

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

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GENESIS WORLDWIDE INC

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) September 6, 2000

GENESIS WORLDWIDE INC.

(Exact name of registrant as specified in its charter)

OHIO

1-1997

34-4307810

(State or other jurisdiction
of incorporation)

(Commission File Number)

(I.R.S. Employer
Identification
Number)

2600 Kettering Tower, Dayton, Ohio

45423

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (937) 910-9300

(Former name or address, if changed since last report)

Item 5. Other Event.

On September 5, 2000, Genesis Worldwide Inc. completed a settlement of certain issues that had arisen in connection with its purchase of the Herr Voss companies pursuant to the Stock Purchase Agreement dated May 13, 1999 among Genesis and the Selling Stockholders listed in such agreement (the "Stock Purchase Agreement"). The terms of the settlement are set forth in an Agreement, dated August 29, 2000, among Genesis, the Selling Stockholders, Three Cities Research, Inc. ("TCR"). A copy of the Agreement is included as Exhibit 10.1 to this Report.

Pursuant to the Agreement, the following action was taken:

(1) Mutual releases were entered into among the parties with respect to certain representations and warranties in the Stock Purchase Agreement;

(2) A \$325,000 cash payment was made to Genesis to cover costs incurred by Genesis in connection with certain litigation and workers compensation matters for which the Selling Stockholders retained responsibility and to cover certain taxes incurred prior to Genesis' purchase of the Herr Voss companies;

(3) The 12% Junior Subordinated Note in the principal amount of \$15,000,000 issued by Genesis on June 30, 1999 in connection with the Stock Purchase Agreement was modified as follows:

(a) The principal amount of the note was reduced to \$11,947,541;

(b) The applicable interest rate was reduced to 9% for the period from July 1, 2000 through December 31, 2001; and

(c) The interest payments due on September 30, 2000, December 31, 2000 and March 31, 2001 are not paid in cash but added to the principal amount of the note and payable at maturity.

A new note reflecting the above terms was issued in replacement of the original note issued on June 30, 1999. A copy of the new note is included as Exhibit 4.1 to this Report.

(4) The 500,000 common shares of Genesis issued to the Selling Stockholders on June 30, 1999 in connection with the Stock Purchase Agreement were returned to Genesis.

(5) The rights of the Selling Stockholders to earn additional warrants to purchase common shares of Genesis beginning June 30, 2000 were terminated.

SIGNATURES

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

Date: September 6, 2000

GENESIS WORLDWIDE INC.

/s/ Richard E. Clemens

Richard E. Clemens
President and Chief Executive Officer

INDEX TO EXHIBITS

- (4) INSTRUMENT DEFINING THE RIGHTS OF SECURITY HOLDERS, INCLUDING DEBENTURES:
 - 4.1 Genesis Worldwide Inc. 12% Junior Subordinated Note As Restated in the principal amount of \$11,947,541.

- (10) MATERIAL CONTRACT:
 - 10.1 Agreement, dated August 29,2000, among Genesis Worldwide Inc., the Selling Stockholders named therein, and Three Cities Research, Inc. as Stockholders Representative.

GENESIS WORLDWIDE INC.
12% JUNIOR SUBORDINATED NOTE, AS RESTATED

\$11,947,541.00

July 1, 2000

Genesis Worldwide Inc. (the "Company"), an Ohio corporation, promises to pay to Three Cities Research, Inc., as Stockholders Representative under a Stock Purchase Agreement (the "Agreement") dated May 13, 1999 between the Company and the stockholders of Precision Industrial Corporation (the "Holder"), at the times and in the respective amounts described below, the total principal sum of \$11,947,541.00. The Company also promises to pay interest on the unpaid principal amount of this Note at the rate which is 9% per annum until December 31, 2001, which increases to 12.5% on January 1, 2002 and continues at that rate until March 31, 2002 and increases by 50 basis points on April 1, 2002 and each July 1, October 1, January 1, and April 1 after that until April 1, 2004, on and after which the rate of interest payable under this Note will be 17% per annum. Interest will be based on a year of 365/366 days. The interest payment due and payable under this Note on each of September 30, 2000, December 31, 2000 and March 31, 2001 shall not be paid in cash, but in lieu thereof, an amount equal to such cash payment shall be paid by increasing the principal amount of this Note by such amount effective on the respective dates that such interest payments are due and payable; and the principal amount of this Note as so increased shall bear interest and be payable at the Maturity Date, all as provided in this Note. To the extent any interest payment (other than a payment under Paragraph 4 below) is at a rate in excess of 14% per annum, the amount above 14% per annum will be paid with a note containing the same terms as this Note, dated the date of the interest payment, in a principal amount equal to the amount by which the interest payment exceeds what it would have been at 14% per annum.

