISWA") at its Peoria, Illinois facilities and approximately 150 are represented by the International Association of Machinists and Aerospace Workers (Local 1570) ("IAMAW") at its Sherman, Texas facilities. The current collective bargaining agreement with the ISWA expires in May 1996 and the Sherman collective bargaining agreement with the IAMAW expires in February 1997. The Company believes its labor relations are satisfactory.

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CUSTOMERS

The Company is not dependent upon a single customer or a few customers, the loss of any one, or a few, of which would have a material adverse effect on its business.

ORDER BACKLOG

The Company's backlog of unfilled cancelable purchase orders, for delivery within generally three months, approximated \$23 million and \$33 million at December 31, 1992 and 1993, respectively. The Company does not believe that backlog is a significant factor in its business.

ITEM 2. PROPERTIES.

The Company's principal executive offices are located in approximately 3,000 square feet of leased space at 5430 LBJ Freeway, Dallas, Texas 75240-2697.

See Item 1 -- "Business" for a description of the Company's manufacturing and distribution facilities. In management's opinion, the Company's facilities represent an adequate resource for the purpose for which they are intended and are suitable for the manufacture and sale of carbon steel rod, wire and wire products.

Production facilities (with the exception of certain leased equipment) are owned by the Company and collateralize a revolving line of credit and certain long-term debt and pension obligations.

The current estimated annual capacity of the rod mill is approximately 750,000 tons; however, rod production is restricted by the Company's steel making operations, which have an annual productive capacity of approximately 655,000 tons. From time to time the Company purchases billets from other suppliers, resulting in increased utilization of the rod mill. The Company purchased 106,000 tons of billets in 1993 and the rod mill operated at approximately 95% of capacity. The Company will purchase billets in 1994; however, the amounts purchased will depend on price and other market conditions. Based on the Company's 1994 operating plan, which anticipates purchasing 72,000 tons of billets, the rod mill is expected to operate at approximately 94% of estimated total capacity in 1994.

The estimated current annual wire and wire products capacity is approximately 539,000 tons. Utilization of the Company's annual wire and wire products productive capacity was 70% in 1991, 72% in 1992 and 77% in 1993.

ITEM 3. LEGAL PROCEEDINGS.

The Company is involved in various legal proceedings. Information required by this Item is included in Note 14 to the Consolidated Financial Statements, which information is incorporated herein by reference.

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

No matters were submitted to a vote of security holders during the quarter ended December 31, 1993.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Keystone's common stock is listed and traded on the New York Stock Exchange (symbol: KES). The number of holders of record of the Company's common stock as of February 25, 1994 was 1,250. The following table sets forth the high and low sales prices of the Company's common stock for the calendar years indicated, according to published sources.

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<TABLE>
<CAPTION>

	HIGH	LOW
	-----	-----
<S>	<C>	<C>
1993		
First quarter.....	\$10.88	\$ 9.38
Second quarter.....	12.25	8.50
Third quarter.....	10.38	7.75
Fourth quarter.....	11.00	8.75
1992		
First quarter.....	\$13.50	\$10.75
Second quarter.....	12.63	10.38
Third quarter.....	12.25	10.63
Fourth quarter.....	12.50	9.00

</TABLE>

No cash dividends have been paid since 1977. The Company is subject to certain loan covenants that restrict its ability to pay dividends, including a prohibition against the payment of dividends without lender consent under its commercial revolving credit facility.

ITEM 6. SELECTED FINANCIAL DATA.

The following selected consolidated financial data should be read in conjunction with the Consolidated Financial Statements and Item 7 -- "Management's Discussion And Analysis Of Financial Condition And Results Of Operations."

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,				
	1989	1990	1991	1992	1993
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
<S>	<C>	<C>	<C>	<C>	<C>
Income statement data:					
Net sales.....	\$297,887	\$302,477	\$302,132	\$316,251	\$345,186
Gross profit.....	33,979	37,792	37,454	37,443	32,521
Interest expense.....	6,839	5,427	4,322	3,036	6,575
Income from continuing operations.....	\$ 8,082	\$ 8,328	\$ 9,769	\$ 5,146	\$ 749
Discontinued operations.....	--	(1,320)	--	--	--
Extraordinary items(C).....	3,967	3,146	3,502	--	--
Cumulative effect of changes in accounting principles(A).....	--	--	--	(69,949)	--
Net income (loss).....	\$ 12,049	\$ 10,154	\$ 13,271	\$ (64,803)	\$ 749
Per share data:					
Income (loss) per common and common equivalent share(B):					
Continuing operations.....	\$ 1.46	\$ 1.48	\$ 1.75	\$.92	\$.14
Discontinued operations.....	--	(.24)	--	--	--
Extraordinary items(C).....	.72	.56	.62	--	--
Cumulative effect of changes in accounting principles(A).....	--	--	--	(12.53)	--
Net income (loss).....	\$ 2.18	\$ 1.80	\$ 2.37	\$ (11.61)	\$.14
Cash dividends declared.....	\$ --	\$ --	\$ --	\$ --	\$ --
Balance sheet data (at year end):					
Total assets.....	\$173,562	\$179,525	\$182,077	\$202,109	\$206,654
Notes payable and current long-term debt.....	19,596	27,383	23,406	23,741	8,148
Long-term debt.....	21,358	17,539	13,884	10,744	19,042
Noncurrent accrued pension cost.....	44,531	68,335	55,462	51,638	60,102
Noncurrent accrued OPEB cost.....	4,674	3,929	3,109	93,727	96,336
Stockholders' equity (deficit).....	25,437	10,947	27,149	(39,036)	(50,908)

</TABLE>

(A) Relates to adoption of Statement of Financial Accounting Standards ("SFAS") No. 106 -- "Postretirement Benefits Other Than Pensions" ("OPEB") and SFAS No. 109 -- "Employers' Accounting for Income Taxes."

(B) Fully diluted net income per common and common equivalent share in 1989 was \$2.17. For the other years presented, primary and fully diluted net income per common and common equivalent share were the same. See Note 1 to the Consolidated Financial Statements.

(C) Extraordinary items relate to income tax benefits resulting from utilization of loss carryforwards. Subsequent to adoption of SFAS No. 109 in 1992 such items are not classified as extraordinary items.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operating, investing and financing activities are summarized below.

<TABLE>
<CAPTION>

YEARS ENDED DECEMBER 31,		
1991	1992	1993

	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
Net cash provided (used) by:			
Operating activities:			
Net income (loss).....	\$13,271	\$ (64,803)	\$ 749
Depreciation.....	9,996	10,525	11,084
Noncash OPEB cost.....	--	3,207	2,195
Cumulative effect of changes in accounting principles...	--	69,949	--
Other, net.....	14	239	(1,078)
Changes in assets and liabilities, net.....	(6,523)	(9,044)	1,649
	-----	-----	-----
	16,758	10,073	14,599
	-----	-----	-----
Investing activities:			
Capital expenditures.....	(9,271)	(7,459)	(7,349)
Other, net.....	123	191	505
	-----	-----	-----
	(9,148)	(7,268)	(6,844)
	-----	-----	-----
Financing activities:			
Net borrowings (repayments).....	(7,632)	(2,805)	(7,295)
Issuance (repurchase) of common stock.....	22	--	(460)
	-----	-----	-----
	(7,610)	(2,805)	(7,755)
	-----	-----	-----
Net cash provided (used) by operating, financing and investing activities.....	\$ --	\$ --	\$ --
	-----	-----	-----
	-----	-----	-----

</TABLE>

In addition to earnings being higher in 1991 than in either 1992 or 1993, fluctuations in cash flow from operations were impacted by changes in relative levels of assets and liabilities, including levels of pension contributions in each year. Pension contributions approximated \$12 million in 1991, \$20 million in 1992, and \$15 million in 1993. The 1993 pension contributions included a \$2.3 million payment to the pension plans in order to avoid a second tier excise tax related to an adverse May 1993 U.S. Supreme Court decision (see Note 14 to the Consolidated Financial Statements). The minimum required pension contributions in 1994 are currently estimated to be approximately \$14 million.

In December 1993, the Company entered into a new \$20 million term loan with the financial institution that also provides the Company's \$35 million revolving credit facility. The new term loan bears interest at the prime rate plus 1% and is due through 1996. The Company used \$6.8 million of the proceeds to prepay the Company's prior term loan, which bore interest at the prime rate plus 2.5%, and the balance of the proceeds

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was applied to reduce outstanding revolving borrowings. This refinancing contributed significantly to the Company's increase in working capital at December 31, 1993 compared to the end of 1992.

The amount of available borrowings under the Company's \$35 million commercial revolving credit facility, which expires December 31, 1996, is based on formula-determined amounts of trade receivables and inventories, less the amount of outstanding letters of credit. Additional available borrowings under the revolving credit facility were \$30.7 million at December 31, 1993.

Capital expenditures are currently estimated to be approximately \$18 million in 1994, including approximately \$2.1 million for environmentally related items. A significant portion of the increase in 1994 capital expenditures over the prior two years relates to upgrades of production equipment and information systems at the Company's Peoria, Illinois facility.

Reference is made to Note 14 to the Consolidated Financial Statements for a description of certain environmental matters relating to the Peoria facility.

Due to the continuing escalation of costs of employee health care benefits, the Company continues to monitor its numerous employee health and welfare benefits plans and has implemented various plan modifications during 1993 which provide certain cost savings, including a more equitable sharing of health care costs for both retirees and active employees.

Effective December 31, 1993, due primarily to the continued general decline in interest rates, the Company changed the discount rate used in determining the actuarial present values of its pension obligations from 9.5% to 7.5%. This

change resulted in, among other things, an increase in the Company's noncurrent pension cost liability and a charge to stockholders' deficit. Variances from actuarially assumed rates, including the rate of return on pension plan assets, will continue to result in additional increases or decreases in these accounts, as well as deferred taxes, pension expense and funding requirements in future periods. See Note 7 to the Consolidated Financial Statements.

Effective December 31, 1993, the Company also changed the discount rate used in determining the actuarial present value of its "OPEB" obligations from 9.5% to 7.5%. Such change in the discount rate does not impact the Company's cash flows, as payments for OPEB costs continue to be made when incurred.

At December 31, 1993, the Company has recorded net deferred tax assets of \$33.5 million, which amount is net of a valuation allowance of \$30 million. Approximately \$8.7 million of the Company's deferred tax debits relate to net operating loss and alternative minimum tax credit carryforwards which are expected to be utilized in the next few years (since returning to profitability in 1989, following completion of its rod mill modernization and disposal of its unprofitable fasteners and plastics business, the Company has realized almost \$4 million of net tax benefits from losses accumulated in prior years and no carryforwards have expired). The remainder of the Company's gross deferred tax debits related primarily to expenses, principally OPEB and pensions, that have been accrued for financial reporting purposes but have not yet been paid or become deductible for income tax purposes. While the Company currently expects that its long-term profitability should ultimately be sufficient to enable it to realize full benefit of these future tax deductions, considering all factors believed to be relevant, including the Company's recent profitability, its expected future near-term levels of profitability, and the fact that accrued OPEB and pension expenses will become deductible over an extended period of time and require the Company to generate significant future taxable income, the Company believes that a portion of the gross deferred tax assets may not currently meet a "more likely than not" realizability test and, accordingly, the Company has provided a deferred tax valuation allowance. The Company will continue to monitor and evaluate the need for, and amount of, a deferred tax valuation allowance and will in the future, after considering all factors believed to be relevant, make appropriate adjustments in such allowance.

The Company incurs significant ongoing costs for plant and equipment and substantial employee pension and medical benefits for current and retired employees which leave the Company vulnerable to business downturns and increases in costs. In order to meet its financial obligations, the Company has reduced controllable costs, modified product mix, acquired and disposed of businesses, refinanced certain indebtedness,

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and raised additional equity capital. The Company will continue to evaluate the need for similar actions or other measures in the future in order to meet its obligations.

For 1994, management has budgeted profitable results of operations with sufficient cash flows from operations and financing activities to meet its anticipated operating needs. This budget is based upon management's assessment of various financial and operational factors including, but not limited to, assumptions relating to product shipments, product mix and selling prices; production schedules; productivity rates; raw materials, electricity, labor, employee benefits and other fixed and variable costs; working capital requirements; interest rates; repayments of long-term debt; capital expenditures; and available borrowings under the Company's revolving credit facility. However, potential liabilities under environmental laws and regulations with respect to the clean-up and disposal of wastes beyond present accruals, any significant increases in the required minimum fundings to the Company's pension funds or in the cost of providing medical coverage to active and retired employees could have a material adverse effect on the future liquidity, financial condition and results of operations of the Company. Additionally, any significant decline in the Company's markets or market share, any inability to maintain satisfactory billet and rod production levels, or any other unanticipated costs, if significant, could result in a need for funds greater than the Company currently has available. There can be no assurance the Company would be able to obtain an adequate amount of additional financing. See Note 14 to the Consolidated Financial Statements.

RESULTS OF OPERATIONS

The Company's continuing operations are the manufacture and sale of carbon steel rod, wire and wire products for agricultural, industrial, construction, commercial, OEM and retail consumer markets.

During 1993, the Peoria steel and rod mills increased production of billets by approximately 2% (644,000 tons compared to 632,000 tons) and steel rod by approximately 9% (715,000 tons compared to 655,000 tons) over the production for 1992. From time to time the Company purchases billets from other suppliers resulting in increased utilization of the rod mill. The Company purchased 72,000 tons, 41,000 tons and 106,000 tons of billets in 1991, 1992 and 1993, respectively.

The following table sets forth selected operating data of the Company as a percentage of net sales for the periods indicated.

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,		
	1991	1992	1993
<S>	<C>	<C>	<C>
Net sales.....	100.0%	100.0 %	100.0%
Cost of goods sold.....	87.6	88.2	90.6
Gross profit.....	12.4	11.8	9.4
Selling, general and administrative expenses.....	6.3	8.3	7.4
Other income.....	.2	--	.2
Income before interest expense and income taxes.....	6.3	3.5	2.2
Interest expense.....	1.4	.9	1.9
Income before income taxes.....	4.9	2.6	.3
Provision for income taxes.....	1.7	1.0	.1
Income from continuing operations.....	3.2	1.6	.2
Extraordinary items.....	1.2	--	--
Cumulative effect of changes in accounting principles.....	--	(22.1)	--
Net income (loss).....	4.4%	(20.5) %	.2%

</TABLE>

YEARS ENDED DECEMBER 31, 1991, 1992 AND 1993

NET SALES

Net sales were \$302.1 million in 1991, \$316.3 million in 1992 and \$345.2 million in 1993. During 1993, tons of rod sold increased 12% (337,000 tons compared to 302,000 tons), while tons of wire and wire products sold increased 8% (414,000 tons compared to 383,000 tons). Of the 8% increase in wire and wire product tonnage, wire tonnage increased 26% and wire products tonnage decreased 2%. Wire is generally sold at a lower selling price per ton than wire products. In 1993, selling prices of wire and wire products increased approximately 2% and selling prices of rod increased approximately 9% compared to 1992 prices.

During 1992, tons of rod sold were comparable to 1991 (302,000 tons compared to 301,000 tons), while tons of wire and wire products sold increased 7% (383,000 tons compared to 359,000 tons) compared to 1991. Of the 7% increase in wire and wire product tonnage, wire tonnage increased 16% and wire products tonnage increased 2%. Sales attributable to the KeyWest Wire division (acquired in May 1991) during the first four months of 1992 were \$5.9 million and 6,000 tons of wire and wire products. The Company sold for export 26,000 tons and 4,000 tons of rod during 1991 and 1992, respectively. In 1992, selling prices of wire and wire products decreased approximately 1% and selling prices of rod decreased approximately 3% compared to 1991 prices.

GROSS PROFIT

Gross profit was \$37.5 million in 1991, \$37.4 million in 1992 and \$32.5 million in 1993. Gross profit in 1993, as a percentage of net sales, declined 2.4% from 1992 due primarily to significantly higher scrap steel costs. The purchase of scrap steel is highly competitive and its price volatility is influenced by periodic shortages, freight costs, weather, speculation by scrap brokers and other conditions largely beyond the control of the Company. The cost of scrap can vary significantly and product selling prices cannot always be adjusted, especially in the short-term, to recover the costs of large increases in scrap prices. Scrap prices rose by approximately 50% during 1993 and, despite increasing certain product selling prices five times during 1993, these

significant cost increases could not be immediately recovered which adversely affected the Company's 1993 gross profit margins. While gross profit in 1993 was aided by higher product selling prices, increased tons of product sold and lower rod conversion costs, it was also negatively impacted by approximately \$2.3 million of additional environmental costs related to the inadvertent processing of some contaminated scrap steel. See Note 14 to the Consolidated Financial Statements.

Gross profit in 1992, as a percentage of net sales, declined slightly from 1991 due to lower selling prices and higher health care costs, including increased costs due to the adoption of SFAS 106, partially offset by lower pension costs, an increase in the tons of wire and wire products sold and lower raw material and rod conversion costs. Gross profit in 1992 was also negatively impacted by \$1 million related to the inadvertent processing of some contaminated scrap steel.

Although the Company's primary energy source is purchased coal-generated electricity, gross profit can also be adversely affected by the volatility in the price of oil and natural gas resulting in increased energy, transportation, freight, scrap and supply costs. The Company cannot predict if it would be able to recover any such cost increases through higher product selling prices or improved production efficiencies.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were \$18.9 million in 1991, \$26.1 million in 1992 and \$25.3 million in 1993. The 1993 decrease in selling, general and administrative expenses resulted primarily from a decrease of approximately \$3.7 million in expenses related to environmental issues offset by increased expenses of \$3.2 million related to excise taxes due to the adverse May 1993 U.S. Supreme Court decision. See Note 14 to the Consolidated Financial Statements.

Almost 70% of the \$7.2 million increase in 1992 related to environmental issues, including a \$3.5 million fourth quarter revision of previous estimates of the costs for closure of certain inactive waste disposal units at

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Peoria. Higher medical and insurance costs, along with a full year of operating expense of the KeyWest Wire division acquired in May 1991, also contributed to the increase in 1992.

OTHER INCOME

Other income in 1993 primarily represents rental income and gain on sale of fixed assets. Other income in 1991 included interest on an installment note, which was paid in full during 1992, from one of the Company's largest customers.

INTEREST EXPENSE

Interest expense increased by \$3.5 million in 1993 and includes \$3.9 million related to the adverse May 1993 U.S. Supreme Court decision. See Note 14 to the Consolidated Financial Statements.

Interest expense declined in 1992 due principally to lower interest rates and lower average borrowing levels.

INCOME TAXES

The principal reasons for the difference between the U.S. federal statutory income tax rate and the Company's effective income tax rates are explained in Note 5 to the Consolidated Financial Statements. The Company's net current taxes payable result primarily from the alternative minimum tax. The Company's deferred tax position at December 31, 1993 is explained in Note 5 to the Consolidated Financial Statements and in "Liquidity and Capital Resources" above.

EXTRAORDINARY ITEMS AND CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES

See Notes 5 and 10, respectively, to the Consolidated Financial Statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The information called for by this Item is contained in a separate section of this report. See Index of Financial Statements and Financial Statement Schedules on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information required by this Item is incorporated by reference to disclosure provided under the captions "Election of Directors" and "Executive Officers" in Keystone's Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this report (the "Keystone Proxy Statement").

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item is incorporated by reference to disclosure provided under the caption "Executive Compensation" in the Keystone Proxy Statement.

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required by this Item is incorporated by reference to disclosure provided under the caption "Security Ownership" in the Keystone Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by this Item is incorporated by reference to disclosure provided under the caption "Certain Business Relationships and Related Transactions" in the Keystone Proxy Statement. See also Note 11 to the Consolidated Financial Statements.

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

<TABLE>

<S>	<C>
(a) (1), (2)	The Index of Consolidated Financial Statements and Financial Statement Schedules is included on page F-1 of this report.
(a) (3)	Exhibits Included as exhibits are the items listed in the Exhibit Index. The Company will furnish a copy of any of the exhibits listed below upon payment of \$4.00 per exhibit to cover the costs to the Company in furnishing the exhibits. The Company agrees to furnish to the Commission upon request copies of any instruments not included herein defining the rights of holders of long-term debt of the Company.

</TABLE>

<TABLE>

<CAPTION>

EXHIBIT NO. -----	EXHIBIT -----
<S>	<C>
3.1	-- Certificate of Incorporation, as amended and filed with the Secretary of State of Delaware -- incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1990.
3.2	-- Bylaws of the Company, as amended and restated May 15, 1990 -- incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K dated for the year ended December 31, 1990.
4.1	-- Accounts Receivable Financing Agreement and Security Agreement dated December 19, 1986, as amended between the Company and Congress Financial Corporation (Central) -- incorporated by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1990.
4.2	-- Amendment No. 6, dated November 1, 1991 to Accounts Receivable Financing Agreement and Rider No. 1 between the Company and Congress Financial Corporation (Central) dated December 19,

- 1986 -- incorporated by reference to Exhibit 4.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 1991.
- 4.3 -- Amendment No. 7, dated January 15, 1993 to Accounts Receivable Financing Agreement and Rider No. 1 between the Company and Congress Financial Corporation (Central) dated December 19, 1986.
- 4.4 -- Amendment No. 8, dated December 30, 1993 to Accounts Receivable Financing Agreement and Rider No. 1 between the Company and Congress Financial Corporation (Central) dated December 19, 1986.
- 4.5 -- Term Loan and Security Agreement between the Company and Congress Financial Corporation (Central) dated December 30, 1993.
- 10.1 -- Intercorporate Services Agreement with Contran Corporation dated as of January 1, 1993.
- 21 -- Subsidiaries of the Company.
- 23 -- Consent of Coopers & Lybrand.

</TABLE>

(b) No reports on Form 8-K were filed during the quarter ended December 31, 1993.

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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 and dated March 15, 1994, thereunto duly authorized.

KEYSTONE CONSOLIDATED INDUSTRIES, INC.
(Registrant)

/s/ GLENN R. SIMMONS
Glenn R. Simmons
Chairman of the Board and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below and dated as of March 15, 1994, by the following persons on behalf of the registrant and in the capacities indicated:

<TABLE>
<S>

/s/ GLENN R. SIMMONS
Glenn R. Simmons
Chairman of the Board and
Chief Executive Officer

/s/ J. WALTER TUCKER, JR.
J. Walter Tucker, Jr.
Vice Chairman of the Board

/s/ THOMAS E. BARRY
Thomas E. Barry
Director

/s/ PAUL M. BASS, JR.
Paul M. Bass, Jr.
Director

/s/ DONALD A. SOMMER
Donald A. Sommer
Director

<C>

/s/ DAVID E. CONNOR
David E. Connor
Director

/s/ RICHARD N. ULLMAN
Richard N. Ullman
Director

/s/ HAROLD M. CURDY
Harold M. Curdy
Vice President -- Finance,
Treasurer and Principal
Financial Officer

/s/ BERT E. DOWNING, JR.
Bert E. Downing, Jr.
Controller and Principal
Accounting Officer

</TABLE>

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KEYSTONE CONSOLIDATED INDUSTRIES, INC. AND SUBSIDIARIES

ANNUAL REPORT ON FORM 10-K
ITEMS 8, 14(A) AND 14(D)

INDEX OF CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

<TABLE>
<CAPTION>

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<S>

<C>

FINANCIAL STATEMENTS

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Consolidated Statements of Cash Flows -- Years ended December 31, 1991, 1992 and 1993.....	F-5
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</TABLE>

All other schedules are omitted because they are not applicable or not required, or because the required information is included in the consolidated financial statements or notes thereto.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and Board of Directors of
Keystone Consolidated Industries, Inc.

