

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1996-01-11** | Period of Report: **1995-09-30**
SEC Accession No. **0000950124-96-000199**

([HTML Version](#) on secdatabase.com)

FILER

MCCLAIN INDUSTRIES INC

CIK: **63686** | IRS No.: **381867649** | State of Incorp.: **MI** | Fiscal Year End: **0930**
Type: **10-K** | Act: **34** | File No.: **000-07770** | Film No.: **96502785**
SIC: **3443** Fabricated plate work (boiler shops)

Business Address
6200 ELMRIDGE RD
STERLING HEIGHTS MI 48310
8102643611

FORM 10-K

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE
ACT OF 1934
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1995

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File No. 0-7770

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

STATE OF MICHIGAN 38-1867649
State of Incorporation I.R.S. Employer I.D. No.

6200 ELMRIDGE ROAD
STERLING HEIGHTS, MICHIGAN 48310
(810) 264-3611
(Address of principal executive offices and telephone number)

Securities Registered Pursuant to Section 12(b) of the Act:
NONE

Securities Registered Pursuant to Section 12(g) of the Act:
COMMON STOCK, NO PAR VALUE

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, as amended, during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes 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 December 29, 1995, the aggregate market value of the Registrant's voting stock held by nonaffiliates of the Registrant was \$8,441,206 determined in accordance with the highest price at which the stock was sold on such date as reported by the Nasdaq National Market.

As of December 29, 1995, there were 4,893,512 shares of the Registrant's common stock issued and outstanding.

Exhibit Index is on Page 57
Page 1 of 347 Pages

PART I

ITEM 1. BUSINESS

GENERAL

McClain Industries, Inc., a Michigan corporation ("McClain-Michigan"), together with its subsidiaries (the "Company"), is one of the nation's leading manufacturers of a diversified line of dump truck bodies and solid waste handling equipment. Dump truck bodies are assemblies attached to truck frames and used to carry and dump solid materials such as dirt or gravel. Solid waste handling equipment is used for the temporary storage, transportation and compaction of residential, commercial and industrial waste and recycling materials. In addition, the Company operates a steel tube mill to manufacture some of its steel tubing needs. The Company also provides coiled steel cutting and warehousing services for its own manufacturing operations and, on a limited

basis, for sale to third-party customers.

BACKGROUND

McClain-Michigan was incorporated in 1968 and became a publicly-traded company in 1973. It currently has: (i) five significant wholly-owned operating subsidiaries: McClain of Ohio, Inc. ("McClain-Ohio"); McClain of Georgia, Inc. ("McClain-Georgia"); Shelby Steel Processing Co. ("Shelby Steel"); McClain Tube Company (d/b/a Quality Tubing) ("Tube"); and McClain EPCO, Inc. ("EPCO"); (ii) one wholly-owned lease financing subsidiary: McClain Group Leasing, Inc. ("Leasing"); and (iii) one wholly-owned holding company subsidiary: Galion Holding Company ("Galion Holding"). Galion Holding is the sole shareholder of two additional operating subsidiaries, McClain E-Z Pack, Inc. ("E-Z Pack") and Galion Dump Bodies, Inc. ("Galion Dump Bodies"). McClain-Michigan, E-Z Pack and Galion Dump Bodies collectively own all of the issued and outstanding stock of McClain Group Sales, Inc. ("Sales"), which is the exclusive sales representative of McClain-Michigan, McClain-Ohio, McClain-Georgia, E-Z Pack and Galion Dump Bodies. All of these companies are Michigan corporations, except for McClain-Georgia, which is a Georgia corporation, and EPCO, which is a New York corporation.

The names of several of these companies were changed during the past year in order to more closely identify them with McClain-Michigan. Leasing was formerly known as Prime Leasing Corporation; McClain-Ohio was formerly known as McClain Industries of Ohio, Inc.; E-Z Pack was formerly known as Galion Solid Waste Equipment, Inc.; Sales was formerly known as M.E.G. Equipment Sales, Inc.; and EPCO was formerly known as EPCO Manufacturing Corp. EPCO was acquired during July 1995. See ITEM 1. BUSINESS, Acquisition of EPCO, below.

McClain-Michigan, McClain-Ohio, McClain-Georgia and EPCO are sometimes collectively referred to as "McClain"; Galion Holding, E-Z Pack and Galion Dump Bodies are sometimes collectively referred to as "Galion"; and, unless the context otherwise requires, all references to the Company mean McClain-Michigan and all of the entities owned or controlled by McClain-Michigan.

-2-

3

The Company's executive offices are located at 6200 Elmridge Road, Sterling Heights, Michigan 48310 and its telephone number is (810) 264-3611.

ACQUISITION OF EPCO

On July 17, 1995, McClain-Michigan purchased all of the issued and outstanding common stock of EPCO in exchange for stock of McClain with a market value of \$1,000,000 and an agreement to issue additional McClain stock over the next 3 years with a market value of up to \$500,000 if sales of EPCO balers exceed specified amounts during such years. The stock issued to the former EPCO shareholders has not been registered under any federal or state securities laws and, consequently, its transfer is restricted.

EPCO manufactures and sells high quality vertical downstroke balers primarily for cardboard and plastics, compacting such waste for recycling. During its fiscal year ended March 31, 1995, EPCO had operating income of approximately \$10,600 on net sales of approximately \$2.5 million. Acquiring EPCO permits the Company to offer its customers a more complete line of solid waste handling equipment, satisfy customers which seek to purchase balers and compactors as a unit, and remain competitive in the industry.

PRODUCTS

The Company manufactures and markets dump truck bodies and four major solid waste handling equipment product lines: (1) containers; (2) compactors and baling equipment; (3) garbage and recycling truck bodies; and (4) transfer trailers.

Dump Truck Bodies and Hoists

Galion Dump Bodies manufactures steel dump truck bodies varying in capacity from two to twenty-five cubic yards at its Winesburg, Ohio facility. McClain-Michigan and McClain-Georgia, under license from Galion Dump Bodies, also manufacture dump truck bodies at its Oklahoma City, Oklahoma and Macon, Georgia facilities, respectively. Dump truck bodies are assemblies which are attached to a truck's frame or chassis, to allow the truck to carry and dump solid materials such as dirt, gravel or waste materials. Hoists are the hydraulic lift mechanisms used to tilt the dump body. Trucks with a dump body and hoist are commonly seen in use as "dump trucks". The products manufactured

by Galion Dump Bodies are sold under the registered trademark "Galion". The trademark registration, if not renewed, will expire in the year 2001. Sales of dump truck bodies accounted for approximately 21% of the Company's consolidated sales for the fiscal year ended September 30, 1995.

-3-

4

Containers

Detachable Roll-Off Containers and Roll-Off Hoists. McClain-Michigan, McClain-Ohio and McClain-Georgia manufacture several types of detachable roll-off containers and roll-off hoists at the Company's facilities in Sterling Heights, Michigan, Macon, Georgia, Oklahoma City, Oklahoma, and Galion, Ohio. Detachable roll-off containers vary in capacity from ten to forty-five cubic yards and are transported with their contents to recycling centers, incinerators or landfill sites. Roll-off hoists consist of frames mounted on truck chassis which are hydraulically operated to load, transport and dump roll-off containers. Roll-off hoists are advertised and sold under the trade name "MAGNA-HOIST". Sales of detachable roll-off containers and roll-off hoists accounted for approximately 18% of the Company's consolidated sales for the fiscal year ended September 30, 1995.

Intermodal, Water-Tight and Sludge Containers. The Company manufactures various types of intermodal, water-tight and sludge containers at the Company's facilities in Sterling Heights, Michigan, Macon, Georgia, Oklahoma City, Oklahoma, and Galion, Ohio. Intermodal containers vary in capacity from nineteen cubic yards to thirty-five cubic yards and are designed for highway, railroad and marine movement of waste products. Water-tight containers vary in capacity from ten to forty cubic yards and are designed for highway movement of wet waste. Sludge containers vary in capacity from ten to seventy cubic yards and are designed for highway movement of slurry type waste products. Sales of these containers accounted for approximately 7% of the Company's consolidated sales for the fiscal year ended September 30, 1995.

Compactors and Baling Equipment

The Company manufactures compactors at its Sterling Heights, Michigan facility. Compactors consist of a compaction unit and separate power source. Compaction units force deposited refuse through an opening at one end of the unit into a roll-off body coupled to the compaction unit. When the roll-off body is filled, the compactor is detached and the roll-off body is removed for dumping. The Company also manufactures unitized compaction systems consisting of a compactor and roll-off container manufactured as a single unit. Compactors are sold under the trade name "MAGNUM" and unitized compactor systems are sold under the trade name "UNIMAG". Sales of compactors and unitized compaction systems accounted for approximately 11% of the Company's consolidated sales for the fiscal year ended September 30, 1995. EPCO manufactures at its Buffalo, New York facility 24 models of balers which compact plastic and paper products, primarily cardboard. Balers are either vertical downstroke or closed door horizontal balers. Sales of balers for the approximately 2-1/2 months since the date of acquisition accounted for approximately 1% of the Company's consolidated sales for the fiscal year ended September 30, 1995.

Garbage and Recycling Truck Bodies

E-Z Pack manufactures at its Galion, Ohio facility traditional garbage truck bodies comprised of front, rear and side loading truck bodies and a recycling truck body used

-4-

5

in solid waste handling and disposal. The front loading truck bodies vary in capacity from thirty-two cubic yards to forty-three cubic yards, the rear loading truck bodies vary in capacity from eighteen cubic yards to thirty-one cubic yards, and the side loading truck bodies vary in capacity from twenty-nine cubic yards to thirty-nine cubic yards. The recycling truck bodies vary in capacity from thirty cubic yards to forty cubic yards. The products manufactured by E-Z Pack are sold under the registered trademark "E-Z Pack". Within this line, E-Z Pack sells its front loading truck bodies under the trademarks "Goliath", "Goliath II", and "Apollo". The side loading truck bodies and the recycling truck bodies are principally identified by the E-Z Pack name only. These trademarks will expire in the year 2001, unless renewed.

Sales of garbage and recycling truck bodies accounted for approximately 20% of the Company's consolidated sales for the fiscal year ended September 30, 1995.

Transfer Trailers

McClain-Ohio manufactures at its Galion, Ohio facility, various types of steel and aluminum transfer trailers, including open-top walking floor trailers, closed-top walking floor trailers, ejection trailers and open-top tipper trailers, varying in capacity from thirty cubic yards to 124 cubic yards. Transfer trailers are used to transport compacted solid waste from transfer stations to landfills or incinerators. Sales of transfer trailers accounted for approximately 8% of the Company's consolidated sales for the fiscal year ended September 30, 1995.

CUSTOMERS AND DISTRIBUTION

For the fiscal year ended September 30, 1995, the Company's consolidated sales were divided approximately 43% to distributors, 54% to solid waste handling companies and 3% to governmental agencies.

The Company traditionally has not depended on product sales to any one customer and no single customer accounted for more than 10% of the Company's net sales for the fiscal years ended September 30, 1995 and 1994. However, for the year ended September 30, 1993, sales to WMX Technologies, Inc. constituted approximately 11% of the Company's net sales. The Company has no contracts with any of its customers and, accordingly, sells its products pursuant to purchase orders placed from time to time in the ordinary course of business. The Company delivers its products to its customers through the use of its own trucks or common carriers.

The Company obtains its municipal as well as certain private contracts through the process of competitive bidding. There can be no assurance that municipalities or others will continue to solicit bids, or if they do, that the Company will continue to be successful in having its bids accepted. Additionally, inherent in the competitive bidding process is the risk that if a bid is submitted and a contract is subsequently awarded, actual performance costs may exceed the projected costs upon which the submitted bid or contract price was based.

-5-

6

Although historically foreign sales have not accounted for a significant portion of the Company's revenues, the Company anticipates that a greater portion of its future net sales will be derived from sales of its products in foreign markets.

SALES AND MARKETING

Historically, the Company's products have been marketed by the Company's executive officers and sales personnel who have worked closely with customers to solicit orders and to render technical assistance and advice. The Company's executive officers will continue to devote a significant amount of time to developing and maintaining continuing relations with the Company's customers. The Company operates Sales, a separate wholly-owned corporation, to act as the Company's exclusive sales representative. All of the Company's sales efforts are centralized through Sales rather than being handled by the separate product divisions.

The Company also engages independent distributors and dealers in various regions throughout the United States and certain foreign countries, for marketing its products to customers. The Company's dealers are generally responsible in their respective geographic markets for identifying customers and soliciting customer orders. As of December 1, 1995, there were approximately 143 authorized Company dealers located in numerous states and six authorized Company dealers, licensees and commissioned district managers in four foreign countries, each of which is independently owned. The Company is dependent on such dealers for a significant portion of its revenues. These dealers typically specialize in specific products and areas and, accordingly, have specific knowledge of and contacts in particular markets. The Company believes that its dealers have enhanced and will continue to enhance the scope of the Company's marketing and sales efforts and have, to a certain extent, also enabled the Company to avoid certain significant costs associated with creating a more extensive direct sales network.

The Company advertises its products under trade names and under its name in trade journals and brochures. Other marketing efforts include articles in trade publications, attendance at trade shows and presentations by the Company's personnel at industry trade conferences.

The Company, through Leasing, also provides lease financing on a limited basis for purchases of the Company's products. At September 30, 1995, Leasing held lease receivables the present value of which aggregates approximately \$3.6 million.

RAW MATERIALS

The Company is dependent on third-party suppliers and manufacturers for the raw materials and a significant portion of the parts it uses in the manufacture of its products. The major raw materials used by the Company are steel in sheet, plate, structural and tubular form and aluminum in sheet and extruded form. The Company purchases its steel, principally in coils, and its sheet and extruded aluminum from domestic mills and warehouses. Coiled steel is received by the Company at various manufacturing facilities

-6-

7

where it is then cut, bent, sheared and formed for assembly by welding. Electric and hydraulic components incorporated into the power units of compactors, balers and hoists used with dump bodies manufactured by the Company are brand name items purchased from various sources and assembled by the Company or to their specifications by outside sources. The assembled products are then painted to customers' specifications.

While the Company attempts to maintain alternative sources for the Company's raw materials and believes that multiple sources are currently available for all of the raw materials (other than aluminum extrusions) that it uses, the Company's business is generally subject to periodic shortages of raw materials which could have an adverse effect on the Company. The Company currently purchases all of its extruded aluminum from one source. The Company is unaware of other potential providers of extruded aluminum which meets the Company's requirements and, therefore, the failure of the Company's extruded aluminum supplier to continue to supply the Company could have a material adverse effect on the Company. Although to date the Company has been able to obtain sufficient quantities of extruded aluminum to satisfy its manufacturing needs, a prolonged shortage of such raw material could adversely affect the Company. In addition, the Company currently purchases all of its hydraulic cylinders from only a few major suppliers. The failure by any of such suppliers to continue to supply the Company with cylinders on commercially reasonable terms, or at all, could also have a material adverse effect on the Company.

The Company generally has no supply agreements with any of its suppliers and, accordingly, generally purchases raw materials pursuant to purchase orders placed from time to time in the ordinary course of business. Failure or delay by suppliers in supplying necessary raw materials to the Company could adversely affect the Company's ability to obtain and deliver its products on a timely and competitive basis. In addition, the Company has experienced price fluctuations for the raw materials that it purchases, particularly with respect to steel and aluminum. Any significant price fluctuations in the future could also have an adverse effect on the Company.

The Company uses a stringent forecasting and purchasing system to monitor the quantity and cost of necessary raw materials. Such cost controls allow the Company to minimize its operating costs by purchasing from the lowest priced suppliers the appropriate amount of raw materials in light of the Company's needs. The Company often orders raw materials in amounts in excess of its anticipated short-term needs in order to take advantage of price discounts available on large volume purchases of raw materials.

To reduce its cost of raw materials, the Company has been processing coiled steel and manufacturing some of its own tubing, rather than purchasing tubing and processed sheet steel from third parties. The Company believes that it is the only manufacturer of dump truck bodies and solid waste handling equipment to process coiled steel and to operate a steel tube mill.

-7-

8

Steel Processing

Shelby Steel, a wholly-owned subsidiary of the Company, receives

coiled steel and either warehouses or cuts and processes the steel at its River Rouge, Michigan facility to prescribed specifications. In addition to processing coiled steel for use by the Company, Shelby Steel also offers steel processing and warehousing services to third parties. Shelby Steel's ability to warehouse customers' steel attracts customers such as steel brokers who do not maintain facilities of their own to warehouse steel. Its steel processing and warehousing sales are generally limited to customers in the Detroit metropolitan area. Sales to third parties represented 78.6%, 86.7% and 87.7% of Shelby Steel's business and 1.2%, 2.0% and 2.8% of the Company's consolidated net sales for the fiscal years ended September 30, 1995, 1994 and 1993, respectively.

Tube Manufacturing

Tube, a wholly-owned subsidiary of the Company, began operating its tube manufacturing line in the Company's Kalamazoo facility in mid-1994. The facility receives coiled steel, slits the coil to proper width and forms it into square and rectangular tubing. The tubing produced by this facility is expected to eventually provide the Company with 90% of its steel tubing requirements. Currently, it provides approximately 80% of such requirements.

COMPETITION

The Company faces intense competition in the solid waste handling equipment and dump truck bodies industries. Certain of the Company's competitors offer as wide a range of products, have greater market share and financial, marketing, manufacturing and other resources than the Company. At present, the Company's order backlogs are approximately two to four weeks. In addition, the Company believes that several of its competitors have added or are in the process of adding additional manufacturing capacity, which could reduce order backlogs and price levels, and consequently adversely affect the Company. Moreover, the absence of highly sophisticated technology results in a number of small regional companies entering the industry periodically and competing with the Company.

Although the Company believes that its products are superior to those of most of its competitors because of the quality and amount of steel used in its products, consumers generally find the products relatively interchangeable. Consequently, price, product availability and delivery, design and manufacturing quality and service are the principal means of competition. The Company believes that it can continue to compete and further strengthen its competitive position through proper pricing, marketing and cost-effective distribution of the Company's products.

The steel processing industry is also highly competitive, with quality, price and delivery the principal means of competition. The Company believes that it will generally continue to maintain its competitive position in the marketplace with respect to steel

-8-

9

processing. Shelby Steel's ability to warehouse customers' steel attracts customers such as steel brokers who do not maintain facilities of their own to warehouse steel.

BACKLOG AND INVENTORY

The Company generally produces solid waste handling equipment and dump truck bodies pursuant to customer purchase orders. The Company includes in its backlog only firm product orders, which are subject to termination at will and rescheduling, without penalty. The Company's backlog was approximately \$8.6 million and \$16.6 million at September 30, 1995 and 1994, respectively. Substantially all of the Company's backlog is delivered within four weeks of the Company's receipt of purchase orders. Due to numerous factors, including termination of orders, rescheduling, possible change orders and delays, which affect production and delivery of the Company's products, there can be no assurance as to if or when cash receipts will be recognized from the Company's backlog. In addition, year to year comparisons of backlog are not necessarily indicative of future operating results. Although most of the Company's sales are based on orders for goods to be manufactured, the Company nevertheless carries certain amounts of finished goods inventory in order to meet customer delivery dates. In addition, from time to time, the Company manufactures units in excess of ordered units to "round out" production runs or to maintain base stock levels. At September 30, 1995, 1994 and 1993, the Company had inventory of \$31.2 million, \$23.3 million and \$18.4 million, respectively.

EMPLOYEES

The Company had approximately 540 employees as of December 1, 1995.

Sixty-three of the Company's hourly employees are represented by the McClain Hourly Employees' Union pursuant to a collective bargaining agreement which expires September 1996. The 137 hourly employees of E-Z Pack are represented by the International Association of Machinists and Aerospace Workers Union pursuant to a collective bargaining agreement which expires June 12, 1997. The 54 hourly employees of McClain-Ohio are represented by the International Association of Machinists and Aerospace Workers Union pursuant to a collective bargaining agreement which expires in November, 1996. On February 23, 1995 the National Labor Relations Board conducted an election in response to a petition filed by the Shopmen's Local Union No. 616 of the International Association of Bridge, Structural and Ornamental Iron Workers (AFL-CIO) (the "Union") to represent the hourly employees at the McClain-Georgia facility in Macon, Georgia. Fifty-one employees or former employees voted, of which 21 voted against Union representation and 19 voted in favor of Union representation. The ballots of 11 employees were challenged as ineligible. The Union filed charges against the Company asserting that it committed various unfair labor practices which affected the election results and that the challenged ballots should be counted. It seeks an order that it be recognized as the exclusive bargaining agent for the hourly employees and that certain former employees be awarded backpay, lost benefits, and reinstatement. A trial regarding these charges was held during October 1995. The Company does not believe that Union certification, if it occurs, or an adverse final decision regarding the charges filed by the Union, would have a material adverse effect on the Company. The Company believes

-9-

10

that relations with the hourly employees at McClain of Georgia are generally satisfactory. There have been no work stoppages due to labor difficulties.

ENVIRONMENTAL

The Company's operations are subject to extensive federal, state and local regulation under environmental laws and regulations concerning, among other things, emissions into the air, discharges into the waters and the generation, handling, storage, transportation, treatment and disposal of waste and other materials. Inherent in manufacturing operations and in owning real estate is the risk of environmental liabilities as a result of both current and past operations, which cannot be predicted with certainty. The Company has incurred and will continue to incur costs, on an ongoing basis, associated with environmental regulatory compliance in its business.

During 1994, the Company engaged the services of an outside consulting firm to perform environmental compliance assessments of all of the Company's facilities (the "Audits"). The Audits identified a number of regulatory compliance issues associated with hazardous waste management and reporting, wastewater and stormwater requirements, underground storage tank registration and reporting requirements and air permitting requirements. The anticipated cost to remedy these compliance deficiencies was not deemed material by the Company. Since the date of the Audits, the Company has begun to implement procedures and take requisite actions to remedy the deficiencies identified in the Audits so that its facilities will comply with all applicable and material environmental laws and regulations.