1. The entire unpaid principal balance of the sum evidenced by this Note will be due and payable on December 31, 2007 (the "Maturity Date"). If, however, at any time or times prior to the Maturity Date, the Company completes a public offering for cash of equity securities or of debt securities which are subordinated to some or all of the Company's Senior Indebtedness described in Paragraph 8, other than upon exercise of options granted to directors of the Company or officers of the Company or its subsidiaries under a stock option plan for directors or employees, simultaneously with the sale of the securities which are the subject of that public offering, the Company will make a prepayment of the principal sum evidenced by this note which is equal to at least 80% of the proceeds of the public offering, net of underwriting discounts and commissions, or which is equal to the entire unpaid balance of that principal sum if that is

less, and the Company will pay all accrued but unpaid interest on the principal sum which is being prepaid.

2. Interest will be payable on March 31, June 30, September 30 and December 31 of each year (each an "Interest Payment Date"), with the first interest payment to be made on the first of those dates after interest begins to accrue.

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3. Except as otherwise provided above with respect to the interest payments due and payable on September 30, 2000, December 31, 2000, and March 31, 2001, each payment of principal or interest will be made to the Holder by certified or bank cashier's check or wire transfer, at such address or to such account as the Holder specifies to the Company in writing at least three business days before the payment is to be made.

4. Any payment of principal or interest which is not made when it is due will bear interest from the date it is due until it is paid at the rate which is 200 basis points higher than the interest rate in effect on the day the payment is due, or such lower rate as is the maximum rate permitted by law.

5. The Company may at any time prepay all or any portion of the outstanding balance of the principal sum evidenced by this Note (provided that each prepayment must be at least \$100,000, or such lesser amount as is the entire outstanding balance of principal immediately before the prepayment). Each prepayment will be applied against the payments of principal required by this Note in the reverse of the order in which they are to be made. Each prepayment of principal will be accompanied by all accrued but unpaid interest on the principal sum being prepaid.

6. Each of the following events will constitute an Event of Default:

(a) The Company fails to make any payment of principal on or before the day on which it is due; or

(b) The Company fails to make any payment of interest within ten days after the day on which it is due; or

(c) The Company defaults in any of its obligations under this Note other than obligations described in subparagraphs (a)

and (b) and fails to cure that default within 30 days after a written demand from the Holder that the Company do so; or

(d) The Company or a significant subsidiary (as that term is defined in Securities and Exchange Commission Regulation S-X) commences a proceeding seeking relief as a debtor under the Bankruptcy Code or any state or foreign insolvency law; or

(e) An order is entered in a proceeding under the Bankruptcy Code or any state or foreign insolvency law declaring the Company or a significant subsidiary to be insolvent or appointing a receiver or similar official for substantially all the Company's or a significant subsidiary's properties, and that order is not dismissed within 90 days; or

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(f) Because of an event of default with regard to Senior Indebtedness, a holder of Senior Indebtedness accelerates the time when the principal of the Senior Indebtedness is due and payable; or

(g) Because of events of default with regard to indebtedness which is not Senior Indebtedness, holders of indebtedness aggregating \$500,000 which is not Senior Indebtedness accelerate the time when that indebtedness is due and payable.

7. Upon the occurrence of an Event of Default, the Holder may, by a notice to the Company given while the Event of Default is continuing, declare the entire unpaid balance of the principal sum evidenced by this Note and the accrued but unpaid interest to be due and payable, in which event that principal balance and accrued but unpaid interest will be immediately due and payable, except that if the Event of Default is of the type described in subparagraph (d) or (e), the entire unpaid balance of the principal sum evidenced by this Note and all accrued but unpaid interest will be immediately due and payable when the Event of Default occurs, without requiring any notice or other action by the Holder.

8. (a) The Company's obligations to make payments of principal and interest under this Note are subordinate and subject in right of payment to the

prior payment in full of all Senior Indebtedness. "Senior Indebtedness" means all principal, premium, interest, and other sums due with regard to all indebtedness for money borrowed (including the obligation to reimburse for amounts drawn against letters of credit) from banks, insurance companies or other financial institutions which the Company states, in the instrument governing the indebtedness or a document delivered to the holder of the indebtedness, to be Senior Indebtedness with regard to this Note, except that no indebtedness (and no obligations with regard to the indebtedness) will be Senior Indebtedness to the extent that incurrence of the indebtedness would cause the entire Senior Indebtedness at the time the indebtedness is incurred to exceed \$100,000,000, plus, as to Senior Indebtedness which when it was incurred did not cause the entire Senior Indebtedness to exceed that amount, additional advances totaling not more than 10% of the maximum committed amount of that Senior Indebtedness made by the lender to protect the Senior Indebtedness already held by the lender. In furtherance and not in limitation of the foregoing, but subject to the foregoing limitation on amount, "Senior Indebtedness" includes all principal, interest and other obligations of the Company under a Credit Agreement dated as of June 30, 1999 among the Company, the lenders party thereto, and ING (U.S.) Capital LLC as administrative agent, as amended, supplemented and otherwise modified from time to time.