We have audited the consolidated financial statements and the financial statement schedules of Keystone Consolidated Industries, Inc. and Subsidiaries as listed in the Index of Consolidated Financial Statements and Financial Statement Schedules on page F-1 of this Annual Report on Form 10-K. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Keystone Consolidated Industries, Inc. and Subsidiaries as of December 31, 1993 and 1992, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1993 in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

As discussed in Note 10 to the Consolidated Financial Statements, in 1992 the Company changed its methods of accounting for postretirement benefits other than pensions and for income taxes in accordance with Statements of Financial Accounting Standards Nos. 106 and 109, respectively.

COOPERS & LYBRAND

Dallas, Texas
March 11, 1994

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KEYSTONE CONSOLIDATED INDUSTRIES, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1992 AND 1993
(IN THOUSANDS, EXCEPT SHARE DATA)

ASSETS

<TABLE>

<CAPTION>

	1992	1993
	-----	-----
<S>	<C>	<C>
Current assets:		
Notes and accounts receivable, net of allowances of \$464 and \$435....	\$ 35,749	\$ 38,513
Inventories.....	36,444	35,544
Deferred income taxes.....	4,190	5,437
Prepaid expenses and other.....	1,710	1,257
	-----	-----
Total current assets.....	78,093	80,751
	-----	-----
Property, plant and equipment.....	216,930	222,601
Less accumulated depreciation.....	132,108	141,832
	-----	-----
Net property, plant and equipment.....	84,822	80,769
	-----	-----
Other assets:		
Unrecognized net pension obligation.....	13,887	12,067
Deferred income taxes.....	20,667	28,056
Notes receivable.....	2,551	1,917
Other.....	2,089	3,094
	-----	-----
Total other assets.....	39,194	45,134
	-----	-----
	\$202,109	\$206,654
	-----	-----
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Notes payable and current maturities of long-term debt.....	\$ 23,741	\$ 8,148
Accounts payable.....	20,733	24,189
Accounts payable to affiliates.....	38	111
Accrued pension cost.....	7,259	9,556
Accrued OPEB cost.....	7,657	7,243
Other accrued liabilities.....	17,888	25,119
	-----	-----
Total current liabilities.....	77,316	74,366
	-----	-----
Noncurrent liabilities:		
Long-term debt.....	10,744	19,042
Accrued pension cost.....	51,638	60,102
Accrued OPEB cost.....	93,727	96,336
Other.....	7,720	7,716
	-----	-----
Total noncurrent liabilities.....	163,829	183,196
	-----	-----
Stockholders' equity (deficit):		
Preferred stock, no par value; 500,000 shares authorized.....	--	--
Common stock, \$1 par value, 9,000,000 shares authorized; 5,514,685 shares issued at stated value.....	6,244	6,244
Additional paid-in capital.....	18,803	18,803
Excess of pension cost over unrecognized net pension obligation.....	(23,156)	(35,317)
Accumulated deficit.....	(40,796)	(40,047)
Treasury stock -- 10,550 and 56,550 shares, at cost.....	(131)	(591)
	-----	-----
Total stockholders' deficit.....	(39,036)	(50,908)
	-----	-----
	\$202,109	\$206,654
	-----	-----

</TABLE>

Commitments and contingencies (Note 14).

See accompanying notes to consolidated financial statements.

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KEYSTONE CONSOLIDATED INDUSTRIES, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 1991, 1992 AND 1993
(IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>
<CAPTION>

	1991	1992	1993
	-----	-----	-----
<S>	<C>	<C>	<C>
Revenues and other income:			
Net sales.....	\$302,132	\$316,251	\$345,186
Interest and other, net.....	587	46	525
	-----	-----	-----
	302,719	316,297	345,711
	-----	-----	-----
Costs and expenses:			
Cost of goods sold.....	264,678	278,808	312,665
Selling.....	4,825	4,833	5,032
General and administrative.....	14,074	21,280	20,309
Interest.....	4,322	3,036	6,575
	-----	-----	-----
	287,899	307,957	344,581
	-----	-----	-----
Income before income taxes.....	14,820	8,340	1,130
Provision for income taxes.....	5,051	3,194	381
	-----	-----	-----
Income before extraordinary item and cumulative effect of changes in accounting principles.....	9,769	5,146	749
Extraordinary item.....	3,502	--	--
Cumulative effect of changes in accounting principles.....	--	(69,949)	--
	-----	-----	-----
Net income (loss).....	\$ 13,271	\$(64,803)	\$ 749
	-----	-----	-----
Income (loss) per common and common equivalent share:			
Before extraordinary item.....	\$ 1.75	\$.92	\$.14
Extraordinary item.....	.62	--	--
Cumulative effect of changes in accounting principles.....	--	(12.53)	--
	-----	-----	-----
Net income (loss).....	\$ 2.37	\$(11.61)	\$.14
	-----	-----	-----
Weighted average common and common equivalent shares outstanding.....	5,591	5,572	5,495
	-----	-----	-----

</TABLE>

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KEYSTONE CONSOLIDATED INDUSTRIES, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1991, 1992 AND 1993
(IN THOUSANDS)

<TABLE>
<CAPTION>

	1991	1992	1993
	-----	-----	-----
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income (loss).....	\$13,271	\$(64,803)	\$ 749
	-----	-----	-----
Adjustments:			
Depreciation.....	9,996	10,525	11,084
Noncash OPEB cost.....	--	3,207	2,195
Cumulative effect of changes in accounting principles.....	--	69,949	--
Other, net.....	14	239	(1,078)
Change in assets and liabilities:			
Accounts and notes receivable.....	208	(4,055)	(2,735)
Inventories.....	(7,602)	3,437	900
Accounts payable.....	2,769	(397)	3,529
Accrued pension cost, net of adjustments to stockholders' equity and the unrecognized net pension obligation.....	(2,041)	(11,312)	(7,354)
Other, net.....	143	3,283	7,309
	-----	-----	-----

Total adjustments.....	3,487	74,876	13,850
Net cash provided by operating activities.....	16,758	10,073	14,599
Cash flows from investing activities:			
Capital expenditures.....	(9,271)	(7,459)	(7,349)
Proceeds from disposition of property and equipment.....	123	191	505
Net cash used by investing activities.....	(9,148)	(7,268)	(6,844)
Cash flows from financing activities:			
Revolving credit facility, net.....	(2,460)	638	(16,451)
Other notes payable and long-term debt:			
Additions.....	34	90	20,091
Principal payments.....	(5,206)	(3,533)	(10,935)
Issuance (purchase) of common stock.....	22	--	(460)
Net cash used by financing activities.....	(7,610)	(2,805)	(7,755)
Net change in cash and cash equivalents.....	--	--	--
Cash and cash equivalents, beginning of year.....	--	--	--
Cash and cash equivalents, end of year.....	\$ --	\$ --	\$ --
Supplemental disclosures -- cash paid for:			
Interest, net of amount capitalized.....	\$ 4,486	\$ 3,104	\$ 2,797
Income taxes.....	1,731	3,909	70

</TABLE>

See accompanying notes to consolidated financial statements.

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KEYSTONE CONSOLIDATED INDUSTRIES, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 1991, 1992 AND 1993
(IN THOUSANDS)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	PENSION LIABILITIES	RETAINED EARNINGS (DEFICIT)	TREASURY STOCK
	SHARES	AMOUNT				
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance -- December 31, 1990.....	5,507	\$6,236	\$ 18,789	\$ (24,670)	\$ 10,736	\$ (144)
Net income.....	--	--	--	--	13,271	--
Pension adjustments.....	--	--	--	2,909	--	--
Exercise of employee stock options...	8	8	14	--	--	--
Balance -- December 31, 1991.....	5,515	6,244	18,803	(21,761)	24,007	(144)
Net loss.....	--	--	--	--	(64,803)	--
Pension adjustments.....	--	--	--	(1,395)	--	--
Issuance of treasury stock.....	--	--	--	--	--	13
Balance -- December 31, 1992.....	5,515	6,244	18,803	(23,156)	(40,796)	(131)
Net income.....	--	--	--	--	749	--
Pension adjustments.....	--	--	--	(12,161)	--	--
Purchase of treasury stock.....	--	--	--	--	--	(460)
Balance -- December 31, 1993.....	5,515	\$6,244	\$ 18,803	\$ (35,317)	\$ (40,047)	\$ (591)

</TABLE>

See accompanying notes to consolidated financial statements.

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KEYSTONE CONSOLIDATED INDUSTRIES, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Keystone Consolidated Industries, Inc. ("Keystone" or the "Company") is a majority-owned subsidiary of Contran Corporation ("Contran"). At December 31, 1993, Contran held, directly or indirectly, approximately 62% of the Company's outstanding common stock. All of Contran's outstanding common stock is held by trusts established for the benefit of the children and grandchildren of Harold C. Simmons, of which Mr. Simmons is sole trustee. Mr. Simmons may be deemed to control Contran and the Company.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All material intercompany accounts and balances have been eliminated.

Fiscal year

The Company's fiscal year is 52 or 53 weeks and ends on the last Sunday in December. Each of fiscal 1991, 1992 and 1993 were 52-week years.

Property, plant, equipment and depreciation

Property, plant and equipment are stated at cost. Repairs, maintenance and minor renewals are expensed as incurred. Improvements which substantially increase an asset's capacity or alter its capabilities are capitalized.

Depreciation is computed using principally the straight-line method over the estimated useful lives of 10 to approximately 30 years for buildings and improvements and three to 12 years for machinery and equipment.

Retirement plans and postretirement benefits other than pensions

Accounting and funding policies for retirement plans and postretirement benefits other than pensions ("OPEB") are described in Notes 7 and 9, respectively.

Environmental liabilities

The Company records liabilities related to environmental issues at such time as information becomes available and is sufficient to support a reasonable estimate of range of loss. If the Company is unable to determine that a single amount in an estimated range is more likely, the minimum amount of the range is recorded.

Income taxes

Deferred income tax assets and liabilities are recognized for the expected future tax effects of temporary differences between the income tax and financial reporting carrying amounts of assets and liabilities.

Income (loss) per share

Income (loss) per share is based on the weighted average number of common and common equivalent shares outstanding during each year. Outstanding stock options and other common stock equivalents are excluded from the computations when the effect of their assumed exercise is antidilutive.

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NOTE 2 -- INVENTORIES

Inventories are stated at the lower of cost or market. The last-in, first-out ("LIFO") method is used to determine the cost of approximately 68% and 71% of the inventories held at December 31, 1992 and 1993, respectively, and the first-in, first-out or average cost methods are used to determine the cost of all other inventories.

<TABLE>
<CAPTION>

	DECEMBER 31,	
	----- 1992	1993 -----
	(IN THOUSANDS)	
<S>	<C>	<C>
Raw materials.....	\$ 9,331	\$ 9,944

Work in process.....	7,974	9,963
Finished products.....	13,643	14,250
Supplies.....	14,119	14,115
	-----	-----
	45,067	48,272
Less LIFO reserve.....	8,623	12,728
	-----	-----
	\$ 36,444	\$ 35,544
	-----	-----

</TABLE>

NOTE 3 -- PROPERTY, PLANT AND EQUIPMENT

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1992	1993
	-----	-----
	(IN THOUSANDS)	
<S>	<C>	<C>
Land, buildings and improvements.....	\$ 41,912	\$ 42,461
Machinery and equipment.....	169,596	175,734
Leasehold improvements.....	1,204	1,204
Construction in progress.....	4,218	3,202
	-----	-----
	\$216,930	\$222,601
	-----	-----

</TABLE>

NOTE 4 -- NOTES PAYABLE AND LONG-TERM DEBT

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1992	1993
	-----	-----
	(IN THOUSANDS)	
<S>	<C>	<C>
Keystone:		
Commercial credit agreements:		
Revolving credit facility.....	\$ 20,362	\$ 3,911
Term loans.....	9,107	19,439
Series 1976 Pollution Control Revenue Bonds, interest at 8%;		
due in equal annual installments through 1996.....	2,000	1,500
Urban and Community Development Assistance Grants, interest		
at 8%, due in semi-annual installments through 2003.....	2,300	2,082
Other, interest at 3% to 13.75%, due in installments through		
1996.....	716	258
	-----	-----
	34,485	27,190
Less current maturities.....	23,741	8,148
	-----	-----
	\$ 10,744	\$ 19,042
	-----	-----

</TABLE>

The Company maintains a \$35 million commercial revolving credit facility which matures December 31, 1996, is collateralized primarily by the Company's trade receivables and inventories and bears interest at 1.5% over the prime rate (an effective rate of 7.5% at December 31, 1993). The amount of available borrowings is based on formula-determined amounts of trade receivables and inventories, less the amount of outstanding letters of credit (approximately \$.4 million at December 31, 1993). At December 31, 1993, the available

borrowings under this credit facility were \$30.7 million. This credit facility requires that the Company's daily cash receipts be used to reduce the outstanding borrowings, which results in the Company maintaining zero cash balances.

On December 30, 1993, the Company entered into a new \$20 million term loan with the financial institution that provides the Company's revolving credit

facility. The new term loan bears interest at the prime rate plus 1% and is due in 35 monthly installments of \$.3 million plus accrued interest and one final installment of the remaining principal and interest on December 31, 1996. The new term loan requires compliance with the restrictive covenants, security agreement and certain other terms of the revolving credit facility and is further collateralized by the Company's property, plant and equipment. In addition, the new term loan becomes due and payable if the Company terminates its revolving credit facility. The proceeds of the new term loan were used to prepay the Company's prior term loan (\$6.8 million) and the balance was applied to reduce the revolving borrowings. Upon closing the new term loan, the Company immediately made a prepayment of principal in the amount of \$.6 million.

The Company's commercial credit agreements contain restrictive covenants, including a prohibition against the payment of dividends without lender consent, and certain minimum working capital and net worth requirements. Substantially all of the Company's notes payable and long-term debt reprice with changes in interest rates, and the book value of such indebtedness is deemed to approximate market value.

Average short-term borrowings under revolving credit agreements were \$19.8 million in 1991, \$18.4 million in 1992 and \$19.2 million in 1993, at average interest rates of 11.4%, 8.8% and 8.2%, respectively. The maximum short-term borrowings outstanding at any month end during these years were \$31.3 million in 1991, \$28.6 million in 1992 and \$27.3 million in 1993.

At December 31, 1992 and 1993, total collateralized obligations, including deferred pension contributions (see Note 7), amounted to \$50.3 million and \$40.5 million, respectively.

The aggregate maturities of notes payable and long-term debt are shown in the table below.

<TABLE>
<CAPTION>

YEAR ENDING DECEMBER 31, -----	AMOUNT ----- (IN THOUSANDS)
<S>	<C>
1994.....	\$ 8,148
1995.....	4,155
1996.....	13,570
1997.....	243
1998.....	207
1999 and thereafter.....	867

	\$ 27,190

</TABLE>

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NOTE 5 -- INCOME TAXES

Summarized below are (i) the difference between the provision for income taxes and the amounts that would be expected using the U. S. federal statutory income tax rate of 34% in 1991 and 1992 and 35% in 1993 and (ii) the components of the comprehensive provision for income taxes.

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,		
	1991	1992	1993

	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
Expected tax expense, at statutory rates.....	\$ 5,039	\$ 2,836	\$ 396
U.S. state income taxes, net.....	13	380	207
Nondeductible excise taxes.....	--	--	1,110
Rate change adjustment of deferred taxes.....	--	--	(1,320)
Other, net.....	(1)	(22)	(12)
	-----	-----	-----
	5,051	3,194	381
Extraordinary item.....	(3,502)	--	--
	-----	-----	-----

Provision for income taxes charged to results of operations.....	1,549	3,194	381
Stockholders' equity -- pension component.....	--	(856)	(7,774)
	-----	-----	-----
Comprehensive provision (benefit) for income taxes.....	\$ 1,549	\$ 2,338	\$ (7,393)
	-----	-----	-----
Comprehensive provision (benefit) for income taxes:			
Currently payable:			
U.S. federal.....	\$ 5,032	\$ 4,751	\$ 439
U.S. state.....	19	664	171
Benefit of loss carryforwards.....	(5,032)	(5,211)	(767)
Alternative minimum tax liability.....	1,530	2,983	1,406
	-----	-----	-----
Net currently payable.....	1,549	3,187	1,249
Deferred income taxes, net.....	--	(849)	(8,642)
	-----	-----	-----
	\$ 1,549	\$ 2,338	\$ (7,393)
	-----	-----	-----

</TABLE>

The components of the net deferred tax asset are summarized below.

<TABLE>
<CAPTION>

	DECEMBER 31,			
	1992		1993	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
	-----	-----	-----	-----
	(IN THOUSANDS)			
<S>	<C>	<C>	<C>	<C>
Tax effect of temporary differences relating to:				
Inventories.....	\$ 1,490	\$ --	\$ 1,623	\$ --
Property and equipment.....	--	(12,216)	--	(11,845)
Accrued pension cost.....	13,461	--	18,206	--
Accrued OPEB cost.....	38,526	--	40,396	--
Accrued liabilities and other deductible differences.....	6,733	--	6,978	--
Other taxable differences.....	--	(615)	--	(583)
Net operating loss carryforwards.....	2,169	--	2,376	--
Alternative minimum tax credit carryforwards.....	5,309	--	6,342	--
Valuation allowance.....	(30,000)	--	(30,000)	--
	-----	-----	-----	-----
Gross deferred tax assets (liabilities)....	37,688	(12,831)	45,921	(12,428)
Reclassification, principally netting by tax jurisdiction.....	(12,831)	12,831	(12,428)	12,428
	-----	-----	-----	-----
Net deferred tax asset.....	24,857	--	33,493	--
Less current deferred tax asset, net of valuation allowances of \$5,057 and \$4,870 in 1992 and 1993, respectively.....	4,190	--	5,437	--
	-----	-----	-----	-----
Noncurrent deferred tax asset.....	\$ 20,667	\$ --	\$ 28,056	\$ --
	-----	-----	-----	-----

</TABLE>

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While the Company currently expects that its long-term profitability should ultimately be sufficient to enable it to realize full benefit of its future tax deductions, considering all factors believed to be relevant, including the Company's recent profitability, its expected future near-term levels of profitability, and the fact that accrued OPEB and pension expenses will become deductible over an extended period of time and require the Company to generate significant future taxable income, the Company believes that a portion of the gross deferred tax assets may not currently meet a "more likely than not" realizability test. There was no change in the valuation allowance during 1992 or 1993.

The net operating loss carryforwards of approximately \$6.1 million and \$4.9 million for federal and state income tax purposes, respectively, expire from

2003 through 2005. The Company utilized its remaining alternative minimum tax loss carryforward during 1991; accordingly, the full 20% alternative minimum tax is payable by the Company for 1992 and 1993.

For financial reporting purposes, the utilization of net operating loss carryforwards to offset the provision for income taxes in 1991 has been reported as an extraordinary item, as then required. Subsequent to the adoption of SFAS No. 109 in 1992, such benefits are not classified as extraordinary items.

NOTE 6 -- STOCK OPTIONS AND STOCK APPRECIATION RIGHTS PLAN

The Company's Incentive Stock Option -- Stock Appreciation Rights Plan (the "1982 Option Plan") permits the granting of incentive stock options ("ISOs") and stock appreciation rights ("SARs") to purchase up to 337,500 shares of the Company's common stock, subject to adjustment in certain instances. ISOs are 20% vested and exercisable one year from the date of grant, increasing to 40% at two years after the date of grant, 60% at three years after the date of grant, and 100% at four years after the date of grant. ISOs expire five years from the date of grant. There have been no SARs awarded to date. The 1982 Option Plan was replaced in May 1992 upon adoption of the Keystone Consolidated Industries, Inc. 1992 Incentive Compensation Plan (the "1992 Option Plan").

The 1992 Option Plan permits the granting of stock options, SARs and restricted stock to key employees of the Company or its parent or subsidiaries for up to 100,000 shares of the Company's common stock, subject to adjustments in certain instances. The 1992 Option Plan provides for the grant of options that qualify as incentive stock options and for options which are not so qualified. Incentive stock options are granted at a price not less than 100% of the fair market value of such stock on the date of grant. The exercise price of all options and SARs, the length of period during which the options or SARs may be exercised, and the length of the restriction period for restricted stock awards are determined by the Incentive Compensation Committee of the Board of Directors.

The Keystone Consolidated Industries, Inc. 1992 Non-Employee Director Stock Option Plan (the "Director Plan") was adopted in May 1992. The Director Plan provides that each non-employee director of the Company will automatically be granted annually an option to purchase 1,000 shares of the Company's common stock. Options are granted at a price equal to the fair market value of such stock on the date of the grant, vest one year from the date of the grant and expire five years from the date of the grant. Up to 50,000 shares of the Company's common stock may be issued pursuant to the Director Plan.

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Changes in outstanding options, including options outstanding under a prior plan pursuant to which no further grants can be made are summarized in the table below.

<TABLE>
<CAPTION>

	OPTIONS	PRICE PER SHARE	AMOUNT PAYABLE UPON EXERCISE
<S>	<C>	<C>	<C>
Outstanding at December 31, 1990.....	144,000	\$ 2.93-17.79	\$1,687,480
Granted.....	10,000	15.81	158,100
Exercised.....	(7,500)	2.93	(22,000)
Outstanding at December 31, 1991.....	146,500	8.53-17.79	1,823,580
Granted.....	20,000	10.75-12.86	246,650
Canceled.....	(37,500)	10.41-17.79	(556,301)
Outstanding at December 31, 1992.....	129,000	8.53-15.81	1,513,929
Granted.....	55,000	8.75-10.50	490,000
Canceled.....	(4,500)	9.99-15.77	(53,625)
Outstanding at December 31, 1993.....	179,500	\$ 8.53-15.81	\$1,950,304

</TABLE>

At December 31, 1993, options to purchase 142,700 shares were exercisable (110,000 shares exercisable at prices lower than the December 31, 1993 quoted market price of \$10.25 per share) and options to purchase an additional 23,800 will become exercisable in 1994. At December 31, 1993, an aggregate of 90,000 shares were available for future grants under the 1992 Option Plan and the Director Plan.

In January 1994, the Company awarded 19,200 shares of restricted stock under the terms of the 1992 Option Plan as partial consideration for compensation that had been accrued at December 31, 1993. The restricted stock vests 40% six months after the award date, increasing to 70% 18 months after the award date and 100% two years after the award date.

NOTE 7 -- EMPLOYEE BENEFIT PLANS

The Company maintains several noncontributory defined benefit pension plans covering most of its employees. Benefits are based on a combination of stated percentages of an employee's wages. Pension plan assets are primarily invested in a collective investment trust (the "Collective Trust") formed by Valhi, Inc., a majority-owned subsidiary of Contran, to permit the collective investment by trusts which implement employee benefit plans maintained by Contran, Valhi and related companies, including the Company. Harold C. Simmons is the sole trustee and the sole member of the Trust Investment Committee for such trust.