One of the properties the Company acquired as part of its acquisition (the "Galion Acquisition") on July 27, 1992 of all of the assets and substantially all of the liabilities of the Peabody Galion Division of Peabody International Corporation ("Peabody") needs environmental remediation as reflected in a Phase II environmental study issued in September, 1993 by Stearns & Wheler in connection with the Galion Acquisition. This Phase II study indicates that there is no groundwater contamination on the property but that certain parcels of the property are contaminated with volatile organic compounds and excess levels of PCBs. The purchase agreement relating to the Galion Acquisition provides that the Company is responsible only for the first \$300,000 of costs and expenses, if any, incurred for such remediation, and Peabody is responsible for any costs or expenses in excess of such amount. The actual costs of remediation have not yet been determined. The indemnity provisions of the purchase agreement may not cover environmental liabilities arising from contamination found off-site. Although there is some indication that such contamination exists, the Phase II environmental study did not evaluate off-site liability issues. If such off-site contamination exists and is traceable to the property, Galion Holding could be responsible for some or all of the remediation costs associated with such contamination.

On July 17, 1995, the Company acquired all of the outstanding stock of EPCO Manufacturing Corporation ("EPCO") located in the State of New York. In connection with that acquisition, the Company performed environmental site and compliance assessments of both the real property then being used by EPCO for operations and the property to

which EPCO was moving. While the assessments did identify minor environmental compliance issues, none of the issues was material. Subsurface contamination concerns were identified only with respect to the property to which EPCO was moving, a property with confirmed soil and groundwater contamination. However, the owner of the new EPCO facility has agreed to indemnify EPCO for any pre-existing soil or groundwater contamination.

State and local agencies have become increasingly active in the environmental area. The increased regulation by multiple agencies can be expected to increase the Company's future environmental costs. In particular, properties under federal and state scrutiny frequently result in significant clean-up costs and litigation expenses related to a party's clean-up obligation. However, the Company believes that the ever-increasing waste stream and the continuing initiatives of government authorities relating to environmental and waste disposal problems, including restrictions on landfill locations and operations and extensive regulation relating to the disposal of waste, create significant opportunities for companies in the solid waste handling equipment industry. In addition, the trend towards classifying more materials as "semi-hazardous" or "hazardous" waste may be expected to continue to make handling such materials more complex, thereby further facilitating the market for solid waste handling products.

ITEM 2. PROPERTIES

In the aggregate, the Company owns or leases approximately 866,500 square feet of real property located in Michigan, Ohio, Georgia, Oklahoma and New York. The Company owns three facilities in Michigan, three facilities in Ohio, one facility in Georgia and one facility in Oklahoma. The properties that the Company owns or leases consist of the following:

<TABLE>
<CAPTION>

LOCATION -----	OWNED OR LEASED -----	SQUARE FOOTAGE -----
<S>	<C>	<C>
Sterling Heights, Michigan	Owned	37,000
Sterling Heights, Michigan	Leased	18,000
Kalamazoo, Michigan	Owned	55,000
River Rouge, Michigan	Owned	50,000
Galion, Ohio	Owned	365,000
Winesburg, Ohio	Owned	67,500
Winesburg, Ohio	Owned	16,000
Winesburg, Ohio	Owned	15,200
Macon, Georgia	Owned	114,500
Oklahoma City, Oklahoma	Owned	100,000
Buffalo, New York	Leased	28,300

</TABLE>

The Company's main office and manufacturing facilities are located in a 37,000 square foot facility situated on 8 2/3 acres in Sterling Heights, Michigan owned by McClain-Michigan. This facility is used to manufacture roll-off containers, roll-off hoists and compactors. McClain-Michigan also owns a 55,000 square foot facility located in

Kalamazoo, Michigan which is home to the Company's tube mill. Shelby Steel owns a 50,000 square foot steel processing facility on six acres of land in River Rouge, Michigan, where all of its operations are conducted. McClain-Michigan leases, under a verbal month-to-month lease, an 18,000 square foot manufacturing facility also located in Sterling Heights, Michigan from the mother of Messrs. Kenneth and Robert McClain. This facility is used by the Company as a fabrication facility. The monthly rental for this facility is \$3,500, with the lessor responsible for the payment of real estate taxes, assessments, insurance premiums and replacement in case of damage by fire, and the Company responsible for maintenance of the building. The Company believes that the terms and conditions of this lease are comparable to the terms and conditions which would be available from an unrelated party with respect to similar facilities, although other similarly situated unrelated parties would,

in all likelihood, require a long-term written lease.

E-Z Pack owns three buildings comprising approximately 365,000 square feet situated on approximately 38 acres of land in Galion, Ohio. This three-building facility is the sole location for its manufacturing operations. This facility manufactures front, side and rear loading garbage truck bodies and recycling trucks. Sales's executive offices are located in one of the Galion, Ohio buildings under a lease arrangement and McClain-Ohio leases one of the other buildings at this location. Galion Dump Bodies owns three manufacturing facilities (67,500, 15,200 and 16,000 square feet) situated on 20 acres of land in Winesburg, Ohio where it manufactures dump bodies and hoists.

The Company's Georgia facility is an approximately 114,500 square foot manufacturing facility on 13.2 acres in Macon, Georgia. McClain-Georgia manufactures roll-off containers and fabricates and processes steel for its own use in the manufacturing process at this facility.

The Company's Oklahoma facility consists of three buildings in Oklahoma City, aggregating 100,000 square feet. This facility is used to fabricate and process steel for its own use and to manufacture roll-off containers.

EPCO leases an approximately 28,300 square foot facility outside Buffalo, New York, where it manufactures balers.

McClain-Michigan's Sterling Heights, Michigan facility and McClain-Ohio's Ohio facility are currently operating at approximately 60% of capacity. The Oklahoma facility is currently operating at 50% of capacity. The Georgia facility is currently operating at 55% of capacity. The E-Z Pack portion of the Galion, Ohio facility is currently operating at 70% of capacity. The Winesburg, Ohio facility is currently operating at 75% of capacity. The Kalamazoo, Michigan facility is currently operating at 50% of capacity. The EPCO facility is currently operating at 50% capacity. The determination of the productive capacity on each facility actually used by the Company is a function of the mix of products being produced at such facility and the pricing of such products. The production capacity figures set forth in this paragraph reflect the mix of products presently produced by each facility and the present pricing of such products. The Company enjoys expandable capacity at most of these facilities depending on double-shifting and other performance enhancing activities.

-12-

13

The facilities owned and leased by the Company are well maintained and in good operating condition. Its plants and equipment are subject to various liens and encumbrances which collateralize certain obligations. See Notes 5 and 6 of Notes to Consolidated Financial Statements.

ITEM 3. LEGAL PROCEEDINGS

The Company is from time to time subject to various claims from existing or former employees alleging gender, age or racial discrimination and anti-union activity, none of which are expected to have a material adverse affect on the Company. In addition, as a manufacturer of industrial products, the Company is, from time to time, subjected to various product liability claims. Such claims typically involve personal injury or wrongful death associated with the use or misuse of the Company's products. While such claims have not been material to the Company in any year and the Company believes that it maintains adequate product liability insurance, there can be no assurance that such insurance will continue to be available on terms acceptable to the Company. Any product liability claim not fully covered by insurance, as well as any adverse publicity from a product liability claim, could have a material adverse effect on the Company. The Company is currently defending a few legal proceedings involving product liability claims relating to McClain, Galion Dump and E-Z Pack brand products. Galion Holding, pursuant to an indemnification it provided Peabody Galion Division of Peabody International Corporation ("Peabody") in connection with the Galion Acquisition, is currently defending a number of legal proceedings involving product liability claims arising out of products manufactured by Peabody prior to the date of the Galion Acquisition. These claims are also covered by insurance. Although the Company has already settled many of these cases and the Company believes that it can continue to successfully resolve these product liability claims, there can be no assurance that the Company can continue to do so. The Company is not presently a party to any material legal proceedings except as described above.

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

No matters were submitted to a vote of the Company's security holders during the fourth quarter of the fiscal year covered by this report.

PART II

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

The Company's Common Stock is traded and quoted on the Nasdaq National Market ("Nasdaq/NMS") under the trading symbol "MCCL." The following table sets forth, for the periods indicated, the high and low sales prices for the Common Stock as reported

-13-

14

by Nasdaq/NMS. These per share quotations represent inter-dealer prices on the Nasdaq/NMS, and do not include retail mark-ups or commissions.

<TABLE>
<CAPTION>

		SALES PRICE OF COMMON STOCK -----	
		HIGH ---	LOW ---
<S>		<C>	<C>
FISCAL YEAR ENDED SEPTEMBER 30, 1994			
	First Quarter	\$15.00	\$9.50
	Second Quarter	15.00	8.00
	Third Quarter	13.00	8.25
	Fourth Quarter	12.50	10.50
FISCAL YEAR ENDED SEPTEMBER 30, 1995			
	First Quarter	12.25	9.00
	Second Quarter	11.50	6.625
	Third Quarter	8.75	7.125
	Fourth Quarter	7.88	6.38

</TABLE>

Effective February 28, 1995, a four-for-three spilt of the Company's Common Stock was declared.

On December 29, 1995, the last reported sales price for the Common Stock as reported by Nasdaq/NMS was \$4-7/16. As of such date there were approximately 237 holders of record of the Common Stock. The Company believes there are a substantial number of beneficial owners of Common Stock whose shares are held in street name. The Company has never paid any cash dividends. The payment of dividends by the Company is within the discretion of the Board of Directors and will depend on the Company's earnings, its capital requirements and financial condition, as well as other relevant factors. The Board of Directors does not intend to declare any dividends in the foreseeable future, but instead intends to retain earnings for use in the Company's operations.

In December 1995, the Board of Directors authorized the Company to repurchase from time to time on the open market up to 100,000 shares of the Company's common stock.

-14-

15

ITEM 6. SELECTED FINANCIAL DATA

Selected financial data for each of the Company's last five fiscal years ended September 30 are as follows:

<TABLE>
<CAPTION>

	1995	1994	1993	1992	1991
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
Net Sales	\$82,263,202	\$79,166,990	\$61,794,822	\$31,895,313	\$27,035,673
Net Income	\$2,462,755	\$3,250,996	\$2,110,838	\$ 1,190,385	\$ 665,414
Net Earnings Per					

Common and Common
Equivalent Share(1)

\$.53 \$.71 \$.51 \$.30 \$.17

<CAPTION>

As of September 30,

<S>	<C>	<C>	<C>	<C>	<C>
Working Capital	\$33,868,556	\$21,997,601	\$10,664,116	\$12,577,620	\$8,706,995
Total Assets	\$73,899,197	\$58,189,747	\$49,562,268	\$36,014,382	\$19,088,253
Long-Term Debt	\$31,170,287	\$18,039,869	\$7,022,215	\$4,814,324	\$3,700,857
Stockholders' Investment	\$22,841,274	\$19,359,709	\$15,794,210	\$11,707,722	\$10,745,887
Weighted Average Number of Common Equivalent Shares Outstanding(1), (2)	4,657,476	4,608,137	4,104,076	3,921,769	3,948,403
Current Ratio	3.37:1	2.49:1	1.55:1	2.20:1	3.05:1
Long Term Debt to Equity	1.36:1	0.93:1	0.44:1	0.41:1	0.34:1

</TABLE>

- 1 Average number of shares outstanding includes, as appropriate, shares that could have been purchased by the exercise of options during the year.
- 2 Adjusted to reflect a 4-for-3 stock split effective February 28, 1995.

-15-

16

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

OVERVIEW

The following discussion should be read in conjunction with the consolidated financial statements, including the notes thereto, appearing elsewhere in this report.

The following table presents, as a percentage of net sales, certain selected financial data for the Company for the years indicated:

<TABLE>
<CAPTION>

	Year Ended September 30,				
	1995	1994	1993	1992	1991
<S>	<C>	<C>	<C>	<C>	<C>
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Sales	77.68	78.12	78.13	75.23	75.30
Gross Profit	22.32	21.88	21.87	24.77	24.70
Selling, General & Administrative Expenses .	14.19	13.48	15.00	15.74	17.73
Operating Profit	8.13	8.40	6.87	9.03	6.97
Other Expense	3.59	2.19	2.18	3.01	3.31
Income Before Income Taxes	4.54	6.21	4.69	6.02	3.66
Income Taxes	1.55	2.09	1.27	2.29	1.20
Net Income	2.99%	4.12%	3.42%	3.73%	2.46%

</TABLE>

The Company manufactures dump truck bodies and a variety of solid waste handling products including: (i) detachable roll-off waste containers

("roll-off containers") and hydraulically operated roll-off hoist tilt truck frames used to load, transport and dump roll-off containers ("roll-off hoists"); (ii) intermodal waste containers designed for interchangeable use on trucks, trains and ships ("intermodals"); (iii) water-tight and sludge detachable roll-off waste containers designed to handle wet waste and slurry type waste, respectively; (iv) compactors, unitized compactor/roll-off container systems ("unitized compaction systems"), and balers; (v) an assortment of front, rear and side loading garbage truck bodies; (vi) recycling truck bodies; and (vii) transfer trailers used to transport compacted solid waste from transfer stations to landfills or incinerators.

The following table presents the net sales of the Company by major product line for the years indicated (in thousands):

<TABLE>
<CAPTION>

	YEAR ENDED SEPTEMBER 30,			
	1995		1994	
	AMOUNT	%	AMOUNT	%
	(in thousands)			
<S>	<C>	<C>	<C>	<C>
GARBAGE AND RECYCLING TRUCK BODIES	\$21,612	26.27%	\$18,027	22.77%
CONTAINERS	20,644	25.10%	19,515	24.65%
DUMP TRUCK BODIES	17,611	21.41%	18,047	22.80%
COMPACTORS, UNITIZED COMPACTION SYSTEMS AND BALERS	9,797	11.91%	9,357	11.82%
TRANSFER TRAILERS	6,809	8.28%	9,094	11.49%
REPLACEMENT PARTS	3,436	4.18%	3,258	4.12%
OTHER PRODUCT SALES	2,354	2.85%	1,869	2.35%
TOTALS	\$82,263	100.0%	\$79,167	100.0%

</TABLE>

RESULTS OF OPERATIONS

Comparison of year ended September 30, 1995 to year ended September 30, 1994

Net sales for the fiscal year ended September 30, 1995 reached \$82.3 million reflecting a 3.91% increase over sales for Fiscal 1994 of \$79.2 million. This increase in sales for Fiscal 1995 was attributable to container sales, exclusive of intermodal and sludge containers, increasing by \$2.8 million for the period and garbage and recycling truck bodies sales increasing by \$3.6 million for the period. Sales of other product lines remained static or declined in comparison to Fiscal 1994; most notably trailer sales which declined \$2.3 million and intermodal and sludge containers sales which declined \$1.8 million. The decline in trailer sales is attributable to a temporary over supply of trailers by end users and a restructuring of the Company's sales force. Management expects the restructuring of the trailer sales force to have a positive effect on sales commencing in the second quarter of Fiscal 1996. The decline in intermodal and sludge containers sales is primarily due to an over supply of intermodal and sludge containers in rental fleet markets.

Cost of sales as a percentage of net sales was 77.68% for Fiscal 1995 compared to 78.12% for Fiscal 1994. The gross profit as a percentage of net sales was 22.32% for Fiscal 1995 compared to 21.88% for 1994. The gross profit margins for Fiscal 1995 are

lower than originally forecasted as a result of increased costs incurred for raw materials, principally steel and aluminum which were not fully recoverable due to intense pricing competition within the Solid Waste Industry, and start-up expenses incurred in transferring production of one of the product lines from one manufacturing facility to another facility. Steel prices declined in the latter part of the fourth quarter of Fiscal 1995 and this decline is expected to have a positive effect on gross profit margins in the latter part of the first quarter of Fiscal 1996.

Selling, general and administrative expenses as a percentage of net sales increased modestly to 14.19% for Fiscal 1995 compared to 13.48% for Fiscal 1994. Interest expense as a percentage of net sales increased to 3.01% of net sales for Fiscal 1995 compared to 1.67% of net sales in Fiscal 1994 as a result of increased long-term debt. The increase in long-term debt resulted from acquiring approximately \$4 million of fixed assets and supporting higher inventory. Machinery and equipment was acquired to replace existing equipment to enhance productivity levels. Higher inventories of raw materials and supplies were maintained in order to be more responsive to customer needs and to reduce delivery time of finished goods. Net income as a percentage of net sales was 2.99% for Fiscal 1995 compared to 4.12% for Fiscal 1994. The decline in net income is attributable to increased interest expense and increased prices of raw materials which were not recoverable through higher selling prices.

Comparison of year ended September 30, 1994 to year ended September 30, 1993

Net sales increased 28.11% to \$79.2 million for the fiscal year ended September 30, 1994 ("Fiscal 1994") from \$61.8 million for the fiscal year ended September 30, 1993 ("Fiscal 1993"), primarily due to increased unit sales attributable to the Company's increased selling efforts and the general economic recovery. Intermodal, water-tight and sludge container sales accounted for 10.30% of the sales increase for such period, dump truck body sales accounted for 6.94%, and trailer sales accounted for 6.68% of the sales increase for such period. For Fiscal 1994, sales of dump truck bodies amounted to \$18 million or 22.80% of net sales, sales of garbage and recycling truck bodies amounted to \$18 million or 22.77% of net sales and sales of the Company's other solid waste handling equipment amounted to \$38 million or 47.96% of net sales. Cost of sales as a percentage of net sales was 78.12% for Fiscal 1994 compared to 78.13% for Fiscal 1993. The Company's historical gross margins prior to the Galion Acquisition have approximated 25%. The inclusion of sales and cost of sales of E-Z Pack has had the effect of reducing the Company's consolidated gross margins by approximately 3%. During the fourth quarter of Fiscal 1994, the Company increased the selling prices on all E-Z Pack product lines and, as a result of this action and other factors, the Company anticipates an increase in the gross margins commensurate with historical gross margins for the Company as a whole. Selling, general and administrative expenses as a percentage of net sales declined to 13.48% for Fiscal 1994 compared to 15% for Fiscal 1993 primarily due to the absorption of a higher percentage of such costs, which are generally fixed in nature, by the higher sales volume. Interest expense increased 87% to \$1.3 million in Fiscal 1994 from \$707,000 in Fiscal 1993. The higher interest expense is attributable primarily to higher prevailing interest rates, additional borrowings as a result of increased inventories associated with increased sales activity and the purchase of

-18-

additional machinery and equipment. Net income was \$3.3 million for Fiscal 1994 compared to \$2.1 million for Fiscal 1993. As a result of the increased sales volume and the Company's continuing cost-cutting efforts, the Company's net income as a percentage of net sales increased to 4.12% for Fiscal 1994 compared to 3.42% for Fiscal 1993. Such cost-cutting efforts include maintaining stringent cost controls over the purchase of raw materials and improving labor and production efficiencies.

LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital needs and capital expenditures continued to increase significantly during Fiscal 1995 primarily due to increased inventories and purchases of machinery and equipment. Higher inventory levels were maintained by the Company in order to be more customer responsive, and machinery and equipment purchases were made to improve production efficiencies.

The Company had working capital of approximately \$33.9 million at September 30, 1995, compared to approximately \$22.0 million at September 30, 1994. The ratio of the Company's current assets to its current liabilities was 3.37:1 at September 30, 1995, compared to 2.49 at September 30, 1994. The

Company's cash and short term investments totaled \$1.2 million at September 30, 1995. Cash flows used in operating activities were \$9.0 million for Fiscal 1995 due to increased inventories, an increase in accounts receivable and a reduction of trade accounts payable. During this period, investing activities used \$4.8 million, primarily as a result of equipment purchases. The cash flows used in operating and investing activities were funded by financing activities which consisted of an additional \$13.3 million in borrowings.

In June 1995, the Company entered into a new Revolving Credit Facility with Standard Federal Bank, a federal savings bank ("Standard"). Under this agreement the Company may borrow up to \$21 million. At September 30, 1995, approximately \$20 million had been drawn down under the Revolving Facility. Borrowings under the Revolving Facility are limited to 80% of eligible accounts receivable and 50% of qualified inventory (the "Borrowing Limit"), and bear interest at prime. All borrowings under the Revolving Facility are due in March 1997.

In February 1995, the Company entered into a new loan agreement with Standard to refinance two promissory notes in the aggregate amount of \$1.4 million and provide additional working capital in the amount of \$600,000. The note has a five year term, a fifteen-year amortization schedule, bears interest at the prime rate plus 1/4%, and is secured by a mortgage on certain of the Company's properties.

Also in February 1995, the Company and Standard entered into a new equipment purchase credit agreement in the amount of \$2.2 million. The Company can finance up to 85% of the cost of equipment purchased over a five year term, with interest at prime, and secured by the related equipment. At September 30, 1995, approximately \$1.5 million had been drawn on this financing.

-19-

20

All borrowings with Standard are secured by substantially all of the assets of the Company. In addition, the loans contain various covenants including those requiring the Company to maintain certain current ratios, levels of tangible net worth and debt ratios, and restricting the Company from acquiring fixed assets in excess of \$4.5 million/year.

In May 1995, the Company and Standard amended the revolving line of credit used to finance its lease receivables, reducing the maximum borrowings to \$3.5 million. At September 30, 1995, approximately \$2.9 million had been drawn on this line.

In April 1995, the Company entered into a program with a financial institution to finance its lease receivables in the amount of \$3.0 million. Under this facility, the Company may finance 100% of the Company's eligible lease receivables over the term of the related lease at a fixed interest rate determined at the time of the lease closing. The note is secured by the related lease receivable. At September 30, 1995, approximately \$480,000 had been drawn on this facility.