(b) No payment of principal or interest on this Note will be made (i) unless all amounts then due for principal, premium, if any, and interest on Senior Indebtedness have been paid in cash or provided for, or (ii) during the period (a "Blockage Period") between the time the Company is notified by a holder of Senior Indebtedness that an event of default with respect to that Senior Indebtedness exists which permits the holder of that Senior Indebtedness to accelerate its maturity (a "Blockage Event") and the earlier of (x) the time that event of default is cured or waived

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or ceases to exist, and (y) 180 days after the holder of that Senior Indebtedness became entitled to accelerate its maturity, unless the holder of that Senior Indebtedness has accelerated its maturity.

(c) During a Blockage Period, the Holder of this Note shall not ask for, sue for, take, demand or set off or in any other manner, direct or indirect, attempt to enforce any right or collect any payment or distribution on account of this Note, nor present this Note for payment.

(d) Upon any distribution of assets of the Company as a result of any dissolution, winding up, liquidation or reorganization (whether in a bankruptcy or insolvency proceeding or otherwise) (an "Insolvency Event"), (i) all Senior Indebtedness must be paid in full in cash, or provision made for its

payment, before any payment is made on account of principal or interest on this Note, (ii) any payment or distribution of assets of the Company to which the Holder would be entitled except for this Paragraph must be paid or delivered by the Company or by any trustee in bankruptcy, receiver, assignee for the benefit of creditors or other liquidating agent, directly to the holders of the Senior Indebtedness, pro rata to the amounts of Senior Indebtedness held by each of them (or in accordance with any subordination agreements or other agreements among them), to the extent necessary to pay all Senior Indebtedness in full after giving effect to any concurrent payments or distributions to the holders of the Senior Indebtedness or provision for payment or distribution to them, and (iii) if, notwithstanding the foregoing, the Holder receives any payment or distribution of property of the Company before all Senior Indebtedness is paid in full, or provision made for its payment, the Holder will receive the cash or property paid or distributed to the Holder in trust for the holders of the Senior Indebtedness, and, upon a request made to the Holder by a holder of Senior Indebtedness within one year after the cash or property is paid or distributed to the Holder, the Holder will pay or deliver that cash or property to the holders of the Senior Indebtedness, for application to the payment of any Senior Indebtedness remaining unpaid after giving effect to any concurrent payment or distribution to the holders of the Senior Indebtedness or provision for payment or distribution to them. If no claim is made by holders of Senior Indebtedness to cash or property paid or distributed to the Holder within one year after the payment or distribution to the Holder, after the end of the one year period, the Holder will hold the cash or property free of any trust.

(e) Following the occurrence and during the continuation of any Insolvency Event:

i. the Holder of this Note shall take such action, duly and promptly, as any holder of Senior Indebtedness may request from time to time (A) to collect this Note for the account of the holders of Senior indebtedness and (B) to file appropriate proofs of claim in respect of this Note;

ii. the Holder of this Note irrevocably authorizes and empowers each holder of Senior Indebtedness (A) to demand, sue for, collect and

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receive every payment or distribution on account of this Note payable or deliverable in connection with such event or

proceeding and give acquittance therefor, and (B) to file claims and proofs of claim in any statutory or non-statutory proceeding and take such other actions, in its own name, or in the name of the Holder of this Note or otherwise, as such holders of Senior Indebtedness may deem necessary or advisable for the enforcement of the provisions of this Note; PROVIDED, HOWEVER, that the foregoing authorization and empowerment imposes no obligation on the holders of Senior Indebtedness to take any such action; and

iii. the Holder of this Note shall execute and deliver such powers of attorney, assignments or proofs of claim or other instruments as any holder of Senior Indebtedness may reasonably request to enable such holder of Senior Indebtedness to enforce any and all claims in respect of this Note and to collect and receive any and all payments and distributions which may be payable or deliverable at any time upon or in respect of this Note; PROVIDED, that the holders of Senior Indebtedness shall not exercise the rights granted under this paragraph unless the Holder of this Note has failed to take the necessary actions referenced above on or prior to the date which is 15 days prior to the last date on which such actions may be taken in accordance with applicable law.