The Company's funding policy is to contribute amounts equal to, or exceeding, minimum funding requirements of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The Company received permission from the Internal Revenue Service ("IRS") to defer the annual pension plan contributions for plan years ended June 30, 1980, 1984 and 1985, which, in the aggregate, amounted to \$31.7 million. The deferred amounts, with interest, are payable to the plans over fifteen years. At December 31, 1993, the remaining balance of such deferred contributions was approximately \$13.3 million. Payment of these deferred contributions, due through 2000, is collateralized by a lien on all of the Company's assets.

The components of net periodic pension cost are presented in the table below.

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,		
	1991	1990	1993

	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
Service cost.....	\$ 1,357	\$ 2,005	\$ 1,931
Interest cost on projected benefit obligation.....	14,715	14,593	14,509
Actual return on plan assets.....	(11,050)	(6,559)	(18,200)
Net amortization and deferral.....	4,704	(1,418)	9,363

Net periodic pension cost.....	\$ 9,726	\$ 8,621	\$ 7,603

</TABLE>

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Effective December 31, 1993, due primarily to the continued general decline in interest rates, the Company changed the discount rates used in determining the actuarial present values of the projected pension plan benefit obligations from 9.5% to 7.5% and also reduced its assumed long-term rate of return on plan assets from 12% to 10%. These changes resulted in, among other things, an increase in noncurrent pension cost liability of \$28 million, and a \$17 million charge to stockholders' deficit. Variances from actuarially assumed rates, including the rate of return on pension plan assets, will result in additional increases or decreases in these accounts, as well as deferred taxes, pension expense and funding requirements in future periods.

The following table sets forth the actuarially estimated obligations and funded status of the Company's various defined benefit pension plans and the Company's accrued pension cost.

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1992	1993

	(IN THOUSANDS)	
<S>	<C>	<C>
Actuarial present value of benefit obligations:		
Vested benefit obligation.....	\$149,269	\$173,924

Accumulated benefit obligation.....	\$153,828	\$180,426
Projected benefit obligation.....	\$159,072	\$187,776
Plan assets at fair value.....	94,940	110,767
Projected benefit obligation in excess of plan assets.....	64,132	77,009
Unrecognized net loss from experience different from actuarial assumptions.....	(29,202)	(51,304)
Unrecognized net obligation being amortized over 15-19 years.....	(13,887)	(12,067)
Adjustment required to recognize minimum liability.....	37,854	56,020
Total accrued pension cost.....	58,897	69,658
Less current portion.....	7,259	9,556
Noncurrent accrued pension cost.....	\$ 51,638	\$ 60,102

</TABLE>

The assumed rates of increase in future compensation levels were 3%. The assumed long-term rates of return on assets were 12% and 10% at December 31, 1992 and 1993, respectively. The vested benefit obligation includes the actuarial present value of the vested benefits to which an active employee is entitled if employment was terminated immediately.

The Company maintains several defined contribution plans covering most of its employees. The Company contributes the lesser of an amount equal to the participants' contributions or a profit sharing formula established by the Board of Directors. Expense related to these plans was \$2.1 million in 1991, \$2.3 million in 1992 and \$2.4 million in 1993.

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NOTE 8 -- OTHER ACCRUED LIABILITIES

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1992	1993
	(IN THOUSANDS)	
<S>	<C>	<C>
Current:		
Salary, wages, vacations and other employee expense.....	\$ 10,096	\$ 9,388
Excise tax and related accrued interest.....	--	7,120
Environmental.....	2,200	3,525
Other.....	5,592	5,086
	\$ 17,888	\$ 25,119
Noncurrent:		
Environmental.....	\$ 6,222	\$ 6,056
Other.....	1,498	1,660
	\$ 7,720	\$ 7,716

</TABLE>

NOTE 9 -- POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The Company currently provides, in addition to pension benefits, medical and life insurance benefits for certain retired employees of currently owned businesses as well as for certain retirees of businesses which have been sold or discontinued. Certain retirees are required to contribute to the cost of their benefits. Under plans currently in effect, certain active employees would be entitled to receive OPEB upon retirement. OPEB expense under the pay-as-you-go method was \$6.5 million in 1991. OPEB expense under the accrual method pursuant to SFAS No. 106 for the years ended December 31, 1992 and 1993 was composed of the following:

<TABLE>
<CAPTION>

DECEMBER 31,

	1992	1993
(IN THOUSANDS)		
<S>	<C>	<C>
Service cost.....	\$ 1,046	\$ 1,109
Interest cost on projected benefit obligation.....	9,002	9,132
Amortization of prior service cost.....	--	(171)
Total OPEB expense.....	\$ 10,048	\$ 10,070

</TABLE>

The following table sets forth the actuarial present value of the estimated accumulated OPEB obligations, none of which have been funded.

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1992	1993
(IN THOUSANDS)		
<S>	<C>	<C>
Actuarial present value of accumulated OPEB obligations:		
Current retirees.....	\$ 76,888	\$ 74,369
Fully eligible active plan participants.....	1,130	1,071
Other active plan participants.....	23,366	27,511
	101,384	102,951
Unrecognized net loss from experience different from actuarial assumptions.....	--	(4,952)
Unrecognized prior service credit.....	--	5,580
Total accrued OPEB cost.....	101,384	103,579
Less current portion.....	7,657	7,243
Noncurrent accrued OPEB cost.....	\$ 93,727	\$ 96,336

</TABLE>

The rates used in determining the actuarial present value of the accumulated OPEB obligations were (i) discount rate -- 9.5% and 7.5% at December 31, 1992 and 1993, respectively, and (ii) rate of increase in

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future health care costs -- 11% in 1993 and 10% in 1994, gradually declining to 5.5% in 2015 and thereafter. If the health care cost trend rate was increased by one percentage point for each year, OPEB expense would have increased \$1.2 million in each of 1992 and 1993, and the actuarial present value of accumulated OPEB obligations at December 31, 1992 and 1993 would have increased \$10.3 million and \$10.4 million, respectively.

NOTE 10 -- CHANGE IN ACCOUNTING PRINCIPLES

The Company (i) elected early compliance with both SFAS No. 106 (OPEB) and SFAS No. 109 (income taxes) as of January 1, 1992; (ii) elected to apply SFAS No. 109 prospectively and not restate prior years; and (iii) elected immediate recognition of the OPEB transition obligation. The cumulative effect of changes in accounting principles is shown in the table below.

<TABLE>
<CAPTION>

	AMOUNT
	(IN THOUSANDS)
<S>	<C>
Increase (decrease) in net assets at January 1, 1992:	
Accrued OPEB cost.....	\$ (93,957)
Deferred income taxes, net.....	24,008
Loss from cumulative effect of changes in accounting principles...	\$ (69,949)

</TABLE>

NOTE 11 -- RELATED PARTY TRANSACTIONS

The Company may be deemed to be controlled by Harold C. Simmons (see Note 1). Corporations that may be deemed to be controlled by or affiliated with Mr. Simmons sometimes engage in various transactions with related parties, including the Company. Such transactions may include, among other things, management and expense sharing arrangements, advances of funds on open account, and sales, leases and exchanges of assets. It is the policy of the Company to engage in transactions with related parties on terms, in the opinion of the Company, no less favorable to the Company than could be obtained from unrelated parties. Depending upon the business, tax and other objectives then relevant, the Company may be a party to one or more such transactions in the future.

J. Walter Tucker, Jr., Vice Chairman of the Company, is a principal stockholder of Tucker & Branham, Inc., Orlando, Florida. The Company has contracted with Tucker & Branham, Inc. for the services of Mr. Tucker. Fees paid Tucker & Branham, Inc. were \$41,000 in 1991, \$50,000 in 1992 and \$62,000 in 1993.

Under the terms of an Intercorporate Services Agreement with Contran, Contran and related companies perform certain management, financial and administrative services for the Company on a fee basis. Aggregate fees paid pursuant to this agreement were \$484,000 in 1991, \$508,000 in 1992 and \$580,000 in 1993. In addition, the Company purchased certain aircraft services from Valhi in the amount of \$178,000 in each of 1991 and 1992 and \$158,000 in 1993.

Certain of Keystone's property, liability and casualty insurance risks were partially reinsured by a captive insurance subsidiary of Valhi prior to 1993. The premiums and claims paid in connection therewith were approximately \$234,000 in 1991, \$18,000 in 1992 and \$139,000 in 1993. In 1991, \$770,000 of unrelated third party property premiums were financed over a nine-month period by this subsidiary.

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NOTE 12 -- QUARTERLY FINANCIAL DATA (UNAUDITED)

<TABLE>

<CAPTION>

	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
	(IN THOUSANDS, EXCEPT PER SHARE DATA)			
Year ended December 31, 1993:				
Net sales.....	\$ 81,130	\$95,822	\$ 86,361	\$81,873
Gross profit.....	7,155	9,190	9,012	7,164
Net income (loss).....	\$ 592	\$ (3,590)	\$ 3,191	\$ 556
	-----	-----	-----	-----
Income (loss) per common share.....	\$.11	\$ (.65)	\$.58	\$.10
	-----	-----	-----	-----
Year ended December 31, 1992:				
Net sales.....	\$ 82,656	\$92,459	\$ 76,978	\$64,158
Gross profit.....	9,807	12,854	9,497	5,285
Income (loss) before cumulative effect of changes in accounting principles.....	\$ 2,156	\$ 4,049	\$ 2,133	\$ (3,192)
Cumulative effect of changes in accounting principles.....	(69,949)	--	--	--
Net income (loss).....	\$ (67,793)	\$ 4,049	\$ 2,133	\$ (3,192)
	-----	-----	-----	-----
Income (loss) per common share:				
Income (loss) before cumulative effect of changes in accounting principles.....	\$.38	\$.73	\$.38	\$ (.57)
Cumulative effect of changes in accounting principles.....	(12.53)	--	--	--
Net income (loss).....	\$ (12.15)	\$.73	\$.38	\$ (.57)
	-----	-----	-----	-----

</TABLE>

NOTE 13 -- INDUSTRY SEGMENT INFORMATION

The Company's continuing operations are comprised of one segment, the manufacture and sale of carbon steel rod, wire and wire products for

agricultural, industrial, construction, commercial, original equipment manufacturers and retail consumer markets.

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,		
	1991	1992	1993
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
Net sales.....	\$302,132	\$316,251	\$345,186
Operating income.....	\$ 19,248	\$ 12,826	\$ 12,361
General corporate expense, net.....	(106)	(1,450)	(4,656)
Interest expense.....	(4,322)	(3,036)	(6,575)
Income before income taxes.....	\$ 14,820	\$ 8,340	\$ 1,130

</TABLE>

Export sales were \$7.5 million in 1991, \$2.8 million in 1992 and \$1.5 million in 1993. General corporate expenses in 1993 included \$3.2 million of nondeductible excise taxes, and interest expense included \$3.9 million of related interest. See Note 14.

NOTE 14 -- COMMITMENTS AND CONTINGENCIES

Environmental matters -- Peoria facility

The Company is currently involved in the closure of inactive waste disposal units at its Peoria, Illinois facility pursuant to a closure plan approved by the Illinois Environmental Protection Agency ("IEPA") in September 1992 which provides for the treatment of seven hazardous waste surface impoundments and two waste piles. The closure plan proposes, among other things, the in-place treatment of certain sediments in the surface impoundments, which treatment is designed to convert certain hazardous wastes to special wastes that

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qualify for "delisting" and can be removed and disposed of at a lesser cost than "listed" hazardous wastes. One of the seven surface impoundments, containing approximately 30% of the total sediments to be treated, was treated as a full scale test during 1993 to meet established criteria and a delisting petition was filed with the Illinois Pollution Control Board ("IPCB") documenting the results of that treatment. Based on these results, the IPCB approved the Company's delisting petition on February 17, 1994. At December 31, 1993, the Company has a \$7.3 million accrual representing the estimated costs remaining to be incurred relating to the remediation efforts, exclusive of capital improvements. The remediation is expected to be performed over the next five to six years. The Company also reached agreements with the IEPA and the Illinois Attorney General's office concerning financial assurance, liability insurance, delisting procedure and certain ground water contamination issues which, along with the closure plan, were incorporated in a Consent Order in July 1993. Pursuant to the agreement, the Company will deposit \$3 million into a trust fund over a six-year period. The Company cannot withdraw funds from the trust fund until the fund balance exceeds the sum of the estimated remaining remediation costs plus \$2 million. At December 31, 1992 and 1993 the trust fund had balances of \$501,000 and \$863,000, respectively, which amounts are included in other noncurrent assets because the Company does not expect to have access to any of these funds until after 1997.

In the normal course of operations at the Company's Peoria facility an unknown amount of a radioactive element was contained in some scrap being melted in an electric arc furnace resulting in the pollution control system and the accumulated furnace dust becoming contaminated. As a result, it was necessary for the Company to clean the pollution control system and remove, contain and store the contaminated dust. The Company has incurred \$2.1 million of costs related to this incident, net of \$1.2 million in insurance reimbursements. The insurers are disputing coverage for the remaining \$1.1 million in excess of the Company's \$1 million insurance deductible. Preliminary cost estimates to stabilize and dispose of the contaminated dust offsite range from \$7 million to \$9 million. However, the Company is investigating alternatives to stabilization and offsite disposal of the contaminated dust including storing the dust on site indefinitely. The preliminary cost estimate for long term on-site storage is approximately \$1.2 million, which amount has been accrued at December 31, 1993.

The Company believes its comprehensive general liability insurance policies provide indemnification for costs incurred resulting from this incident. However, because of the dispute with the insurers, the Company has not recorded an insurance receivable related to this matter.

Environmental matters -- "Superfund" sites

The Company is also subject to federal and state "Superfund" legislation that imposes cleanup and remediation responsibility upon present and former owners and operators of, and persons that generated hazardous substances deposited upon, sites determined by state or federal regulators to contain hazardous substances. The Company has been notified by the United States Environmental Protection Agency ("U.S. EPA") that the Company is a potentially responsible party ("PRP") under the federal "Superfund" legislation for the alleged release or threat of release of hazardous substances into the environment at several sites. These situations involve cleanup of landfills and disposal facilities which allegedly received hazardous substances generated by discontinued operations of the Company. The Company believes its comprehensive general liability insurance policies provide indemnification for certain costs the Company incurs at the three "Superfund" sites discussed below and has recorded receivables for the estimated insurance recoveries.

In July 1991, the United States filed an action against a former subsidiary of the Company and four other PRP's in the United States District Court for the Northern District of Illinois (Civil Action No. 91C4482) seeking to recover investigation and remediation costs incurred by U.S. EPA at the Byron Salvage Yard, located in Byron, Illinois. In April 1992, Keystone filed a third-party complaint in this civil action against 15 additional parties seeking contribution in the event the Company is held liable for any response costs at the Byron site. Neither the Company nor the other designated PRPs are performing any investigation of the nature and extent of the contamination. U.S. EPA has possession of the site, is conducting the remedial investigation, and has not made available sufficient data, tests results or other facts that would enable the PRPs to speculate as to an appropriate remedy or remedies. In July 1993, the U.S. EPA made available for inspection records documenting approximately \$10 million in investigation and remediation costs incurred at the site and produced copies of the laboratory results on groundwater samples taken as a part of the ongoing

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remedial investigation. U.S. EPA has not released any hydrogeological analysis or risk assessment of those test results, nor has it disclosed any of its remedial investigation findings. Until U.S. EPA releases its remedial investigation/feasibility study ("RI/FS"), the Company has no basis to predict whether U.S. EPA will require any further groundwater remediation measures. The Company accrued its \$500,000 estimated share of the documented investigation and remediation costs during 1993.

In September 1991, the Company along with 53 other PRP's, executed a consent decree to undertake the immediate removal of hazardous wastes and initiate a RI/FS of the Interstate Pollution Control site located in Rockford, Illinois. The Company's percentage allocation within the group of PRP's agreeing to fund this project is 2.14%. However, the Company's ultimate allocation, and the ultimate costs of the RI/FS and the removal action, are subject to change depending, for example, upon: the number and financial condition of the other participating PRPs, field conditions and sampling results, additional regulatory requirements, and the success of a planned contribution action seeking to compel additional parties to contribute to the costs of the RI/FS and removal action. The project manager for the engineering firm conducting the RI/FS at the site has concluded the least expensive remedial option would be to cap the site and install and operate a soil vapor extraction system, at an estimated cost of approximately \$2.6 million. The remedial investigation is still in process and the feasibility study is not due to be completed until 1995. The Company's share of the estimated least expensive remedial option is approximately \$56,000, which was accrued in the fourth quarter of 1993.

In August 1987, the Company was notified by the U.S. EPA that it is a PRP responsible for the alleged hazardous substance contamination of a site previously owned by the Company in Cortland, New York. There are four other PRPs and a contribution action is pending against eleven additional viable companies which contributed wastes to the site. A recent estimate made by the principal engineering firm responsible for the management of the RI/FS indicated the estimated cost of the least expensive remedial option is \$6 million to \$8.5 million. This option would involve pumping and treating contaminated groundwater extracted from wells on the site, as well as the construction of a site cap. The likelihood that U.S. EPA will select this option will depend on, among other things, the results of the supplemental field investigations initiated in

November 1993 and the findings of the site risk assessment and feasibility study. The Company's estimated share of the least expensive remedial option is approximately \$375,000, which was accrued in the fourth quarter of 1993.

Current litigation

In 1983 and 1984, the Company satisfied a portion of its funding obligations to the Keystone Master Pension Trust ("KMPT") through the contribution of certain real property. The IRS contended these contributions were prohibited sales between the Company and the KMPT and in 1988, issued a Notice of Deficiency proposing the imposition of excise taxes plus accrued interest against the Company under the "prohibited transaction" provisions of the Internal Revenue Code (the "Code"). On May 24, 1993, the U.S. Supreme Court reversed lower court decisions favorable to the Company and remanded the case to the tax court to determine the amount due. The Company believed the contributions were not prohibited transactions and had no accrual with respect to this matter prior to the U.S. Supreme Court's reversal of the favorable lower courts' decisions. The Company has estimated the costs of the 5% nondeductible excise taxes to be approximately \$3.2 million and the related interest accrued through December 31, 1993 to be approximately \$3.9 million, resulting in a net after-tax charge of approximately \$5.6 million in 1993. In addition, to avoid a second tier \$9.6 million excise tax, the Company made a "correction" payment of \$2.3 million to its pension plans in June 1993. The IRS contended this additional payment should have been approximately \$3.5 million higher. The Company is currently negotiating a settlement of this matter with the IRS.

In February 1989, the Company sold substantially all of the operating assets of two former divisions. As part of the purchase price, the Company received two promissory notes from the purchaser collateralized by the assets sold. In 1991, the purchaser restructured its business and borrowing obligations, including its notes payable to the Company, sold product lines, spun off operations and sold unused machinery and equipment. In consideration of the Company's consent to that restructuring, the Company obtained certain replacement security interests including a secured note receivable, proceeds, from a noncompetition agreement and security interests in two of the purchasers limited partnership interests. In October 1991, an involuntary bankruptcy petition was filed against the purchaser by certain unsecured creditors. As a result, a liquidation effort

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commenced under the supervision of the U.S. Bankruptcy Court. The Company accounts for the notes by the cost recovery method and the net carrying value was \$3.0 million and \$2.4 million at December 31, 1992 and 1993, respectively. In November 1993, the bankruptcy Trustee commenced an adversary proceeding against the Company seeking to subordinate certain claims filed by the Company during the bankruptcy proceeding and to recover certain payments received by the Company, aggregating \$1.6 million at December 31, 1993, pursuant to the note receivable and noncompetition agreement referred to above. The Company believes the adversary proceeding is without merit and intends to vigorously defend its interests.

The Company is also engaged in various legal proceedings incidental to its normal business activities. In the opinion of the Company, none of such proceedings is material in relation to the Company's consolidated financial position, results of operations or liquidity.

Concentration of credit risk

The Company sells its products to agricultural, industrial, construction, commercial, original equipment manufacturers and retail distributors primarily in the midwestern and southwestern regions of the United States. The Company performs ongoing credit evaluations of its customer's financial condition and, generally, requires no collateral from its customers. The Company's ten largest customers accounted for approximately 31% of sales in 1991, 33% in 1992 and 30% in 1993 and approximately 39% and 33% of notes and accounts receivable at December 31, 1992 and 1993, respectively.

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KEYSTONE CONSOLIDATED INDUSTRIES, INC.
AND SUBSIDIARIES

SCHEDULE V -- PROPERTY, PLANT AND EQUIPMENT
(IN THOUSANDS)

<TABLE>
<CAPTION>

CLASSIFICATION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS	RETIREMENTS	OTHER	BALANCE AT END OF PERIOD
<S>	<C>	<C>	<C>	<C>	<C>
Year ended December 31, 1991:					
Land.....	\$ 1,427	\$ --	\$ --	\$ --	\$ 1,427
Buildings and improvements.....	36,586	1,843	--	--	38,429
Machinery and equipment.....	159,456	5,950	847	--	164,559
Leasehold improvements.....	1,204	--	--	--	1,204
Construction in progress.....	3,427	1,478	28	--	4,877
	\$ 202,100	\$ 9,271	\$ 875	\$ --	\$ 210,496
Year ended December 31, 1992:					
Land.....	\$ 1,427	\$ --	\$ --	\$ --	\$ 1,427
Buildings and improvements.....	38,429	2,119	16	(47)	40,485
Machinery and equipment.....	164,559	5,919	929	47	169,596
Leasehold improvements.....	1,204	--	--	--	1,204
Construction in progress.....	4,877	(579)	80	--	4,218
	\$ 210,496	\$ 7,459	\$ 1,025	\$ --	\$ 216,930
Year ended December 31, 1993:					
Land.....	\$ 1,427	\$ 94	\$ --	\$ --	\$ 1,521
Buildings and improvements.....	40,485	586	131	--	40,940
Machinery and equipment.....	169,596	7,754	1,547	(69)	175,734
Leasehold improvements.....	1,204	--	--	--	1,204
Construction in progress.....	4,218	(1,085)	--	69	3,202
	\$ 216,930	\$ 7,349	\$ 1,678	\$ --	\$ 222,601

</TABLE>

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KEYSTONE CONSOLIDATED INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE VI -- ACCUMULATED DEPRECIATION
OF PROPERTY, PLANT AND EQUIPMENT
(IN THOUSANDS)

<TABLE>
<CAPTION>

CLASSIFICATION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS	RETIREMENTS	OTHER	BALANCE AT END OF PERIOD
<S>	<C>	<C>	<C>	<C>	<C>
Year ended December 31, 1991:					
Buildings and improvements.....	\$ 19,487	\$ 1,052	\$ --	\$ 1	\$ 20,540
Machinery and equipment.....	92,408	8,917	747	--	100,578
Leasehold improvements.....	1,187	27	--	--	1,214
	\$ 113,082	\$ 9,996	\$ 747	\$ 1	\$ 122,332
Year ended December 31, 1992:					
Buildings and improvements.....	\$ 20,540	\$ 1,166	\$ 14	\$ 104	\$ 21,796
Machinery and equipment.....	100,578	9,277	735	6	109,126
Leasehold improvements.....	1,214	82	--	(110)	1,186
	\$ 122,332	\$10,525	\$ 749	\$ --	\$ 132,108
Year ended December 31, 1993:					
Buildings and improvements.....	\$ 21,796	\$ 1,227	\$ 28	\$ --	\$ 22,995
Machinery and equipment.....	109,126	9,855	1,332	--	117,649
Leasehold improvements.....	1,186	2	--	--	1,188
	\$ 132,108	\$11,084	\$ 1,360	\$ --	\$ 141,832

KEYSTONE CONSOLIDATED INDUSTRIES, INC.
AND SUBSIDIARIES

SCHEDULE VIII -- VALUATION AND QUALIFYING ACCOUNTS

<TABLE>
<CAPTION>

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS		BALANCE AT END OF PERIOD
		CHARGED TO COSTS AND EXPENSES	DEDUCTIONS (NET OF RECOVERIES)	
<S>	<C>	<C>	<C>	<C>
Year ended December 31, 1991:				
Allowance for doubtful accounts and notes receivable.....	\$1,209	\$133	\$ 1,025	\$ 317
Reserve for supplies inventory.....	\$ 768	\$298	\$ --	\$1,066
Allowance for doubtful notes and interest receivable.....	\$1,100	\$ --	\$ 1,100	\$ --
Year ended December 31, 1992:				
Allowance for doubtful accounts and notes receivable.....	\$ 317	\$ 45	\$ (102)	\$ 464
Reserve for supplies inventory.....	\$1,066	\$180	\$ --	\$1,246
Year ended December 31, 1993:				
Allowance for doubtful accounts and notes receivable.....	\$ 464	\$ (6)	\$ (23)	\$ 435
Reserve for supplies inventory.....	\$1,246	\$247	\$ --	\$1,493

</TABLE>

* * * * *

SCHEDULE X -- SUPPLEMENTARY INCOME STATEMENT INFORMATION
(IN THOUSANDS)

<TABLE>
<CAPTION>

	CHARGED TO COSTS AND EXPENSES YEARS ENDED DECEMBER 31,		
	1991	1992	1993
<S>	<C>	<C>	<C>
Maintenance.....	\$ 34,676	\$ 36,830	\$ 34,116

</TABLE>

Note: Other items are omitted as the amounts did not exceed one percent of total sales or are reported in the related statements of operations and statements of cash flows.