Subsequent to September 30, 1995, the Company and Standard entered into a demonstrator equipment line of credit in the amount of \$1.5 million. The Company can finance up to 85% of the cost of a demonstrator fleet on a revolving basis, with interest at prime. All borrowings under this revolving facility mature in March 1997.

The revolving credit agreements expire in March 1997 at which time the Company expects to obtain renewals upon the same or similar terms.

The Company believes that the available credit under its debt facilities, together with cash generated from the Company's operations, will be adequate to meet the Company's working capital requirements for the next 12 months.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial statements and supplementary data are filed herewith under Item 14.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS

There have been no changes in the Company's independent public accountants during the past two fiscal years and the Company does not disagree with such accountants on any matter of accounting principles, practices or financial statement disclosure.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

The directors and executive officers of the Company are as follows:

<TABLE>
<CAPTION>

NAME	AGE	OFFICE	APPROXIMATE DATE SERVICE BEGAN
----	---	-----	-----
<S>	<C>	<C>	<C>
Kenneth D. McClain(1)	54	Chairman of the Board, Chief Executive Officer and President	3/68
Robert W. McClain(1)	59	Senior Vice President, Assistant Secretary and Director	3/68
Raymond Elliott	61	Director	8/90
Walter J. Kirchberger	60	Director	11/95
Carl Jaworski	52	Secretary	10/72
Edward James Zabinski	53	Treasurer	4/92

</TABLE>

(1) Kenneth D. McClain and Robert W. McClain are brothers.

KENNETH D. MCCLAIN is Chairman of the Board and President of the Company. He has been a director and officer of the Company since its inception in March 1968. He also serves as Vice President and a director of Shelby Steel and President and a director of McClain-Georgia. Mr. McClain is also a director and the Chairman of the Board of Galion Holding, E-Z Pack, Galion Dump Bodies and Sales

ROBERT W. MCCLAIN is Senior Vice President and Assistant Secretary of the Company. He has been a director and officer of the Company since its inception in March 1968. He also serves as President of Shelby Steel and Vice President of McClain-Georgia.

RAYMOND ELLIOTT has been a director of the Company since August 1990. He has been President and a director of Elliott & Sons Insurance Agency, Inc. and Michigan Benefit Plans Insurance Agency, Inc. since 1967. Mr. Elliott also serves as a director of the Boys and Girls Club of Troy, a charitable organization located in Troy, Michigan.

WALTER J. KIRCHBERGER was elected to fill a vacancy in the Board of Directors resulting from the return of Peter Sugar to his former law firm which serves as general counsel to the Company. Mr. Kirchberger is First Vice President - Research of

PaineWebber Incorporated, and has served in such capacity for more than 25 years. He also serves as a director of Simpson Industries, Inc.

CARL JAWORSKI is Secretary of the Company and has served in such capacity since October 1972. He was also a director and the Treasurer of the Company from October 1972 until April 1992. Mr. Jaworski also serves as Treasurer, Secretary and a director of Shelby Steel and Treasurer and Secretary of McClain-Georgia. Mr. Jaworski is the Secretary of E-Z Pack, the Treasurer of Galion Dump Bodies and a Vice President and Secretary of Sales.

EDWARD JAMES ZABINSKI has been the Treasurer of the Company since April 1992, and joined the Company in June 1991. Prior to such time, Mr. Zabinski was a Certified Public Accountant with Rehmann Robson, the Company's independent accountants since 1978. Mr. Zabinski worked with Rehmann Robson & Co. for twenty years. Mr. Zabinski is also the Vice President and Treasurer of Galion Holding and Sales and the Treasurer of E-Z Pack. He also serves as a

director of Sales.

The Company is required to identify each person who was an officer, director or beneficial owner of more than 10% of the Company's registered equity securities during the Company's most recent fiscal year and who failed to file on a timely basis reports required by Section 16(a) of the Securities Exchange Act of 1934. Based solely upon its review of copies of such reports received by it during or with respect to the fiscal year ended September 30, 1995, the Company believes that all officers, directors and beneficial owners of more than 10% of the Company's registered equity securities timely filed all required reports, except that Kenneth McClain filed three late reports on Form 4 and Robert W. McClain filed two late reports on Form 4.

-22-

23

ITEM 11. EXECUTIVE COMPENSATION

COMPENSATION OF EXECUTIVE OFFICERS

The following tables set forth all cash compensation paid to the Chief Executive Officer of the Company and the only other executive officer whose total annual salary and bonus from the Company exceeded \$100,000 during the fiscal year ended September 30, 1995.

SUMMARY COMPENSATION TABLE

<TABLE>
<CAPTION>

Name and Principal Position	Annual Compensation		Long Term Compensation
	Fiscal Year	Salary Amount (\$)	Options/ SARs (#)
Kenneth D. McClain, President/ CEO	1995	\$219,675	13,333
	1994	194,250	26,667
	1993	194,250	0
Robert W. McClain, Senior Vice President	1995	216,582	6,667
	1994	191,250	22,667
	1993	191,250	0

</TABLE>

OPTION/SAR GRANTS TABLE

<TABLE>
<CAPTION>

Name	Shares Underlying Options/SARs Granted in 1995	% of Total Options/SARs Granted to Employees in 1995	Exercise Price (\$/Sh.)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
					5% (\$)	10% (\$)
Kenneth D. McClain	13,333	26.31%	\$7.31	1/16/00	\$26,927	\$53,854
Robert W. McClain	6,667	13.16%	\$7.31	1/16/00	\$13,465	\$26,930

</TABLE>

-23-

AGGREGATED OPTION/SAR EXERCISES AND
FISCAL YEAR-END OPTION/SAR VALUES TABLE

<TABLE>
<CAPTION>

	Shares Acquired on Exercise in 1995	Value Received	No. of Unexercised Options/SARs at Fiscal Year-End		Value of Unexercised In-The-Money Options/SARs at Fiscal Year-End	
			Exercisable	Not Exercisable(1)	Exercisable	Not Exercisable(2)
<S> Kenneth D. McClain	<C> 0		<C> 8,889	<C> 17,778	<C> \$3,378	<C> \$6,756
Robert W. McClain	0		7,556	15,111	\$2,871	\$574

</TABLE>

-
- (1) Stock options granted April 18, 1994 pursuant to the Company's 1989 Incentive Stock Plan (the "Incentive Plan"). Options must be exercised by April 17, 1999. Exercise price is \$6.56 per share.
- (2) Value based on the average of the September 29, 1995 closing bid high and low price which was \$6.94 per share.

COMPENSATION OF DIRECTORS

Directors who are employees of the Company do not receive compensation for serving on the Board or on the Board's committees. Directors who are not employees of the Company are entitled to a quarterly retainer fee of \$3,250 (\$2,500 for quarters ending prior to October 1, 1995), a \$1,000 fee for each regular or special meeting of the Board and a \$1,000 fee for each committee meeting attended on a day other than a regular or special Board meeting date (collectively, the "Fees"). A Director may elect to receive payment of the Fees in shares of Common Stock pursuant to the Company's 1989 Retainer Stock Plan for Non-Employee Directors (the "Retainer Plan"). To participate in the Retainer Plan, an eligible director must elect prior to December 31 of each year the percentage, if any, of Fees he desires to receive in the form of shares of Common Stock. The Common Stock is issued quarterly during the following calendar year. The number of shares of Common Stock to be issued to an eligible director is determined by dividing the dollar amount of the percentage of fees such director elects to receive in Common Stock by the "fair market value" of Common Stock on the day prior to the date of issuance of the Common Stock to such director. The term "fair market value" means the average of the highest and lowest selling price for the Common Stock as quoted on Nasdaq/NMS for the day prior to the date of issuance or for the first date prior to the date of issuance for which shares of Common Stock are quoted, if not quoted on the day prior to the date of issuance. Any fractional share of Common Stock derived from such calculation is paid in cash.

The aggregate fair market value of the shares of Common Stock issued to any eligible director in a given year cannot exceed 100% of such eligible director's fees. Fees may not be increased more often than annually.

-24-

During the fiscal year ended September 30, 1995, 1,565 shares of Common Stock were issued under the Retainer Plan.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of December 29, 1995, certain information regarding the beneficial ownership of Common Stock, of: (i) each person known to the Company to be the beneficial owner of more than five (5%) percent of the Common Stock; (ii) each director of the Company; (iii) each executive officer listed in the Summary Compensation Table; and (iv) all executive officers and directors of the Company as a group, based upon information available to the Company.

<TABLE>
<CAPTION>

Name and Address of Beneficial Owner -----	Amount and Nature of Beneficial Ownership (1) -----	Percent of Outstanding Shares (2) -----
<S> Kenneth D. McClain 6200 Elmridge Road Sterling Heights, MI 48310	<C> 1,352,300 (3)	<C> 27.63%
Robert W. McClain 6200 Elmridge Road Sterling Heights, MI 48310	1,138,734 (4)	23.27%
June McClain 68333 DeQuindre Oakland, MI 48368	337,178	6.89%
Lisa McClain Pfeil (5) 67667 Sisson Romeo, MI 48065	310,474	6.34%
Raymond Elliott 290 Town Center P.O. Box 890 Troy, Michigan 48084	7,983	.16%
All current executive officers and directors as a group (5 persons)	2,664,156 (6)	53.61%

</TABLE>

-
- (1) For purposes of this table, a person is deemed to have "beneficial ownership" of any shares that such person has a right to acquire within 60 days.
 - (2) Based on 4,893,512 shares of Common Stock issued and outstanding as of December 29, 1995. In addition, for purposes of computing the percentage of outstanding shares held by each person or group of persons named above, any security that such person or persons has or have the right to acquire within 60 days is also deemed to be outstanding, but is not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.
 - (3) Includes 2,430 shares of Common Stock owned by Kenneth D. McClain's wife. Mr. McClain disclaims beneficial ownership of these shares.

-25-

26

- (4) Includes 337,178 shares of Common Stock owned by Robert W. McClain's wife. Mr. McClain disclaims beneficial ownership of these shares.
- (5) Of the shares beneficially owned by Mrs. Pfeil, 305,098 are held of record by an irrevocable trust for her benefit. Mrs. Pfeil is the daughter of Kenneth D. McClain.
- (6) Includes 76,442 shares which executive officers and directors have the right to acquire pursuant to stock options exercisable within 60 days.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On August 2, 1993, the Company consummated the purchase of three facilities which it had been leasing from three different entities controlled by certain officers and directors of the Company, including its main Sterling Heights, Michigan facility, its Kalamazoo, Michigan facility and its Macon, Georgia facility. In each instance, the Company paid the purchase price by issuing shares of Common Stock and assuming existing mortgages on the facilities. The purchase prices were determined by the Company's Board of Directors on the basis of independent appraisals of the facilities. The stock issued was valued at \$5.40 per share, based on the market price for shares of Common Stock as of March 29, 1993, the date that definitive purchase agreements for the facilities were executed. These shares are restricted within the meaning of Rule 144 promulgated under the Securities Act of 1933, as amended (the "Securities Act"), meaning that it cannot be resold unless registered under the Securities Act, or in a transaction which is exempt from such registration. The seller of each facility owned the facility for more than two years before the sale.

In November 1994, in connection with a contemplated public offering of its Common Stock, the Company agreed to value the shares issued in exchange for these facilities at a price based on the market value of shares of Common Stock as of August 2, 1993, the date these transactions were consummated. This revision gave effect to the fact that the shares had increased in value by \$504,000 from March 29, 1993. Messrs. Kenneth and Robert McClain have agreed to pay this amount to the Company, with interest at Standard's prime rate, in five equal principal installments with accrued interest, commencing September 30, 1995.

The Company leases one of its facilities from the mother of Messrs. Kenneth and Robert McClain. See "Properties." The Company believes that the terms and conditions of this lease are comparable to those available from an unrelated party with respect to similar facilities. See also Note 12 of Notes to Consolidated Financial Statements.

The Company had sales of approximately \$239,000 in Fiscal 1995 to McClain Leasing Corporation, an entity controlled by certain officers and directors of the Company.

Elliott & Sons Insurance Agency, Inc. and Michigan Benefit Plans, Inc., entities controlled by Raymond Elliott, a director of the Company, provided insurance to the Company during Fiscal 1995. Sales from these entities to the Company aggregated approximately \$1.3 million during Fiscal 1995, for which these entities received fees and commissions in the approximate amount of \$129,000.

-26-

27

PART IV

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

(a) The following documents are filed herewith as part of this Form 10-K:

- (1) A list of the financial statements required to be filed as a part of this Form 10-K is shown in the "Index to the Consolidated Financial Statements and Schedules" filed herewith.
- (2) A list of financial statement schedules required to be filed as a part of this Form 10-K is shown in the "Index to the Consolidated Financial Statements and Schedules" filed herewith.
- (3) A list of the exhibits required by Item 601 of Regulation S-K to be filed as a part of this Form 10-K is shown on the "Index to Exhibits" filed herewith.

(b) Reports on Form 8-K

The Company did not file any reports on Form 8-K regarding events occurring during the months included in the fourth quarter of the Company's fiscal year.

-27-

28

SIGNATURES

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

Dated: January , 1996

McCLAIN INDUSTRIES, INC.

By: /s/ Kenneth D. McClain

Kenneth D. McClain, President
(Principal Executive Officer)

And By: /s/ Edward James Zabinski

Edward James Zabinski, Treasurer
(Principal Financial Officer and
Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934,
this report has been signed below by the following persons on behalf of the
Registrant and in the capacities and on the dates indicated.

Dated: January , 1996 /s/ Kenneth D. McClain

Kenneth D. McClain, Director

Dated: January , 1996 /s/ Robert W. McClain

Robert W. McClain, Director

Dated: January , 1996 /s/ Raymond Elliott

Raymond Elliott, Director

Dated: January , 1996 /s/ Walter J. Kirchberger

Walter J. Kirchberger, Director

-28-

29

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C.

Form 10-K

For Corporations

ANNUAL REPORT

FOR THE YEARS ENDED SEPTEMBER 30, 1995, 1994 and 1993

MCCLAIN INDUSTRIES, INC. AND SUBSIDIARIES

(NAME OF REGISTRANT)

CONSOLIDATED FINANCIAL STATEMENTS

AND INDEPENDENT AUDITORS' REPORT

McCLAIN INDUSTRIES, INC. AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES

CONSOLIDATED FINANCIAL STATEMENTS

Independent Auditors' Report

Consolidated Balance Sheets - September 30, 1995 and September 30, 1994

Consolidated Statements of Income for each of the three years in the period ended September 30, 1995

Consolidated Statements of Stockholders' Investment for each of the three years in the period ended September 30, 1995

Consolidated Statements of Cash Flows for each of the three years in the period ended September 30, 1995

Notes to Consolidated Financial Statements

SCHEDULES

The information required to be submitted in Schedule II is included in the consolidated financial statements and notes thereto.

The following schedules are omitted as not required or not applicable:

I, III, IV and V.

31

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
McClain Industries, Inc. and Subsidiaries
Sterling Heights, Michigan

We have audited the accompanying consolidated balance sheets of McClain Industries, Inc. and Subsidiaries as of September 30, 1995 and 1994, and the related consolidated statements of income, stockholders' investment, and cash flows for each of the three years in the period ended September 30, 1995. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements 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, such consolidated financial statements present fairly, in all material respects, the financial position of McClain Industries, Inc. and Subsidiaries as of September 30, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 1995 in conformity with generally accepted accounting principles.

REHMANN ROBSON

Farmington Hills, Michigan
January 8, 1996

McCLAIN INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 1995 and 1994

ASSETS

	1 9 9 5	1 9 9 4
	-----	-----
<TABLE>		
<CAPTION>		
<S>	<C>	<C>
CURRENT ASSETS		
Cash and cash equivalents	\$1,173,370	\$ 1,697,713
Accounts receivable, net of allowance for doubtful accounts of \$600,000 (\$425,800 in 1994) (Notes 5, 6 and 7)	14,284,478	10,908,932
Inventories (Notes 5, 6 and 8)	31,229,399	23,340,907
Net investment in sales-type leases, current portion	1,305,800	521,302
Prepaid expenses	176,075	296,944
	-----	-----
TOTAL CURRENT ASSETS	48,169,122	36,765,798
	-----	-----
PLANT AND EQUIPMENT at cost (Notes 5 and 6):		
Land	1,895,367	1,792,471
Buildings	9,701,280	8,852,933
Storage areas	1,518,928	1,411,795
Machinery and equipment	16,448,110	13,871,140
Furniture and fixtures	1,644,569	1,375,349
Transportation equipment	1,407,063	1,299,909
Leasehold improvements	462,818	230,304
	-----	-----
Total	33,078,135	28,833,901
Less accumulated depreciation and amortization	(11,894,922)	(10,070,253)
	-----	-----
NET PLANT AND EQUIPMENT	21,183,213	18,763,648
	-----	-----
OTHER ASSETS		
Net investment in sales-type leases, net of current portion (Notes 4 and 6)	2,255,164	1,355,387
Goodwill, net of amortization	1,737,921	479,375
Other	553,777	385,507
Equipment under construction (Note 3)	-0-	440,032
	-----	-----
TOTAL OTHER ASSETS	4,546,862	2,660,301
	-----	-----
TOTAL ASSETS	\$73,899,197	\$58,189,747
	=====	=====

</TABLE>

See Notes to Consolidated Financial Statements.

LIABILITIES AND STOCKHOLDERS' INVESTMENT

	1 9 9 5	1 9 9 4
	-----	-----
<TABLE>		
<CAPTION>		
<S>	<C>	<C>
CURRENT LIABILITIES		
Accounts payable	\$ 9,190,309	\$10,324,028
Current portion of long-term debt	2,179,449	1,791,213

Accrued expenses (Note 13)	2,331,809	2,003,884
Federal income taxes	598,999	649,072
	-----	-----
TOTAL CURRENT LIABILITIES	14,300,566	14,768,197
LONG-TERM DEBT, LESS CURRENT PORTION (NOTE 6)	31,170,287	18,039,869
PRODUCT LIABILITY (NOTE 14)	4,147,070	4,956,972
DEFERRED INCOME TAXES (NOTE 9)	1,440,000	1,065,000
	-----	-----
TOTAL LIABILITIES	51,057,923	38,830,038
	-----	-----
COMMITMENTS AND CONTINGENCIES (NOTE 14)		
STOCKHOLDERS' INVESTMENT (NOTES 3 AND 15)		
Common stock, no par value, authorized		
10,000,000 shares, issued and outstanding		
4,587,744 shares in 1995 (4,447,160 shares in 1994)	5,572,846	4,554,036
Retained earnings	17,772,428	15,309,673
Less amount due from officers	(504,000)	(504,000)
	-----	-----
TOTAL STOCKHOLDERS' INVESTMENT	22,841,274	19,359,709
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' INVESTMENT	\$73,899,197	\$58,189,747
	=====	=====

</TABLE>

34

McCLAIN INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED SEPTEMBER 30, 1995

<TABLE>			
<CAPTION>			
	1 9 9 5	1 9 9 4	1 9 9 3
	-----	-----	-----
<S>	<C>	<C>	<C>
NET SALES	\$82,263,202	\$79,166,990	\$61,794,822
COST OF SALES	63,901,196	61,843,845	48,281,844
	-----	-----	-----
GROSS PROFIT	18,362,006	17,323,145	13,512,978
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	11,673,686	10,674,043	9,271,167
	-----	-----	-----
OPERATING PROFIT	6,688,320	6,649,102	4,241,811
	-----	-----	-----
OTHER EXPENSE			
Interest	2,478,350	1,321,533	706,672
Loss on sale of plant and equipment	22,067	24,672	14,925
Other, net	451,148	388,201	625,376
	-----	-----	-----
TOTAL OTHER EXPENSE	2,951,565	1,734,406	1,346,973
	-----	-----	-----
INCOME BEFORE INCOME TAXES	3,736,755	4,914,696	2,894,838
INCOME TAXES (NOTE 9)	1,274,000	1,663,700	784,000
	-----	-----	-----
NET INCOME	\$ 2,462,755	\$ 3,250,996	\$ 2,110,838
	=====	=====	=====
NET INCOME PER COMMON AND COMMON EQUIVALENT SHARES	\$.53	\$.71	\$.51
	=====	=====	=====

WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON
EQUIVALENT SHARES OUTSTANDING (NOTE 1)

4,657,476

4,608,137

4,104,076

</TABLE>

See Notes to Consolidated Financial Statements.

35

McCLAIN INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' INVESTMENT

FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED SEPTEMBER 30, 1995

<TABLE>
<CAPTION>

	Common Stock		Retained Earnings	Amount Due From Officers	Totals
	Shares	Amount			
<S>	<C>	<C>	<C>	<C>	<C>
BALANCE AT OCTOBER 1, 1992	3,831,171	\$1,759,883	\$9,947,839	\$ -0-	\$11,707,722
PROCEEDS FROM COMMON STOCK ISSUED (NOTE 15)	6,667	15,750	-0-		15,750
COMMON STOCK ISSUED IN LIEU OF CASH (NOTES 3 AND 15)	483,129	2,463,900	-0-	(504,000)	1,959,900
NET INCOME		-0-	2,110,838		2,110,838
BALANCE AT SEPTEMBER 30, 1993	4,320,967	4,239,533	12,058,677	(504,000)	15,794,210
PROCEEDS FROM COMMON STOCK ISSUED (NOTE 15)	124,000	296,450	-0-		296,450
COMMON STOCK ISSUED IN LIEU OF CASH (NOTE 15)	2,193	18,053	-0-		18,053
NET INCOME		-0-	3,250,996		3,250,996
BALANCE AT SEPTEMBER 30, 1994	4,447,160	4,554,036	15,309,673	(504,000)	19,359,709
PROCEEDS FROM COMMON STOCK ISSUED (NOTE 15)	3,416	8,389			8,389
COMMON STOCK ISSUED IN LIEU OF CASH (NOTE 15)	1,565	11,510			11,510
REDEMPTION OF FRACTIONAL SHARES	(98)	(1,089)			(1,089)
COMMON STOCK ISSUED IN CONNECTION WITH EPCO ACQUISITION (NOTES 2 AND 3)	135,701	1,000,000			1,000,000
NET INCOME			2,462,755		2,462,755
BALANCE AT SEPTEMBER 30, 1995	4,587,744	\$5,572,846	\$17,772,428	\$ (504,000)	\$22,841,274

</TABLE>

See Notes to Consolidated Financial Statements.