(f) The Holder of this Note consents that, without the necessity of any reservation of rights against the Holder of this Note, and without notice to or further assent by the Holder of this Note:

i. any demand for payment of any Senior Indebtedness made by any holder of Senior Indebtedness may be rescinded in whole or in part by such holder of Senior Indebtedness, and any obligations under the Senior Indebtedness may be continued, and the Senior Indebtedness, or the liability of the Company or any guarantor or any other party upon or for any part thereof, or any collateral security or guarantee therefor or right of offset with respect thereto, or any obligation or liability of the Company or any other party under the Senior Indebtedness or any other agreement, may, from time to time, in whole or in part, be renewed, extended, modified, accelerated, compromised, waived, surrendered, or released by any holder of Senior Indebtedness; and

ii. the agreements relating to the Senior Indebtedness may be amended, modified, supplemented or terminated, in whole or in part, as any holder of Senior Indebtedness may deem advisable from time to time, and any collateral security at any time held by any holder of Senior Indebtedness

for the payment of any of the Senior Indebtedness may be sold, exchanged, waived, surrendered or released, in each case all without notice to or further assent by the Holder of this Note, which will remain bound under this Section 8, and all without impairing, abridging, releasing or affecting the subordination provided for herein.

(g) Subject to the payment in full of all Senior Indebtedness, the Holder will be subrogated to the rights of the holders of Senior Indebtedness to receive payments or distributions of property of the Company made with regard to the Senior Indebtedness until the principal and interest with regard to this Note is paid in full. For the purpose of that subrogation, no payment or distribution to the holders of Senior Indebtedness, which, except for the provisions of this Paragraph 8, would be payable or distributable to the Holder, will, as between the Company, its creditors other than holders of Senior Indebtedness, and the Holder, be deemed to be a payment by the Company with regard to the Senior Indebtedness, it being understood that the provisions of this Paragraph 8, other than subparagraph (c), are intended solely for the purpose of defining the relative rights of the Holder, on the one hand, and the holders of the Senior Indebtedness, on the other.

(h) Nothing in this Paragraph 8 is intended to impair, as between the Company, its creditors other than the holders of Senior Indebtedness, and the Holder, the obligation of the Company, which is absolute and unconditional, to pay the principal and interest on this Note when they become due. Nothing in this Paragraph 8 prevents the Holder from exercising all remedies otherwise permitted by law upon default under this Note, subject to the rights of holders of Senior Indebtedness under this Paragraph 8.

(i) Any person who becomes the Holder of this Note, or an interest in it, will be deemed to have agreed by acquiring this Note, or the interest in it, to be bound by the provisions of this Paragraph 8.

9. No amendment of this Note, waiver of any provision of this Note, or extension of the time by which the Company must make any payment of principal or interest on this Note, will be effective unless it is made in writing by the Holder. Any waiver or extension will be effective only in the instance and for the purpose for which it is given.

10. The remedies provided in this Note are cumulative and are not exclusive of any other remedies provided by law. The Company will pay on demand any expenses (including reasonable attorneys fees and expenses) incurred by the Holder in enforcing its rights under this Note.

11. Any notices or other communications required or permitted to be given under this Note must be in writing and will be deemed given on the day

when delivered in person or sent by facsimile (with proof of receipt at the number to which it is required to be sent), or on the third business day after the day on which it is mailed by first class mail from within the United States of America, addressed (i) if to the Company, to the Company's principal executive offices and to the

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principal facsimile number at those executive offices, Attention: President, or at such other address or facsimile number as the Company may specify to the Holder in writing, and (ii) if to the Holder, at the address or facsimile number specified by the Holder to the Company in writing.

12. This Note will be binding upon Company and its assigns, and will inure to the benefit of the Holder and the Holder's assigns. This Note will be governed by, and construed under, the laws of the State of New York.

IN WITNESS WHEREOF, the Company is executing this Note as of the date shown on the first page.

GENESIS WORLDWIDE INC.

By: /s/ Richard E. Clemens

President and Chief Executive Officer

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AGREEMENT

THIS AGREEMENT is entered into this 29th day of August 2000 among GENESIS WORLDWIDE INC. (formerly The Monarch Machine Tool Company), an Ohio corporation ("Genesis"), each of the SELLING STOCKHOLDERS (as defined in Section 1 of this Agreement), and THREE CITIES RESEARCH, INC., a Delaware corporation, solely as Stockholders Representative under the Stock Purchase Agreement (as defined in Section 1 of this Agreement) ("TCR"), under the following circumstances:

A. Genesis and the Selling Stockholders are parties to the Stock Purchase Agreement, pursuant to which Genesis purchased, and the Selling Stockholders sold to Genesis, all of the capital stock of Precision Industrial Corporation, a Delaware corporation (the "Company") on June 30, 1999;

B. In Article IX of the Stock Purchase Agreement, each of the Selling Stockholders appointed TCR as its representative and attorney in fact with respect to all matters concerning the Selling Stockholders set forth in the Stock Purchase Agreement or in any other agreements entered into by the Selling Stockholders in accordance with the Stock Purchase Agreement; and