KEYSTONE CONSOLIDATED INDUSTRIES, INC.
AND SUBSIDIARIES

EXHIBIT INDEX

<TABLE> <CAPTION>	Page Numbers: manually signed copy	<C>
<S> 3.1	<C>	Certificate of Incorporation, as amended and filed with the Secretary of State of Delaware -- incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1990.
3.2		Bylaws of the Company, as amended and restated May 15, 1990 -- incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 1990.
4.1		Accounts Receivable Financing Agreement and Security Agreement dated December 19, 1986, as amended between the Company and Congress Financial Corporation (Central) -- incorporated by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1990.
4.2		Amendment No. 6, dated November 1, 1991 to Accounts Receivable Financing Agreement and Rider No. 1 between the Company and Congress Financial Corporation (Central) dated December 19, 1986 -- incorporated by reference to Exhibit 4.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 1991.
4.3		Amendment No. 7, dated January 15, 1993 to Accounts Receivable Financing Agreement and Rider No. 1 between the Company and Congress Financial Corporation (Central) dated December 19, 1986.
4.4		Amendment No. 8, dated December 30, 1993 to Accounts Receivable Financing Agreement and Rider No. 1 between the Company and Congress Financial Corporation (Central) dated December 19, 1986.
4.5		Term Loan and Security Agreement between the Company and Congress Financial Corporation (Central) dated December 30, 1993.
10.1		Intercorporate Services Agreement with Contran Corporation dated as of January 1, 1993.
21		Subsidiaries of the Company.
23		Consent of Coopers & Lybrand.

</TABLE>

(b) No reports on Form 8-K were filed during the quarter ended December 31, 1993.

AMENDMENT NO. 7 TO
 ACCOUNTS RECEIVABLE FINANCING
 AGREEMENT {SECURITY AGREEMENT} AND RIDER
 NO. 1 TO ACCOUNTS RECEIVABLE FINANCING
 AGREEMENT (SECURITY AGREEMENT)

This Amendment No. 7 (the "Amendment") dated as of January 15, 1993 is entered into by Keystone Consolidated Industries, Inc. ("Debtor") and Congress Financial Corporation (Central) ("Congress"). Capitalized terms used herein but not defined herein shall have the meaning ascribed to them in the Accounts Receivable Financing Agreement {Security Agreement} dated as of December 19, 1986, as amended (as so amended the "Loan Agreement") , and Rider No. 1 to Accounts Receivable Financing Agreement (Security Agreement) , dated as of December 19, 1986, as amended (as so amended, the "Rider") , by and between Debtor and Congress. The Rider and the Loan Agreement are collectively hereinafter referred to as the "Agreement."

WITNESSETH:

WHEREAS, Debtor and Congress have entered into the Agreement;
 and

WHEREAS, Debtor and Congress have agreed to amend the Rider on the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree, effective January 1, 1992, paragraph 1(p) of the Rider is deleted in its entirety and the following is substituted therefore:

(p) "Tangible Net Worth" shall mean, as of any date of determination, the excess of total assets over total liabilities of the Debtor in conformity with generally accepted accounting principles (GAAP), but excluding from

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the determination of total assets any items which are treated as intangibles in conformity with GAAP, and excluding from total assets and liabilities any increased pension or postretirement benefit liabilities or increased assets which result solely from the Debtor's adoption of Financial Accounting Standards Board Statements Nos. 87, 88 and 106 ("SFAS Nos. 87, 88 and 106").

IN WITNESS WHEREOF, this Amendment has been duly executed as of the day and year first above written.

KEYSTONE CONSOLIDATED
INDUSTRIES, INC.

By: /s/ HAROLD M. CURDY
Name: Harold M. Curdy
Title: Vice President, Finance

CONGRESS FINANCIAL CORPORATION
(CENTRAL)

By: /s/ JAMES W. WALD
Name: James W. Wald
Title: Vice President

AMENDMENT NO. 8 TO ACCOUNTS RECEIVABLE FINANCING AGREEMENT
{SECURITY AGREEMENT} AND RIDER NO. 1 TO ACCOUNTS RECEIVABLE
FINANCING AGREEMENT {SECURITY AGREEMENT}

THIS AMENDMENT NO. 8 (the "Amendment") is made and entered into as of December 30, 1993 by and between KEYSTONE CONSOLIDATED INDUSTRIES, INC. ("Debtor") and CONGRESS FINANCIAL CORPORATION (CENTRAL) ("Congress").

Recitals

A. Debtor and Congress are the parties to that certain Accounts Receivable Financing Agreement {Security Agreement} (as amended to date, the "Loan Agreement") and Rider No. 1 thereto (as amended to date, "Rider No. 1") , each dated as of December 19, 1986.

B. Debtor and Congress are about to enter in a Term Loan Agreement of even date herewith and each desires to amend Rider No. 1 in connection therewith.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. Term of Revolving Loan Agreement. Section 16 of Rider No. 1 is amended by deleting "December 31, 1993" therefrom and replacing such date with "December 31, 1996".

2. Effect on Loan Agreement and Rider No. 1. The Loan Agreement and Rider No. 1, as amended hereby shall be and remain in full force and effect and are hereby, ratified and confirmed in all respects.

3. Execution in Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Amendment as of the day and year first above written.

KEYSTONE CONSOLIDATED INDUSTRIES, INC.

By: /s/ HAROLD M. CURDY

CONGRESS FINANCIAL CORPORATION
(CENTRAL)

By: /s/ GEORGE KALESNIK, SR. VP

TERM LOAN AND SECURITY AGREEMENT

This Term Loan and Security Agreement (the "Agreement") is made and entered into as of December 30, 1993 by and between Congress Financial Corporation (Central) ("Lender") and Keystone Consolidated Industries, Inc. ("Borrower").

RECITALS

A. Borrower and Lender are the parties to that certain Accounts Receivable Financing Agreement {Security Agreement} dated as of December 19, 1986, as amended to date (the "Accounts Financing Agreement") , and Rider No. 1 to Accounts Receivable Financing Agreement (Security Agreement), as amended to date ("Rider No. 1"). The Accounts Financing Agreement and Rider No. 1 are hereinafter referred to collectively as the "Revolving Loan Agreement". Capitalized terms used and not otherwise defined in this Agreement are used as they are defined in the Revolving Loan Agreement.

B. Lender is a party to that certain Amendment and Restatement of Subordination Agreement (the "Subordination Agreement") dated as of June 30, 1987 by and among Harold C. Simmons, as trustee under the Keystone Master Pension Trust (the "Trust") , ITT Commercial Finance Corp. ("ITT") and Lender concerning various obligations of Borrower to the Trust, ITT and Lender, including the obligations of Borrower to ITT under the ITT Loan Agreement (as defined in the Subordination Agreement).

C. Borrower, the trustee of the Trust and Wire Products, Inc. are the parties to that certain Amendment and Restatement of Security Agreement (the "Security Agreement") dated as of January 8, 1987 concerning, among other things, the relative priority of security interests held by the trustee of the Trust, Lender and the Term Lenders (as defined in the Security Agreement).

D. Borrower has requested and Lender has agreed to make a term loan to Borrower upon the terms and subject to the conditions set forth in this Agreement.

E. The term loan to be made under this Agreement will replace and be a refinancing of the obligations of Borrower under the ITT Loan Agreement. Lender, upon the making of the term loan contemplated by this Agreement, will be a Term Lender (as defined in the Security Agreement).

NOW, THEREFORE, in consideration of the mutual conditions and agreements set forth herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. DEFINITIONS

All terms used herein which are defined in Article 1 or Article 9 of the Uniform Commercial Code shall have the meanings given therein unless otherwise defined in this Agreement. All references to the plural herein shall also mean the singular and to the singular shall also mean the plural. All references to Borrower and Lender pursuant to the definitions set forth in the recitals hereto, or to any other person herein, shall include their respective successors and assigns. The words "hereof", "herein", "hereunder", "this Agreement" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not any particular provision of this Agreement and as this Agreement now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced. An Event of Default

shall continue or be continuing until it is waived in accordance with Section 9.3 hereof. Any accounting term used herein unless otherwise defined in this Agreement shall have the meanings customarily given to such term in accordance with GAAP. For purposes of this Agreement, the following terms shall have the respective meanings given to them below:

1.1 "Accounts" shall mean all present and future rights of Borrower to payment for goods sold or leased or for services rendered, which are not evidenced by instruments or chattel paper, and whether or not earned by performance.

1.2 "Equipment" shall mean all of Borrower's now owned and hereafter acquired equipment, machinery, computers and computer hardware and software (whether owned or licensed), vehicles, tools, furniture, fixtures, all attachments, accessions and property now or hereafter affixed thereto or used in connection therewith, and substitutions and replacements thereof, wherever located.

1.3 "Event of Default" shall mean the occurrence or existence of any event or condition described in Section 8.1 hereof.

1.4 "Financing Agreements" shall mean, collectively, this Agreement and any other agreement, document or instrument now or at any time hereafter executed and/or delivered by Borrower or any Obligor in connection with this Agreement, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

1.5 "GAAP" shall mean generally accepted accounting principles in the United States of America as in effect from time to time as set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and the statements and pronouncements of the Financial Accounting Standards Boards which

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are applicable to the circumstances as of the date of determination, except that, for purposes of Sections 7.13 and 7.14 hereof, GAAP shall be determined on the basis of such principles in effect on the date hereof and consistent with those used in the preparation of the audited financial statements delivered to Lender prior to the date hereof.

1.6 "Inventory" shall mean all of Borrower's now owned and hereafter existing or acquired raw materials, work in process, finished goods and all other inventory of whatsoever kind or nature, wherever located.

1.7 "Information Certificate" shall mean the Information Certificate of Borrower constituting Exhibit A hereto containing material information with respect to Borrower, its business and assets provided by or on behalf of Borrower to Lender in connection with the preparation of this Agreement and the other Financing Agreements and the financing arrangements provided for herein.

1.8 "Obligations" shall mean the Term Loan and all other obligations, liabilities and indebtedness of every kind, nature and description owing by Borrower to Lender and/or its affiliates, including principal, interest, charges, fees, costs and expenses, however evidenced, whether as principal, surety, endorser, guarantor or otherwise, whether arising under this Agreement or otherwise, whether now existing or hereafter arising, whether arising before, during or after the initial or any renewal term of this Agreement or after the commencement of any case with respect to Borrower under the United States Bankruptcy Code or any similar statute (including, without limitation, the payment of interest and other amounts which would accrue and become due but for the commencement of such case), whether direct or indirect, absolute or contingent, joint or several, due or not due, primary or secondary, liquidated or unliquidated, secured or unsecured, and however acquired by Lender.

1.9 "Obligor" shall mean any guarantor, endorser, acceptor, surety or other person liable on or with respect to the Obligations or who is the owner of any property which is security for the Obligations, other than Borrower.

1.10 "Person" or "person" shall mean any individual, sole proprietorship, partnership, corporation (including, without limitation, any corporation which elects subchapter S status under the Internal Revenue Code of 1986, as amended), business trust, unincorporated association, joint stock corporation, trust, joint venture or other entity or any government or any agency or instrumentality or political subdivision thereof.

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1.11 "Prime Rate" shall mean the rate from time to time publicly announced by Philadelphia National Bank, incorporated as CoreStates Bank, N.A., or its successors and assigns, at its office in Philadelphia, Pennsylvania, as its prime rate, whether or not such announced rate is the best rate available at such bank.

1.12 "Records" shall mean all of Borrower's present and future books of account of every kind or nature, purchase and sale agreements, invoices, ledger cards, bills of lading and other shipping evidence, statements, correspondence, memoranda, credit files and other data relating to the Collateral or any account debtor, together with the tapes, disks, diskettes and other data and software storage medium and devices, file cabinets or containers in or on which the foregoing are stored (including any rights of Borrower with respect to the foregoing maintained with or by any other person).

1.13 "Term Loan" is defined in Section 2.1 hereof.

1.14 "Value" shall mean, as determined by Lender in good faith, with respect to Inventory, the lower of (a) cost computed on a first-in-first-out basis in accordance with GAAP or (b) market value.

SECTION 2. CREDIT FACILITIES

2.1 Term Loan. Subject to, and upon the terms and conditions contained herein, Lender agrees to make a loan (the "Term Loan") to Borrower in the principal amount of \$20,000,000.

2.2 Scheduled Principal Payments. Except as provided in Sections 2.3 and 8.2(b) hereof, the principal amount of the Term Loan shall be due and payable in 35 equal monthly payments of \$277,777 due on February 1, 1994 and on the first day of each month thereafter and a final payment of the remaining principal balance due on December 31, 1996.

2.3 Mandatory Prepayment Upon Termination of Revolver. The entire principal balance of the Term Loan then outstanding shall be due and payable on the date that the Revolving Loan Agreement is terminated by Borrower pursuant to Section 16 of Rider No. 1.

2.4 Interest.

(a) Borrower shall pay to Lender interest on the outstanding principal amount of the Obligations at the rate of one percent (1%) per annum in excess of the Prime Rate, except that Borrower shall pay to Lender interest, at Lender's option, without notice, at the Default Rate on the Obligations for the period on and after (i) the date that is 120 days after the date

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of termination or non-renewal hereof, or (ii) the date of the occurrence of an Event of Default or an event which with notice or passage of time or both would constitute an Event of Default, and for so long as such Event of Default or other event is continuing as determined by Lender and until such time as all obligations are indefeasibly paid in full (notwithstanding entry of any judgment against Borrower). All interest accruing hereunder on and after the date of any Event of Default or termination or non-renewal hereof shall be payable on demand.

(b) Accrued interest shall be due and payable on each date that principal is due and payable under Sections 2.2, 2.3 or 8.2(b) hereof. Interest shall be calculated on the basis of a three hundred sixty (360) day year and actual days elapsed. The interest rate shall increase or decrease by an amount equal to each increase or decrease in the Prime Rate effective on the first day of the month after any change in such Prime Rate is announced based on the Prime Rate in effect on the last day of the month in which any such change occurs. In no event shall charges constituting interest payable by Borrower to Lender exceed the maximum amount or the rate permitted under any applicable law or regulation, and if any part or provision of this Agreement is in contravention of any such law or regulation, such part or provision shall be deemed amended to conform thereto.

2.5 Closing Fee. Borrower shall pay to Lender as a closing fee the amount of \$200,000, which shall be fully earned as of and payable on the date hereof.

2.6 Loan Account Charges. Lender shall have the right, at its option, to charge all principal, interest, fees and all other Obligations and other amounts payable by Borrower hereunder to Borrower's loan account referred to in Section 2 of the Accounts Financing Agreement

2.7 Payments. Borrower shall make all payments to Lender on the Obligations free and clear of, and without deduction or withholding for or on account of, any setoff, counterclaim, defense, duties, taxes, levies, imposts, fees, deductions, withholding, restrictions or conditions of any kind. If after receipt of any payment of, or proceeds applied to the payment of, any of the Obligations, Lender is required to surrender or return such payment to any Person for any reason, then the Obligations intended to be satisfied by such payment shall be reinstated and continue and this Agreement shall continue in full force as if such payment had not been received by Lender. Borrower shall be liable to pay to Lender, and does indemnify and hold Lender harmless for the amount of any payments surrendered or returned. This Section 2.7 shall remain effective notwithstanding any contrary action which may be taken by Lender in reliance upon

such payment. This Section 2.7 shall survive the termination or non-renewal of this Agreement.

2.8 Authorization to Make Loan. Lender is authorized to make the Term Loan based upon telephonic or other instructions received from anyone purporting to be an officer of Borrower or other authorized person. The Term Loan shall be conclusively presumed to have been made to, and at the request of and for the benefit of, Borrower when deposited to the credit of Borrower or otherwise disbursed or established in accordance with the instructions of Borrower or in accordance with the terms and conditions of this Agreement.

2.9 Use of Proceeds. Borrower shall use the proceeds of the Term Loan only for: (a) payments to each of the persons listed in the disbursement direction letter furnished by Borrower to Lender on or about the date hereof, including all payments necessary to replace and refinance the ITT Loan Agreement (as defined in the Subordination Agreement); (b) costs, expenses and fees in connection with the preparation, negotiation, execution and delivery of this Agreement and the other Financing Agreements; and (c) working capital

purposes.

SECTION 3. CONDITIONS PRECEDENT. Each of the following is a condition precedent to Lender making the Term Loan:

3.1 Termination of Existing Loans. Lender shall have received, in form and substance satisfactory to Lender, all releases, terminations and other documents as Lender may request to evidence and effectuate the termination by the existing lender or lenders to Borrower of their respective financing arrangements with Borrower and the termination and release by it or them, as the case may be, of any interest in and to any assets and properties of Borrower or any Obligor, duly authorized, executed and delivered by it or each of them, including, but not limited to, UCC termination statements for all UCC financing statements previously filed by it or any of them, as secured party and Borrower or any Obligor, as debtor.

3.2 Security Interests. Lender shall have received evidence, in form and substance satisfactory to Lender, that Lender has valid perfected and first priority security interests in and liens upon the Collateral and any other property which is intended to be security for the Obligations, subject only to the security interests and liens permitted under Section 7.8 hereof.

3.3 Corporate Action. All requisite corporate action and proceedings in connection with the transactions contemplated by this Agreement shall be satisfactory in form and substance to Lender, and Lender shall have received all information and copies of all documents, including, without limitation, records of

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requisite corporate action and proceedings which Lender may have requested in connection therewith, such documents where requested by Lender or its counsel to be certified by appropriate corporate officers or governmental authorities.

3.4 Required Consents. Lender shall have received, in form and substance satisfactory to Lender, all consents, waivers, acknowledgments and other agreements from third persons which Lender may deem necessary or desirable in order to permit, protect and perfect its security interests in and liens upon the Collateral or to effectuate the provisions or purposes of this Agreement and the other Financing Agreements, including, without limitation, acknowledgments by lessors, mortgagees and warehousemen of Lender's security interests in the Collateral, waivers by such persons of any security interests, liens or other claims by such persons to the Collateral and agreements permitting Lender access to, and the right to remain on, the premises to exercise its rights and remedies and otherwise deal with the Collateral.

3.5 Evidence of Insurance. Lender shall have received evidence of insurance and loss payee endorsements required hereunder and under the other Financing Agreements, in form and substance satisfactory to Lender, and certificates of insurance policies and/or endorsements naming Lender as loss payee.

3.6 Opinions of Counsel. Lender shall have received, in form and substance satisfactory to Lender, such opinion letters of counsel to Borrower with respect to the Financing Agreements and such other matters as Lender may request.

3.7 Execution and Delivery of Documents. The other Financing Agreements and all instruments and documents hereunder and thereunder shall have been duly executed and delivered to Lender, in form and substance satisfactory to Lender.

3.8 Representations and Warranties. All representations and warranties contained herein and in the other Financing Agreements shall be true and correct in all material respects with the same effect as though such

representations and warranties had been made on and as of the date of the making of the Term Loan.

3.9 No Defaults. No Event of Default shall have occurred and no event shall have occurred or condition be existing which, with notice or passage of time or both, would constitute an Event of Default.

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SECTION 4. ACKNOWLEDGMENT OF SECURITY INTEREST

Borrower acknowledges that (i) the Obligations are included within the term "Obligations" as such term is used in the Revolving Loan Agreement and (ii) the Obligations are therefore secured by the liens and security interests in the Collateral granted in the Revolving Loan Agreement and the other collateral documents related thereto.

SECTION 5. COLLATERAL COVENANTS

5.1 Inventory Covenants. (a) Borrower shall not remove any Inventory from the locations set forth herein, without the prior written consent of Lender, except for sales of Inventory in the ordinary course of Borrower's business and except to move Inventory directly from one location set forth herein to another such location; (b) upon Lender's request, Borrower shall, at its expense, no more than once in any twelve (12) month period, but at any time or times as Lender may request on or after an Event of Default, deliver or cause to be delivered to Lender written reports or appraisals as to the Inventory in form, scope and methodology acceptable to Lender and by an appraiser acceptable to Lender, addressed to Lender or upon which Lender is expressly permitted to rely; (c) Borrower shall produce, use, store and maintain the Inventory, with all reasonable care and caution and in accordance with applicable standards of any insurance and in conformity with applicable laws (including, but not limited to, the requirements of the Federal Fair Labor Standards Act of 1938, as amended and all rules, regulations and orders related thereto); (d) Borrower assumes all responsibility and liability arising from or relating to the production, use, sale or other disposition of the Inventory; (e) Borrower shall not sell Inventory to any customer on approval, or any other basis which entitles the customer to return or may obligate Borrower to repurchase such Inventory; (f) Borrower shall keep the Inventory in good and marketable condition; and (g) Borrower shall not, without prior written notice to Lender, acquire or accept any Inventory on consignment or approval.