36

McCLAIN INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>

<CAPTION>

	1 9 9 5	1 9 9 4	1 9 9 3
	-----	-----	-----
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 2,462,755	\$ 3,250,996	\$ 2,110,838
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	2,179,992	1,936,191	1,617,387
Deferred income taxes	375,000	709,700	115,000
Provision for doubtful accounts, net	174,200	231,067	111,408
Loss on sale of plant and equipment	22,067	24,672	14,925
Common stock issued for services	11,510	18,053	15,888
Net changes in operating assets and liabilities which provided (used) cash, net of effects in 1995 of the EPCO acquisition:			
Accounts receivable	(3,036,791)	(1,171,894)	(3,474,990)
Inventories	(7,721,234)	(4,895,119)	(4,602,083)
Net investment in sales-type leases	(1,684,275)	(345,126)	(294,234)
Prepaid expenses	120,869	90,476	30,319
Other assets	(316,587)	(324,580)	(1,799,289)
Accounts payable	(1,909,327)	2,202,094	3,630,600
Accrued expenses	327,925	(754,454)	(227,068)
Federal income taxes	(50,073)	(29,881)	(149,216)
	-----	-----	-----
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(9,043,969)	942,195	(2,900,515)
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to plant and equipment	(3,995,109)	(3,079,553)	(2,740,832)
Payments on liabilities assumed upon the Galion acquisition	(809,902)	(1,092,532)	(1,398,496)
Proceeds from sale of plant and equipment	30,112	33,869	74,781
	-----	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(4,774,899)	(4,138,216)	(4,064,547)
	-----	-----	-----

</TABLE>

(Continued)

See Notes to Consolidated Financial Statements.

37

McCLAIN INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS - (CONCLUDED)

FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED SEPTEMBER 30, 1995

<TABLE>

<CAPTION>

	1 9 9 5	1 9 9 4	1 9 9 3
	-----	-----	-----
<S>	<C>	<C>	<C>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings	\$22,927,180	\$6,354,350	\$1,453,387
Repayments of long-term borrowings	(9,639,955)	(2,223,270)	(882,303)
Net short-term borrowings	-0-	-0-	5,516,994
Sale of common stock under stock option plan	8,389	296,450	15,750
Redemption of fractional shares	(1,089)	-0-	-0-
	-----	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	13,294,525	4,427,530	6,103,828
	-----	-----	-----

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(524,343)	1,231,509	(861,234)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,697,713	466,204	1,327,438
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,173,370	\$ 1,697,713	\$ 466,204

</TABLE>

See Notes to Consolidated Financial Statements.

38

McCLAIN INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business and Concentration of Credit Risk

McClain Industries, Inc. and its wholly-owned subsidiaries (the "Company") manufacture and sell a diversified line of dump truck bodies (assemblies attached to truck frames which are used to carry and dump solid materials such as dirt or gravel) and solid waste handling equipment (including containers, compactors, bailers, garbage and recycling truck bodies and transfer trailers) used for the temporary storage, transportation and compaction of residential, commercial and industrial waste and recycling materials. The Company sells its dump truck bodies primarily to truck equipment dealers and its solid waste handling equipment primarily to distributors, solid waste handling companies, government agencies, shopping centers and other large retail outlets throughout the United States. In addition, the Company provides coiled steel cutting and warehousing services for its own manufacturing operations in order to reduce its processed steel expense (one of its major cost components), and, on a limited basis, for sale to third-party customers.

The Company grants credit to its customers in the normal course of business. No collateral is required. The Company maintains reserves for potential credit losses and such losses have historically been insignificant and generally within management's expectations.

Principles of Consolidation

The consolidated financial statements include the accounts of McClain Industries, Inc., and its wholly-owned subsidiaries (Galion Holding Company, Shelby Steel Processing Co., McClain of Georgia, Inc., McClain of Ohio, Inc., McClain EPCO, Inc., McClain Group Leasing, Inc., McClain Tube Company, and McClain Group Sales, Inc., a corporation owned jointly by McClain Industries, Inc. and the two operating subsidiaries of Galion Holding Company). All significant intercompany accounts and transactions have been eliminated.

In July 1995, the Company acquired and began operating an additional wholly-owned subsidiary, McClain EPCO, Inc., a business incorporated in the State of New York (Note 2).

The names of several of the subsidiaries were changed during the year ended September 30, 1995 in order to more closely identify them with McClain Industries, Inc.

(Continued)

39

McCLAIN INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Inventories

Inventories are stated at the lower of cost or market. The LIFO (last-in, first-out) method is utilized for certain inventories, while the FIFO (first-in, first-out) method is utilized for the remaining inventories.

Plant and Equipment

Plant and equipment are recorded in the accounts at cost which does not purport to represent replacement cost or realizable value. Depreciation is provided at annual rates sufficient to allocate the cost of the assets over their estimated useful lives.

The principal estimated useful lives are summarized as follows:

Buildings	20-30 years
Storage areas	5-10 years
Machinery and equipment	4-30 years
Furniture and fixtures	5-10 years
Transportation equipment	3-10 years
Leaseholds	5-20 years

Depreciation and amortization are computed primarily using the straight-line method for book purposes and accelerated methods for federal income tax purposes.

The cost of properties retired or otherwise disposed of and the accumulated depreciation and amortization thereon are eliminated from the accounts at the time of retirement, and the resulting gain or loss is taken into income. Maintenance and repairs are charged against income as incurred, and renewals and betterments are capitalized.

Income Taxes

Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the year plus or minus the change during the year in deferred tax assets and liabilities. Deferred income taxes arise from temporary basis differences principally related to inventory, product liability, and plant and equipment.

(Continued)

40

McCLAIN INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits in banks. The Company maintains certain bank accounts which hold balances in excess of the FDIC insured limit of \$100,000.

Sales-Type Leases

The Company, through McClain Group Leasing, Inc., offers lease financing to certain purchasers of the Company's products. These leases meet the criteria for classification as capitalized leases and are accounted for as sales-type leases. Accordingly, an investment is reflected on the accompanying balance sheets in an amount equal to the gross minimum lease payments receivable less unearned finance income. Unearned finance income is amortized in such a manner as to produce a constant periodic rate of return on the net investment in the lease.

Goodwill

Goodwill representing the purchase price in excess of the fair

values of net assets acquired is amortized by direct charges to its carrying value. The amortization period is estimated based upon management's judgements and generally ranges from 15 to 40 years. Accumulated amortization at September 30, 1995 and 1994 was \$116,155 and \$90,800, respectively.

Common Stock Issued for Services

Common stock is issued from time to time in lieu of cash for services provided to the Company and is recorded as compensation expense at generally the fair value on the date of issuance.

Earnings Per Common and Common Equivalent Shares

Effective February 28, 1995, a four-for-three split of the Company's common stock was declared and was subsequently effected through distribution of one additional share for every three shares issued and outstanding. All applicable share and per share data have been restated to give retroactive effect to the stock split.

(Continued)

41

McCLAIN INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - (CONCLUDED)

Earnings per common and common equivalent shares were calculated using the weighted average number of common shares and common stock equivalents outstanding during the year. The number of common shares was increased by the number of shares issuable on the exercise of stock options when the market price of the common stock exceeds the option price granted. This increase in the number of common shares was reduced by the number of common shares that are assumed to have been purchased with the proceeds from the exercise of the stock options; those purchases were assumed to have been made at the average price of the common stock during the year.

New Accounting Pronouncement

In October 1995, the Financial Accounting Standards Board issued Statement No. 123, "Accounting for Stock-Based Compensation", which requires a change in the way compensation cost arising from stock options granted is measured. The Company intends to adopt the disclosure aspects of this pronouncement.

Reclassifications

Certain amounts reported in 1994 and 1993 have been reclassified to conform to the 1995 presentation.

NOTE 2: BUSINESS ACQUISITION

On July 17, 1995, the Company acquired all of the issued and outstanding common stock of EPCO Manufacturing Corporation, Inc. ("EPCO") in a business combination accounted for as a purchase. EPCO is a manufacturer of vertical downstroke and closed door horizontal baling equipment used for processing of cardboard, paper, plastic and non-ferrous metals in the recycling industry. Concurrent with the acquisition, EPCO's name was changed to McClain EPCO, Inc., an enterprise which operates as a wholly-owned subsidiary of McClain Industries, Inc.

The purchase price of EPCO was \$1,000,000 which was paid at closing by the issuance of 135,701 shares of unregistered common stock valued at the market price of approximately \$7.37, determined for a period immediately preceding the acquisition date. The purchase price was significantly in excess of the fair values of the net assets acquired and such excess was substantially allocated to goodwill. Additional consideration not to exceed \$500,000 is payable in additional shares of the Company's common stock contingent upon EPCO sales exceeding specified amounts during the three-year period ending on September 30, 1998.

McCLAIN INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: BUSINESS ACQUISITION (CONCLUDED)

EPCO sales (unaudited) for its most recent fiscal year preceding the acquisition were approximately \$2.5 million. Results of operations of EPCO included in the Company's financial statements since the date of acquisition are not significant and, accordingly, proforma results of operations as if the transaction had occurred at the beginning of the previous fiscal year are not presented.

NOTE 3: SUPPLEMENTAL CASH FLOWS INFORMATION

Non-cash Investing and Financing Activities

Non-cash investing and financing transactions during the year ended September 30, 1995 consisted of the EPCO acquisition and placing into service certain equipment valued at approximately \$426,000, which had previously been included in other assets.

The Company issued common stock valued at \$1,000,000 in connection with the EPCO acquisition, which is summarized as follows:

<TABLE>

<S>	<C>
Fair value of assets acquired	\$ 876,000
Goodwill assigned	1,203,000
Liabilities assumed	(1,079,000)

Total consideration exchanged	\$1,000,000
	=====

</TABLE>

Non-cash financing and investing transactions during the year ended September 30, 1994 consisted of placing into service a tube mill valued at \$1,735,000, which had previously been included in other assets, and settling \$7,623,414 of short-term notes payable for which a like amount of long-term debt was incurred as a result of debt refinancing (Note 5).

(Continued)

McCLAIN INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: SUPPLEMENTAL CASH FLOWS INFORMATION (CONCLUDED)

On August 2, 1993, the Company acquired certain real estate and assumed certain liabilities in exchange for common stock of the Company (refer to Note 12).

<TABLE>

<S>	<C>
Fair value of assets acquired	\$ 3,723,500
Mortgages assumed	(1,779,500)

Net assets acquired	1,944,000
Less value of common stock issued	2,448,000

Amount due from officers	\$ 504,000
	=====

</TABLE>

Other Cash Flows Information

Cash paid for interest amounted to \$2,482,481 for 1995, \$1,321,533 for 1994, and \$706,672 for 1993. Cash paid for federal income taxes amounted to \$945,314 for 1995, \$835,000 for 1994, and \$827,928 for 1993.

NOTE 4: NET INVESTMENT IN SALES-TYPE LEASES

The net investment in sales-type leases is comprised of the following amounts at September 30:

<TABLE>
<CAPTION>

	1 9 9 5	1 9 9 4
<S>	<C>	<C>
Gross minimum lease payments collectible in monthly installments	\$4,727,944	\$2,320,850
Less advance lease payments and deposits received	178,780	104,027
Subtotal	4,549,164	2,216,823
Less unearned finance income	988,200	340,134
Total net investment in sales-type leases	3,560,964	1,876,689
Current portion	1,305,800	521,302
Noncurrent portion	\$2,255,164	\$1,355,387

</TABLE>

(Continued)

44

McCLAIN INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: NET INVESTMENT IN SALES-TYPE LEASES (CONCLUDED)

Lease receivables are collectible in the following minimum annual amounts for the years succeeding September 30, 1995:

<TABLE>
<CAPTION>

<S>	Year	Amount
	----	-----
	1996	\$1,567,842
	1997	1,380,470
	1998	871,627
	1999	434,931
	2000	294,294
Gross minimum amount collectible		\$4,549,164

</TABLE>

NOTE 5: LINES OF CREDIT

In June 1995, the Company and a subsidiary entered into a new line of credit agreement with their bank. The Company and the subsidiary have two lines of credit borrowing arrangements with the bank totaling \$21,000,000 at September 30, 1995. Borrowings under the lines of credit are limited to 80% of eligible accounts receivable and 50% of qualified inventory and are subject to interest no greater than the bank's prime rate. The lines of credit are secured by substantially all the assets of the Company and contain various covenants requiring the Company to maintain certain current ratios, levels of tangible net worth and debt ratios. The agreement also prohibits the Company from incurring additional indebtedness other than subordinated indebtedness and limits plant and equipment acquisitions to \$4.5 million per fiscal year. The Company had an \$11 million line of credit at September 30, 1994 and had an \$8 million line of credit at September 30, 1993. Borrowings outstanding under the various lines of credit at September 30, 1995 and 1994 were \$20,093,093 and \$9,179,067, respectively.

In October 1995, the Company and the bank entered into an additional \$1,500,000 line of credit agreement in order to finance, on a revolving basis, up to 85% of the cost of demonstrator units. Interest on such borrowings will be charged at the prime rate.

The credit agreements expire in March 1997 at which time the Company expects to obtain renewals upon the same or similar terms.

(Continued)

45

McCLAIN INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5: LINES OF CREDIT (CONCLUDED)

Certain information relative to these borrowings is summarized as follows:

<TABLE>
<CAPTION>

	1 9 9 5	1 9 9 4	1 9 9 3
	-----	-----	-----
<S>	<C>	<C>	<C>
Average aggregate borrowings outstanding during the year	\$15,069,445	\$9,027,614	\$4,778,179
Maximum amount of borrowings outstanding during the year	\$20,093,093	\$10,058,476	\$7,825,500
Average interest rates on borrowings outstanding at the end of the year	9.00%	8.00%	6.25%
Average interest rates on borrowings outstanding during the year, based on monthly averages	8.93%	6.85%	6.1%

</TABLE>

McCLAIN INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6: LONG-TERM DEBT

Long-term debt as of September 30, 1995 and 1994 consisted of the following obligations:

<TABLE>
<CAPTION>

	1 9 9 5	1 9 9 4
	-----	-----
<S>	<C>	<C>
Promissory notes to a bank, collateralized by certain assets as disclosed in Note 5. The notes are payable in monthly installments of \$95,340 plus interest at rates ranging from prime to prime plus 1/2% as published in the Wall Street Journal (effective rate of 8.75% at September 30, 1995), and mature at various dates through July 2002.	\$6,337,964	\$ 5,281,229

</TABLE>

(Continued)

46

McCLAIN INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6: LONG-TERM DEBT (CONCLUDED)

<TABLE>
<CAPTION>

	1 9 9 5	1 9 9 4
	-----	-----
<S>	<C>	<C>
Promissory notes to banks, collateralized by a		

commercial mortgage on certain real estate, payable in monthly installments of \$27,578 plus interest ranging from the bank prime rate to prime plus 1/2% (effective rate of 8.75% at September 30, 1995), maturing at various dates through January 2000.

\$ 3,527,462 \$ 3,166,862

Revolving credit facility with a bank, which is limited to the lesser of \$3,500,000 in 1995 and \$5,000,000 for 1994 or 80% of eligible lease receivables. Payable in monthly installments, including interest at prime as published in the Wall Street Journal (effective rate of 8.75% at September 30, 1995), due March 1997. The credit facility is collateralized by lease receivables (Note 4).

2,908,785 2,203,924

Promissory notes to a bank. Payable in monthly installments of \$8,186 plus interest. The notes are collateralized by the related equipment.

482,432 -0-

Lines of credit borrowings (Note 5)

20,093,093 9,179,067

Total debt

33,349,736 19,831,082

Less current portion

2,179,449 1,791,213

Long-term portion

\$31,170,287 \$18,039,869

</TABLE>

Scheduled aggregate principal maturities of long-term debt for years succeeding September 30, 1995 are presented below:

<TABLE>
<CAPTION>

Year Ending September 30,	Amount
<S>	<C>
1996	\$ 2,179,449
1997	24,477,333
1998	1,523,896
1999	2,564,287
2000	2,018,711
Thereafter	586,060

Total	\$33,349,736
	=====

</TABLE>

47

McCLAIN INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7: ALLOWANCE FOR DOUBTFUL ACCOUNTS RECEIVABLE

The following is a summary of changes in the allowance for doubtful accounts for each of the three years in the period ended September 30, 1995:

<TABLE>
<CAPTION>

	1 9 9 5	1 9 9 4	1 9 9 3
<S>	<C>	<C>	<C>
Balance beginning of year	\$ 425,800	\$ 194,733	\$ 83,325
Add provision charged against income	205,000	276,610	111,408
Less uncollectible accounts written off, net of recoveries	(30,800)	(45,543)	-0-
	-----	-----	-----
Balance end of year	\$ 600,000	\$ 425,800	\$ 194,733
	=====	=====	=====

</TABLE>

NOTE 8: INVENTORIES

The major components of inventories at September 30, 1995 and 1994 were as follows:

<TABLE>
<CAPTION>

	1 9 9 5	1 9 9 4
	-----	-----
<S>	<C>	<C>
Materials and supplies	\$17,400,070	\$8,362,693
Work-in-process	6,255,749	7,115,786
Finished goods	7,573,580	7,862,428
	-----	-----
	\$31,229,399	\$23,340,907
	=====	=====

</TABLE>

NOTE 9: INCOME TAXES

The provision for income taxes for each of the three years in the period ended September 30, 1995 consists of the following components:

<TABLE>
<CAPTION>

	1 9 9 5	1 9 9 4	1 9 9 3
	-----	-----	-----
<S>	<C>	<C>	<C>
Current federal provision	\$ 899,000	\$ 954,000	\$ 669,000
Deferred provision	375,000	709,700	115,000
	-----	-----	-----
Total income taxes	\$1,274,000	\$1,663,700	\$ 784,000
	=====	=====	=====

</TABLE>

(Continued)

48

McCLAIN INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9: INCOME TAXES (CONTINUED)

The effective income tax rate on consolidated pre-tax income differs from the federal statutory rate for the following reasons:

<TABLE>
<CAPTION>

	1 9 9 5		1 9 9 4		1 9 9 3	
	-----	-----	-----	-----	-----	-----
	Amount	%	Amount	%	Amount	%
	<C>	<C>	<C>	<C>	<C>	<C>
<S>						
Provision computed at statutory rate	\$1,270,000	34	\$1,671,000	34	\$ 984,000	34
Nondeductible expenses	26,000	1	14,000	-	17,000	1
Alternative minimum tax provision (credit)			(293,000)	(6)	(217,000)	(8)
Other	(22,000)	(1)	271,700	6	-0-	-
	-----	-----	-----	-----	-----	-----
	\$1,274,000	34	\$1,663,700	34	\$ 784,000	27
	=====	=====	=====	=====	=====	=====

</TABLE>

The components of the deferred income tax provision are as follows:

<TABLE>
<CAPTION>

	1 9 9 5	1 9 9 4	1 9 9 3
	-----	-----	-----
<S>	<C>	<C>	<C>
Temporary differences resulting primarily from differences in depreciation, inventory, product liability, bad debts and other liabilities	\$ 403,000	\$ 399,000	\$ 530,000

Alternative minimum tax	-0-	293,000	(215,000)
Other, net	(28,000)	17,700	(200,000)
	-----	-----	-----
	\$ 375,000	\$ 709,700	\$ 115,000
	=====	=====	=====

</TABLE>

During the year ended September 30, 1994, the Company utilized its remaining available alternative minimum tax (AMT) credits to reduce its current tax liability.

In 1993, the Company utilized approximately \$360,000 of its available alternative minimum tax (AMT) credits to reduce its current tax liability; such credits arose because of tax preference items related to the Galion acquisition in 1992. Additional AMT credits of \$330,000 were used to offset existing deferred taxes.

(Continued)

49

McCLAIN INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9: INCOME TAXES (CONCLUDED)

The balance of the net deferred income tax liability as of September 30, 1995 and 1994 consists of temporary basis differences related to the following assets and liabilities:

<TABLE>
<CAPTION>

	1 9 9 5	1 9 9 4
	-----	-----
<S>	<C>	<C>
Taxable differences:		
Property and equipment	\$2,138,000	\$2,110,000
Inventory	1,478,000	1,397,000
Other	-0-	16,000
	-----	-----
Gross deferred tax liabilities	3,616,000	3,523,000
	-----	-----
Deductible differences:		
Product liability	1,410,000	1,685,000
Accounts receivable	405,000	296,000
Accrued expenses	351,000	477,000
Other	10,000	-0-
	-----	-----
Gross deferred tax assets	2,176,000	2,458,000
	-----	-----
Net deferred income tax liability	\$1,440,000	\$1,065,000
	=====	=====

</TABLE>

The components which comprise net deferred taxes are not expected to reverse within the next year; as such, the entire related net liability is classified as noncurrent.

NOTE 10: EMPLOYEE PENSION AND PROFIT SHARING PLANS

The Company and certain subsidiaries have qualified pension and profit sharing plans covering substantially all union employees. Contributions to the plans were calculated at an hourly rate as defined in the various union contracts. The cost of these plans was \$255,503 in 1995, \$236,449 in 1994, and \$186,764 in 1993.