C. Upon the terms and conditions set forth herein, Genesis and the Selling Stockholders desire to resolve certain differences that have arisen among them relating to the purchase of the capital stock of the Company pursuant to the Stock Purchase Agreement;

NOW, THEREFORE, FOR GOOD AND VALUABLE CONSIDERATION, THE RECEIPT OF WHICH IS HEREBY ACKNOWLEDGED, GENESIS, EACH OF THE SELLING STOCKHOLDERS AND TCR AGREE AS FOLLOWS:

SECTION 1. DEFINED TERMS. For purposes of this Agreement, the following terms shall have the following meanings:

"Agreement Regarding Shares" means the Agreement Regarding Shares, dated June 30, 1999, between Genesis and TCR, as Stockholders Representative, relating to the release of the Stock Consideration to the Selling Stockholders.

"Interest Payment Agreement" means the Interest Payment Agreement, dated June 27, 2000, between Genesis and TCR, as Stockholders Representative.

"Note/Warrant Agreement" means the Agreement among Genesis and the Selling Stockholders, dated June 30, 1999, pursuant to which the Selling Stockholders purchased the Subordinated Note and Genesis agreed, among other things, to issue Warrants.

"Selling Stockholders" means the persons and entities listed on Exhibit A to the Stock Purchase Agreement, a copy of which is attached hereto as APPENDIX A and incorporated herein by this reference.

"Special Note" means the 8% Special Junior Subordinated Note in the original principal amount of \$840,000 issued by Genesis on June 30, 1999 to TCR, as Stockholders Representative, in part payment of the purchase price provided for in the Stock Purchase Agreement.

"Stock Consideration" means the 500,000 common shares of Genesis evidenced by Certificate No. C 15350, issued to TCR, as Stockholders Representative, dated June 30, 1999, which were delivered in part payment of the purchase price provided for in the Stock Purchase Agreement.

"Stock Purchase Agreement" means the Stock Purchase Agreement between Genesis and each of the Selling Stockholders dated May 13, 1999.

"Subordinated Note" means the 12% Junior Subordinated Note of Genesis in the original principal amount of \$15,000,000 issued on June 30, 1999 to TCR, as Stockholders Representative, pursuant to the Note/Warrant Agreement, as amended by the Interest Payment Agreement.

"Three Cities Research, Inc." means Three Cities Research, Inc., a Delaware corporation, in its individual capacity and not in any representative capacity.

SECTION 2. SOLD COMPANIES LITIGATION AND CERTAIN OTHER MATTERS INVOLVING SOLD COMPANIES.

(A) At the time this Agreement is executed, TCR shall, in payment of the obligations identified in Section 2(B) of this Agreement, wire transfer \$325,000 to Genesis in immediately available funds to an account designated by Genesis in writing to TCR.

(B) Upon receipt of the \$325,000 payment, the following obligations shall be deemed paid: (i) all costs known to, and incurred by, Genesis or a

subsidiary of Genesis at May 31, 2000 relating to litigation claims asserted against companies previously sold by the Company and previously identified by the parties as the Foster, Dunklin, Belcher, Sigmon, Grim, Viars, Dave, Besavage, Kirkpatrick, and Callahan litigation claims; (ii) all costs known to, and incurred by, Genesis or a subsidiary of Genesis at May 31, 2000 relating to worker's compensation claims of employees of companies previously sold by the Company, which claims are presently being administered by Genesis or a subsidiary of Genesis in connection with certain insurance policies which have a self-insured retention amount per claim; (iii) all costs known to, and incurred by, Genesis or a subsidiary

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of Genesis at June 30, 2000 relating to unemployment taxes due to the State of Illinois by Herr Voss Corporation for periods prior to June 30, 1999 which costs were not recorded or paid at June 30, 1999 by Herr Voss Corporation; (iv) all costs known to, and incurred by, Genesis or a subsidiary of Genesis at June 30, 2000 relating to a sales and use tax assessment by the State of Pennsylvania against Herr Voss Corporation for periods prior to June 30, 1999 which costs were not recorded or paid at June 30, 1999 by Herr Voss Corporation; and (v) \$8,500 in costs incurred or to be incurred by Genesis in connection with obtaining a determination letter for the Roll Centers, Inc. 401(k) plan established in 1993.

(C) Except as specifically set forth in Section 2(B) of this Agreement, nothing contained in this Agreement, including the provisions of Section 7 of this Agreement, shall be construed or interpreted in any manner to reduce, lessen, or limit the indemnification obligations of the Selling Stockholders under "Paragraph 7.3 - Indemnification Against Liabilities with Regard to Previously Sold Companies" and "Paragraph 7.4 - Tax Indemnification" of the Stock Purchase Agreement. TCR hereby specifically acknowledges the obligation of the Selling Stockholders to continue to pay promptly upon submission of proper documentation claims covered by such paragraphs of the Stock Purchase Agreement.