5.2 Equipment Covenants. Borrower shall, at its expense, at any time or times as Lender may request on or after an Event of Default, deliver or cause to be delivered to Lender written reports or appraisals as to the Equipment in form, scope and methodology acceptable to Lender and by an appraiser acceptable to Lender; (a) Borrower shall keep the Equipment in good order, repair, running and marketable condition (ordinary wear and tear excepted); (b) Borrower shall use the Equipment, with all reasonable care and caution and in accordance with applicable standards of any insurance and in conformity with all applicable laws; (c) the Equipment is and shall be used in Borrower's business and not for personal, family, household or farming use;

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(d) Borrower shall not remove any Equipment from the locations set forth herein, except to the extent necessary to have any Equipment repaired or maintained in the ordinary course of the business of Borrower or to move Equipment directly from one location set forth herein to another such location and except for the movement of motor vehicles used by or for the benefit of

Borrower in the ordinary course of business; (e) the Equipment is now and shall remain personal property and Borrower shall not permit any of the Equipment to be or become a part of or affixed to real property; and (f) Borrower assumes all responsibility and liability arising from the use of the Equipment.

5.3 Power of Attorney. Borrower hereby irrevocably designates and appoints Lender (and all persons designated by Lender) as Borrower's true and lawful attorney-in-fact, and authorizes Lender, in Borrower's or Lender's name, to: (a) at any time an Event of Default or event which with notice or passage of time or both would constitute an Event of Default exists (i) demand payment of Accounts; (ii) enforce payment of Accounts by legal proceedings or otherwise; (iii) exercise all of Borrower's rights and remedies to collect any Account or other Collateral; (iv) sell or assign any Account upon such terms, for such amount and at such time or times as the Lender deems advisable; (v) settle, adjust, compromise, extend or renew an Account; (vi) discharge and release any Account; (vii) prepare, file and sign Borrower's name on any proof of claim in bankruptcy or other similar document against an account debtor; (viii) notify the post office authorities to change the address for delivery of Borrower's mail to an address designated by Lender, and open and dispose of all mail addressed to Borrower; and (ix) do all acts and things which are necessary, in Lender's determination, to fulfill Borrower's obligations under this Agreement and (b) at any time (i) take control in any manner of any item of payment of proceeds thereof; (ii) have access to any lockbox or postal box into which Borrower's mail is deposited; (iii) endorse Borrower's name upon any items of payment or proceeds thereof and deposit the same in Lender's account for application to the Obligations; (iv) endorse Borrower's name upon any chattel paper, document, instrument, invoice, or similar document or agreement relating to any Account or any goods pertaining thereto or any other Collateral; and (v) sign Borrower's name on any verification of Accounts and notices thereof to account debtors and (vi) execute in Borrower's name and file any UCC financing statements or amendments thereto. Borrower hereby releases Lender and its officers, employees and designees from any liabilities arising from any act or acts under this power of attorney and in furtherance thereof, whether of omission or commission, except as a result of Lender's own gross negligence or wilful misconduct as determined pursuant to a final non-appealable order of a court of competent jurisdiction.

5.4 Right to Cure. Lender may, at its option, (a) cure any default by Borrower under any agreement with a third party or pay or bond on appeal any judgment entered against Borrower, (b) discharge taxes, liens, security interests or other encumbrances at any time levied on or existing with respect to the Collateral and (c) pay any amount, incur any expense or perform any act which, in Lender's judgment, is necessary or appropriate to preserve, protect, insure, maintain, enforce and collect the Collateral and the rights of Lender with respect thereto. All amounts so expended shall constitute Obligations and shall be repayable by Borrower on demand. Lender shall be under no obligation to effect such cure, payment or bonding and shall not, by doing so, be deemed to have assumed any obligation or liability of Borrower. Any payment made or other action taken by Lender under this Section 5.4 shall be without prejudice to any right to assert an Event of Default hereunder and to proceed accordingly.

5.5 Access to Premises. From time to time as requested by Lender, at the cost and expense of Borrower, (a) Lender or its designee shall have complete access to all of Borrower's premises during normal business hours and after notice to Borrower, or at any time and without notice to Borrower if an Event of Default exists, for the purposes of inspecting, verifying and auditing the Collateral and all of Borrower's books and records, including, without limitation, the Records, and (b) Borrower shall promptly furnish to Lender such copies of such books and records or extracts therefrom as Lender may request, and (c) Lender or its designee may use during normal business hours such of Borrower's personnel, equipment, supplies and premises as may be reasonably necessary for the foregoing and if an Event of Default exists for the collection of Accounts and realization of other Collateral.

Borrower hereby represents and warrants to Lender the following (which shall survive the execution and delivery of this Agreement), the truth and accuracy of which are a condition to the making of the Term Loan:

6.1 Corporate Existence, Power and Authority; Subsidiaries.

Borrower is a corporation duly organized and in good standing under the laws of its state of incorporation and is duly qualified as a foreign corporation and in good standing in all states or other jurisdictions where the nature and extent of the business transacted by it or the ownership of assets makes such qualification necessary, except for those jurisdictions in which the failure to so qualify would not have a material adverse effect on Borrower's financial condition, results of operation or business or the rights of Lender in or to any of the Collateral.

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The execution, delivery and performance of this Agreement, the other Financing Agreements and the transactions contemplated hereunder and thereunder are all within Borrower's corporate powers, have been duly authorized and are not in contravention of law or the terms of Borrower's certificate of incorporation, by-laws, or other organizational documentation, or any indenture, agreement or undertaking to which Borrower is a party or by which Borrower or its property are bound. This Agreement and the other Financing Agreements constitute legal, valid and binding obligations of Borrower enforceable in accordance with their respective terms. Borrower does not have any subsidiaries except as set forth on the Information Certificate.

6.2 Financial Statements; No Material Adverse Change. All

financial statements relating to Borrower which have been or may hereafter be delivered by Borrower to Lender are prepared in accordance with GAAP and fairly present the financial condition and the results of operation of Borrower as at the dates and for the periods set forth therein. Except as disclosed in any interim financial statements furnished by Borrower to Lender prior to the date of this Agreement or in the Information Certificate, there has been no material adverse change in the assets, liabilities, properties and condition, financial or otherwise, of Borrower, since the date of the most recent audited financial statements furnished by Borrower to Lender prior to the date of this Agreement.

6.3 Chief Executive Office; Collateral Locations. The chief

executive office of Borrower and Borrower's Records concerning Accounts are located only at the address set forth in the Information Certificate and its only other places of business and the only other locations of Collateral, if any, are the addresses set forth in the Information Certificate, subject to the right of Borrower to establish new locations in accordance with Section 7.2 hereof. The Information Certificate correctly identifies any of such locations which are not owned by Borrower and sets forth the owners and/or operators thereof, and to the best of Borrower's knowledge, the holders of any mortgages on such locations.

6.4 Priority of Liens; Title to Properties. The security interests

and liens granted to Lender under this Agreement and the other Financing Agreements constitute valid and perfected first priority liens and security interests in and upon the Collateral subject only to the liens permitted under Section 7.8 hereof. Borrower has good and marketable title to all of its properties and assets subject to no liens, mortgages, pledges, security interests, encumbrances or changes of any kind, except those granted to Lender and such others are specifically permitted under Section 7.8 hereof.

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6.5 Tax Returns. Borrower has filed, or caused to be filed, in a timely manner all tax returns, reports and declarations which are required to be filed by it (without requests for extension except as previously disclosed in writing to Lender). All information in such tax returns, reports and declarations is complete and accurate in all material respects. Borrower has paid or caused to be paid all taxes due and payable or claimed due and payable in any assessment received by it, except taxes the validity of which are being contested in good faith by appropriate proceedings diligently pursued and available to Borrower and with respect to which adequate reserves have been set aside on its books. Adequate provision has been made for the payment of all accrued and unpaid Federal, State, county, local, foreign and other taxes whether or not yet due and payable and whether or not disputed.

6.6 Litigation. Except as described in Section 10(f) of Rider No. 1 and the Information Certificate, there are no judgments outstanding against Borrower, there is no present investigation by any governmental agency pending, or to the best of Borrower's knowledge threatened, against or affecting Borrower, its assets or business and there is no action, suit, proceeding or claim by any Person pending, or to the best of Borrower's knowledge threatened, against Borrower or its assets or goodwill, or against or affecting any transactions contemplated by this Agreement, which if adversely determined with respect to it would result in any material adverse change in the assets, business or prospects of Borrower or which would impair the ability of Borrower to perform its obligations hereunder or under any of the other Financing Agreements to which it is a party or of Lender to enforce the Obligations or realize upon the Collateral.

6.7 Compliance with Other Agreements and Applicable Laws. Borrower is not in default under, or in violation of any of the terms of, any agreement, contract, instrument, lease or other commitment to which it is a party or by which it or any of its assets are bound. Borrower is in compliance in all material respects with all applicable provisions of laws, rules, regulations, licenses, permits, approvals and orders of any foreign, Federal, State or local governmental authority.

6.8 Accuracy and Completeness of Information. All information furnished by or on behalf of Borrower in writing to Lender in connection with this Agreement or any of the other Financing Agreements or any transaction contemplated hereby or thereby, including, without limitation, all information on the Information Certificate is and will be true and correct in all material respects on the date as of which such information is dated or certified and does not omit and will not omit any material fact necessary in order to make such information not misleading. No event or circumstance has occurred which has had

or could reasonably be expected to have a material adverse affect on the business, assets or prospects of Borrower, which has not been fully and accurately disclosed to Lender in writing.

6.9 Survival of Warranties; Cumulative. All representations and warranties contained in this Agreement or any of the other Financing Agreements shall survive the execution and delivery of this Agreement and shall be conclusively presumed to have been relied on by Lender regardless of any investigation made or information possessed by Lender. The representations and warranties set forth herein shall be cumulative and in addition to any other representations or warranties which Borrower shall now or hereafter give, or cause to be given, to Lender.

6.10 Revolving Loan Agreement Representations. Except as disclosed in the Information Certificate, each of the representations and warranties in Sections 10(i) , 10(k) and 10(m) of Rider No. 1 are true and correct as of the date hereof.

7.1 Maintenance of Existence. Borrower shall at all times preserve, renew and keep in full, force and effect its corporate existence and rights and franchises with respect thereto and maintain in full force and effect all permits, licenses, trademarks, tradenames, approvals, authorizations, leases and contracts necessary to carry on the business as presently or proposed to be conducted. Borrower shall give Lender thirty (30) days prior written notice of any proposed change in its corporate name, which notice shall set forth the new name and Borrower shall deliver to Lender a copy of the amendment to the Certificate of Incorporation of Borrower providing for the name change certified by the Secretary of State of the jurisdiction of incorporation of Borrower as soon as it is available.

7.2 New Collateral Locations. Borrower may open any new location within the continental United States provided Borrower (a) gives Lender thirty (30) days prior written notice of the intended opening of any such new location and (b) executes and delivers, or causes to be executed and delivered, to Lender such agreements, documents, and instruments as Lender may deem reasonably necessary or desirable to protect its interests in the Collateral at such location, including, without limitation, UCC financing statements.

7.3 Compliance with Laws, Regulations, Etc. Borrower shall, at all times, comply in all material respects with all laws rules, regulations, licenses, permits, approvals and orders applicable to it and duly observe all requirements, of any Federal, State or local governmental authority.

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7.4 Payment of Taxes and Claims. Borrower shall duly pay and discharge all taxes, assessments, contributions and governmental charges upon or against it or its properties or assets, except for taxes the validity of which are being contested in good faith by appropriate proceedings diligently pursued and available to Borrower and with respect to which adequate reserves have been set aside on its books.

7.5 Insurance. Borrower shall, at all times, maintain with financially sound and reputable insurers insurance with respect to the Collateral against loss or damage and all other insurance of the kinds and in the amounts customarily insured against or carried by corporations of established reputation engaged in the same or similar businesses and similarly situated. Said policies of insurance shall be satisfactory to Lender as to form, amount and insurer. Borrower shall furnish certificates, policies or endorsements to Lender as Lender shall require as proof of such insurance, and, if Borrower fails to do so, Lender is authorized, but not required, to obtain such insurance at the expense of Borrower. All policies shall provide for at least thirty (30) days prior written notice to Lender of any cancellation or reduction of coverage and that Lender may act as attorney for Borrower in obtaining, and at any time an Event of Default exists, adjusting, settling, amending and canceling such insurance. Borrower shall cause Lender to be named as a loss payee and an additional insured (but without any liability for any premiums) under such insurance policies and Borrower shall obtain non-contributory lender's loss payable endorsements to all insurance policies in form and substance satisfactory to Lender. Such lender's loss payable endorsements shall specify that the proceeds of such insurance shall be payable to Lender as its interests may appear and further specify that Lender shall be paid regardless of any act or omission by Borrower or any of its affiliates. At its option, Lender may apply any insurance proceeds received by Lender at any time to the cost of repairs or replacement of Collateral and/or to payment of the Obligations, whether or not then due, in any order and in such manner as Lender may determine or hold such proceeds as cash collateral for the Obligations.

7.6 Financial Statements and Other Information.

(a) Borrower shall keep proper books and records in which

full and true entries shall be made of all dealings or transactions of or in relation to the Collateral and the business of Borrower in accordance with GAAP and Borrower shall furnish or cause to be furnished to Lender: (i) within forty-five (45) days after the end of each fiscal month, monthly unaudited financial statements (including balance sheets, statements of income and loss and statements of shareholders' equity) , all in reasonable detail, fairly presenting the financial position and the results of Borrower's operations as of the end of such fiscal month; (ii)

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within ninety (90) days after the end of each fiscal year, audited financial statements of Borrower (including balance sheets, statements of income and loss, statements of cash flow and statements of shareholders' equity) , and the accompanying notes thereto, all in reasonable detail, fairly presenting the financial position and the results of Borrower's operations as of the end of such fiscal year, together with the opinion of independent certified public accountants, which accountants shall be an independent accounting firm selected by Borrower and reasonably acceptable to Lender, that such financial statements have been prepared in accordance with GAAP, and present fairly the results of operations and financial condition of Borrower for the fiscal year then ended.

(b) Borrower shall promptly notify Lender in writing of the details of (i) any loss, damage, investigation, action, suit, proceeding or claim relating to the Collateral or any other property which is security for the Obligations or which would result in any material adverse change in Borrower's business, properties, assets, goodwill or condition, financial or otherwise, and (ii) the occurrence of any Event of Default or event which, with the passage of time or giving of notice or both, would constitute an Event of Default.

(c) Borrower shall promptly after the sending or filing thereof furnish or cause to be furnished to Lender copies of all reports which Borrower sends to its stockholders generally and copies of all reports and registration statements which Borrower files with the Securities and Exchange Commission, any national securities exchange or the National Association of Securities Dealers, Inc.

(d) Borrower shall furnish or cause to be furnished to Lender such budgets, forecasts, projections and other information respecting the Collateral and the business of Borrower, as Lender may, from time to time, reasonably request. Lender is hereby authorized to deliver a copy of any financial statement or any other information relating to the business of Borrower to any court or other government agency or to any participant or assignee or prospective participant or assignee. Borrower hereby irrevocably authorizes and directs all accountants or auditors to deliver to Lender, at Borrower's expense, copies of the financial statements of Borrower and any reports or management letters prepared by such accountants or auditors on behalf of Borrower and to disclose to Lender such information as they may have regarding the business of Borrower. Any documents, schedules, invoices or other papers delivered to Lender may be destroyed or otherwise disposed of by Lender one (1) year after the same are delivered to Lender, except as otherwise designated by Borrower to Lender in writing.

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7.7 Sale of Assets, Consolidation, Merger, Dissolution, Etc.

Borrower shall comply with the provisions of Sections 11(b) and 11(c) of Rider No. 1.

7.8 Encumbrances. Borrower shall not create, incur, assume or

suffer to exist any security interest, mortgage, pledge, lien or other

encumbrance of any nature whatsoever on any of its assets or properties, including, without limitation, the Collateral, except as permitted under Section 11(b) of Rider No. 1 and disclosed in the Information Certificate.

7.9 Indebtedness. Borrower shall not incur, create, assume, become or be liable in any manner with respect to, or permit to exist, any obligations or indebtedness, except (a) the Obligations; (b) trade obligations and normal accruals in the ordinary course of business not yet due and payable, or with respect to which Borrower is contesting in good faith the amount or validity thereof by appropriate proceedings diligently pursued and available to Borrower, and with respect to which adequate reserves have been set aside on its books; (c) purchase money indebtedness (including capital leases) to the extent not incurred or secured by liens (including capital leases) in violation of any other provision of this Agreement; and (d) obligations or indebtedness set forth on the Information Certificate.

7.10 Loans, Investments, Guarantees, Etc. Borrower shall not, directly or indirectly, make any loans or advance money or property to any person, or invest in (by capital contribution, dividend or otherwise) or purchase or repurchase the stock or indebtedness or all or a substantial part of the assets or property of any person, or guarantee, assume, endorse, or otherwise become responsible for (directly or indirectly) the indebtedness, performance, obligations or dividends of any Person or agree to do any of the foregoing, except: (a) the endorsement of instruments for collection or deposit in the ordinary course of business; (b) investments in short-term direct obligations of the United States Government; (c) investments in negotiable certificates of deposit issued by any bank satisfactory to Lender, payable to the order of Borrower or to bearer and delivered to Lender; and (d) investments in commercial paper rated A1 by Standard & Poor's Rating Group or P1 by Moody's Investors Service, Inc.; provided, that, as to any of the foregoing, unless waived in writing by Lender, Borrower shall take such actions as are deemed necessary by Lender to perfect the security interest of Lender in such investments.

7.11 Dividends and Redemptions. Borrower shall not, directly or indirectly, declare or pay any dividends on account of any shares of any class of capital stock of Borrower now or hereafter outstanding, or set aside or otherwise deposit or invest any sums for such purpose, or redeem, retire, defease,

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purchase or otherwise acquire any shares of any class of capital stock (or set aside or otherwise deposit or invest any sums for such purpose) for any consideration other than common stock or apply or set apart any sum, or make any other distribution (by reduction of capital or otherwise) in respect of any such shares or agree to do any of the foregoing, except as permitted under the Revolving Loan Agreement, as amended.

7.12 Transactions with Affiliates. Borrower shall not enter into any transaction for the purchase, sale or exchange of property or the rendering of any service to or by any affiliate, except in the ordinary course of and pursuant to the reasonable requirements of Borrower's business and upon fair and reasonable terms no less favorable to Borrower than Borrower would obtain in a comparable arm's length transaction with an unaffiliated person.

7.13 Working Capital. Borrower shall, at all times, maintain Working Capital as required by the Revolving Loan Agreement.

7.14 Tangible Net Worth. Borrower shall, at all times, maintain Tangible Net Worth as required by the Revolving Loan Agreement.

7.15 Costs and Expenses. Borrower shall pay to Lender on demand all costs, expenses, filing fees and taxes paid or payable in connection with the preparation, negotiation, execution, delivery, recording, administration, collection, liquidation, enforcement and defense of the Obligations, Lender's

rights in the collateral, this Agreement, the other Financing Agreements and all other documents related hereto or thereto, including any amendments, supplements or consents which may hereafter be contemplated (whether or not executed) or entered into in respect hereof and thereof, including, but not limited to: (a) all costs and expenses of filing or recording (including Uniform Commercial Code financing statement filing taxes and fees, documentary taxes, intangibles taxes and mortgage recording taxes and fees, if applicable); (b) all title insurance and other insurance premiums, appraisal fees and search fees; (c) costs and expenses of preserving and protecting the Collateral; (d) costs and expenses paid or incurred in connection with obtaining payment of the Obligations, enforcing the security interests and liens of Lender, selling or otherwise realizing upon the Collateral, and otherwise enforcing the provisions of this Agreement and the other Financing Agreements or defending any claims made or threatened against Lender arising out of the transactions contemplated hereby and thereby (including, without limitation, preparations for and consultations concerning any such matters); and (e) the fees and disbursements of counsel (including legal assistants) to Lender in connection with any of the foregoing.

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7.16 Further Assurances. At the request of Lender at any time and from time to time, Borrower shall, at its expense, duly execute and deliver, or cause to be duly executed and delivered, such further agreements, documents and instruments, and do or cause to be done such further acts as may be necessary or proper to evidence, perfect, maintain and enforce the security interests and the priority thereof in the Collateral and to otherwise effectuate the provisions or purposes of this Agreement or any of the other Financing Agreements. Lender may at any time and from time to time request a certificate from an officer of Borrower remaking, as of the date of such certificate, the representations and warranties set forth in this Agreement. Where permitted by law, Borrower hereby authorizes Lender to execute and file one or more UCC financing statements signed only by Lender.

7.17 Benefit Plans. The covenant of Borrower set forth in Section 11(a) of Rider No. 1 incorporated herein by this reference as if set forth herein in full.

SECTION 8. EVENTS OF DEFAULT AND REMEDIES

8.1 Events of Default. The occurrence or existence of any one or more of the following events are referred to herein individually as an "Event of Default", and collectively as "Events of Default":

(a) Borrower fails to pay when due any of the Obligations or fails to perform any of the terms, covenants, conditions or provisions contained in this Agreement or any of the other Financing Agreements;

(b) any representation, warranty or statement of fact made by Borrower to Lender in this Agreement, the other Financing Agreements or any other agreement, schedule, confirmatory assignment or otherwise shall when made be false or misleading in any material respect;

(c) any Obligor revokes, terminates or fails to perform any of the terms, covenants, conditions or provisions of any guarantee, endorsement or other agreement of such party in favor of Lender; or

(d) a Default (as defined in the Revolving Loan Agreement).

8.2 Remedies.

(a) At any time an Event of Default exists or has occurred and is continuing, Lender shall have all rights and remedies provided in this Agreement, the other Financing Agreements, the Uniform Commercial Code

all of which rights and remedies may be exercised without notice to or consent by Borrower, except as such notice or consent is expressly provided for hereunder or required by applicable law. All rights, remedies and powers granted to Lender hereunder, under any of the other Financing Agreements, the Uniform Commercial Code or other applicable law, are cumulative, not exclusive and enforceable, in Lender's discretion, alternatively, successively, or concurrently on any one or more occasions, and shall include, without limitation, the right to apply to a court of equity for an injunction to restrain a breach or threatened breach by Borrower of this Agreement or any of the other Financing Agreements. Lender may, at any time or times, proceed directly against Borrower to collect the Obligations without prior recourse to the Collateral.

(b) Without limiting the foregoing, at any time an Event of Default exists or has occurred and is continuing, Lender may, in its discretion and without limitation (i) accelerate the payment of all Obligations and demand immediate payment thereof to Lender (provided, that, upon the occurrence of any Event of Default described in Sections 8.1(g) and 8.1(h), all Obligations shall automatically become immediately due and payable), (ii) with or without judicial process or the aid or assistance of others, enter upon any premises on or in which any of the Collateral may be located and take possession of the Collateral or complete processing, manufacturing and repair of all or any portion of the Collateral, (iii) require Borrower, at Borrower's expense, to assemble and make available to Lender any part or all of the Collateral at any place and time designated by Lender, (iv) collect, foreclose, receive, appropriate, setoff and realize upon any and all Collateral, (v) remove any or all of the Collateral from any premises on or in which the same may be located for the purpose of effecting the sale, foreclosure or other disposition thereof or for any other purpose, (vi) sell, lease, transfer, assign, deliver or otherwise dispose of any and all Collateral (including, without limitation, entering into contracts with respect thereto, public or private sales at any exchange, broker's board, at any office of Lender or elsewhere) at such prices or terms as Lender may deem reasonable, for cash, upon credit or for future delivery, with Lender having the right to purchase the whole or any part of the Collateral at any such public sale, all of the foregoing being free from any right or equity of redemption of Borrower, which right or equity of redemption is hereby expressly waived and released by Borrower. If any of the Collateral is sold or leased by Lender upon credit terms or for future delivery, the Obligations shall not be reduced as a result thereof until payment therefor is finally collected by Lender. If notice of disposition of Collateral is required by law, five (5) days prior notice by Lender to Borrower designating the time and place of any public sale or the time after which any private sale or other intended disposition of Collateral is to be made, shall be deemed to be reasonable notice

thereof and Borrower waives any other notice. In the event Lender institutes an action to recover any Collateral or seeks recovery of any Collateral by way of prejudgment remedy, Borrower waives the posting of any bond which might otherwise be required.