The Company has an employee stock bonus plan for full time, salaried and non-union employees. Company contributions are discretionary each year and are generally limited to 15% of participants' compensation. No contributions were made for the years ended September 30, 1995, 1994 and 1993.

50

McCLAIN INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11: SUPPLEMENTARY INCOME STATEMENT INFORMATION

<TABLE>
<CAPTION>

<S>	Year Ended September 30		
	1 9 9 5	1 9 9 4	1 9 9 3
<C>	<C>	<C>	<C>
Charged to costs and expenses:			
Depreciation	\$2,099,192	\$1,855,311	\$1,528,258
Amortization of goodwill and organizational costs	96,635	79,980	89,129
Maintenance and repairs	1,153,509	728,850	774,058
Taxes, other than payroll and income taxes	396,276	388,348	632,128

</TABLE>

NOTE 12: RELATED PARTY TRANSACTIONS

Leases

The Company leases an operating facility from the mother of the President of McClain Industries, Inc. on a month-to-month basis with annual rentals totaling \$42,000 in 1995, 1994 and 1993.

Waste Stream Programs

In connection with its acquisition of EPCO in July 1995, the Company entered into a consulting and commission agreement with Waste Stream Associates ("Waste Stream"), a partnership consisting of certain stockholders of the Company, to compensate Waste Stream in an amount equal to 50% of the pre-tax profit derived by EPCO from Waste Stream Programs, as defined. Such compensation was not significant for the period ended September 30, 1995.

(Continued)

51

McCLAIN INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12: RELATED PARTY TRANSACTIONS - (CONCLUDED)

Note Receivable

The Company's office and operating facility, the Georgia facility and the Kalamazoo facility were leased from related party partnerships comprised of officers, directors and employees of McClain Industries, Inc. On August 2, 1993, the Company acquired these facilities in exchange for 360,000 shares of common stock. In November 1994, in connection with an aborted securities offering, the Company agreed to value these shares at a price based on the market value of such shares as of August 2, 1993, the date the transactions were consummated. This revision gives effect to the fact that the shares increased in value by \$504,000 from March 29, 1993, the date the definitive agreements for the transactions were executed by the parties, to August 2, 1993. The Company's principal shareholders have agreed to reimburse that amount to the Company. A letter agreement has been executed calling for equal annual principal payments to be received by the Company over a five-year period beginning on September 30, 1995, plus interest at the Company's cost of funds, which approximates the prime rate.

Rentals on the above office and operating facilities prior to their acquisition by the Company amounted to \$215,674 during the year ended September 30, 1993.

Other

Elliott & Sons Insurance Agency, Inc. and Michigan Defined Plans, Inc., entities controlled by Raymond Elliott, a director of the Company, provided insurance at a cost of approximately \$1,300,000,

\$1,400,000, and \$1,000,000 to the Company during the years ended September 30, 1995, 1994 and 1993, respectively. These entities received fees and commissions in connection with these transactions of approximately \$129,000, \$118,000 and \$124,000, respectively.

Product Sales

The Company had product sales of approximately \$239,000, \$232,000 and \$314,000 during the years ended September 30, 1995, 1994 and 1993, respectively, to a business controlled by an executive officer of McClain Industries, Inc.

52

McCLAIN INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13: ACCRUED EXPENSES

Accrued expenses included on the accompanying balance sheets consist of the following amounts at September 30:

<TABLE>
<CAPTION>

	1 9 9 5	1 9 9 4
	-----	-----
<S>	<C>	<C>
Compensation	\$ 442,158	\$ 411,958
Vacation & holiday pay	513,988	460,225
Taxes	374,558	181,721
Insurance	321,713	329,312
Other	679,392	620,668
	-----	-----
Total	\$2,331,809	\$2,003,884
	=====	=====

</TABLE>

NOTE 14: COMMITMENTS AND CONTINGENCIES

Product Liability

As a manufacturer of industrial products, the Company is occasionally subjected to various product liability claims. Such claims typically involve personal injury or wrongful death associated with the use or misuse of the Company's products. The Company is currently defending certain legal proceedings involving allegations of product liability relating to products manufactured and sold by the Company. Historically, such claims have not resulted in material losses to the Company in any one year, and the Company maintains product liability insurance in amounts believed by management to be adequate.

Galion Holding Company (GHC), pursuant to an indemnification it provided to the seller in connection with GHC's July 1992 acquisition of the Galion operations, is currently defending a number of legal proceedings involving product liability claims arising out of products manufactured and sold prior to the acquisition. These claims are covered by insurance and many of these cases have been settled.

A liability to provide for these product claims was established at the acquisition date. Since many of the cases have been settled and insurance coverage exists, management believes that the ongoing costs to defend these claims will not exceed the amount accrued on the accompanying balance sheet at September 30, 1995.

(Continued)

53

McCLAIN INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Company's operations are subject to extensive federal, state and local regulation under environmental laws and regulations concerning, among other things, emissions into the air, discharges into the waters and the generation, handling, storage, transportation, treatment and disposal of waste and other materials. Inherent in manufacturing operations and in owning real estate is the risk of environmental liabilities as a result of both current and past operations, which cannot be predicted with certainty. The Company has incurred and will continue to incur costs, on an ongoing basis, associated with environmental regulatory compliance in its business.

The Company engaged the services of an outside consulting firm to perform environmental compliance assessments of all of the Company's facilities (the "Audits"). The Audits identified a number of regulatory compliance issues associated with hazardous waste management and reporting, wastewater and stormwater requirements, underground storage tank registration and reporting requirements and air permitting requirements. Since the date of the Audits, the Company has begun to implement procedures and take requisite actions to remedy the deficiencies identified in the Audits so that its facilities will comply with all applicable and material environmental laws and regulations. The Company estimates that the total costs of bringing its facilities into compliance will not have a material effect on the Company's consolidated financial statements.

Legal Matters Other Than Product Liability

The Company is also involved in routine litigation incidental to its business. Management believes that the resolution of these matters will not materially affect the consolidated financial statements.

Employment Agreement

In connection with the EPCO acquisition on July 17, 1995, the Company entered into a three-year employment agreement with the president of EPCO, which provides for a base salary of \$100,000 annually. As an inducement for the Company to enter into the employment agreement, the officer agreed to not compete with the Company's business for a period of three years after employment is terminated, or five years from the date of the agreement, whichever is longer.

(Continued)

54

McCLAIN INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: COMMITMENTS AND CONTINGENCIES (CONCLUDED)

Operating Lease

In connection with the EPCO acquisition in July 1995, the Company assumed a contractual commitment to lease for a five-year period ending on April 1, 2000 the New York facilities used in its baler manufacturing operation. The Company is responsible for insurance, utilities, maintenance including a percentage of common area charges and a portion of the property taxes. Minimum rental payments required pursuant to this noncancellable lease agreement for the years succeeding September 30, 1995 amount to approximately \$285,000.

The Company has an option to extend the term of the lease for an additional five-year period at a minimum fixed aggregate rental of approximately \$347,000.

Common Stock Repurchase

In December 1995, the Board of Directors authorized the Company to repurchase from time to time on the open market up to 100,000 shares of the Company's common stock.

NOTE 15: INCENTIVE STOCK OPTION PLANS

The Company maintains the 1989 Retainer Stock Plan for Non-employee Directors and the McClain 1989 Incentive Stock Plan.

Retainer Stock Plan

The Retainer Stock Plan as adopted calls for reserving 100,000 shares of the Company's no par common stock and allows non-employee directors the option to receive payment of all or a portion of their directors fees in the form of shares of common stock at the fair market value of such shares on the date of issuance. For the years ended September 30, 1995, 1994 and 1993 the Company issued 1,565, 1,645 and 2,347 shares, respectively, of its common stock to such directors in exchange for services rendered.

(Continued)

55

McCLAIN INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15: INCENTIVE STOCK OPTION PLANS (CONTINUED)

Incentive Stock Plan

The Incentive Stock Plan as adopted calls for reserving 1,000,000 shares of the Company's no par common stock for the granting of stock awards to officers and key management personnel. The awards consist of incentive stock option (ISO) or non-qualified options, stock appreciation rights (SARs) and restricted share rights, and may be granted at the following prices at the date of grant: incentive stock options must be equal to or greater than the fair market value of common stock; stock appreciation rights and restricted share rights may be issued at a price which may not be less than 50% of the price of the common stock.

In connection with the EPCO acquisition on July 17, 1995, the Board of Directors granted to two EPCO employees options to purchase 20,000 shares of the Company's common stock at an exercise price of \$7.37 per share, which was the fair market value of the shares on the date of grant. The employees may exercise one-third of the options at any time after July 1996, one-third of the options at any time after July 1997 and one-third of the options at any time after July 1998, but no options may be exercised after July 2000.

On January 16, 1995, the Board of Directors granted to the Company's President and other key employees options to purchase 30,667 shares of the Company's common stock at an exercise price of \$7.31 per share, which was the fair market value for the shares on the date of grant. The employees may exercise one-third of the options at any time after January 1996, one-third of the options at any time after January 1997, and one-third of the options at any time after January 1998, but no options may be exercised after January 2000.

On September 12, 1994, the Board of Directors granted to key employees options to purchase 13,333 shares of the Company's common stock at an exercise price of \$8.81 per share, which was the fair market value for the shares on the date of the grant. The employees may exercise one-third of the options at any time after September 1995, one-third of the options at any time after September 1996, and one-third of the options at any time after September 1997, but no options may be exercised after September 1999.

On April 4, 1994, the Board of Directors granted to the Company's President and other key employees options to purchase 52,667 shares of the Company's common stock at an exercise price of \$6.56 per share, which was the fair market value for the shares on the date of the grant. The employees may exercise one-third of the options at any time after April 1995, one-third of the options at any time after April 1996, and one-third of the options at any time after April 1997, but no options may be exercised after April 1999.

(Continued)

McCLAIN INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15: INCENTIVE STOCK OPTION PLANS (CONCLUDED)

On December 21, 1992, the Board of Directors granted to key employees options to purchase 72,584 shares of the Company's common stock at an exercise price of \$3.18 per share, which was the fair market value for the shares on the date of grant. The employees may exercise these options at any time after December 1993, but not later than December 1997.

The following table presents a summary of stock option activity for each of the years in the three year period ended September 30, 1995:

<TABLE>
<CAPTION>

	Shares Under Option		
	1 9 9 5	1 9 9 4	1 9 9 3
<S>	<C>	<C>	<C>
Outstanding, beginning of year	325,999	370,666	376,000
Granted during the year	50,667	73,333	73,333
Canceled during the year	-0-	-0-	(72,000)
Exercised during the year	(3,415)	(124,000)	(6,667)
Outstanding, end of year (at exercise prices ranging from \$2.36 to \$8.81 per share)	373,251	325,999	370,666
Eligible, end of year for exercise currently (at prices ranging from \$2.36 to \$8.81 per share)	252,166	208,888	165,333

</TABLE>

NOTE 16: MAJOR CUSTOMER

For the years ended September 30, 1995 and 1994, there were no significant sales to any one customer. In 1993, 11% of net sales were made to one customer.

NOTE 17: FOURTH QUARTER ADJUSTMENTS

During the quarter ended September 30, 1995, the Company recorded various adjustments of approximately \$1,100,000 principally related to the valuation of inventories and carrying values of certain liabilities. The aggregate effect of such adjustments was to decrease net income for the fourth quarter by approximately \$720,000 (\$.15 per share).

57

INDEX TO EXHIBITS

<TABLE>
<CAPTION>

Exhibit No.	Description	Sequentially Numbered Page
<S>	<C>	<C>
3.1	Articles of Incorporation of McClain Industries, Inc.	(7)
3.2	Bylaws of McClain Industries, Inc.	(1)
10.1	McClain Industries, Inc. 1989 Incentive Stock Plan	(2)
10.2	McClain Industries, Inc. 1989 Retainer Stock Plan for Non-Employee Directors	(2)
10.3	Land Contract dated November 12, 1991 between Robert and Helen J. Warzyniak and Violet and Walter H. Urban, as Seller, and the Company, as Purchaser	(3)
10.4	Agreement of Purchase and Sale dated July 20, 1992 by and between Peabody International	

	Corporation, as Seller, and Galion Holding Company, as Buyer	(4)
10.5	Loan documents dated May 29, 1992, by and between Prime Leasing Corporation and Standard Federal Bank	(5)
10.6	Manufacture and License Agreement dated as of November 2, 1992, between Galion Dump Bodies, as Licensor, and the Company, as Licensee	(6)
10.7	Loan documents dated as of March 1, 1993, between the Company and Galion Dump Bodies and E-Z Pack	(6)
10.8	Guaranty Fee Agreement dated as of March 2, 1993, between Galion Holding and the Company	(6)
10.9	Loan documents dated June 29, 1993, between Standard Federal Bank and Galion Holding, E-Z Pack and Galion Dump Bodies	(6)
10.10	Term Note dated January 18, 1994 between Trust Company Bank of Middle Georgia, N.A. and the Company	(7)
10.11	Loan Agreement, dated September 15, 1994, between Standard Federal Bank and the Company, McClain-Georgia, Shelby Steel, Quality Tube and McClain-Ohio	(7)

</TABLE>

-57-

58

<TABLE>		
<S>	<C>	<C>
10.12	Loan Agreement, dated September 15, 1994, between Standard Federal Bank and Galion Holding, E-Z Pack and Galion Dump Bodies	(7)
10.13	Third Amendment Agreement (Promissory Note), dated September 15, 1994, between Standard Federal Bank, the Company, McClain-Georgia and Shelby Steel	(7)
10.14	Third Amendment Agreement (Promissory Note), dated September 15, 1994, between Standard Federal Bank, the Company, McClain-Georgia and Shelby Steel	(7)
10.15	Promissory Note (Term Loan), dated September 15, 1994, between Standard Federal Bank, Galion Holding, E-Z Pack and Galion Dump Bodies	(7)
10.16	Promissory Note (Line of Credit), dated September 15, 1994, between Standard Federal Bank, Galion Holding, E-Z Pack and Galion Dump Bodies	(7)
10.17	Promissory Note (Term Loan), dated September 15, 1994, between Standard Federal Bank, the Company, McClain-Georgia, Shelby Steel, Quality Tube and McClain-Ohio	(7)
10.18	Promissory Note (Line of Credit), dated September 15, 1994, between Standard Federal Bank, the Company, McClain-Georgia, Shelby Steel, Quality Tube and McClain-Ohio	(7)
10.19	Purchase Agreement, dated as of March 30, 1993, between the Company and Group Properties III	(7)
10.20	Purchase Agreement, dated as of March 30, 1993, between the Company and Group Properties	(7)
10.21	Purchase Agreement, dated as of March 30, 1993, between the Company and Group Properties of Georgia	(7)
10.22	Letter Agreement, dated November 17, 1994, among the Company, Kenneth D. McClain and Robert W. McClain	(7)
10.23	Promissory Note (Term Loan) dated February 6, 1995, between Standard Federal Bank, the Company, McClain-George, Shelby Steel, Quality Tube and McClain-Ohio	(8)
10.24	Commercial Mortgage, Assignment of Leases and Rents, Security Agreement and Financing Statement Dated February 6, 1995, between Standard Federal Bank and the Company	(8)

</TABLE>

-58-

59

<TABLE>		
<S>	<C>	<C>
10.25	Commercial Mortgage, Assignment of Leases and Rents, Security Agreement and Financing Statement Dated February 6, 1995, between Standard Federal Bank and the Company	(8)
10.26	Guaranty Dated February 6, 1995, between Standard Federal Bank and the Company	(8)
10.27	Promissory Note (Line of Credit with term provisions) (First Line of Credit) dated February 6, 1996, between Standard Federal Bank, the Company, McClain-Georgia, Shelby Steel, Quality Tube and McClain-Ohio	(8)

10.28	Promissory Note (Line of Credit with Term Provisions) (Second Line of Credit) dated February 6, 1995, between Standard Federal Bank, the Company, McClain-Georgia, Shelby Steel, Quality Tube and McClain-Ohio	(8)
10.29	Loan Agreement Between Standard Federal Bank and the Company, McClain-Georgia, Shelby Steel, Quality Tube and McClain-Ohio dated February 6, 1995	(8)
10.30	Loan Agreement between Standard Federal Bank and Galion Holding, Galion Solid Waste and Galion Dump Bodies dated February 6, 1995	(8)
10.31	Promissory Note (Line of Credit with Term Provisions) (First Line of Credit) dated February 6, 1995 between Standard Federal Bank, Galion Holding Company, Galion Solid Waste and Galion Dump Bodies	(8)
10.32	Promissory Note (Line of Credit with Term Provisions) (Second Line of Credit) dated February 6, 1995, between Standard Federal Bank, Galion Holding Company, Galion Solid Waste and Galion Dump Bodies	(8)
10.33	Second Amendment to Open-End Commercial Mortgage and Assignment of Lease and Rentals (Secures Future Advances) dated February 6, 1995, between Standard Federal Bank and Galion Solid Waste	(8)
10.34	Second Amendment to Open-End Commercial Mortgage and Assignment of Lease and Rentals (Secures Future Advances) dated February 6, 1995, between Standard Federal Bank and Galion Dump Bodies	(8)

</TABLE>

-59-

60

<TABLE>		
<S>	<C>	<C>
10.35	Amended and Restated Promissory Note (Line of Credit) dated February 16, 1995, between Standard Federal Bank, the Company, McClain-Georgia, Shelby Steel, Quality Tube and McClain-Ohio	(8)
10.36	First Amendment to Loan Agreement Between Standard Federal Bank, the Company, McClain-Georgia, Shelby Steel, Quality Tube and McClain-Ohio Dated February 16, 1995	(8)
10.37	Amended and Restated Promissory Note (Line of Credit) dated February 16, 1995, between Standard Federal Bank, Galion Holding Company, Galion Solid Waste and Galion Dump Bodies	(8)
10.38	First Amendment to Loan Agreement between Standard Federal Bank, Galion Holding Company, Galion Solid Waste and Galion Dump Bodies dated February 16, 1995.	(8)
10.39	Amended and Restated Promissory Note (Line of Credit) dated May 5, 1995, between Standard Federal Bank, Galion Holding Company, Galion Solid Waste and Galion Dump Bodies	(8)
10.40	Second Amendment to Loan Agreement between Standard Federal Bank, Galion Holding Company, Galion Solid Waste and Galion Dump Bodies dated May 5, 1995	(8)
10.41	Second Amendment to Loan Agreement between Standard Federal Bank, the Company, McClain-Georgia, Shelby Steel, Quality Tube, McClain-Ohio and EPCO dated June 22, 1995	(8)
10.42	Second Amended and Restated Promissory Note (Line of Credit) dated June 22, 1995, between Standard Federal Bank, McClain-Georgia, Shelby Steel, Quality Tube, McClain-Ohio and EPCO	(8)
10.43	Fifth Amendment to Open-End Commercial Mortgage and Assignment of Lease and Rentals (Secures Future Advances) between Standard Federal Bank and Galion Dump Bodies dated June 22, 1995.	(8)
10.44	Third Amendment to Loan Agreement between Standard Federal Bank, Galion Holding Company, Galion Solid Waste, Galion Dump Bodies and M.E.G. Equipment and Sales of Florida dated June 22, 1995.	(8)
10.45	Third Amended and Restated Promissory Note (Line of Credit) dated June 22, 1995, between Standard Federal Bank, Galion Holding Company, Galion Solid Waste, Galion Dump Bodies and M.E.G. Equipment Sales of Florida	(8)

</TABLE>

-60-

61

<TABLE>		
<S>	<C>	<C>
10.46	Security Agreement dated June 22, 1995, between Standard Federal Bank and M.E.G. Equipment Sales of Florida	(8)
10.47	Fifth Amendment to Open-End Commercial Mortgage and Assignment of Lease and Rentals (Secures Future Advances) dated June 22, 1995, between Standard Federal Bank and Galion Solid Waste	(8)
10.48	Certification of Resolution of Corporation Authority to Borrow and Pledge Collateral dated June 22, 1995, between Standard Federal Bank and M.E.G. Equipment Sales of Florida	(8)

10.49	Certification of Resolution of Corporation Authority to Borrow and Pledge Collateral dated July 18, 1995, between Standard Federal Bank and EPCO Manufacturing	(8)
10.50	Promissory Note (Line of Credit with Term Provisions) (Second Line of Credit) dated July 18, 1995, between Standard Federal Bank, the Company, McClain-Georgia, Shelby Steel, Quality Tube, McClain-Ohio and EPCO	(8)
10.51	Promissory Note (Line of Credit with Term Provisions) (First Line of Credit) dated July 18, 1995, between Standard Federal Bank, the Company, McClain-Georgia, Shelby Steel, Quality Tube, McClain-Ohio and EPCO	(8)
10.52	Promissory Note (Term Loan) dated July 18, 1995, between Standard Federal Bank, the Company, McClain-Georgia, Shelby Steel, Quality Tube, McClain-Ohio and EPCO	(8)
10.53	Security Agreement dated July 18, 1995, between Standard Federal Bank and EPCO	(8)
10.54	Amendment Agreement Promissory Note (Line of Credit) dated September 25, 1995, between Standard Federal Bank, Galion Holding Company, Galion Solid Waste, Galion Dump Bodies and M.E.G. Equipment Sales of Florida	(8)
10.55	Second Amendment Agreement Promissory Note (Line of Credit with Term Provisions) (First Line of Credit) dated September 25, 1995, between Standard Federal Bank, Galion Holding Company, Galion Solid Waste, Galion Dump Bodies	(8)
10.56	Third Amendment Agreement Promissory Note (Line of Credit with Term Provisions) (Second Line of Credit) dated September 25, 1995, between Standard Federal Bank, Galion Holding Company, Galion Solid Waste, Galion Dump Bodies	(8)

</TABLE>

-61-

62

<TABLE>		
<S>	<C>	<C>
10.57	Amendment Agreement Promissory Note (Term Loan) dated September 25, 1995, between Standard Federal Bank, Galion Holding Company, Galion Solid Waste, Galion Dump Bodies and M.E.G. Equipment Sales of Florida	(8)
10.58	First Amended and Restated Loan Agreement Between Standard Federal Bank, Galion Holding Company, McClain E-Z Pack, Galion Dump Bodies and McClain Group Sales of Florida dated October 2, 1995	(8)
21	List of Subsidiaries	(6)

</TABLE>

-
- (1) Incorporated by reference to the Company's Form 10-K f/y/e 9/30/89
 - (2) Incorporated by reference to the Company's Registration Statement (33-29613)
 - (3) Incorporated by reference to the Company's Form 10-K f/y/e 9/30/91
 - (4) Incorporated by reference to the Company's Form 8-K dated 7/27/92
 - (5) Incorporated by reference to the Company's Form 10-K f/y/e 9/30/92
 - (6) Incorporated by reference to the Company's Form 10-K f/y/e 9/30/93
 - (7) Incorporated by reference to the Company's Registration Statement on Form S-2 (33-84562)
 - (8) Incorporated by reference to the Company's Form 10-K f/y/e 9/30/95

-62-

Note No. 0250017724

STANDARD FEDERAL BANK

PROMISSORY NOTE
(Term Loan)

\$2,000,000.00

Troy, Michigan

Due Date: January 1, 2000

Dated: February 6, 1995

FOR VALUE RECEIVED, the undersigned, jointly and severally (collectively, "Borrower"), promise to pay to the order of Standard Federal Bank, a federal savings bank ("Standard Federal"), at its office set forth below, or at such other place as Standard Federal may designate in writing, the principal sum of Two Million and 00/100 Dollars (\$2,000,000.00), plus interest on all amounts from time to time outstanding hereunder, as hereinafter provided, all in lawful money of the United States of America.