(D) Genesis or a subsidiary of Genesis has caused National City to issue Letter of Credit No. SPA008072 (dated May 12, 1999) in the amount of \$350,000 for the benefit of Techint Technologies Inc. to cover claims arising against Herr-Voss Industries, Inc. under the Settlement Agreement and Mutual Release dated May 11, 1999 between Techint Technologies Inc. and Herr-Voss Industries, Inc. (the "Techint LOC"). TCR hereby agrees that any payments properly made under the Techint LOC to Techint are the responsibility of the Selling Stockholders under Paragraph 7.3 of the Stock Purchase Agreement. As soon as practical after the execution of this Agreement (but not more than 30 days thereafter), TCR shall deliver to Genesis a "back-up" letter of credit of a commercial bank in favor of National City in the amount of \$262,500 which shall be designed to re-imburse the amount of any loss National City suffers as a result of payment by National City to Techint under the Techint LOC. To the

extent that any such loss suffered by National City under the Techint LOC shall exceed the face amount of the back-up letter of credit, the Selling Stockholders shall directly reimburse National City the amount of such loss.

(E) Genesis or a subsidiary of Genesis has caused ING (U.S.) Capital LLC ("ING") to issue Letter of Credit No.G74626 (dated December 10,1999), as amended by amendment no. 1 thereto (dated July 5, 2000) (the "ING LOC"), in the amount of \$720,000 for the benefit of the Zurich-American Insurance Group ("Zurich"), of which \$507,000 is to cover the self-insured retention portion of certain insurance claims as to which Salem Corporation retained responsibility in connection with the sale of certain companies (the "Salem Obligations") and for which Genesis is indemnified under Paragraph 7.3 of the Stock Purchase Agreement. TCR hereby agrees that any payments properly made under the ING LOC to Zurich to reimburse it for a Salem Obligation are the responsibility of the Selling Stockholders under Paragraph 7.3 of the Stock Purchase Agreement. As soon as practical after the execution of this Agreement (but not more than 30 days thereafter),

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TCR shall deliver to Genesis a "back-up" letter of credit of a commercial bank in favor of ING in the amount of \$380,250 which shall be designed to re-imburse the amount of any loss ING suffers as a result of payment by ING to Zurich for a Salem Obligation under the ING LOC. To the extent that any such loss suffered by ING under the ING LOC shall exceed the face amount of the back-up letter of credit, the Selling Stockholders shall directly reimburse ING the amount of such loss.

(F) In the event that Genesis notifies TCR in writing that ING has advised Genesis that Genesis will be required to treat the full face amount the Techint LOC and the ING LOC as indebtedness of Genesis, even though such obligations are supported by the "back-up" letter of credit, then TCR agrees to provide original letters of credit in lieu of "back-up" letters of credit, with the same terms as the "back-up" letters of credit would have had, except they will be direct obligations to Techint and Zurich, respectively.

SECTION 3. SUBORDINATED NOTE.

(A) The Subordinated Note shall be amended as of July 1, 2000 to reflect the following changes:

(1) The name "Genesis Worldwide Inc." shall be substituted for "The Monarch Machine Tool Company" to reflect the name change of the payor of the Subordinated Note;

(2) The principal amount of the Subordinated Note at July 1,

2000 shall be changed to "\$11,947,541," which amount was arrived at (i) by reducing the original principal amount of \$15,000,000 by \$3,500,000 and (ii) by increasing the principal amount by \$447,541 as required pursuant to Section 2 of the Interest Payment Agreement;

(3) For the period from July 1, 2000 through December 31, 2001, the Subordinated Note shall bear interest at a rate of 9% per annum, with the applicable interest rate changing to 12.50% per annum effective January 1, 2002 until March 31, 2002 and increasing by 50 basis points on April 1, 2002 and on each July 1, October 1, January 1, and April 1 after that until April 1, 2004, on and after which the rate of interest payable under the Subordinated Note will be 17% per annum; and

(4) The interest payment due and payable under the Subordinated Note on each of September 30, 2000, December 31, 2000 and March 31, 2001 shall not be paid in cash, but in lieu thereof, an amount equal to such cash payment shall be paid by increasing the principal amount of the Subordinated Note by such amount effective on the respective dates that such interest payments are due and payable; and the principal amount of the Subordinated Note as so increased shall bear interest and be payable at the maturity date, all as provided in the Subordinated Note.

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(B) The Subordinated Note, as amended, to give effect to the provisions of Section 3(A) of this Agreement shall be restated in the form set forth in the "12% Junior Subordinated Note, As Restated," attached hereto as APPENDIX B (the "Restated Subordinated Note"). At the time this Agreement is executed, Genesis shall execute and deliver to TCR the Restated Subordinated Note, and TCR shall deliver the Subordinated Note to Genesis for cancellation.