(c) Lender may apply the cash proceeds of Collateral actually received by Lender from any sale, lease, foreclosure or other disposition of the Collateral to payment of the Obligations, in whole or in part and in such order as Lender may elect, whether or not then due. Borrower shall remain liable to Lender for the payment of any deficiency with interest at the highest rate provided for herein and all costs and expenses of

collection or enforcement, including attorneys' fees and legal expenses.

SECTION 9. JURY TRIAL WAIVER; OTHER WAIVERS
AND CONSENTS; GOVERNING LAW

9.1 Governing Law; Choice of Forum; Service of Process; Jury Trial
Waiver.

(a) The validity, interpretation and enforcement of this Agreement and the other Financing Agreements and any dispute arising out of the relationship between the parties hereto, whether in contract, tort, equity or otherwise, shall be governed by the internal laws (as opposed to the conflicts of law provisions) of the State of Illinois.

(b) Borrower and Lender irrevocably consent and submit to the non-exclusive jurisdiction of the Circuit Court of Cook County, Illinois and the United States District Court for the Northern District of Illinois, Eastern Division and waive any objection based on venue or forum non conveniens with respect to any action instituted therein, and agree that any dispute arising out of the relationship between any such persons or the conduct of any such persons in connection with this Agreement or otherwise shall be heard only in the courts described above (except that Lender shall have the right to bring any action or proceeding against Borrower or its property in the courts of any other jurisdiction which Lender deems necessary or appropriate in order to realize on the Collateral).

(c) Borrower hereby waives personal service of any and all process upon it and consents that all such service of process may be made by registered mail (return receipt requested) directed to its address set forth on the signature pages hereof and service so made shall be deemed to be completed five (5) days after the same shall have been so deposited in the U.S. mails, or, at Lender's option, by service upon CT Corporation, whom Borrower irrevocably appoints as its agent for the purpose of accepting service of process within the State of Illinois. In

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addition, Lender agrees promptly to forward by registered mail any process so served upon such agent to Borrower at its address set forth on the signature pages hereof. Borrower hereby consents to service of process as aforesaid. Within thirty (30) days after such service, Borrower shall appear in answer to such process, failing which Borrower shall be deemed in default and judgment may be entered by Lender against Borrower for the amount of the claim and other relief requested.

(d) BORROWER AND LENDER EACH HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (i) ARISING UNDER THIS AGREEMENT OR ANY OF THE OTHER FINANCING AGREEMENTS OR (ii) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR EITHER OF THEM IN RESPECT TO THIS AGREEMENT OR ANY OF THE OTHER FINANCING AGREEMENTS OR THE TRANSACTIONS RELATED HERETO IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY OR OTHERWISE. BORROWER AND LENDER EACH HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT ANY OF THEM MAY FILE AN ORIGINAL COUNTERPART OF A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

(e) Nothing in this Section 9.1 shall affect the rights of Lender to serve legal process in any other manner permitted by law or affect the rights of Lender to bring any action or proceeding against Borrower or its property in the courts of any other jurisdiction.

(f) Lender shall not have any liability to Borrower (whether in tort, contract, equity or otherwise) for losses suffered by

Borrower in connection with, arising out of, or in any way related to the transactions or relationships contemplated by this Agreement, or any act, omission or event occurring in connection herewith, unless it is determined by a final and nonappealable judgment or court order binding on Lender, that the losses were the result of acts or omissions constituting gross negligence or willful misconduct. In any such litigation, Lender shall be entitled to the benefit of the rebuttable presumption that it acted in good faith and with the exercise of ordinary care in the performance by it of the terms of this Agreement.

9.2 Waiver of Notices. Borrower hereby expressly waives demand, presentment, protest and notice of protest and notice of dishonor with respect to any and all instruments and commercial paper, included in or evidencing any of the Obligations or the Collateral, and any and all other demands and notices of any kind or nature whatsoever with respect to the Obligations, the Collateral and this Agreement, except such as are expressly provided for herein. No notice to or demand on Borrower which

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Lender may elect to give shall entitle Borrower to any other or further notice or demand in the same, similar or other circumstances.

9.3 Amendments and Waivers. Neither this Agreement nor any provision hereof shall be amended, modified, waived or discharged orally or by course of conduct, but only by a written agreement signed by an authorized officer of Lender. Lender shall not, by any act, delay, omission or otherwise be deemed to have expressly or impliedly waived any of its rights, powers and/or remedies unless such waiver shall be in writing and signed by an authorized officer of Lender. Any such waiver shall be enforceable only to the extent specifically set forth therein. A waiver by Lender of any right, power and/or remedy on any one occasion shall not be construed as a bar to or waiver of any such right, power and/or remedy which Lender would otherwise have on any future occasion, whether similar in kind or otherwise.

9.4 Waiver of Counterclaims. Borrower waives all rights to interpose any claims, deductions, setoffs or counterclaims of any nature (other than compulsory counterclaims) in any action or proceeding with respect to this Agreement, the Obligations, the Collateral or any matter arising therefrom or relating hereto or thereto.

9.5 Indemnification. Borrower shall indemnify, defend and hold Lender, and its directors, agents, employees and counsel, harmless from and against any and all losses, claims, damages, liabilities, deficiencies, judgments, penalties or expenses imposed on, incurred by or asserted against any of them in connection with any litigation, investigation, claim or proceeding commenced or threatened related to the negotiation, preparation, execution, delivery, enforcement, performance or administration of this Agreement, any other Financing Agreements, or any undertaking or proceeding related to any of the transactions contemplated hereby or any act, omission to act, event or transaction related or attendant thereto, including, without limitation, amounts paid in settlement, court costs, and the fees and expenses of counsel. To the extent that the undertaking to indemnify, pay and hold harmless set forth in this Section may be unenforceable because it violates any law or public policy, Borrower shall pay the maximum portion which it is permitted to pay under applicable law to Lender in satisfaction of indemnified matters under this Section 9.5. The foregoing indemnity shall survive the payment of the Obligations and the termination of this Agreement. All of the foregoing costs and expenses shall be part of the Obligations and secured by the Collateral.

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SECTION 10. GENERAL PROVISIONS

10.1 Notices. All notices, requests and demands hereunder shall be in writing and (a) made to Lender at its address set forth below and to Borrower at its chief executive office set forth below, or to such other address as either party may designate by written notice to the other in accordance with this provision, and (b) deemed to have been given or made: if delivered in person, immediately upon delivery; if by telex, telegram or facsimile transmission, immediately upon sending and upon confirmation of receipt; if by nationally recognized overnight courier service with instructions to deliver the next business day, one (1) business day after sending; and if by certified mail, return receipt requested, five (5) days after mailing.

10.2 Partial Invalidity. If any provision of this Agreement is held to be invalid or unenforceable, such invalidity or unenforceability shall not invalidate this Agreement as a whole, but this Agreement shall be construed as though it did not contain the particular provision held to be invalid or unenforceable and the rights and obligations of the parties shall be construed and enforced only to such extent as shall be permitted by applicable law.

10.3 Successors. This Agreement, the other Financing Agreements and any other document referred to herein or therein shall be binding upon and inure to the benefit of and be enforceable by Lender, Borrower and their respective successors and assigns, except that Borrower may not assign its rights under this Agreement, the other Financing Agreements and any other document referred to herein or therein without the prior written consent of Lender. Lender may, after notice to Borrower, assign its rights and delegate its obligations under this Agreement and the other Financing Agreements and further may assign, or sell participations in, all or any part of the Term Loan or any other interest herein to another financial institution or other person, in which event, the assignee or participant shall have, to the extent of such assignment or participation, the same rights and benefits as it would have if it were the Lender hereunder, except as otherwise provided by the terms of such assignment or participation.

10.4 Entire Agreement. This Agreement, the other Financing Agreements, any supplements hereto or thereto, and any instruments or documents delivered or to be delivered in connection herewith or therewith represents the entire agreement and understanding concerning the subject matter hereof and thereof between the parties hereto, and supersede all other prior agreements, understandings, negotiations and discussions, representations, warranties, commitments, proposals, offers and

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contracts concerning the subject matter hereof, whether oral or written.

IN WITNESS WHEREOF, Borrower has caused these presents to be duly executed and delivered as of the day and year first above written.

BORROWER

KEYSTONE CONSOLIDATED
INDUSTRIES, INC.

By: /s/ HAROLD M. CURDY
Title: VICE PRESIDENT - FINANCE
AND TREASURER

CHIEF EXECUTIVE OFFICE:

5430 LBJ FREEWAY, SUITE 1740

DALLAS, TEXAS 75240

Accepted and Agreed:

CONGRESS FINANCIAL CORPORATION
(CENTRAL)

By: /s/ GEORGE KALESNIK

Title: Senior Vice President

Address:

100 South Wacker Drive, Suite 1940
Chicago, Illinois 60606

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EXHIBIT A

INFORMATION CERTIFICATE
TO
TERM LOAN AND SECURITY AGREEMENT
BETWEEN
CONGRESS FINANCIAL CORPORATION (CENTRAL)
AND
KEYSTONE CONSOLIDATED INDUSTRIES, INC.

1. Subsidiaries (Section 6.1 of the Agreement):

Wire Products Company
Sherman Wire of Caldwell, Inc.

2. Material adverse change in the assets, liabilities, properties and condition, financial or otherwise, of Borrower, since the date of the most recent audited financial statements furnished by Borrower to Lender (Section 6.2 of the Agreement):

The Company is changing the discount rate, effective the end of fiscal 1993, used to value its pension and other post retirement benefit obligations from 9.5% to 7.5%. These changes will result in increases of approximately \$28 million in accrued non-current pension costs, \$11 million in non-current deferred taxes, and \$17 million in stockholders' deficit.

3. Locations of Borrowers businesses and Collateral (Section 6.3 of the Agreement):

Keystone Consolidated Industries, Inc.
5430 LBJ Freeway, Suite 1740
Dallas, Texas 75240

Keystone Steel & Wire
7000 SW Adams Street
Peoria, Illinois 61641

Sherman Wire
Hwy 56W and Gibbons Road
Sherman, Texas 75090

Sherman Wire of Caldwell, Inc.
Nagel Drive

Wire Products Company
111 N. Douglas Street
Hortonville, Wisconsin 54944

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EXHIBIT A

Keystone Fasteners
1407 South Powell
Springdale, Arkansas 72764

KeyWest Wire
250 E. Virginia Street
San Jose, California 95112

4. Pending actions, suits, proceedings or claims against Borrower (Section 6.6 of the Agreement):

See Schedule A attached.

5. Licenses, patents, and trademarks currently owned and used in the conduct of Borrowers business (Section 6.10 of the Agreement):

Licenses:	None
Patents:	None
Trademarks:	See Schedule B attached.

6. Contingent liabilities in connection with a release of any hazardous or toxic substance into the atmosphere (Section 6.10 of the Agreement):

651 Walsh Avenue, Santa Clara, California (formerly owned by Keystone Consolidated Industries, Inc.)

Keystone Steel & Wire, Peoria, Illinois (ditch cleanup)

Byron, Illinois, superfund site

American Chemical Services, Griffith, Indiana, superfund site

Rosen Superfund, Cortland, New York, superfund site

Conservation Chemical, Gary, Indiana, superfund site

Interstate Pollution/Roto Rooter, Rockford, Illinois, superfund site

Brockman No. I Landfill

Pagel's Pit, Rockford, Illinois

USS Lead Refinery, Inc., East Chicago, Illinois

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EXHIBIT A

7. Pending or threatened controversies with employees other than employee grievances arising in the ordinary course of business which are not in the aggregate, material to the continued financial success and well being of Borrower (Section 6.10 of the Agreement):

Donna Anderson vs. KCI - Case #C-93-20440 JW
Roy Griffith vs. KCI - Case #93-1504

8. Encumbrances and indebtedness (Sections 7.8 and 7.9 of the Agreement):

None except:

Security in Wire Products assets	
Urban Development	\$1,759,000
Series 1976 Pollution Control Revenue Bonds	1,500,000
Community Development Assistance Program	324,000
Misc. debt on equipment leases	208,000
State of Illinois	67,000
North Atlantic Realty Co.	67,000

	\$3,925,000
	=====

Amounts represent indebtedness as of September 30, 1993.

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SCHEDULE A - INFORMATION CERTIFICATE

KEYSTONE CONSOLIDATED INDUSTRIES, INC.

CURRENT LITIGATION

DECEMBER 30, 1993

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CORPORATE LITIGATION

PAGE

- 1 Keystone Consolidated Industries, Inc. vs. Commissioner of Internal Revenue
- 2 William Murphy and ISWA etal v Keystone Steel & Wire
- 3 Appeal of NLRB Decision on Union 30 and Out Pension Option, Court of Appeals for the D.C. District No. 93-1357
- ENVIRONMENTAL LITIGATION AND CLAIMS
- 4 Case No. VW85-R-36 - US-EPA v. Keystone
- 5 Brockman No. 1 Landfill, EPA No. 7412. National Lock Hardware Division
- 6 Byron Salvage Yard, Byron, Illinois
- 7-8 Rosen Site, Cortland, New York

- 9 Pagel's Pit, Rockford, Illinois
- 10 Interstate Pollution Control/Roto Rooter Site, Rockford, Illinois
- 11 American Chemical Services, Inc., Griffin, Indiana
- 12 USS Lead Refinery, Inc., East Chicago, Illinois

INSURED MATTERS

- 13 Robert Showalter vs. United Engineering, Inc. vs. KCI, Circuit Court, State of Illinois #90 L 553
- 14 Donna Anderson vs KeyWest Wire
- 15 Jack Frost vs Keystone Consolidated Industries, Inc., Case No. 93 L 00176, Peoria County Circuit Court
- 16 Roy Griffith vs Keystone Steel & Wire., Case No. 93 1504, District Court, Central District of Illinois

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Case No. 4657-89 - Keystone Consolidated Industries, Inc. vs. Commissioner of Internal Revenue

- A. Nature of Case: On March 8, 1983, the Company satisfied a portion of its funding obligation to the Keystone Master Pension Trust ("KMPT") through the contribution of certain income producing property with an appraised value of \$9.7 million. On March 13, 1984, the Company contributed additional property to the KMPT valued at \$5.3 million. The KMPT subsequently sold all of the real property contributed for approximately \$15.5 million. On December 14, 1988, the IRS issued a Notice of Deficiency (the "Notice") proposing the imposition of excise taxes plus accrued interest against the Company under the "prohibited transaction" provisions of the Internal Revenue Code (the "Code") allegedly due with respect to these contributions. It is the position of the IRS that these contributions were prohibited sales transactions between the Company and the KMPT.
- B. Amount Involved: The Notice proposes to assess (i) first tier excise taxes in the amount of \$482,773 with respect to each of the Company's taxable years ended June 30, 1983, 1985, 1986, 1987, 1988 and each fiscal year thereafter until the deficiency is corrected, and \$749,600 with respect to the Company's taxable year ended June 30, 1984 (ii) second tier excise taxes in the amount of \$9.7 million, and (iii) interest on the first tier excise taxes.
- C. Status: March 3, 1989, the Company filed a petition in the United States Tax Court contesting all of the excise taxes proposed in the Notice, taking the position that the IRS theory is without basis under the Code and that no prohibited transactions occurred. Keystone's Motion for Summary Judgment was granted on December 17, 1990. On January 17, 1992 the Fifth Circuit Court of Appeals affirmed the Tax Court decision in this matter. On August 25, 1993 the Supreme Court of the United States held that the contribution of property, other than cash, is a prohibited transaction and remanded the case to the Tax Court to determine the tax due.
- D. Fees to Date: \$644,493
- E. Handling Attorney: Ray Wexler 312/861-2018
Kirkland & Ellis
200 East Randolph Drive
Chicago, Illinois
- F. Company Contact: Ralph P. End
- G. Decision Maker: Glenn R. Simmons

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Case No. 93-1247 - William Murphy and ISWA etal v Keystone Steel & Wire

- A. Nature of Case: Plaintiffs filed this action on July 2, 1993 in U.S. District Court seeking an injunction directing Keystone to comply with the Collective Bargaining Agreement and continue to provide lifetime health insurance benefits required by the medical benefits plan and applicable collective bargaining agreements and prohibiting Keystone Steel & Wire from terminating the medical benefits plan or decreasing benefits provided to retirees of Keystone Steel & Wire.
- B. Amount Involved: Unknown
- C. Status: Motion for Summary Judgment was filed on September 28, 1993 based on the legends in each plan document and summary plan document that the Company reserves the right to amend or terminate the plan(s) at any time.
- D. Fees to Date: None
- E. Handling Attorney: Steve Gay
Husch & Eppenberger
101 S.W. Adams
Peoria, Illinois 61602
- F. Company Contact: Ralph End
- G. Decision Maker: Bob Singer
- H. File Number: 500 1003

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Appeal of NLRB Decision on Union 30 and Out Pension Option, Court of Appeals for the D.C. District No. 93-1357

- A. Nature of case: Beginning in 1982, Keystone Steel & Wire erroneously permitted those who retired from a union position under the 30-and-out provision to receive pension benefits immediately from both the Union Pension Plan and the Management Pension Plan when they did not satisfy the conditions of the Management Pension Plan. The NLRB maintains that KSW violated the NLRA by unilaterally implementing changes to the Management Pension Plan adversely affecting bargaining unit employees.
- B. Status: On February 18, 1992, an Administrative Law Judge determined that KSW had no obligation to bargain with the union before making unilateral changes in the Management Pension Plan. On appeal, the NLRB reversed the Administrative Law Judge. On May 25, 1993, KSW filed an appeal to the US Court of Appeals for the District of Columbia Circuit.
- C. Fees to date:
- D. Handling Attorney: Mark G. Arnold 314-421-4800
Stuart Cohen 309-637-4900
Husch & Eppenberger

E. Company Contact: Ralph End
F. Decision Maker: Glenn Simmons
G. File Number: 502-1000

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Case No. VW85-R-36 US-EPA v. Keystone Consolidated Industries, Inc.

A. Nature of Case: In July 1986, the United States filed suit in the federal court in Peoria, Illinois seeking injunctive relief and damages for alleged violation of the Resource Conservation and Recovery Act ("RCRA") occurring at the Company's Bartonville facilities. An evidentiary hearing was held during July 1986 on the government's motion for a preliminary injunction seeking, in part, immediate cessation of discharges of treated spent pickle liquor into on-site surface impoundments. In an oral ruling from the bench on July 28, 1986, the court found the government had made a sufficient showing of RCRA violations requiring the cessation of discharges into the impoundments by October 1, 1986.

B. Amount Involved: Unknown.

C. Status: Keystone stopped the discharge of waste pickle liquor prior to October 1986 and under a consent order paid a fine of \$280,000 and agreed to the closure of the ditches receiving the waste pickle liquor. During testing necessary to develop the closure plan, Keystone discovered the ground water contaminated with TCE. Additional testing was conducted to develop a closure plan to eliminate the waste pickle liquor sludge which was filed on June 15, 1992 and approved by the IEPA on June 30, 1992 subject to certain conditions and modifications. On July 2, 1993, the parties entered a Consent Order requiring Keystone to take certain remedial action specified in the approved Closure Plan and deposit in a trust certain funds to assure compliance with the Closure Plan. The trust was initially funded with a deposit of \$500,000 on July 1, 1992 and the Consent Order requires Keystone to make 10 additional quarterly deposits of \$175,000 each, then 10 additional quarterly deposits of \$75,000 beginning January 1, 1995 through April 1, 1997. Future additional contributions will depend on the then estimated cost of remedial action and the accumulated balance in the trust fund.

D. Fees to Date: \$297,850

E. Handling Attorney: Andrew Running, 312-861-2412
Kirkland & Ellis
200 East Randolph Drive
Chicago, Illinois 60601

F. Company Contact: Les Phillips, Ralph End

G. Company Decision Maker: Glenn R. Simmons

H. File Number: 503 A009

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Brockman No. 1 Landfill. Pending before Illinois Environmental Protection Agency, EPA. No. 7412

- A. Nature of claim: On April 21, 1987, Keystone was notified by the Illinois EPA (IEPA) that it is a potentially responsible party for the clean up of Brockman No. 1 Landfill. IEPA records show that Brockman No. 1 Landfill was issued IEPA permit 77-8 on January 12, 1978 to accept 4,500 gallons per year of miscellaneous metal finishing waste generated by the National Lock Hardware Division. IEPA claims leachate from the landfill is polluting the Illinois River. IEPA has designated National Lock Hardware division a potentially responsible.
- B. Amount Involved: The IEPA estimates the Brockman No. 1 Landfill contains 20,000 drums containing metal stripping and plating sludges; cyanides; organic solvents/sludges; and 1,400,000 gallons of bulk wastes. No estimates of the cost of cleanup are available. To date the IEPA has incurred \$749,598 in remedial action. Our permit limited us to dispose of up to 4,500 gallons per year to the site.
- C. Status: Because the low percent of waste that may have been contributed by National Lock is negligible, Keystone has taken no action in this matter.
- D. Fees to Date: \$4000
- E. Handling Attorney: Andy Running (312) 861-2412
Kirkland & Ellis
200 East Randolph Drive
Chicago, Illinois 60601
- F. Company Contact: Ralph P. End
- G. Decision Maker: Glenn R. Simmons
- H. File No.: 501 A079

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Byron Salvage Yard, Region IV, United States Environmental Protection Agency ("USEPA")

- A. Nature of Case: On July 17, 1991, the United States filed a lawsuit under CERCLA against National Lock and four other companies (Nalco Chemical Company, General Motors Corporation, Interstate Pollution Control, Co. and Commonwealth Edison Corporation) seeking recovery of at least \$3,773,881.34 in response costs incurred by the USEPA at the Byron Salvage Yard site near Byron, Illinois.
- B. Amount Involved: Unknown
- C. Status: Keystone answered the complaint on September 3, 1991. On April 23, 1992, Keystone filed a third party contribution action against 15 companies that generated wastes sent to the Byron Site. (Amrock Corporation, Atwood Industries, Inc., Coltec Industries, Inc., Ecolab, Inc., Elco Industries, Inc., Frantz Manufacturing Company, Lawrence Brothers, Inc., Quality Metal Finishing Company, Quebecor Printing Mount Morris, Inc., Raco Inc., RB&W Corporation, Sundstrand Corporation, The Valspar Corporation, and Woodward Governor Company, Inc.) Initial discovery is underway in the third party action. Wausau has orally agreed to pay 75% of Keystone's defense costs incurred in this matter. Wausau has not accepted nor rejected our claim for any costs incurred in the cleanup. On July 26, 1993, the EPA produced documents evidencing \$10 million of incurred costs.