The principal outstanding under this Note from time to time shall bear interest ("Effective Interest Rate"), on a basis of a year of 360 days for the actual number of days amounts are outstanding hereunder, at a rate per annum equal to One-Quarter of One percent (0.25%) in excess of the Wall Street Journal Prime Rate. As used herein the phrase "Wall Street Journal Prime Rate" shall mean the "Prime Rate" published by the Wall Street Journal as the base rate on corporate loans posted by at least 75% of the nation's 30 largest banks as the same may be changed from time to time. If more than one Prime Rate is published, the highest rate published shall be deemed the Wall Street Journal Prime Rate. If the publishing of the Wall Street Journal Prime Rate is discontinued during the term hereof, then the Effective Interest Rate shall be based upon the index which is published by The Wall Street Journal in replacement thereof based on similar base rates on corporate loans or, if no such replacement index is published, the index which, in Standard Federal's sole determination, most nearly corresponds to the Wall Street Journal Prime Rate. If, in such event, Standard Federal selects an index which, in the Borrower's opinion, does not correspond to the Wall Street Journal Prime Rate, Borrower's sole remedy shall be to prepay this Note in full without penalty or premium. Until such prepayment has been received by Standard Federal, the index selected by Standard Federal shall apply for all purposes of this Note.

It is understood and agreed by Borrower that the Effective Interest Rate shall be determined by reference to the "Wall Street Journal Prime Rate" and not by reference to the actual rate of interest charged by any particular bank to any particular borrower or borrowers and shall automatically increase or

decrease when and to the extent that the Wall Street Journal Prime Rate shall have been increased or decreased.

2

Principal and interest shall be paid in consecutive monthly payments of principal in the amount of \$11,111.11 each, plus interest accrued to the due date of each payment, commencing on March 1, 1995, and continuing on the same day of each consecutive month thereafter and a final payment on the Due Date in an amount equal to the then unpaid principal and accrued interest.

All payments required to be paid hereunder shall first be applied to costs and expenses required to be paid hereunder, then to accrued interest hereunder and the balance shall be applied against the principal. This Note may be prepaid, in full or in part, at any time, without the payment of any prepayment fee or penalty. All partial prepayments shall be applied against the last accruing installment or amount due under this Note; and no prepayments shall affect the obligation of the undersigned to continue the regular installments hereinbefore mentioned, until the entire unpaid principal and accrued interest has been paid in full. Borrower understands that the installment payments of principal provided for herein are not sufficient to fully amortize the outstanding principal balance of this Note by the Due Date and that the final payment due on the Due Date will be a balloon payment of all then outstanding principal and accrued interest.

Nothing herein contained, nor any transaction relating thereto, or hereto, shall be construed or so operate as to require the Borrower to pay, or charge, interest at a greater rate than the maximum allowed by the applicable law relating to this Note. Should any interest, or other charges, charged, paid or payable by the Borrower in connection with this Note, or any other document delivered in connection herewith, result in the charging, compensation, payment or earning of interest in excess of the maximum allowed by applicable law, then any and all such excess shall be and the same is hereby waived by Standard Federal, and any and all such excess paid shall be automatically credited against and in reduction of the principal due under this Note. If Standard Federal shall reasonably determine that the Effective Interest Rate (together with all other charges or payments related hereto that may be deemed interest) stipulated under this Note is, or may be, usurious or otherwise limited by law, the unpaid balance of this Note, with accrued interest at the highest rate permitted to be charged by stipulation in writing between Standard Federal and Borrower, at the option of Standard Federal, shall immediately become due and payable.

The Borrower represents and warrants that it is duly organized, validly existing and in good standing and is duly authorized to make and perform this Note, which constitutes its valid and binding legal obligation enforceable in accordance with its terms. All financial data furnished to Standard Federal in connection with this Note fairly present the financial condition of the Borrower and its subsidiaries, if any, as of the dates thereof

and there has been no material adverse change in the condition (financial or otherwise) of the Borrower since such dates.

An Event of Default shall be deemed to have occurred hereunder if any indebtedness of the Borrower to Standard Federal hereunder is not paid when due, regardless of whether such indebtedness has arisen pursuant to the terms of this Note, the Loan Agreement or any mortgage, security agreement, guaranty, instrument or other agreement executed in conjunction herewith, or if an Event of Default shall otherwise occur under the Loan Agreement.

Upon the occurrence of any Event of Default, after the giving of any notice and the expiration of any grace, cure or notice period provided for in the Loan Agreement, if any, and if no such notice or grace, cure or notice period is so provided for in the Loan Agreement, then immediately, Standard Federal may declare the entire unpaid and outstanding principal balance hereunder and all accrued interest to be due and payable in full forthwith, without presentment, demand or notice of any kind and may exercise any one or more of the rights and remedies provided herein or in the Loan Agreement or in any mortgage, guaranty, security agreement or other document relating hereto or by applicable law. The remedies provided for hereunder are cumulative to the remedies for collection of the amounts owing hereunder as provided by law or by the Loan Agreement, or by any mortgage, guaranty, security agreement or other document relating hereto. Nothing herein is intended, nor should it be construed, to preclude Standard Federal from pursuing any other remedy for the recovery of any other sum to which Standard Federal may be or become entitled for breach of the terms of this Note or the Loan Agreement, or any mortgage, guaranty, security agreement or other instrument relating hereto.

Borrower agrees, in case of an Event of Default under the terms of this Note or under any loan agreement, security or other agreement executed in connection herewith, to pay all costs of Standard Federal for collection of the Note and all other liabilities of Borrower to Standard Federal and enforcement of rights hereunder, including reasonable attorney fees and legal expenses including participation in Bankruptcy proceedings. During any period(s) this Note is in default, or after the Due Date, or after acceleration of maturity, the outstanding principal amount hereof shall bear interest at a rate equal to two percent (2.0%) per annum greater than the interest rate otherwise charged hereunder. If any required payment is not made within ten (10) days after the date it is due, then, at the option of Standard Federal, a late charge of not more than four cents (\$.04) for each dollar of the payment so overdue may be charged. In addition to any other security interests granted to Standard Federal, Borrower hereby grants Standard Federal a security interest in all of Borrower's bank deposits, instruments, negotiable documents, and chattel paper

which at any time are in the possession or control of Standard Federal. After the occurrence of an Event of Default

-3-

4

hereunder, Standard Federal may hold and apply at any time its own indebtedness or liability to Borrower in payment of any indebtedness hereunder.

Acceptance by Standard Federal of any payment in an amount less than the amount then due shall be deemed an acceptance on account only, and the failure to pay the entire amount then due shall be and continue to be an Event of Default. Upon any Event of Default, neither the failure of Standard Federal promptly to exercise its right to declare the outstanding principal and accrued unpaid interest hereunder to be immediately due and payable, nor the failure of Standard Federal to demand strict performance of any other obligation of the Borrower or any other person who may be liable hereunder shall constitute a waiver of any such rights, nor a waiver of such rights in connection with any future default on the part of the Borrower or any other person who may be liable hereunder.

Borrower and all endorsers and guarantors hereof, hereby jointly and severally waive presentment for payment, demand, notice of non-payment, notice of protest or protest of this Note, diligence in collection or bringing suit, and hereby consent to any and all extensions of time, renewals, waivers, or modifications that may be granted by Standard Federal with respect to payment or any other provisions of this Note, and to the release of any collateral or any part thereof, with or without substitution. The liability of the Borrower shall be absolute and unconditional, without regard to the liability of any other party hereto.

This Note is executed pursuant to a Loan Agreement of even date herewith. This Note is secured by a Security Agreement, dated September 15, 1994, and by two Commercial Mortgage, Assignment of Leases and Rents, Security Agreement and Financing Statements of even date herewith. Reference is hereby made to such documents for additional terms relating to the transaction giving rise to this Note, the security given for this Note and additional terms and conditions under which this Note matures, may be accelerated or prepaid.

Advances hereunder may be requested by telephone, in writing or in any other manner acceptable to Standard Federal. Borrower understands and agrees that any telephone conversation with Standard Federal may be recorded for accuracy.

BORROWER:

MCCLAIN INDUSTRIES, INC., a Michigan corporation

By:

E. James Zabinski

Its: Treasurer

38-1867649

Taxpayer Identification Number

MCCLAIN OF GEORGIA, INC., a Georgia corporation

By:

Carl L. Jaworski

Its: Secretary

58-1738825

Taxpayer Identification Number

SHELBY STEEL PROCESSING COMPANY, a Michigan corporation

By:

Carl L. Jaworski

Its: Secretary

38-2205216

Taxpayer Identification Number

MCCLAIN TUBE COMPANY d/b/a QUALITY TUBE,
a Michigan corporation

By:

E. James Zabinski

Its: Treasurer

Taxpayer Identification Number

-5-

6

MCCLAIN INDUSTRIES OF OHIO, INC.,
a Michigan corporation

By:

E. James Zabinski

Its: Treasurer

Taxpayer Identification Number

Standard Federal Bank, a
federal savings bank
2600 West Big Beaver Road
Troy, Michigan 48084

COMMERCIAL MORTGAGE, ASSIGNMENT OF LEASES AND RENTS,
SECURITY AGREEMENT AND FINANCING STATEMENT

This is a Future Advance Mortgage

THIS MORTGAGE is made this 6th day of February, 1995, by MCCLAIN INDUSTRIES, INC., a Michigan corporation ("Borrower"), whose address is 6200 Elmridge, Sterling Heights, Michigan 48310 to Standard Federal Bank, a federal savings bank ("Standard Federal"), whose address is 2600 West Big Beaver Road, Troy, Michigan 48084.

RECITALS:

A. Borrower is justly indebted to Standard Federal in the principal amount of Two Million and 00/100 Dollars (\$2,000,000.00), together with interest thereon in accordance with a mortgage note from Borrower to Standard Federal of even date herewith (the "Note").

B. The Note is identified as being secured hereby by a statement thereon.

THEREFORE, in order to secure payment of the principal and interest of such indebtedness according to the terms of the Note, and all other amounts payable by Borrower thereunder, and any and all extensions and renewals thereof, however evidenced, and the performance of the covenants and conditions hereof, and THE REPAYMENT OF ANY FUTURE ADVANCES, WITH INTEREST THEREON, made to Borrower by Standard Federal pursuant to the provisions hereof, Borrower does hereby MORTGAGE and WARRANT to Standard Federal, its successors and assigns forever, certain real property owned by Borrower and situated in the State of Michigan, as more particularly described in Exhibit "A" attached hereto (the "premises"), together with (1) all the estate, title, interest and rights of Borrower in and to the premises and all buildings and improvements of every kind and description now or hereafter placed upon the premises or any part thereof, (2) all heretofore or hereafter vacated alleys and streets abutting the premises, (3) all furniture, fixtures, equipment and appliances, regardless of their character as personal property, including, but not limited to, all lighting, heating, cooling, ventilating, air conditioning, plumbing, sprinkling, communicating and electrical systems, and machinery, appliances, fixtures and equipment pertaining thereto, awnings, stoves, refrigerators, dishwashers, disposals, incinerators, carpeting and drapes, and all other furniture, fixtures, equipment and appliances of every type, nature and description, owned by Borrower and now or at any time hereafter related to, affixed to, attached to, placed upon or used in any way in connection with the use, occupancy or operation of the premises (except leased equipment and trade fixtures which, in either case, are readily removable without damaging or

reducing the value or utility of the premises or the improvements thereto), all of which

2

furniture, fixtures, equipment and appliances shall be deemed to be a part of the premises and covered by the lien hereof, and (4) all of the rents, profits, and leases thereof and the tenements, hereditaments, easements, privileges and appurtenances thereto. (Any reference herein to the "Project" shall be deemed to apply to the above described premises and to such buildings, fixtures, furniture, equipment and appliances, and to the rents, profits and leases thereof, and to such tenements, hereditaments, easements, privileges and appurtenances, unless the context shall require otherwise.)

To have and to hold the Project, with all of the tenements, hereditaments, easements, appurtenances and other rights and privileges thereunto belonging or in any manner now or hereafter appertaining thereto, for the use and benefit of Standard Federal upon the conditions hereinafter set forth.

Borrower does hereby covenant, promise and agree to and with Standard Federal, which covenants, promises and agreements shall, to the extent permitted by law, be deemed to run with the land, as follows:

1. Covenant to Pay Indebtedness. Borrower shall pay the principal and interest of Borrower's indebtedness to Standard Federal according to the terms of the Note and shall pay the indebtedness to Standard Federal according to the terms of any future advances secured by this Mortgage and shall pay all other amounts provided herein.

2. Covenant of Title. At the time of the execution and delivery of this Mortgage, Borrower is well and truly seized of the Project in fee simple, free of all easements, liens and encumbrances whatever (other than those easements of record as of the date hereof and the rights of the public in any part of the Project used or taken for road purposes), and will forever warrant and defend the same against any and all other claims whatever, and the lien created hereby is and will be kept as a first lien upon the Project and every part thereof, subject only to the foregoing exceptions.

3. Taxes and Assessments. Until the debt secured hereby is fully satisfied, Borrower will pay all taxes, assessments and all other charges and encumbrances levied on the Project before any penalty for nonpayment attaches thereto, and will deliver to Standard Federal, upon request, official receipts showing such payment. Borrower also shall pay when due all taxes, assessments and other charges and encumbrances that may be levied upon or on account of this Mortgage or the indebtedness secured hereby or upon the interest or estate in the Project created or represented by this Mortgage, whether levied against Standard Federal or otherwise. In the event payment by Borrower of any tax referred to in the foregoing sentence would result in the payment of interest

in excess of the rate permitted by law, then Borrower shall have no obligation to pay the portion of such tax which would result in the payment of such excess; provided, however, in such event, at any time after the enactment of a law providing for such tax, Standard Federal, at its option, may declare the entire principal balance of the indebtedness secured hereby, together with all interest thereon, to be due and payable immediately, without notice.

4. Insurance. Until the debt secured hereby is fully satisfied, Borrower will keep the Project continuously insured against loss by fire, windstorm and other hazards, casualties and contingencies, including vandalism and malicious mischief, in such amounts and for such periods as may be required by Standard Federal. Borrower shall pay promptly when due all premiums for such insurance and deliver to Standard Federal, without request, receipts showing such payment. All insurance shall be carried in companies approved by Standard Federal and the policies and renewals thereof shall be held by, and pledged to, Standard Federal (unless Standard Federal shall direct or permit otherwise) as additional security hereunder, and shall have attached thereto a mortgagee clause acceptable to Standard Federal, making all loss or losses under such policies payable to Standard Federal, its successors and assigns, as its or their interest may appear. In the event of loss or damage to the Project, Borrower shall give immediate notice in writing by mail to Standard Federal, who may make proof of loss if not made promptly by Borrower.

In the event the amount of the loss is \$200,000.00 or less, the insurance proceeds shall be released to the Borrower, upon request by the Borrower. Borrower shall be obligated to use such proceeds to restore or repair the Project unless Standard Federal otherwise specifies in writing.

In the event the amount of the loss is greater than \$200,000.00, each insurance company concerned is hereby authorized and directed upon request by Standard Federal, to make payment for such loss, to the extent of the indebtedness hereby secured, directly to Standard Federal instead of to Borrower and Standard Federal jointly. Provided there has occurred no Event of Default hereunder nor any event which with notice or the passage of time or both would become an Event of Default hereunder and further provided that Standard Federal shall reasonably determine that sufficient funds are available from insurance proceeds and any funds to be provided by Borrower to repair or restore the Project within a reasonable time and that such repair or restoration is economically feasible, Standard Federal agrees, upon request by the Borrower, to apply the insurance proceeds to repair or restore the Project, after reimbursement of all costs and expenses of Standard Federal in collecting such proceeds, subject to the following terms and conditions:

4

(a) Standard Federal shall retain all insurance proceeds in a non-interest bearing escrow account to be disbursed to pay the costs of repair or restoration in accordance with procedures reasonably established by Standard Federal.

(b) All plans and specifications for repair or restoration shall be approved by Standard Federal prior to the commencement of any repair or restoration.

(c) All repair or restoration shall be done by or under the direction of Borrower, shall be in accordance with the approved plans and specifications, shall be in a workmanlike manner free from all defects, shall be in compliance with all statutes, ordinances, rules and regulations applicable thereto and shall be completed free of all construction liens except those being contested in good faith by appropriate proceedings and with respect to which Borrower shall have provided Standard Federal satisfactory security.

(d) Standard Federal shall have the right, at Borrower's expense, to inspect all repairs and restoration and, if Standard Federal reasonably determines that any work or materials are not in conformity with the approved plans and specifications or other requirements of sub-paragraph (c) above, to stop the work and order replacement or correction thereof by Borrower.

(e) Standard Federal shall not be obligated to make disbursements more frequently than monthly and the remaining undisbursed proceeds shall always be sufficient to meet the total estimated remaining costs to complete the repair or restoration plus 10% of such costs.

(f) All insurance proceeds in excess of the amounts necessary to repair or restore the Project may be applied, at Standard Federal's option, to the outstanding principal balance under the Note (without penalty for prepayment), to fulfill any other covenant herein or any other obligation of Borrower to Standard Federal, or released to Borrower.

In the event all of the conditions to the use of the insurance proceeds to repair or restore the Project which are outlined above are not satisfied, Standard Federal, at its option, may apply the insurance proceeds or any part thereof, first, toward reimbursement of all costs and expenses of Standard Federal in collecting such proceeds, and then, to the outstanding principal balance under the Note (without any penalty for prepayment), to fulfill any other covenant herein or any other obligation of Borrower to Standard Federal, or to the restoration or repair of the Project.

Application by Standard Federal of any insurance proceeds to the outstanding principal balance under the Note shall not excuse

-4-

5

Borrower from making the regularly scheduled payments due thereunder, nor shall such application extend or reduce the amount of such payments. In the event of foreclosure of this Mortgage or other transfer of title to the Project in extinguishment of the indebtedness secured hereby, all right, title and interest of Borrower in and to any insurance policies then in force shall pass to the purchaser or grantee and Borrower hereby appoints Standard Federal its attorney-in-fact, in Borrower's name, to assign and transfer all such policies and proceeds to such purchaser or grantee.

5. Standard Federal's Right to Make Expenditures. Should an Event of Default occur hereunder as a result of Borrower's failure to pay any taxes or assessments or procure and maintain insurance or make necessary repairs to the Project, Standard Federal may pay such taxes and assessments, effect such insurance and make such repairs, and the monies so paid by it shall be a further lien on the Project, payable forthwith, with interest at the default rate set forth in the Note. Standard Federal may make advances pursuant to this paragraph or to paragraph 7 without curing the Event of Default and without waiving Standard Federal's right of foreclosure or any other right or remedy of Standard Federal under this Mortgage. The exercise of the right to make advances pursuant to this paragraph shall be optional with Standard Federal and not obligatory and Standard Federal shall not be liable in any case for failure to exercise such right or for failure to continue exercising such right once having exercised it. Borrower's failure to pay taxes and/or assessments assessed against the Project, or any installment thereof, or any insurance premium upon policies covering the Project or any part thereof, shall constitute waste (although the meaning of the term "waste" shall not necessarily be limited to such nonpayment), as provided by Act No. 236 of the Public Acts of Michigan of 1961, as amended, and shall entitle Standard Federal to all remedies provided for therein. Borrower further agrees to and does hereby consent to the appointment of a receiver under such statute, should Standard Federal elect to seek such relief thereunder.