(C) Upon the execution of this Agreement, the Interest Payment Agreement shall be null and void and of no further force and effect.

SECTION 4. SPECIAL NOTE. Notwithstanding anything contained in the Special Note to the contrary, in the event that Genesis closes on the sale of its 50% interest in the Nippon Herr Joint Venture and within five business days after such closing, Genesis transfers and assigns to TCR a 50% interest in any payments or other consideration it received or will receive for such interest

(the "Nippon Herr Consideration"), then the Special Note shall be deemed paid in full. Genesis further agrees it will immediately upon the receipt of any Nippon Herr Consideration assigned to TCR (and in no event, more than five business days after the receipt of any such payment), deliver such payment to TCR.

SECTION 5. STOCK CONSIDERATION.

(A) At the time this Agreement is executed, TCR shall transfer and assign the Stock Consideration to Genesis by surrendering Genesis Certificate No. 15350 to Genesis, endorsed in blank. Upon the transfer and assignment of the Stock Consideration to Genesis, the Selling Stockholders shall have no further interest in the Stock Consideration.

(B) Upon the execution of this Agreement, the Agreement Regarding Shares shall be null and void and of no further force and effect.

SECTION 6. NOTE/WARRANT AGREEMENT.

(A) Notwithstanding anything contained in the Note/Warrant Agreement or any related document to the contrary, Genesis is hereby released of any obligation to issue and sell warrants to purchase shares of its common stock to the Selling Stockholders. The parties hereto acknowledge that Warrant No. W-001 for the purchase of 100,000 shares of common stock of Genesis, issued to TCR on June 30, 1999, which will remain outstanding, is the only warrant to purchase shares of common stock issued or issuable in connection with the Note/Warrant Agreement as modified by this Section 6.

(B) J. William Uhrig shall not be designated to serve as a director of Genesis by TCR pursuant to Section 3 of the Note/Warrant Agreement.

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SECTION 7. RELEASES.

(A) Genesis hereby releases and discharges Selling Stockholders, TCR, and Three Cities Research, Inc. from any and all claims, causes of action, claims for relief, damages and demands of whatsoever kind or nature which Genesis had, now has, or may hereafter have against any of them ("Claims"), arising, directly or indirectly, out of or in an way connected with or based upon "Paragraph 3.2. Selling Stockholders' Joint Representations and Warranties" of the Stock Purchase Agreement, or out of or in any way connected with or based

upon any related claim under "Paragraph 7.1 Indemnification Against Loss Due to Inaccuracies in Selling Stockholders' Representations and Warranties," except that the foregoing release and discharge shall not apply to Claims arising under the Paragraph 3.2(c) of such Paragraph or out of or in any way connected with or based upon any claim under "Paragraph 7.1 Indemnification Against Loss Due to Inaccuracies in Selling Stockholders' Representations and Warranties" related to Paragraph 3.2(c) or to claims arising under this Agreement.

(B) The Selling Stockholders, TCR, and Three Cities Research, Inc. hereby release and discharge Genesis from any and all claims, causes of action, claims for relief, damages and demands of whatsoever kind or nature which the Selling Stockholders, TCR, or Three Cities Research, Inc. had, now has, or may hereafter have ("Claims"), arising, directly or indirectly, out of or in an way connected with or based upon the letter of Richard E. Clemens to TCR, dated April 27, 2000, or "Article 3.3. Buyer's Representations and Warranties" of the Stock Purchase Agreement, except that the foregoing release and discharge shall not apply to Claims arising under Paragraphs 3.3(a), 3.3(b), 3.3(c), 3.3(k) or 3.3(l) of such Paragraph 3.3 or to claims arising under this Agreement.

(C) When used in this Section 7, (i) "Genesis" means Genesis, any subsidiary of Genesis, any director, officer, or agent of Genesis or any subsidiary of Genesis and the successors, heirs, administrators, executors and assigns of any of the foregoing, (ii) "Selling Stockholders" means each of the Selling Stockholders, TCR, and any director, officer, partner, or agent of either a Selling Stockholder or TCR and the successors, heirs, administrators, executors and assigns of any of the foregoing, and (iii) "Three Cities Research, Inc." means Three Cities Research, Inc., any director, officer, partner, or agent of Three Cities Research, Inc. and the successors, heirs, administrators, executors and assigns of any of the foregoing

SECTION 8. REPRESENTATIONS.

(A) Three Cities Research, Inc. represents and warrants that it has the authority to enter into this Agreement on behalf of each of the Selling Stockholders and to perform all acts or make all representations described in this Agreement on behalf of each of the Selling Stockholders. Three Cities Research, Inc. agrees to hold Genesis harmless from any loss it may suffer as a result of a breach of the foregoing representation.