D. Fees to date: \$167,550

E. Handling Attorney: Andy Running and Lisa Esayian (312) 861-2412
Kirkland & Ellis
200 East Randolph Drive
Chicago, Illinois

F. Company Contact: Ralph P. End

G. Decision Maker: Glenn R. Simmons

H. File Number: 800 1002

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Rosen Site, Cortland, New York, United States Environmental Protection Agency
("USEPA")

- A. Nature of Case: By letter of August 21, 1987, the USEPA notified Keystone that it is one of the entities that owned and/or operated the Rosen Site at the time of the disposal of hazardous substances there and, accordingly, a responsible party under CERCLA. Six other entities were originally named potentially responsible parties "PRP", including the two Rosen brothers who have filed bankruptcy.
- B. Amount Involved: Wausau agreed to pay 55% of Keystone's legal defense costs in this matter but has not accepted liability for the actual cost of cleanup of this site.
- C. Status: The USEPA advised Keystone that the waste sources at the site include approximately 1,200 drums and contains, 90 tanks, 22 cylinders of compressed gases, 4 capacitors and numerous piles of municipal and industrial debris. The site also contains PCB contaminated soils, organic volatiles, flammable liquids and solids and significant amounts of heavy metals. During September 1988 the EPA issued a 106 ruling requiring the PRP'S, including Keystone, to undertake the surface clean-up of the site. On April 4, 1989 the US-EPA issued an order requiring Niagara Mohawk Power Corporation to join Dallas Corporation, Monarch Machine Tool Company and Keystone in the surface cleanup. The PRP's signed a contract with Industrial Oil Tank Service Corp. for the surface cleanup work. Keystone's share of the removal of the surface debris was approximately \$100,000. On July 14, 1989 the USEPA issued a notice of its intent to commence a Remedial Investigation and Feasibility Study (RI/FS) of the Rosen Site to determine the nature and extent of hazardous substances at the site and recover the costs of remediation from the PRP'S. This notice identified Agway, Inc; BMC Industries, Inc.; Cooper Industries, Inc.; Pall Trinity Micro Corp.; Pennwelt Corp.; Potter Paint Co and Smith Corona Corp. as additional PRP's. To avoid a unilateral order to perform an RI/FS dictated by the EPA, the four original PRP's attempted to negotiate an acceptable consent order. On December 14, 1989, Keystone withdrew from the negotiations, but Dallas Corp., Monarch Machine Tool Co., and Niagara Mohawk Power Co. subsequently signed the consent order proposed by the EPA. On February 7, 1990, the EPA issued an Administrative Order under Section 106 requiring Agway, Inc., Cooper Industries, Inc., Keystone Consolidated Industries, Inc., Potter Paint Company, Inc. Harvey M. Rosen, and Smith Corona Corporation to participate in the Remedial Investigation/Feasibility Study covered by the Consent Orders proposed by the EPA. Subsequently Agway, Inc. and Smith Corona persuaded the EPA to be removed from the PRP list. The PRP's entered an agreement with Blasland & Bouck Engineers, P.C. to conduct a Remedial Investigation of the site at an estimated cost of \$550,000.

Five participating PRP'S, including Keystone, have retained counsel to

prosecute a third party action for contribution. A complaint was filed on June 11, 1992 against Agway, BMC, Borg-Warner, Elf Atochem North America, Inc., Mack Trucks, Inc., Motor Transportation Services, Inc., Pall Trinity Micro Corporation, Redding-Hunter, Inc., Rotelcom, Inc., Smith Corona Corporation, Sola Basic Industries, Inc., Wilson Sporting Goods Co., Philip A. Rosen and Harvey M. Rosen.

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D. Fees to Date: \$768,720

E. Handling Attorney: Andy Running
Kirkland & Ellis
200 East Randolph Drive
Chicago, Illinois 60601

F. Company Contact: Ralph End

G. Decision Maker: Glenn Simmons

H. File Number: 800 1013

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Pagel's Pit Landfill Enforcement action by the U.S. EPA under CERCLA.

A. Nature of Case: During July 1985 the U.S. EPA notified approximately 50 firms, including National MetalCrafters, of the threatened release or potential release of hazardous chemicals from the Pagel's Pit Site and requested the PRP's to undertake remedial action.

B. Amount Involved: Illinois EPA estimates clean up costs between \$7,500,000 and \$14,000,000.

C. Status: During March 1986, MetalCrafters and 17 other PRP's agreed to undertake a Remedial Investigation and Feasibility Study without admitting liability. Based on records available at the site, the wastes contributed by MetalCrafters was minor and Keystone has paid \$14,000 to date as it's contribution to the RI/FS. Keystone (successor to MetalCrafters) has signed a buy-out agreement between EPA, the operator and deminimis generators. Under the buy-out agreement, Keystone paid an additional \$35,000. A consent decree has been signed by all PRP's and was filed November 25, 1992. We are waiting now for approval from the Justice Department.

D. Fees to Date: \$36,048

E. Handling Attorney: Andy Running (312)861-2412
Kirkland & Ellis
200 East Randolph Drive
Chicago, Illinois 60601

F. Company contact: Ralph P. End

G. Decision maker: Glenn R. Simmons

H. File Number: 800-1001

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Interstate Pollution Control/Roto Rooter Site United States EPA enforcement action under Super Fund Statute (CERCLA)

- A. Nature of case: During 1989, the IPC site was added to the superfund list. On June 13, 1990 MetalCrafters received a Request for Information under Section 104(e) of CERCLA. IPC operated the site from 1971 through 1984 as a hauler, recycler, storage facility of industrial wastes. IPC installed an incinerator in 1971 capable of burning 3,500 gallons of liquid wastes per week.
- B. Amount involved: Unknown
- C. Status: During 1991 the USEPA directed a group of 67 PRP's to take immediate action to reduce possible immediate hazards at the site (surface removal). Records available at the site indicate very little waste contributed by National MetalCrafters. Subsequent information received in January 1992 indicates National Lock is responsible for generating up to 2.14% of the volume of wastes at the site.
- D. Estimated cost of defense: On August 6, 1990, Keystone filed a claim with Wausau Insurance Company for reimbursement of defense costs. Wausau has orally agreed to reimburse 75% of Keystone's defense costs incurred in this matter. Wausau has not accepted nor rejected our claim for any costs incurred in the cleanup.
- E. Fees to date: \$92,337
Cleanup costs to date: \$22,752
- F. Handling attorney: Andy Running (312) 861-2412
Kirkland & Ellis
200 East Randolph Drive
Chicago, Illinois 60601
- G. Company contact: Ralph P. End
- H. Decision Maker: Glenn R. Simmons
- I. File Number: 800-1022

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American Chemical Services, Inc. United States EPA enforcement action under Super Fund Statute (CERCLA)

- A. Nature of Case: American Chemical Services, Inc. disposed of a variety of hazardous wastes on this site from 1955 through 1975. MetalCrafters received a Request for Information on April 29, 1987. Information produced to date indicates MetalCrafters contributed approximately 0.01% of total volume of waste.
- B. Amount involved: Unknown
- C. Status: Because of the low contribution percentage, Keystone has consistently rejected the invitation to participate in a consent decree to fund a Remedial Investigation and Feasibility Study. The efforts to negotiate a buy-out agreement among about 100 deminimis generators and the USEPA continue.

D. Fees to date: \$2,110
E. Handling attorney: Andy Running (312) 861-2412
Kirkland & Ellis
200 East Randolph Drive
Chicago, Illinois 60601
F. Company contact: Ralph P. End
G. Decision Maker: Glenn R. Simmons
H. File Number: 800-1008

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USS Lead Refinery, Inc. Site, East Chicago, Indiana - United States EPA action under Super Fund Statute (CERCLA)

A. Nature of Case: On September 6, 1991, Keystone received a Request for Information regarding the generation, storage, treatment or disposal of hazardous wastes at the site from 1906 to 1985.
B. Amount Involved: Unknown
C. Status: After diligent record search, no records have been located that indicate Keystone shipped any wastes to the site. The USEPA forwarded a copy of a 1968 document from USS Lead Refinery whereby USS Lead agreed to purchase from Keystone up to 50 tons of lead ashes for recovery. The document does not indicate whether any lead ashes were shipped to USS Lead.
D. Estimated Cost of defense: Wausau Insurance Company was notified on October 8, 1991 of a potential claim for defense of this matter.
E. Fees to Date:
F. Handling attorney:
G. Company contact: Ralph P. End
H. Decision Maker: Glenn R. Simmons
I. File Number: 800 1039

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Robert Showalter vs. United Engineering, Inc. vs Keystone Consolidated Industries, Inc. Circuit Court, State of Illinois #90 L 553

A. Nature of Case: Robert Showalter died as a result of a furnace explosion on October 26, 1989. Because Showalter was an employee and entitled to workers compensation which precludes a direct action against an employer, he sued United Engineering, the manufacturer of the water cooled roof panels covering the furnace. In March 1991, United Engineering filed a third party action against Keystone.
B. Amount Involved: Keystone is self insured for first \$1 million with excess employers' liability coverage with third party insurers covering the next \$14 million.

- C. Status: A similar case, decided by the Illinois supreme court on April 18, 1991, limits Keystone's liability to the amount that would be provided by workers compensation. Although Keystone has incurred the maximum expense under worker compensation, Keystone remains a party to this litigation.
- D. Fees to Date: \$43,870
- E. Handling Attorney: Larry Chilton (312) 454-5133
Stevenson Rusin & Friedman
10 South Riverside Plaza, Suite 1530
Chicago, Illinois 60606
- F. Company Contact: Ralph P. End
- C. Decision Maker: Robert W. Singer
- H. File Number: 501 1007

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Case No. C-93-20440 JW - Donna S. Anderson v. KeyWest Wire, et al. United States District Court Northern district of California

- A. Nature of Case: Donna Anderson was first hired in November 1967. In 1982 she was promoted to Inside Sales Manager and relocated from Peoria, Illinois to Santa Clara, California. Her employment with Keystone terminated in 1983 when KeyWest Wire was sold to PPA Industries. Keystone acquired KeyWest Wire from PPA in May 1991 and hired Ms. Anderson in her then current position of Manager of Marketing and Sales. Ms. Anderson was terminated for failure to follow specific directions. Ms. Anderson claims her termination was a result of sex discrimination.
- B. Amount Involved:
- C. Status: Discovery continues.
- D. Fees to Date:
- E. Handling Attorney: Richard S. Falcone
and Lori Farber
Littler, Mendelson, Fastiff, Tichy & Mathiason
Sixty South Market, Suite 1100
San Jose, California 95113
Phone: 408-998-4150
- F. Company Contact: Ralph End
- G. Decision Maker: Bob Singer
- H. File Number: 501 1011

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Jack Frost vs Keystone Consolidated Industries, Inc., Case No. 93 L 00176, Peoria County Circuit Court

- A. Nature of Case: Jack Frost, an employee of ITEX Enterprises, Inc. ,

was injured while working at the Keystone Steel & Wire facility. ITEX Enterprises was hired to perform certain repairs on a structure owned by Keystone. The accident occurred on December 23, 1993 - Jack Frost fell on plastic sheeting and hurt his right knee.

- B. Amount Involved:
- C. Status:
- D. Estimated Cost of Defense: Covered by insurance.
- E. Fees to Dated:
- F. Handling attorney: James L. Hafele and Associates
416 Main Street, Suite 1100
Peoria, Illinois 61602
Phone: 309-673-3513
Fax: 309-673-3526
- G. Company Contact: Ralph P. End
- H. Decision Maker: Robert W. Singer
- I. File Number: 503 1008

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Roy Griffith vs Keystone Steel & Wire., Case No. 93 1504, District Court, Central District of Illinois

- A. Nature of Case: Roy Griffith, former employee of Keystone Steel & Wire, has filed a six count sexual harassment complaint against KSW and several employees, requesting \$300,000 damage for each count
- B. Amount Involved: Three counts requesting \$15,000 each.
- C. Status: Because of the potential conflict of interest among the defendants, Keystone is providing separate counsel for the employee defendants. An answer will be timely filed along with a motion to dismiss because the plaintiff has not exhausted his remedies under the collective bargaining agreement.
- D. Estimated Cost of Defense:
- E. Fees to Dated:
- F. Handling attorney: Mike Lied
Husch & Eppenberger
101 SW Adams
Peoria, Illinois 61602
- G. Company Contact: Ralph P. End
- H. Decision Maker: Robert W. Singer
- I. File Number:

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SCHEDULE B - INFORMATION CERTIFICATE

KEYSTONE CONSOLIDATED INDUSTRIES, INC.
 UNITED STATES ISSUED TRADEMARKS

<TABLE>
 <CAPTION>

CASE.	TRADEMARK	REGISTRATION NUMBER	ISSUE DATE	GOODS
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<S>	<C>	<C>	<C>	<C>
644	Fence Post with Red Stripe	308,004	11/14/33	Metallic Fence Posts
663	ARROW	94,911	1/14/14	Barbed Wire
687	Red Line Around Spooled Barbed Wire	182,257	4/8/24	Reeled or spooled barbed wire
688	White Line Around Spooled Barbed Wire	182,259	4/8/24	Reeled or spooled barbed wire
689	Black Line Around Spooled Barbed Wire	182,261	4/8/24	Reeled or spooled barbed wire
690	Orange Line Around Spooled Barbed Wire	182,263	4/8/24	Reeled or spooled barbed wire
691	Blue Strand in Body of Wire	184,948	6/3/24	Wire fence, including farm and poultry fences
692	Yellow Strand in Body of Wire	184,950	6/3/24	Poultry fences
700	Blue Line Around Spooled Barbed Wire	182,258	4/8/24	Reeled or spooled barbed wire
701	Yellow Line Around Spooled Barbed Wire	182,260	4/8/24	Reeled or spooled barbed wire
702	Green Line Around Barbed Wire	182,262	4/8/24	Reeled or spooled barbed wire
703	Red Strand in Body of Wire	184,947	6/3/24	Wire fence, including farm & poultry fences
704	White Strand in Body of Wire	184,949	6/3/24	Wire fence, including farm & poultry fences
705	Black Strand in Body of Wire	184,951	6/3/24	Wire fence, including farm & poultry fences
706	Orange Strand in Body of Wire	184,953	6/3/24	Wire fence, including farm & poultry fences
736	Red colored barb	622,004	2/28/56	Barbed Wire
809	KEYLINE	617,363	12/13/55	Metal mesh fencing
818	APACHE	618,081	12/27/55	Barbed wire
1002	RED BRAND	555,298	2/26/52	Wire fence
1113	KEYWELD	569,489	1/20/53	Welded metal mesh fabric
1153	DEFENDER	122,493	8/20/18	Barbed wire, fence wire, and wire fence
1154	RUTHLESS	122,496	8/20/18	Barbed wire, fence wire, and wire fence
1339	KEYFRAME	719,855	8/15/61	Prepunched structural members for connection of bolts in framing (NOT TO BE RENEWED)
1395	KEYCORNER	717,733	7/4/61	Corner lathing strips (NOT TO BE RENEWED)
1396	KEYWALL	717,734	7/4/61	Masonry reinforcing strips
1397	KEYDECK	717,732	7/4/61	Wire fabric reinforcement for roof decks
1398	KEYSTRIP	717,731	7/4/61	Lathing reinforcing strips (NOT TO BE RENEWED)
1401	Fence with red Top Portion	141,481	4/26/21	Wire fencing
1408	KEY-Z-BEAD	722,964	10/24/61	Corner reinforcing beads for plaster walls (NOT TO BE RENEWED)
1618	Twisted Wire Fence Stays with Ret Top	297,991	10/11/32	Twisted wire fence stays
1741	FLEXOMATIC	754,460	8/13/63	Upholster Spring wire
1831	GALVANNEALED	176,327	11/20/23	Wire fence and barbed wire
1832	GALVANNEALED	176,329	11/20/23	Plain galvanized wire and galvanized telephone wire
2054	Fence w/Black Upper Portion	193,925	3/31/25	Wire fence, including farm & poultry fences
2055	Fence w/Yellow Upper Portion	196,925	3/31/25	Wire fence, including farm & poultry fences

</TABLE>

SCHEDULE B - INFORMATION CERTIFICATE

<TABLE>
<CAPTION>

CASE NO.	TRADEMARK	REGISTRATION NUMBER	ISSUE DATE	GOODS
<S>	<C>	<C>	<C>	<C>
2056	Drawing of Wire Fence (orange)	196,928	3/31/25	Wire fence, including farm & poultry fences
2057	Fence w/Blue Band	196,9929	3/31/25	Wire fence, including farm & poultry fences
2058	Fence w/White Upper Portion	198,437	5/19/25	Wire fence, including farm & poultry fences
2175	Mesh Design	815,695	9/27/66	Self-furring plastic mesh
2298	SQUARE DEAL	58,221	12/11/06	Wire fence
2324	KEYSTONE	62,025	4/16/07	Wire fence
2325	MONARCH	62,313	4/30/07	Wire fence
2738	Red Top Fence Post	125,561	5/27/39	Metallic Fence Post
2747	HI-BOND	407,707	6/20/44	Reinforcing steel bars for using in concrete constructions
2766	KEYMESH	523,557	4/4/50	Stucco netting
2768	BLUE RIBBON	76,791	2/15/10	Wire fence only (barbed wire deleted)
2772	SQUARE DEAL	86,714	5/28/12	Metal gates
2805	K Symbol	903,358	12/1/70	Nails
2901	KEYMESH	928,544	2/8/72	Reinforcing wire and paperbacked reinforcing wire
3001	K Symbol	951,688	1/30/73	Wire fabrics, namely hardware cloth, utility fabric and netting
75,663	KEYLINK	1,057,380	2/1/77	Wire mesh attachment clip
77,140	SAVAGE	1,080,778	1/3/78	Barbed Wire
77,141	WRANGLER	1,080,777	1/3/78	Barbed Wire
77,925	KEY-LITE	1,113,152	2/13/79	Plastic coated wire fabric
79,153	IMPERIAL AND DESIGN	1,157,847	6/23/81	Welding wire
80,435	THE MOST RESPECTED NAME IN FARM FENCE	1,197,052	5/1/82	Wire mesh fence
82,569	VERTICAL GARDEN	1,268,879	3/6/84	Galvanized mesh wire for use in fencing, trellises and cages
83,089	RED BRAND	1,285,810	7/17/84	Nails
84,243	KING RANCH	1,321,770	2/26/85	Wire fencing
84,421	HI-BOND	1,327,996	4/2/85	Nails
84,443	HI-BOND VCC	1,332,847	4/30/85	Nails
85,202	THE MOST RESPECTED NAME IN FARM FENCE (Principle Register)	544,614	6/24/85	Wire mesh fence
87,417	TEX-BALE	411,885	2/1/83	Baling Wire
87,418	TEX-BALE (State of Texas)	34,094	8/18/77	Hardware, plumbing and steam-fitting supplies

</TABLE>

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KEYSTONE B - INFORMATION CERTIFICATE

KEYSTONE CONSOLIDATED INDUSTRIES, INC.
FOREIGN TRADEMARK APPLICATION AND REGISTRATIONS

<TABLE>
<CAPTION>

COUNTRY	CASE NO.	TRADEMARK	SERIAL NO./ FILING DATE	REG. NO./ ISSUE DATE
<S>	<C>	<C>	<C>	<C>
ARGENTINA		RED BRAND Design		251,518 Oct 9, 1947
	84,382	RED BRAND	1,451,201 Aug 28, 1984	1,139,089 June 3, 1985
	84,395	Red Brand on Barbed Wire	1,464,955 Nov 14, 1984	1,171,304 Sept 2, 1985
BRAZIL	71,002	RED BRAND Design		114,185 Aug 8, 1949

	84,383	RED BRAND	811,727,050	
			Oct 3, 1984	
CANADA	63,174	GAVANNEALED	180,935	15,434,749
			05/21/23	Dec 29, 1923
	63,175	RED BRAND Design		16,436,654
				Nov 13, 1924
	70,015	Red-Topped Fence Post	330,735	178,166
			Mar 5, 1970	Sept 3, 1971
	75,448	RED STRAND		17,238,344
				Aug 18,1925
	86,260	Red Top	(not yet filed)	
	86,261	Red Barbs	(not yet filed)	
SOUTH AFRICA	75,108	KEYSTONE		1853/47
				July 2, 1947
	75,109	RED BRAND		1855/47
				July 2,1947
	75,110	SQUARE DEAL		1856/47
				July 2, 1947

</TABLE>

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KEYSTONE B - INFORMATION CERTIFICATE

KEYSTONE CONSOLIDATED INDUSTRIES, INC.
FOREIGN TRADEMARK APPLICATION AND REGISTRATIONS

<TABLE>
<CAPTION>

CASE NO.	INVENTOR	INVENTION	SERIAL NO./ FILING DATE	REG. NO./ ISSUE DATE
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<S>	<C>	<C>	<C>	<C>
67,182	Byarl, et al	Improved Keydeck Sub-Purlin	681,986 11/13/67	3,456,415 7/22/69
81,099	Badtke	Box and Lid	243,058	4,342,403
	Lehman	Construction	03/12/81	08/03/82
81,219	Heaslip	Method and apparatus For Introducing Elements Into Molten Metal Streams And Casting In Inert Atmosphere	278,719 06/29/81	4,391,319 07/05/83
85,381	Reysen	Carrying Device for Coiled Wire	755,415 7/15/85	4,607,807 8/26/86

</TABLE>

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A CORESTATES COMPANY

GUARANTEE AND WAIVER

Chicago, Illinois
December 30, 1993

In order to induce Congress Financial Corporation {(Central)} (herein called "Congress") to extend from time to time, in its sole discretion in each instance, one or more loans, advances or other financial accommodations to, or for the account or benefit of, Keystone Consolidated Industries, Inc. ("Obligor") and for other good and valuable consideration received, the undersigned, irrevocably and unconditionally guarantees and agrees to be liable for the prompt indefeasible and full payment, performance and observance of all indebtedness, liabilities, obligations and agreements of any kind of Obligor to Congress, however evidenced, whether as principal, surety, endorser, guarantor or otherwise, whether now existing or hereafter arising, whether direct or indirect, absolute or contingent, joint or several, due or not due, primary or secondary, liquidated or unliquidated, secured or unsecured, original, renewed or extended, whether arising under any guarantee, endorsement or undertaking which Congress may make or issue to others for Obligor's account, including, without limitation, any accommodation extended to Obligor with respect to

Congress' making or joining in applications for letters of credit, acceptance of drafts or endorsement of notes or other instruments by Congress for Obligor's account and benefit, and whether arising directly or acquired from others (whether acquired outright or by assignment as collateral security from another and including, without limitation, Congress' participations or interests in Obligor's obligations to others), and of all agreements, documents and instruments evidencing any of the foregoing or under which any of the foregoing may have been issued, created, assumed or guaranteed, including, without limitation, Congress' charges, commissions, interests, expenses, fees, costs and reasonable attorneys' fees chargeable to Obligor in connection with any or all of the foregoing (all of the foregoing being herein referred to, jointly and severally, as the "Obligations").