6. Escrow for Taxes and Insurance. Standard Federal, in its sole discretion, shall be entitled to require Borrower to pay to Standard Federal monthly such amounts as Standard Federal from time to time estimates as necessary to create and maintain a reserve fund from which to pay before the same become due all taxes, assessments and other charges and encumbrances levied on the Project and premiums for insurance as are herein covenanted to be paid by Borrower and when such taxes, assessments and other charges and encumbrances and insurance premiums become due and payable, Standard Federal

shall pay the same to the extent funds are available from the reserve fund; provided, however, that Standard Federal shall have no liability for any failure to so pay taxes, assessments and other charges and encumbrances or insurance premiums for any reason whatsoever. In the event that sufficient

-5-

6

funds have not been deposited as aforesaid to cover the amount of such taxes, assessments and other charges and encumbrances and insurance premiums when the same become due and payable, Borrower shall forthwith upon request by Standard Federal pay such balance to Standard Federal. Standard Federal shall not be required to pay Borrower any interest or earnings whatever on the funds held by Standard Federal for the payment of such taxes, assessments and other charges and encumbrances or for the payment of insurance premiums, or on any other funds deposited with Standard Federal in connection with this Mortgage. Upon the occurrence of an Event of Default under this Mortgage, any of such monies then remaining on deposit with Standard Federal may be applied against the indebtedness hereby secured immediately upon or at any time after the occurrence of an Event of Default, and without notice to Borrower. Further, Standard Federal may make payments from any of such monies on deposit with Standard Federal for taxes, assessments, other charges or encumbrances or insurance premiums on or with respect to the Project notwithstanding that subsequent owners of the Project may benefit thereby.

7. Waste and Inspection and Repair. Borrower will abstain from and will not suffer the commission of waste on the Project and will keep the buildings, improvements, fixtures, equipment and appliances now or hereafter thereon in good repair and will make replacements thereto as and when the same become necessary. Borrower will comply promptly with all laws, ordinances, regulations and orders of all public authorities having jurisdiction over the Project relating to the use, occupancy and maintenance thereof, and shall upon request promptly submit to Standard Federal evidence of such compliance. Nothing herein shall be deemed to prohibit Borrower from contesting the enforceability or applicability of any law, ordinance, regulation or order; provided, however, that Standard Federal, in its sole discretion, may require that Borrower comply with any such law, ordinance, regulation or order during the pendency of any such contest and all appeals therefrom. In the event the Project or any part thereof, in the sole judgment of Standard Federal, requires inspection, repair, care or attention of any kind or nature not theretofore provided by Borrower within 30 days after notice thereof from Standard Federal to Borrower, or within such longer time as may be necessary if the repair, care or attention is of a kind which cannot be completed in 30 days, provided that Borrower undertakes the repair, care or attention within 30 days after notice thereof from Standard Federal and thereafter diligently pursues the completion of same within a reasonable time, Standard Federal may (without being obligated

to do so) enter or cause entry to be made upon the Project and inspect, repair, and/or maintain the same as Standard Federal may deem necessary or advisable, and may (without being obligated to do so) make such expenditures and outlays of money as Standard Federal may deem appropriate for the preservation of the Project. All expenditures and outlays of money made by Standard Federal pursuant hereto shall be secured hereby, shall be payable forthwith, and

-6-

7

shall bear interest at the default rate provided in the Note. Standard Federal shall have the right at any time, and from time to time, to enter the Project for the purpose of inspecting the same. Borrower will not permit the Project or any portion thereof to be used for any unlawful purpose. No building or other improvement on any part of the Project shall be removed, demolished or materially altered without the prior written consent of Standard Federal, except that Borrower shall have the right, without such consent, to remove and dispose of, free from the lien of this Mortgage, such personalty and equipment as from time to time may become worn out or obsolete, provided that (a) simultaneously with or prior to such removal, any such equipment shall be replaced with other new equipment of like kind and quality, free from any security interest, lien or encumbrances, and by such removal and replacement, Borrower shall be deemed to have subjected the replacement equipment to the lien of this Mortgage; and (b) any net cash proceeds received from such disposition shall be promptly paid over to Standard Federal to be applied to the outstanding principal balance under the Note, without any charge for prepayment.

8. Events of Default. The occurrences listed below shall be deemed Events of Default hereunder and shall entitle Standard Federal, at its option and without notice except where required by law and as otherwise provided herein, to exercise any one or any combination of remedies described in paragraph 9 or otherwise available to Standard Federal:

(a) If any indebtedness of the Borrower to Standard Federal is not paid within 10 days after the date due, regardless of whether such indebtedness has arisen pursuant to the terms of the Note, or any loan agreement, promissory note, mortgage, security agreement, guaranty, instrument or other agreement or otherwise.

(b) If any warranty or representation made by or for the Borrower and/or any endorser or guarantor of the Note ("Guarantor") in connection with the loan(s) evidenced thereby, or if any financial data or any other information now or hereafter furnished to Standard Federal by or on behalf of the Borrower and/or any Guarantor shall prove to be false, inaccurate or misleading in any material respect, and such default is not cured within 15

days after written notice to the Borrower of such default.

(c) If the Borrower and/or any Guarantor shall fail to perform any obligation or covenant hereunder, or shall fail to comply with any of the provisions of the Note or of any loan agreement or other agreement with Standard Federal to which it may be a party, and such failure is not cured within 15 days after written notice to the Borrower of such failure.

-7-

8

(d) If any other Event of Default shall occur under the Note.

(e) If foreclosure or other proceedings to enforce any second mortgage or any junior security interest, lien or encumbrance of any kind upon the Project or any portion thereof are instituted and are not dismissed, or insured against or bonded over in a manner reasonably acceptable to Standard Federal within ninety (90) days.

(f) If Borrower fails to substantially comply with all of the material terms, covenants and provisions of any and all leases or other agreements, documents or restrictions that now encumber, affect or pertain to the Project or any portion thereof.

9. Remedies. Immediately upon the occurrence of an Event of Default defined in paragraph 8, Standard Federal shall have the option, in addition to and not in lieu of or substitution for, all other rights and remedies provided by law, to do any or all of the following:

(a) Without notice except as expressly required by law, to declare the principal sum secured by this Mortgage, with all interest thereon and all other sums secured hereby, to be immediately due and payable, and if the same is not paid on demand, at Standard Federal's option, to bring suit therefor; to demand payment of and if the same is not paid on demand, to bring suit for any delinquent installment payment under the Note or otherwise; to take any and all steps and institute any and all other proceedings that Standard Federal deems necessary to enforce the indebtedness and obligations secured hereby and to protect the lien of this Mortgage.

(b) Upon the occurrence of any Event of Default arising out of the existence of any lien upon the Project, Standard Federal shall have the right (without being obligated to do so or to continue to do so), without notice to Borrower, to advance on and for the account of Borrower such sums as Standard Federal in its sole discretion deems necessary to cure such Event of Default or to induce the holder of any such lien to forbear from

exercising its rights thereunder. The repayment of all such advances, with interest thereon at the default rate set forth in the Note from the date of each such advance, shall be secured hereby and shall be immediately due and payable without demand.

(c) Immediately commence foreclosure proceedings against the Project pursuant to applicable law. The commencement by Standard Federal of foreclosure proceedings by advertisement or in equity shall be deemed an exercise by Standard Federal of its option set forth in paragraph 9(a) to accelerate the

-8-

9

due date of all sums secured hereby. Borrower hereby grants power to Standard Federal upon the occurrence of an Event of Default hereunder, to grant, bargain, sell, release and convey the Project at public auction or vendue, and upon such sale to execute and deliver to the purchaser(s) instruments of conveyance pursuant to the terms hereof and to the applicable laws. Borrower acknowledges that the foregoing sentence confers a power of sale upon Standard Federal, and that upon the occurrence of an Event of Default this Mortgage may be foreclosed by advertisement as described below and in the applicable Michigan statutes. Borrower understands that upon the occurrence of an Event of Default, Standard Federal is hereby authorized and empowered to sell the Project, or cause the same to be sold and to convey the same to the purchaser in any lawful manner, including but not limited to that provided by Chapter 32 of the Revised Judicature Act of Michigan, entitled "Foreclosure of Mortgages by Advertisement", which permits Standard Federal to sell the Project without affording Borrower a hearing, or giving him actual personal notice. The only notice required under such Chapter 32 is to publish notice in a local newspaper and to post a copy of the notice on the Project.

WAIVER: By conferring this power of sale upon Standard Federal, Borrower, for itself, its successors and assigns, after an opportunity for consultation with its legal counsel, hereby voluntarily, knowingly and intelligently waives all rights under the Constitution and Laws of the United States and under the Constitution and Laws of the State of Michigan, both to a hearing on the right to exercise and the exercise of the power of sale, and to notice except as required by the Michigan statute which provides for foreclosure of mortgages by advertisement. However, Borrower reserves the right to timely contest the exercise of the power of sale by instituting suit against Standard Federal in the circuit court of the county in which the Project is located or any other court of competent jurisdiction.

(d) Procure mortgage foreclosure or title reports. Borrower covenants to pay forthwith to Standard Federal all sums paid for such purposes with interest at the default rate provided for in the Note, and such sums and the interest thereon shall constitute a further lien upon the Project.

(e) Procure appraisals, environmental audits and such other investigations or analyses of the Project as Standard Federal may determine to be required by regulatory or accounting rules, procedures or practices or to otherwise be prudent or necessary. Borrower shall grant Standard Federal free and unrestricted access to the Project for such purposes. Borrower covenants to pay forthwith to Standard Federal all sums paid for such purposes with interest at the default rate

-9-

10

provided for in the Note, and such sums and the interest thereon shall constitute a further lien upon the Project.

(f) To enter into peaceful possession of the Project and/or to receive the rent, income and profits therefrom, and to apply the same in accordance with paragraph 18 hereof.

In connection with Standard Federal's right to possession of the Project upon the occurrence of an Event of Default, as specified in the foregoing paragraph, Borrower acknowledges that it has been advised that there is a significant body of case law in Michigan which purportedly provides that in the absence of a showing of waste of a character sufficient to endanger the value of the Project, or other special factors, a mortgagor is entitled to remain in possession of the Project, and to enjoy the income, rents and profits therefrom, during the pendency of foreclosure proceedings and until the expiration of the redemption period, even if the mortgage documents expressly provide to the contrary. Borrower further acknowledges that it has been advised that Standard Federal recognizes the value of the security covered hereby is inextricably intertwined with the effectiveness of the management, maintenance and general operation of the Project, and that Standard Federal would not make the loan secured hereby unless it could be assured that it would have the right to take possession of the Project in order to manage or to control management thereof, and to enjoy the income, rents and profits therefrom, immediately upon the occurrence of an Event of Default hereunder, notwithstanding that foreclosure proceedings may not have been instituted, or are pending, or the redemption period may not have expired. Accordingly, Borrower hereby knowingly, intelligently and voluntarily waives all right to possession of the Project from and after the occurrence of an Event of Default hereunder, upon demand for possession by Standard Federal, and Borrower agrees

not to assert any objection or defense to Standard Federal's request or petition to a court for possession. The rights hereby conferred upon Standard Federal have been agreed upon prior to the occurrence of an Event of Default hereunder and the exercise by Standard Federal of any such rights shall not be deemed to put Standard Federal in the status of a "mortgagee in possession". Borrower acknowledges that this provision is material to this transaction and that Standard Federal would not make the loan secured hereby but for this paragraph.

In the event of any sale of the Project by foreclosure, through suit in equity, by publication or otherwise, the proceeds of any such sale shall be applied in the following order of priority: (1) to all expenses incurred for the collection of Borrower's indebtedness and the foreclosure of the Mortgage, including reasonable attorneys' fees as are permitted by law; (2) to all sums expended or incurred by Standard Federal directly or indirectly in carrying out the covenants and agreements of Borrower under this Mortgage, together with interest thereon; (3) to all

-10-

11

interest accrued under the Note; (4) to the principal balance of the Note and the principal balance of any other indebtedness due from Borrower to Standard Federal; and (5) the surplus, if any, shall be paid to Borrower, unless a court of competent jurisdiction decrees otherwise.

10. Sale in Parcels. Upon any foreclosure sale of the Project, the same may be sold either as a whole or in parcels, as Standard Federal may elect, and if in parcels, the same may be divided as Standard Federal may elect, and at the election of Standard Federal, may be offered first in parcels and then as a whole, that offer producing the highest price for the entire Project to prevail. Any law, statutory or otherwise, to the contrary notwithstanding, Borrower hereby waives the right to require any such sale to be made in parcels or the right to select such parcels.

11. Costs of Legal Proceedings. The Borrower shall pay Standard Federal a reasonable attorney's fee in addition to all other legal costs in case Standard Federal shall become a party, either as plaintiff or defendant, to any legal proceedings in relation to the Project or the lien created hereby, which sums shall be secured hereby and shall be payable forthwith at the default rate set forth in the Note.

12. Eminent Domain. In the event the entire Project is taken under the power of eminent domain, the entire award or payment in lieu of condemnation, to the full extent of the amount secured hereby, shall be paid to Standard Federal. Standard Federal shall apply such award or payment, first, toward

reimbursement of all of Standard Federal's costs and expenses incurred in connection with collecting such award or payment, and then, at Standard Federal's option, to the outstanding principal balance under the Note (without any penalty for prepayment), to fulfill any other covenant herein or to any other obligation of Borrower to Standard Federal.

In the event of a partial taking of the Project under the power of eminent domain, the entire award or payment in lieu of condemnation, to the full extent of the amount secured hereby, shall be paid over to Standard Federal. Provided there has occurred no Event of Default hereunder, nor any event which with notice or the passage of time or both would become an Event of Default hereunder, and Standard Federal shall reasonably determine that sufficient funds are available from the award or payment and any funds to be provided by Borrower to repair or restore the remaining portion of the Project within a reasonable time and that such repair or restoration is economically feasible, Standard Federal agrees, upon request by the Borrower, to apply the award or payment to repair or restore the remaining portion of the Project, after reimbursement of all costs and expenses of Standard Federal in collecting the award or payment, subject to the following terms and conditions:

-11-

12

(a) Standard Federal shall retain the award or payment in a non-interest bearing escrow account to be disbursed to pay the costs of repair or restoration in accordance with procedures reasonably established by Standard Federal.

(b) All plans and specifications for repair or restoration shall be approved by Standard Federal prior to the commencement of any repair or restoration.

(c) All repair or restoration shall be done by or under the direction of Borrower, shall be in accordance with the approved plans and specifications, shall be in a workmanlike manner free from all defects, shall be in compliance with all statutes, ordinances, rules and regulations applicable thereto and shall be completed free of all construction liens except those being contested in good faith by appropriate proceedings and with respect to which Borrower shall have provided Standard Federal satisfactory security.

(d) Standard Federal shall have the right, at Borrower's expense, to inspect all repairs and restoration and, if Standard Federal reasonably determines that any work or materials are not in conformity with the approved plans and specifications or other requirements of sub-paragraph

(c) above, to stop the work and order replacement or correction thereof by Borrower.

(e) Standard Federal shall not be obligated to make disbursements more frequently than monthly and the remaining undisbursed proceeds shall always be sufficient to meet the total estimated remaining costs to complete the repair or restoration plus 10% of such costs.

(f) All proceeds of the award or payment in excess of the amounts necessary to repair or restore the Project may be applied, at Standard Federal's option, to the outstanding principal balance under the Note (without penalty for prepayment), to fulfill any other covenant herein or any other obligation of Borrower to Standard Federal, or released to Borrower.

In the event all of the conditions to the use of the award or payment to repair or restore the Project which are outlined above are not satisfied, Standard Federal, at its option, may apply the award or payment or any part thereof, first, toward reimbursement of all costs and expenses of Standard Federal in collecting such award or payment, and then, to the outstanding principal balance under the Note (without any penalty for prepayment), to fulfill any other covenant herein or any other obligation of Borrower to Standard Federal, or to the restoration or repair of the Project.

-12-

13

Application by Standard Federal of any condemnation award or payment or portion thereof to the outstanding principal balance under the Note shall not excuse Borrower from making the regularly scheduled payments due thereunder, nor shall such application extend or reduce the amount of such payments. Standard Federal is hereby empowered in the name of Borrower to receive, and give acquittance for, any such award or payment, whether it is joint or several; provided, however, that Standard Federal shall not be held responsible for failure to collect any such award or payment, regardless of the cause of such failure.

13. Books and Records. The Borrower covenants and agrees to furnish to Standard Federal promptly certificates of occupancy and such other books, records, documents, information and statements pertaining to the Borrower, the Project and its operations and any guarantor(s) as Standard Federal may request. All books, records and other information provided by Borrower hereunder shall be in a form that is acceptable to Standard Federal and all costs of providing the same shall be borne entirely by Borrower.

14. Secondary Financing. Borrower will not, without the prior written

consent of Standard Federal, mortgage or pledge the Project or any part thereof as security for any other loan or obligation of Borrower. If any such mortgage or pledge is entered into without the prior written consent of Standard Federal, the entire indebtedness secured hereby, may, at the option of Standard Federal, be declared immediately due and payable without notice. Further, Borrower also shall pay any and all other obligations, liabilities or debts which may become liens, security interests, or encumbrances upon or charges against the Project for any repairs or improvements that are now or may hereafter be made thereon, and shall not, without Standard Federal's prior written consent, permit any lien, security interest, encumbrance or charge of any kind to accrue and remain outstanding against the Project or any part thereof, or any improvements thereon, irrespective of whether such lien, security interest, encumbrance or charge is junior to the lien of this Mortgage. Notwithstanding the foregoing, if any personal property by way of additions, replacements or substitutions is hereafter purchased and installed, affixed or placed by Borrower on the Project under a security agreement, the lien or title of which is superior to the lien created by this Mortgage, all the right, title and interest of Borrower in and to any and all such personal property, together with the benefit of any deposits or payments made thereon by Borrower, shall nevertheless be and are hereby assigned to Standard Federal and are covered by the lien of this Mortgage.

15. Payment Upon Acceleration Subject to Any Prepayment Penalty. Upon the occurrence of an Event of Default by Borrower hereunder and following the acceleration of maturity as provided in paragraph 9 hereof, a tender of payment of the amount necessary to satisfy the entire indebtedness secured hereby, made at any time

-13-

14

prior to the foreclosure sale by Borrower, or by anyone in behalf of the Borrower, shall constitute an evasion of the payment terms of the Note and shall be deemed to be a voluntary prepayment thereunder, and any such payment, to the extent permitted by law, will therefore include the premium required under the prepayment privilege, if any, contained in the Note.

16. Security Agreement and Financing Statements. Borrower shall execute, acknowledge and deliver any and all such further conveyances, documents, mortgages and assurances as Standard Federal may reasonably require for accomplishing the purposes hereof, including financing statements required by Standard Federal to protect its interest under the provisions of the Michigan Uniform Commercial Code, as amended, forthwith upon the written request of Standard Federal. Upon any failure of Borrower to do so, Standard Federal may execute, record, file, re-record and refile any and all such documents for and in the name of Borrower, and Borrower hereby irrevocably

appoints Standard Federal as agent and attorney-in-fact of Borrower for the foregoing purposes. This instrument is intended by the parties to be, and shall be construed as, a security agreement, as that term is defined and used in Article Nine of the Michigan Uniform Commercial Code, as amended, and shall grant to Standard Federal a security interest in that portion of the Project with respect to which a security interest can be granted under Article Nine of the Michigan Uniform Commercial Code, as amended, which security interest shall include a security interest in all personalty owned by Borrower, whether now owned or subsequently acquired, which is or in the future may be physically located on or affixed to the Project described in Exhibit "A" hereto, regardless of whether such personalty consists of fixtures under Michigan law, a security interest in the proceeds and products of the proceeds of all insurance policies now or hereafter covering all or any part of such collateral. For purposes of Article Nine of the Michigan Uniform Commercial Code, (a) Borrower herein is the "debtor", (b) Standard Federal herein is the "secured party", (c) information concerning the security interest created hereby may be obtained from Standard Federal at its address set forth on page 1 hereof, and (d) Borrower's mailing address is that set forth on page 1 hereof.

17. Assignment of Contracts and Agreements. Borrower hereby assigns to Standard Federal, as further security for the indebtedness secured hereby, Borrower's interest in all agreements, contracts (including contracts for the lease or sale of the Project or any portion thereof), licenses and permits affecting the Project. Such assignment shall not be construed as a consent by Standard Federal to any agreement, contract, license, or permit so assigned, or to impose upon Standard Federal any obligations with respect thereto. Borrower shall not cancel or amend any of the agreements, contracts, licenses and permits hereby assigned (nor permit any of the same to terminate if they are necessary or desirable for the operation of the Project), except in the ordinary

-14-

15

course of business, without first obtaining, on each occasion, the written approval of Standard Federal. This paragraph shall not be applicable to any agreement, contract, license or permit that terminates if it is assigned without the consent of any party thereto (other than Borrower) or issuer thereof, unless such consent has been obtained or this assignment is ratified by such party or issuer; nor shall this paragraph be construed as a present assignment of any agreement, contract, license or permit that Borrower is required by law to hold in order to operate the Project for the purposes intended.

18. Assignment of Leases and Rents. As additional security for the payment of the indebtedness evidenced by the Note, including interest thereon,

and the performance of all of Borrower's obligations hereunder or secured hereby, and under any other document executed simultaneously or in connection herewith, Borrower does hereby sell, assign, transfer and set over unto Standard Federal, pursuant to Act 210 of the Public Acts of Michigan of 1953, as amended, all the rents, profits and income under all leases or occupancy agreements or arrangements, however evidenced or denominated, upon or affecting the Project (including any extensions, amendments or renewals thereof), whether such rents, profits and income are due or are to become due, including all such leases in existence or coming into existence during the period this Mortgage is in effect. This assignment shall run with the land until this Mortgage is discharged in full and be good and valid as against Borrower and those claiming by, under or through Borrower, from the date of recording of this Mortgage. This assignment shall continue to be operative during the foreclosure or any other proceedings taken to enforce this Mortgage. In the event of a foreclosure sale which results in a deficiency, this assignment shall stand as security during the redemption period for the payment of such deficiency. This assignment is given as collateral security only and does not and shall not be construed as obligating Standard Federal to perform any of the covenants or undertakings required to be performed by Borrower in any leases.