(B) Genesis represents and warrants that it has the authority to enter into this Agreement and that after a complete investigation, it did not obtain any information indicating any fraud by the Selling Stockholders (as defined at Section 7(C), above) or TCR.

SECTION 9. GOVERNING LAW. This Agreement and the obligations of the parties and the rights of the parties hereunder shall will be governed by the substantive laws of Delaware.

SECTION 10. FURTHER ACTIONS. Each party hereto agrees to take promptly all actions reasonably necessary to carry out the terms, conditions and intent of this Agreement.

SECTION 11. NOTICES. Any notice or other communication under or relating to this Agreement shall be given as provided in Paragraph 10.7 of the Stock Purchase Agreement.

SECTION 12. CONSTRUCTION. Genesis, TCR, and Three Cities Research, Inc. have jointly drafted this Agreement and, therefore, no provision of this Agreement will be construed against any party based upon authorship.

SECTION 13. SIGNATURES. This Agreement may be executed in multiple copies and signatures may be made by facsimile transmissions.

SECTION 14. NO RELIANCE. Genesis, TCR, and Three Cities Research, Inc. acknowledge that they have not relied on any statement, representation, omission, inducement, or promise by the other party (or any other officer, agent, employee, representative, or attorney for any other party) in executing this Agreement except as expressly stated in this Agreement.

SECTION 15. NO ADMISSION OF LIABILITY. Genesis and TCR acknowledge that this Agreement is the result of the compromise of disputed claims; accordingly, this Agreement is not to be construed as an admission of any liability, fault, or responsibility on the part of Genesis, any of the Selling Stockholders or TCR.

SECTION 16. VOLUNTARY AGREEMENT. Genesis and TCR represent and warrant that they have read this Agreement and know and understand its full content; Genesis, each of the Selling Stockholders, and TCR voluntarily enter into this Agreement after full consultation with counsel.

SECTION 17. OTHER AGREEMENTS. Except as amended, modified, or superceded by specific provisions of this Agreement, the Stock Purchase Agreement and the Note/Warrant Agreement shall continue in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first written above.

GENESIS WORLDWIDE INC.

THREE CITIES RESEARCH, INC., AS
STOCKHOLDERS REPRESENTATIVE

By: /s/ Richard E. Clemens

By: /s/ William Uhrig

Richard E. Clemens, President & CEO

Its: Partner

EACH OF THE SELLING STOCKHOLDERS
LISTED ON APPENDIX A HERETO

By Three Cities Research, Inc., As Attorney in Fact for each of the Selling
Stockholders listed on Appendix A hereto

By: /s/ William Uhrig

Its: Partner

AGREEMENTS BY THREE CITIES RESEARCH, INC.

For good and valuable consideration, Three Cities Research, Inc.,
individually for itself and not in any representative capacity, hereby agrees to
the provisions of Sections 7, 8, 12 and 14 of the foregoing Agreement.

IN WITNESS WHEREOF, the undersigned Three Cities Research, Inc. has
executed this addendum to the forgoing Agreement as of the date and year first
written above.

THREE CITIES RESEARCH, INC.

By: /s/ William Uhrig

Its: Partner

APPENDIX A

Three Cities Fund II LP
Three Cities Offshore II CV
Wynnefield Partners Small Cap Value LP
Allied Capital Corporation
Allied Investment Corporation

Anthony T. Castor, III
Michael H. Bulkin
J. Murfree Butler
Stephen G. Cerri
A.A. Fornataro
Michael S. Levin

Gerald L. Brenneman
William H. Carver
Steven B. Chinchi
Vernon E. Collins
Joseph L. Cugini
Webley M. Dias
Martin C. Dillner
M. James Ditallo
George A. Douglas
Audie K. Dunbar
John A. Fischer
Thomas M. Fitzwilliams
George R. Goldner
Richard L. Goldner
Francis J. Gordon
Gary D. Hart
Thomas F. Hazen
Marvin T. Knepp
Harry F. Leonard
William A. Lindner
Frank S. Ludwiczak
John A. Marzula
Miros J. Maszczak
Michael W. McGraw
Melinda S. McKee
James N. McKenna

Donald J. Mudric
Frank W. Petraglia
Teresa D. Phillips
James L. Phillis
William D. Presutti
Michael A. Santillo
Karl T. Schoeffel
Carl H. Simpson
Blake C. Steele
Richard J. Stock
David D. Struth
Mark E. Sutherland
Mark T. Swain
Henry E. Theis
Glyn R. Vaughan
William R. Weber
Edward R. Woods
Lloyd P. Zahn

Mark J. Menego
Robert F. Mikesell
Charles L. Miller
Kenneth H. Miller

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