The undersigned waives notice of acceptance of this guarantee, the making of loans and extensions of credit to Obligor, the purchase or acquisition of receivables from Obligor, notice of any Obligations, and waives presentment, demand for payment, protest, notice of protest, notice of dishonor or nonpayment of any Obligations, suit or taking other action by Congress against, and any other notice to, any party liable thereon (including the undersigned) and waives any defense, offset or counterclaim to any liability hereunder. Congress may at any time and from time to time without the consent of, or notice to, the undersigned, without incurring responsibility to the undersigned, without impairing or releasing the obligations of the undersigned hereunder, upon or without any terms or conditions and in whole or in part: (1) change the manner, place or terms of payment, and/or change or extend the time of payment of, renew or alter, any Obligations, any security therefor, or any liability incurred directly or indirectly in respect thereof, and the guarantee herein made shall apply to the Obligations as so changed, extended, renewed or altered; (2) sell, exchange, release, surrender, offset, realize upon or otherwise deal with in any manner and in any order any property by whomsoever at any time pledged or mortgaged to secure, or howsoever securing, the Obligations or any liabilities (including any of those hereunder) incurred directly or indirectly in respect thereof or hereof; (3) exercise or refrain from exercising any rights against the Obligor or others (including the undersigned) or otherwise act or refrain from acting; (4) settle or compromise any Obligations, any security therefor or any liability (including any of those hereunder) incurred directly or indirectly in respect thereof or hereof, and may subordinate the payment of all or any part thereof to the payment of any liability (whether due or not) of the Obligor to creditors of the Obligor other than Congress and the undersigned; and (5) apply any sums by whomsoever paid or howsoever realized to any Obligations regardless of what Obligations remain unpaid. The undersigned also agrees that Congress need not attempt to collect any Obligations from the Obligor or others or to realize upon any collateral, but may require the undersigned to make immediate payment of the Obligations to Congress when due or at any time thereafter.

No invalidity, irregularity or unenforceability of all or any part of the Obligations, or of any security therefor, shall affect, impair or be a defense to this guarantee nor shall any other circumstance which might otherwise constitute a defense available to, or legal or equitable discharge of, the Obligor in respect of any of the Obligations, or of any security therefor, or the undersigned in respect of this guarantee, affect, impair or be a defense to this guarantee. Without limitation of the foregoing, the liability of the undersigned hereunder shall not be discharged or impaired in any respect by reason of any failure by Congress to perfect or continue perfection of any lien or security interest in any security for the Obligations or any delay by Congress in perfecting any such lien or security interest.

The liability of the undersigned hereunder is absolute, primary and unconditional and shall not be subject to any offset, defense or counterclaim of the Obligor. This guarantee is a continuing one and all obligations shall be conclusively presumed to have been created in reliance hereon. The books and records of Congress, showing the account between the Obligor and Congress, shall be admissible in evidence in any action or proceeding as prima facie proof of the items therein set forth, and the monthly statement rendered to the Obligor, to the extent no written objection is made within thirty (30) days after the date thereof, shall constitute an account stated between Congress and the Obligor and be binding on the undersigned.

Payment by the undersigned shall be made to Congress at Congress'

office from time to time on demand as the Obligations become due. One or more successive or concurrent actions may be brought hereon against the undersigned either in the same action in which Obligor is sued or in separate actions. In the event any claim or action, or action on any judgment, based on this guarantee is brought against the undersigned, the undersigned agrees not to deduct, set-off, or seek to counterclaim for or recoup any amounts which are or may be owed by Congress to the undersigned.

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No revocation or termination hereof shall affect in any manner rights arising under this guarantee with respect to (a) Obligations which shall have been created, contracted, assumed or incurred prior to receipt by Congress of written notice of such revocation or termination or (b) Obligations which shall have been created, contracted, assumed or incurred after receipt of such written notice pursuant to any contract entered into by Congress prior to receipt of such notice; and the sole effect of revocation or termination hereof shall be to exclude from this guarantee Obligations thereafter arising which are unconnected with Obligations theretofore arising or transactions theretofore entered into.

Upon the happening of any of the following events: default by the Obligor under any of the Obligations, or insolvency of the Obligor or the undersigned, or suspension of business of the Obligor or the undersigned, or the issuance of any warrant of attachment against any of the property of the Obligor or the undersigned, or the making by the Obligor or the undersigned of any assignment for the benefit of creditors, or a trustee or receiver being appointed for the Obligor or the undersigned or for any property of either of them, or any proceeding being commenced by or against the Obligor or the undersigned under any bankruptcy, reorganization, arrangement of debt, insolvency, readjustment of debt, receivership, liquidation or dissolution law or statute and, with respect to any such proceeding against the Obligor or the undersigned, remains undismissed for a period of thirty (30) days, unless the Obligor or the undersigned shall earlier acquiesce thereto - then and in any such event, and at any time thereafter, Congress may, without notice to the Obligor or the undersigned, make the Obligations, whether or not then due, immediately due and payable hereunder as to the undersigned, and Congress shall be entitled to enforce the obligations of the undersigned hereunder.

All sums of money at any time to the credit of the undersigned with Congress and any of the property of the undersigned on which Congress, at any time, has a lien or security interest or is in the possession of Congress at any time may be held by Congress as security for any and all obligations of the undersigned hereunder, notwithstanding that any of said money or property may have been deposited, pledged or delivered by the undersigned for any other, different or specific purpose. Any and all claims of any nature which the undersigned may now or hereafter have against the Obligor, and payment of all amounts now or hereafter owed to the undersigned by the Obligor or any other obligor with respect to the Obligations (whether by contribution or otherwise) are hereby subordinated to the full payment to Congress of the Obligations and are hereby assigned to Congress as additional Collateral security therefor.

In the event Congress retains attorneys for the purpose of effecting collection of the Obligations or the liabilities of the undersigned hereunder, the undersigned shall pay all costs and expenses of every kind for collection, including reasonable attorneys' fees.

If claim is ever made upon Congress for repayment or recovery of any amount or amounts received by Congress in payment or on account of any of the Obligations and Congress repays all or part of said amount by reason of (a) any judgment, decree or order of any court or administrative body having jurisdiction over Congress or any of its property, or (b) any settlement or compromise of any such claim effected by Congress with any such claimant (including the Obligor), then and in such event the undersigned agrees that any such judgment, decree, order, settlement or compromise shall be binding upon the undersigned, notwithstanding any revocation hereof or the cancellation of any note or other instrument evidencing any Obligation, and the undersigned shall be and remain liable to Congress hereunder for the amount so repaid or recovered to the same extent as if such amount had never originally been received by Congress.

No delay on the part of Congress in exercising any of its options, power or rights, or partial or single exercise thereof, shall constitute a waiver thereof. No notice or demand on the undersigned shall be deemed to be a waiver of the obligation of the undersigned to take further action without notice or demand as provided herein. No waiver of any of its rights hereunder, and no modification or amendment of this guarantee, shall be deemed to be made by Congress unless the same shall be in writing, duly signed on behalf of Congress, and each such waiver, if any, shall apply only with respect to the specific instance involved, and shall in no way impair the rights of Congress or the obligations of the undersigned to Congress in any other respect ant any other time. The undersigned shall have no right of subrogation, indemnification or recourse to any Obligations or collateral or guarantees therefor or against the Obligor or any of its assets or property until Congress shall have been indefeasibly paid in full all Obligations.

This guarantee and the rights and obligations of Congress and of the undersigned hereunder shall be governed and construed in accordance with the laws of the State of Illinois; and this guarantee is binding upon the undersigned and its successors or assigns, and shall inure to the benefit of Congress, its successors or assigns.

The undersigned does hereby waive trial by jury in any action, proceeding or counterclaim brought against the undersigned on any matters whatsoever arising out of or in any way connected with this guarantee, and the undersigned hereby agrees that all actions and proceedings relating directly or indirectly hereto may, at the option of Congress, be litigated exclusively in courts having their situs in Cook County, Illinois, and the undersigned hereby irrevocably submits and consents to the jurisdiction of the Circuit Court of Cook County, Illinois and the United States District Court for the Northern District of Illinois, Eastern Division, and consents to the service of process in any such action or proceeding by certified or registered mail sent to the undersigned at the address of the undersigned shown from time to time on the records of Congress or by any other method permitted by law.

The undersigned does hereby represent and warrant to Congress that the execution and delivery of this instrument to Congress by the undersigned has been duly authorized by all necessary action of the Board of Directors and Shareholders of the undersigned, is validly issued in accordance with the Certificate of Incorporation and By-laws of the undersigned and in accordance with any statutes applicable

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hereto. Without limitation of the foregoing, this guarantee may not be terminated and shall continue so long as any obligation of the Obligor to Congress shall be outstanding.

WIRE PRODUCTS COMPANY

By: /s/ HAROLD M. CURDY
Title: VICE PRESIDENT - TREASURER

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RIDER NO. 1 TO GUARANTEE AND WAIVER

THIS Rider No. 1 to Guarantee and Waiver, is made and entered into as of December 30, 1993 by WIRE PRODUCTS COMPANY, a Wisconsin corporation (the "Guarantor"), in favor of CONGRESS FINANCIAL CORPORATION (CENTRAL), an Illinois corporation ("Lender").

WITNESSETH:

WHEREAS, the Lender and Keystone Consolidated Industries, Inc., a Delaware corporation (the "Guaranteed Party") have entered into that certain Accounts Receivable Financing Agreement (Security Agreement) and a Rider No. 1 thereto, each dated as of December 19, 1986 and that certain Term Loan Agreement of even date herewith (collectively, the "Loan Agreements"); and

WHEREAS, the Lender and the Guarantor have entered into that certain Guarantee and Waiver (as amended and supplemented hereby, the "Guarantee") , providing for the guarantee of the Obligations (as defined in the Guarantee) and desire to modify and supplement the terms of the Guarantee.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and to induce the Lender to extend credit, the Guarantor agrees with the Lender for its benefit as follows:

1. Definitions. When capitalized and used herein, terms defined in the Loan Agreements and not otherwise defined herein shall have the meanings ascribed to them in the Loan Agreements.

2. Maximum Guaranteed Amount. Anything herein or in the Guarantee to the contrary notwithstanding, the maximum liability of Guarantor hereunder shall in no event exceed the lesser of (i) the highest amount which is valid and enforceable in any action or proceeding involving any state corporate law or any state or Federal bankruptcy, insolvency, reorganization, fraudulent conveyance or other law involving the rights of creditors generally and (ii) 95% of the excess of the present saleable value of the assets of Guarantor as of date hereof over the amount of all liabilities of Guarantor, contingent or otherwise, as of the date hereof, as such terms (or their equivalent under applicable law) are determined in accordance with applicable state and Federal laws governing the determination of the insolvency of a debtor.

3. Waiver of Rights of Subrogation, Etc. Guarantor waives, and agrees that it will not assert or otherwise claim, any right of contribution, reimbursement, repayment, indemnity or subrogation under or in respect of the Guarantee, whether arising by any payment made hereunder, by agreement or otherwise.

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Guarantor further agrees that it will not enter into any agreement providing, directly or indirectly, for any contribution, reimbursement, repayment or indemnity by the Guaranteed Party, any other Guarantor or any other Person, on account of any payment by such Guarantor hereunder, and that any such agreement would be void.

4. Collateral.

4.1. In order to secure the prompt performance, observance and payment in full of all its existing and hereafter arising obligations to Lender under the Guarantee, Guarantor hereby grants to Lender a continuing security interest in, a lien upon, and a right of setoff against, and Guarantor hereby assigns, transfers, pledges and sets over to Lender all of the following, wheresoever located, (collectively, "Collateral"):

(a) All of Guarantor's present and future accounts, contract rights, general intangibles, chattel paper, documents and instruments, as such terms are defined in the UCC, including, without

limitation, all obligations for the payment of money arising out of Guarantor's sale, lease or other disposition of goods or other property or rendition of services ("Accounts");

(b) All present and future moneys, securities and other property and the proceeds thereof, now or hereafter held or received by, or in transit to, Lender from or for Guarantor, whether for safekeeping, pledge, custody, transmission, collection or otherwise, and all of Guarantor's deposits (general or special), balances, sums and credits with Lender at any time existing; all of Guarantor's right, title and interest, and all of Guarantor's rights, remedies, security and liens, in, to and in respect of the Accounts and other Collateral, including, without limitation, rights of stoppage in transit, replevin, repossession and reclamation and other rights and remedies of an unpaid vendor, lienor or secured party, guaranties or other contracts of suretyship with respect to the Accounts, deposits or other security for the obligation of any debtor or obligor in any way obligated on or in connection with any Account (an "Account Debtor"), and credit and other insurance; all of Guarantor's right, title and interest in, to and in respect of all goods relating to, or which by sale have resulted in, Accounts including, without limitation, all goods described in invoices, documents, contracts or instruments with respect to, or otherwise representing or evidencing, any Accounts or other Collateral, including without limitation, all returned, reclaimed or repossessed goods; all deposit accounts; all books, records, ledger cards, computer programs, and other property and general intangibles evidencing or relating to the Accounts and any other Collateral or any Account Debtor, together with the file cabinets or containers in which the foregoing are

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stored; all other general intangibles of every kind and description, including without limitation, trade names and trademarks, and the goodwill of the business symbolized thereby, patents, copyrights, licenses and Federal, State and local tax refund claims of all kinds;

(c) All raw materials, work in process, finished goods, and all other inventory of whatsoever kind or nature, wherever located whether now owned or hereafter existing or acquired by Guarantor ("Inventory"), including without limitation, all wrapping, packaging, advertising, shipping materials, and all other goods consumed in Guarantor's business, all labels and other devices, names or marks affixed to or to be affixed thereto for purposes of selling or of identifying the same or the seller or manufacturer thereof and all of Guarantor's right, title and interest therein and thereto;

(d) All machinery, computers and computer hardware, tools, dies, jigs, furniture, trade fixtures and fixtures; all attachments, accessions and property now or hereafter affixed thereto or used in connection therewith, substitutions and replacements thereof, wherever located, whether now owned or hereafter acquired by Guarantor ("Equipment");

(e) All books, records, documents, other property and general intangibles at any time relating to the Accounts, Inventory and Equipment; and

(f) All products and proceeds of the foregoing, in any form, including, without limitation, insurance proceeds and any claims against third parties for loss or damage to or destruction of any or all of the foregoing.

4.2. Guarantor hereby represents, warrants and covenants to Lender the following (which shall survive the execution and delivery of the

Guarantee), the truth and accuracy of which, or compliance with, being a continuing condition of the making of loans by Lender under the Loan Agreements:

(a) Guarantor is and shall be, with respect to all Collateral now existing or hereafter acquired, the owner of such Collateral free from any lien, security interest, claim or encumbrance of any kind, except for liens in Lender's favor, purchase money liens on specific inventory and its proceeds and as otherwise consented to in writing by Lender, and Guarantor shall defend the same against the claims of all persons.

(b) Guarantor will not directly or indirectly sell, lease, transfer, abandon or otherwise dispose of all or any substantial portion of Guarantor's property or assets or consolidate or merge with or into any other entity or permit

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any other entity to consolidate or merge with or into Guarantor. Guarantor will at all times preserve, renew and keep in full force and effect Guarantor's existence as a corporation and the rights and franchises with respect thereto and continue to engage in business of the same type as Guarantor is engaged as of the date hereof. Guarantor shall give Lender thirty (30) days prior written notice of any proposed change in Guarantor's corporate name which notice shall set forth the new name.

(c) Guarantor shall not change the location of its chief executive without Lender's prior written consent and prior to making any such change, Guarantor agrees to execute any additional financing statements or other documents or notices which Lender may require.

IN WITNESS WHEREOF, this Rider has been executed and delivered as of the date first written above.

WIRE PRODUCTS COMPANY

By: /s/ HAROLD M. CURDY
Name: HAROLD M. CURDY
Title: VICE PRESIDENT - TREASURER

CONGRESS FINANCIAL
CORPORATION (CENTRAL)

By: /s/ GEORGE KALESNIK
Name: GEORGE KALESNIK
Title: SR. VICE PRES.

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INTERCORPORATE SERVICES AGREEMENT

This INTERCORPORATE SERVICES AGREEMENT (the "Agreement"), effective as of January 1, 1993, amends and supersedes that certain Intercorporate Services Agreement dated as of January 1, 1992 by and between Contran Corporation ("Contran") a Delaware corporation, and Keystone Consolidated Industries, Inc. ("Recipient"), A Delaware corporation.

W I T N E S S E T H:

WHEREAS, employees and agents of Contran and affiliates of Contran perform management, financial and administrative functions for Recipient without direct compensation from Recipient; and

WHEREAS, Recipient does not separately maintain the full internal capability to perform all necessary management, financial and administrative functions which Recipient requires; and

WHEREAS, it is believed that the cost of maintaining the additional personnel by Recipient necessary to perform the functions provided for by this Agreement would exceed the fee set forth in Section 3 of this Agreement and that the terms of this Agreement are no less favorable to Recipient than could otherwise be obtained from a third party for comparable services; and

WHEREAS, Recipient desires to continue receiving the management, financial and administrative services presently provided by Contran and affiliates of Contran and Contran is willing to continue to provide such services under the terms of this Agreement.

NOW, THEREFORE, for and in consideration of the mutual premises, representations and covenants herein contained, the parties hereto mutually agree as follows:

1. Services to be Provided: Contran agrees to make available to Recipient, upon request, the following services (the "Services") to be rendered by the internal staff of Contran and affiliates of Contran:
 - (a) Consultation and assistance in the development and implementation of Recipient's corporate business strategies, plans and objectives.

(b) Consultation and assistance in management and conduct of corporate affairs and corporate governance consistent with the Articles of Incorporation and By-Laws of Recipient.

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- (c) Consultation and assistance in maintenance of financial records and controls, including preparation and review of periodic financial statements and reports to be filed with public and regulatory entities and those required to be prepared for financial institutions or pursuant to indentures and credit agreements.
- (d) Consultation and assistance in cash management and in arranging financing necessary to implement the business plans of Recipient.
- (e) Consultation and assistance in tax management and administration including; preparation and filing of tax returns, tax reporting, examinations by government authorities and tax planning.
- (f) Consultation and assistance in performing internal audit and control functions.
- (g) Consultation and assistance with respect to insurance and risk management.
- (h) Consultation and assistance with respect to employee benefit plans and incentive compensation arrangements.
- (i) Such other services as may be requested by Recipient or deemed necessary and proper from time to time.

2. Miscellaneous Services: It is the intent of the parties hereto that Contran provide only the Services requested by Recipient in connection with routine management, financial and administrative functions related to the ongoing operations of Recipient and not with respect to special projects, including corporate investments, acquisitions and divestitures. The parties hereto contemplate that the Services rendered in connection with the conduct of Recipient's business will be on a scale compared to that existing on the date of this Agreement, adjusted for internal corporate growth or contraction, but not for major corporate acquisitions or divestitures, and that adjustments may be required to the terms of this Agreement in the event of such major corporate acquisitions, divestitures or special projects. Recipient will continue to bear all other costs required for outside services

including, but not limited to, the outside services of attorneys, auditors, trustees, transfer agents and registrars, and it is expressly understood that Contran assumes no liability for any expenses or services other than those stated in Section 1. In addition to the fee paid to Contran by Recipient for the Services provided pursuant to this Agreement, Recipient will pay to Contran the amount of out-of-pocket costs incurred by Contran in rendering such Services.

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3. Fee for Services: Recipient agrees to pay to Contran \$145,000.00 quarterly, commencing as of January 1, 1993, pursuant to this Agreement.
4. Original Term: Subject to the provisions of Section 5 hereof, the original term of this Agreement shall be from January 1, 1993 to December 31, 1993.
5. Extensions. This Agreement shall be extended on a quarter-to-quarter basis after the expiration of its original term unless written notification is given by Contran or Recipient thirty (30) days in advance of the first day of each successive quarter or unless it is superseded by a subsequent written agreement of the parties hereto.
6. Limitation of Liability. In providing its Services hereunder, Contran shall have a duty to act, and to cause its agents to act, in a reasonably prudent manner, but neither Contran nor any officer, director, employee or agent of Contran or its affiliates shall be liable to Recipient for any error of judgment or mistake of law or for any loss incurred by Recipient in connection with the matter to which this Agreement relates, except a loss resulting from willful misfeasance, bad faith or gross negligence on the part of Contran.
7. Indemnification of Contran by Recipient. Recipient shall indemnify and hold harmless Contran, its affiliates and their respective officers, directors and employees from and against any and all losses, liabilities, claims, damages, costs and expenses (including attorneys' fees and other expenses of litigation) to which such party may become subject to arising out of the Services provided by Contran to Recipient hereunder, provided that such indemnity shall not protect any such party against any liability to which such person would otherwise be subject to by reason of willful misfeasance, bad faith or gross negligence.
- B. Further Assurances. Each of the parties will make, execute, acknowledge and deliver such other instruments and documents, and take

all such other actions, as the other party may reasonably request and as may reasonably be required in order to effectuate the purposes of this Agreement and to carry out the terms hereof.

9. Notices. All communications hereunder shall be in writing and shall be addressed, if intended for Contran, to Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240, Attention: President, or such other address as it shall have furnished to Recipient in writing, and if intended for Recipient, to Three Lincoln Centre, 5430 LBJ Freeway, Suite 1740, Dallas, Texas 75240, Attention: Chairman or such other address as it shall have furnished to Contran in writing.

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10. Amendment and Modification. Neither this Agreement nor any term hereof may be changed, waived, discharged or terminated other than by agreement in writing signed by the parties hereto.
11. Successor and Assigns: This Agreement shall be binding upon and inure to the benefit of Contran and Recipient and their respective successors and assigns, except that neither party may assign its rights under this Agreement without the prior written consent of the other party.
12. Governing Law: This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of Texas.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the date first above written.

CONTRAN CORPORATION

By: /s/ MICHAEL A. SNETZER
Michael A. Snetzer
President

KEYSTONE CONSOLIDATED
INDUSTRIES, INC.

By: /s/ GLENN R. SIMMONS
Glen R. Simmons
Chairman of the Board and

EXHIBIT 21

KEYSTONE CONSOLIDATED INDUSTRIES, INC.
AND SUBSIDIARIES

SUBSIDIARIES OF THE REGISTRANT

<TABLE>
<CAPTION>

Name	State or county of incorporation	Percent of voting securities owned at December 31, 1993
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<S> Sherman Wire of Caldwell, Inc.	<C> Nevada	<C> 100.0%
Wire Products Company	Wisconsin	100.0%

</TABLE>

EXHIBIT 23

Consent of Independent Accountants

We consent to the incorporation by reference in the registration statements of Keystone Consolidated Industries, Inc. on Form S-8 (File Nos. 33-30137, 33-63086 and 2-93666) of our report, which includes an explanatory paragraph regarding changes in accounting methods for postretirement benefits other than pensions and for income taxes in accordance with Statements Of Financial Accounting Standards Nos. 106 and 109, respectively, dated March 11, 1994, on our audits of the consolidated financial statements and financial statement schedules of Keystone Consolidated Industries, Inc. and Subsidiaries as of December 31, 1993 and 1992 and for the years ended December 31, 1993, 1992 and 1991, which report is included in this Annual Report on form 10-K.

COOPERS & LYBRAND

Dallas, Texas
March 11, 1994