Borrower covenants and agrees not to cancel, accept a surrender of, modify or alter (orally or in writing), reduce the rental under or consent to the assignment or subletting of the lessee's interest in, any lease affecting the Project, except in the ordinary course of business and on commercially reasonable terms, or to make any other assignment, pledge or other disposition of such leases, or any of them, or of the rents, issues and profits derived from the use of the mortgaged premises. Any of the above acts, if done without the written consent of Standard Federal, shall be null and void.

Borrower warrants and represents that all leases or copies of leases which have been delivered to Standard Federal are in full force and effect and there are no defaults existing thereunder, and that Borrower has not: (a) executed any prior assignments

-15-

16

presently subsisting of any leases or rentals pertaining to the Project, (b) performed any acts or executed any other instruments which might prevent or limit Standard Federal's operating under any of the terms and conditions of this Mortgage, (c) executed or granted any modification whatever of any lease pertaining to the Project which has not been disclosed to Standard Federal, or (d) subordinated any lease to the lien of this Mortgage, except on terms acceptable to Standard Federal.

Until the occurrence of an Event of Default hereunder, Borrower may

receive, collect and enjoy the rents and income from the Project. Upon the occurrence of an Event of Default under this Mortgage, Standard Federal shall be entitled to, at its option, to enter upon the Project, or any part thereof, by its officers, agents, or employees, and: (a) collect the rents and income from the Project as long as an Event of Default exists and during the pendency of any foreclosure proceedings and, if there is a deficiency, during any redemption period, (b) rent or lease the Project or any portion thereof upon such terms and for such time as it may deem best, (c) operate or maintain the Project, (d) maintain proceedings to recover rents or possession of the Project from any tenant or trespasser, and apply the net proceeds of such rent and income, after payment of all proper charges and expenses, to the following purposes: (1) payment of all of the costs and expenses incurred by Standard Federal in exercising its rights under this paragraph; (2) payment of interest and principal due under the Note; (3) payment of all other sums secured hereby; (4) payment of expenses of preserving the Project, including taxes and insurance premiums. Notwithstanding the foregoing, Standard Federal, in its sole discretion, may change the priorities set forth above for the application of the net proceeds of such rent and income. The Borrower hereby authorizes Standard Federal in general to perform all acts necessary for the operation and maintenance of the Project in the same manner and to the same extent that the Borrower might reasonably so act. Standard Federal shall only be accountable for money actually received by it pursuant to the assignment contained in this paragraph. Such entry and taking possession of the Project, or any part thereof, by Standard Federal, may be made by actual entry and possession, or by written notice served personally upon or sent by certified mail to the last address of the Borrower appearing on the records of Standard Federal, as Standard Federal may elect, and no further authorization or notice shall be required. BORROWER HEREBY WAIVES ANY RIGHT TO NOTICE, OTHER THAN THE NOTICE PROVIDED ABOVE AND WAIVES ANY RIGHT TO ANY HEARING JUDICIAL OR OTHERWISE PRIOR TO STANDARD FEDERAL EXERCISING ITS RIGHTS UNDER THE ASSIGNMENT CONTAINED IN THIS PARAGRAPH.

Standard Federal and its duly authorized agents shall be entitled to enter the Project for the purpose of delivering any and all such notices and other communications to the tenants and occupiers thereof or to take such other steps as shall be necessary or desirable in Standard Federal's discretion to exercise its

-16-

17

rights hereunder, and Standard Federal and its agents shall have absolutely no liability to Borrower arising therefrom, except for gross negligence or willful misconduct. Standard Federal shall not, however, be obligated to give any tenant or occupier of the Project any notice by personal delivery and Standard Federal may, in its sole discretion, deliver all such notices and

communications by ordinary first-class U.S. mail, postage prepaid, or otherwise.

The Borrower irrevocably consents that any lessee or lessees under any leases covering the Project, upon demand and notice from Standard Federal of Borrower's default under the Note or this Mortgage, shall pay all rents, issues and profits under such leases to Standard Federal without any obligation upon any such lessee or lessees for the determination of the actual existence of any default.

In the event that Borrower obstructs Standard Federal in its efforts to collect the rents and income from the Project, or after requested by Standard Federal, unreasonably refuses, fails or neglects to assist Standard Federal in collecting such rent and income, Standard Federal shall be entitled to the appointment of a receiver of the Project and of the income, rents and profits therefrom, with such powers as the court making such appointment may confer.

The Borrower covenants and agrees to perform and discharge each and every obligation, covenant, and agreement required to be performed by the landlord under all leases covering the Project, and should the Borrower fail so to do, then Standard Federal, but without obligation to do so, and without releasing the Borrower from any obligation hereof, may make or do the same in such manner and to such extent as Standard Federal may deem necessary to protect the security hereof. Nothing herein contained shall be construed to bind Standard Federal to perform any of the terms and provisions contained in the leases, or otherwise to impose any obligation upon Standard Federal. Any default by the Borrower in the performance of any of the obligations contained in this paragraph, which is not cured within 30 days after notice thereof from Standard Federal to Borrower, or, if the default is of a kind which cannot be cured within 30 days, if Borrower fails to undertake the cure of such default within 30 days after notice thereof from Standard Federal to Borrower and thereafter diligently pursue such cure and complete it within a reasonable time, shall constitute and be deemed to be a default under the terms of this Mortgage entitling Standard Federal to exercise the rights and remedies provided by this Mortgage.

Standard Federal shall at no time have any obligation whatever to attempt to collect rent from any tenant or occupier of the Project notwithstanding that such tenants and occupiers may not be paying rent to either Borrower or to Standard Federal. Further, Standard Federal shall at no time have any obligation whatever to

enforce any other obligations owed by tenants or occupiers of the Project to

Borrower. No action taken by Standard Federal under this Mortgage shall put Standard Federal in the position of a "mortgagee in possession."

Borrower shall at no time collect advance rent under any lease upon, affecting or pertaining to the Project or any part thereof in excess of one month (other than as a security deposit) and Standard Federal shall not be bound in any respect by any rent prepayment made or received in violation of the terms hereof.

Standard Federal shall have the right to assign the Borrower's right, title and interest in all leases covering the Project to any subsequent holder of this Mortgage or the Note, and to assign the same to any person acquiring title to the Project through foreclosure or otherwise.

19. Environmental Representations and Indemnity. The Borrower represents and warrants to Standard Federal:

(a) Except as may otherwise be disclosed in a Subsurface Investigation at 6200 Elmridge Drive, Sterling Heights, Michigan, Clayton Project No. 58644.00, dated November 4, 1994, prepared by Clayton Environmental Consultants, neither the Borrower nor, to the best of Borrower's knowledge after due inquiry, any prior owner of the Project or any other person has caused or permitted any waste, oil, pesticides, or any substance or material of any kind which is currently known or suspected to be toxic or hazardous, including but not limited to any substance defined as a "Hazardous Waste" in Title 40, Part 261 of the Code of Federal Regulations, (hereinafter referred to as "Hazardous Material") to be discharged, dispersed, released, stored, treated, generated, disposed of, or allowed to escape on, under or at the Project, nor has the Project, or any part thereof ever been used by the Borrower or, to the best of Borrower's knowledge after due inquiry, any prior owner of the Project or any other person, as a dump, storage or disposal site for any Hazardous Material.

(b) To the best of Borrower's knowledge, no asbestos or asbestos-containing materials have been installed, used, incorporated into, or disposed of on the Project.

(c) To the best of Borrower's knowledge, no polychlorinated biphenyls ("PCBs") are located on or in the Project, in the form of electrical transformers, fluorescent light fixtures with ballasts, cooling oils, or any other device or form.

(d) To the best of Borrower's knowledge, no underground storage tanks are located on the Project or were located on the Project and subsequently removed or filled.

(e) The Borrower (1) has not received any notice of any release or threatened release of any Hazardous Materials in, under or upon the Project or of any violation of any environmental or ecological protection laws or regulations with respect to the Project, and (2) does not know of any basis for any such notice or violation with respect to the Project.

Borrower hereby indemnifies Standard Federal and agrees to hold Standard Federal harmless from and against any and all losses, liabilities, damages, injuries, costs, expenses and claims of any and every kind whatsoever paid, incurred or suffered by, or asserted against, Standard Federal for, with respect to, or as a direct or indirect result of (a) the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission or release from, the Project of any Hazardous Material, including, without limitation, any losses, liabilities, damages, injuries, costs, expenses or claims, asserted or arising under the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. Section 9601 et seq., or any other federal, state or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to or imposing liability or standards of conduct concerning, any Hazardous Material, the costs of any required or necessary clean-up or detoxification of the Project, the costs of the preparation of any clean-up or closure plans and reasonable attorney's fees and costs, or (b) the presence of any asbestos on the Project (including, without limitation, the cost of removal) regardless of whether or not caused by, or within the control of, Borrower.

20. Due on Sale. Standard Federal in making the loan secured by this Mortgage is relying upon the integrity of Borrower and its undertaking to maintain the Project. If Borrower should (a) sell, transfer, convey or assign the Project, or any right, title or interest therein, whether legal or equitable, whether voluntarily or involuntarily, by outright sale, deed, installment sale contract, land contract, contract for deed, leasehold interest (other than leases to tenants) with a term greater than three years, lease option contract or any other method of conveyance of real property interests; or (b) cause, permit or suffer any change in the current ownership or management of the Borrower; or (c) cause, permit or suffer any change in the current management and control of the Project or in the degree of control Borrower exercises or is empowered to exercise over the decisions affecting the ownership and operation of the Project as of the date hereof, then, and in any such event, Standard Federal shall have the right at its sole option thereafter to declare all sums secured hereby and then unpaid to be due and payable forthwith although the period limited for the payment thereof shall not then have expired, anything contained to the contrary hereinbefore notwithstanding, and thereupon to exercise all of its rights and remedies under this Mortgage. If the ownership of the Project, or any part thereof, becomes vested in a person other than the Borrower (with or without

Standard Federal's consent), Standard Federal may deal with such successor or successors in interest with reference to this Mortgage, and the indebtedness hereby secured, in the same manner as with the Borrower, without in any manner vitiating, releasing or discharging the Borrower's liability hereunder or upon the indebtedness hereby secured. No sale of the Project and no forbearance or extensions by Standard Federal of the time for payment of the indebtedness hereby secured or the performance of the covenants and agreements herein provided shall in any way operate to release, discharge, modify, change or affect the lien of this Mortgage or the liability of Borrower on the Note or for the performance hereof, either in whole or in part, and the Borrower shall at all times continue primarily liable on the indebtedness secured hereby until this Mortgage is fully discharged or Borrower is formally released by an instrument in writing duly executed by Standard Federal.

21. Binding Effect. Until this Mortgage is discharged in full, all of the covenants and conditions hereof shall run with the land and shall be binding upon the successors and assigns of Borrower, and shall inure to the benefit of the successors and assigns of Standard Federal. Any reference herein to "Borrower" or "Standard Federal" shall include their respective successors and assigns.

22. Notices. All notices, demands and requests required or permitted to be given to Borrower hereunder or by law shall be deemed delivered when deposited in the United States mail, with full postage prepaid thereon, addressed to Borrower at the last address of Borrower on the records of Standard Federal.

23. No Waiver. No waiver by Standard Federal of any right or remedy granted hereunder shall affect or extend to any other right or remedy of Standard Federal hereunder, nor affect the subsequent exercise of the same right or remedy by Standard Federal for any further or subsequent Event of Default by Borrower hereunder, and all such rights and remedies of Standard Federal hereunder are cumulative. Time is of the essence.

24. Severability. If any provision(s) hereof are in conflict with any statute or rule of law of the State of Michigan or are otherwise unenforceable for any reason whatever, then such provision(s) shall be deemed null and void to the extent of such conflict or unenforceability, but shall be deemed separable from and shall not invalidate any other provisions of this Mortgage.

25. Pronouns. If more than one person joins in the execution hereof, or is of the feminine sex, or a corporation, the pronoun and relative words herein used shall be read as if in plural, feminine or neuter, respectively.

Standard Federal Bank, a
federal savings bank
2600 West Big Beaver Road
Troy, Michigan 48084

Att: Commercial Loan Department
2600 West Big Beaver Road
Troy, Michigan 48084

-21-

22

"EXHIBIT A"

Land in the City of Sterling Heights, County of Macomb and State of Michigan, described as:

Lots 22 through 26, SUPERVISOR'S PLAT NO. 2, according to the Plat thereof as recorded in Liber 16 of Plats, Page 34, Macomb County Records

Tax Parcel No.:	10-16-151-010	- Lot 22
	10-16-151-011	- Lot 23
	10-16-151-012	- Lot 24
	10-16-151-013	- Lot 25
	10-16-151-014	- Lot 26

-22-

COMMERCIAL MORTGAGE, ASSIGNMENT OF LEASES AND RENTS,
SECURITY AGREEMENT AND FINANCING STATEMENT

This is a Future Advance Mortgage

THIS MORTGAGE is made this 6th day of February, 1995, by MCCLAIN INDUSTRIES, INC., a Michigan corporation ("Borrower"), whose address is 6200 Elmridge, Sterling Heights, Michigan 48310 to Standard Federal Bank, a federal savings bank ("Standard Federal"), whose address is 2600 West Big Beaver Road, Troy, Michigan 48084.

RECITALS:

A. Borrower is justly indebted to Standard Federal in the principal amount of Two Million and 00/100 Dollars (\$2,000,000.00), together with interest thereon in accordance with a mortgage note from Borrower to Standard Federal of even date herewith (the "Note").

B. The Note is identified as being secured hereby by a statement thereon.

THEREFORE, in order to secure payment of the principal and interest of such indebtedness according to the terms of the Note, and all other amounts payable by Borrower thereunder, and any and all extensions and renewals thereof, however evidenced, and the performance of the covenants and conditions hereof, and THE REPAYMENT OF ANY FUTURE ADVANCES, WITH INTEREST THEREON, made to Borrower by Standard Federal pursuant to the provisions hereof, Borrower does hereby MORTGAGE and WARRANT to Standard Federal, its successors and assigns forever, certain real property owned by Borrower and situated in the State of Michigan, as more particularly described in Exhibit "A" attached hereto (the "premises"), together with (1) all the estate, title, interest and rights of Borrower in and to the premises and all buildings and improvements of every kind and description now or hereafter placed upon the premises or any part thereof, (2) all heretofore or hereafter vacated alleys and streets abutting the premises, (3) all furniture, fixtures, equipment and appliances, regardless of their character as personal property, including, but not limited to, all lighting, heating, cooling, ventilating, air conditioning, plumbing, sprinkling, communicating and electrical systems, and machinery, appliances, fixtures and equipment pertaining thereto, awnings, stoves, refrigerators, dishwashers, disposals, incinerators, carpeting and drapes, and all other furniture, fixtures, equipment and appliances of every type, nature and description, owned by Borrower and now or at any time hereafter related to, affixed to, attached to, placed upon or used in any way in connection with the use, occupancy or operation of the premises (except leased equipment and trade fixtures which, in either case, are readily removable without damaging or reducing the value or utility of the premises or the improvements thereto), all of which

furniture, fixtures, equipment and appliances shall be deemed to be a part of the premises and covered by the lien hereof, and (4) all of the rents, profits, and leases thereof and the tenements, hereditaments, easements, privileges and appurtenances thereto. (Any reference herein to the "Project" shall be deemed to apply to the above described premises and to such buildings, fixtures, furniture, equipment and appliances, and to the rents, profits and leases thereof, and to such tenements, hereditaments, easements, privileges and appurtenances, unless the context shall require otherwise.)

To have and to hold the Project, with all of the tenements, hereditaments, easements, appurtenances and other rights and privileges thereunto belonging or in any manner now or hereafter appertaining thereto, for the use and benefit of Standard Federal upon the conditions hereinafter set forth.

Borrower does hereby covenant, promise and agree to and with Standard Federal, which covenants, promises and agreements shall, to the extent permitted by law, be deemed to run with the land, as follows:

1. Covenant to Pay Indebtedness. Borrower shall pay the principal and interest of Borrower's indebtedness to Standard Federal according to the terms of the Note and shall pay the indebtedness to Standard Federal according to the terms of any future advances secured by this Mortgage and shall pay all other amounts provided herein.

2. Covenant of Title. At the time of the execution and delivery of this Mortgage, Borrower is well and truly seized of the Project in fee simple, free of all easements, liens and encumbrances whatever (other than those easements of record as of the date hereof and the rights of the public in any part of the Project used or taken for road purposes), and will forever warrant and defend the same against any and all other claims whatever, and the lien created hereby is and will be kept as a first lien upon the Project and every part thereof, subject only to the foregoing exceptions.

3. Taxes and Assessments. Until the debt secured hereby is fully satisfied, Borrower will pay all taxes, assessments and all other charges and encumbrances levied on the Project before any penalty for nonpayment attaches thereto, and will deliver to Standard Federal, upon request, official receipts showing such payment. Borrower also shall pay when due all taxes, assessments and other charges and encumbrances that may be levied upon or on account of this Mortgage or the indebtedness secured hereby or upon the interest or estate in the Project created or represented by this Mortgage, whether levied against Standard Federal or otherwise. In the event payment by Borrower of any tax referred to in the foregoing sentence would result in the payment of interest

in excess of the rate permitted by law, then Borrower shall have no obligation to pay the portion of such tax which would result in the payment of such excess; provided, however, in such event, at any time after the enactment of a law providing for such tax, Standard Federal, at its option, may declare the entire principal balance of the indebtedness secured hereby, together with all interest thereon, to be due and payable immediately, without notice.

4. Insurance. Until the debt secured hereby is fully satisfied, Borrower will keep the Project continuously insured against loss by fire, windstorm and other hazards, casualties and contingencies, including vandalism and malicious mischief, in such amounts and for such periods as may be required by Standard Federal. Borrower shall pay promptly when due all premiums for such insurance and deliver to Standard Federal, without request, receipts showing such payment. All insurance shall be carried in companies approved by Standard Federal and the policies and renewals thereof shall be held by, and pledged to, Standard Federal (unless Standard Federal shall direct or permit otherwise) as additional security hereunder, and shall have attached thereto a mortgagee clause acceptable to Standard Federal, making all loss or losses under such policies payable to Standard Federal, its successors and assigns, as its or their interest may appear. In the event of loss or damage to the Project, Borrower shall give immediate notice in writing by mail to Standard Federal, who may make proof of loss if not made promptly by Borrower.

In the event the amount of the loss is \$200,000.00 or less, the insurance proceeds shall be released to the Borrower, upon request by the Borrower. Borrower shall be obligated to use such proceeds to restore or repair the Project unless Standard Federal otherwise specifies in writing.

In the event the amount of the loss is greater than \$200,000.00, each insurance company concerned is hereby authorized and directed upon request by Standard Federal, to make payment for such loss, to the extent of the indebtedness hereby secured, directly to Standard Federal instead of to Borrower and Standard Federal jointly. Provided there has occurred no Event of Default hereunder nor any event which with notice or the passage of time or both would become an Event of Default hereunder and further provided that Standard Federal shall reasonably determine that sufficient funds are available from insurance proceeds and any funds to be provided by Borrower to repair or restore the Project within a reasonable time and that such repair or restoration is economically feasible, Standard Federal agrees, upon request by the Borrower, to apply the insurance proceeds to repair or restore the Project, after reimbursement of all costs and expenses of Standard Federal in collecting such proceeds, subject to the following terms and conditions:

(a) Standard Federal shall retain all insurance proceeds in a non-interest bearing escrow account to be disbursed to pay the costs of repair or restoration in accordance with procedures reasonably established by Standard Federal.

(b) All plans and specifications for repair or restoration shall be approved by Standard Federal prior to the commencement of any repair or restoration.

(c) All repair or restoration shall be done by or under the direction of Borrower, shall be in accordance with the approved plans and specifications, shall be in a workmanlike manner free from all defects, shall be in compliance with all statutes, ordinances, rules and regulations applicable thereto and shall be completed free of all construction liens except those being contested in good faith by appropriate proceedings and with respect to which Borrower shall have provided Standard Federal satisfactory security.

(d) Standard Federal shall have the right, at Borrower's expense, to inspect all repairs and restoration and, if Standard Federal reasonably determines that any work or materials are not in conformity with the approved plans and specifications or other requirements of sub-paragraph (c) above, to stop the work and order replacement or correction thereof by Borrower.

(e) Standard Federal shall not be obligated to make disbursements more frequently than monthly and the remaining undisbursed proceeds shall always be sufficient to meet the total estimated remaining costs to complete the repair or restoration plus 10% of such costs.

(f) All insurance proceeds in excess of the amounts necessary to repair or restore the Project may be applied, at Standard Federal's option, to the outstanding principal balance under the Note (without penalty for prepayment), to fulfill any other covenant herein or any other obligation of Borrower to Standard Federal, or released to Borrower.

In the event all of the conditions to the use of the insurance proceeds to repair or restore the Project which are outlined above are not satisfied, Standard Federal, at its option, may apply the insurance proceeds or any part thereof, first, toward reimbursement of all costs and expenses of Standard Federal in collecting such proceeds, and then, to the outstanding principal balance under the Note (without any penalty for prepayment), to fulfill any other covenant herein or any other obligation of Borrower to Standard Federal, or to the restoration or repair of the Project.

Application by Standard Federal of any insurance proceeds to the outstanding principal balance under the Note shall not excuse

5

Borrower from making the regularly scheduled payments due thereunder, nor shall such application extend or reduce the amount of such payments. In the event of foreclosure of this Mortgage or other transfer of title to the Project in extinguishment of the indebtedness secured hereby, all right, title and interest of Borrower in and to any insurance policies then in force shall pass to the purchaser or grantee and Borrower hereby appoints Standard Federal its attorney-in-fact, in Borrower's name, to assign and transfer all such policies and proceeds to such purchaser or grantee.

5. Standard Federal's Right to Make Expenditures. Should an Event of Default occur hereunder as a result of Borrower's failure to pay any taxes or assessments or procure and maintain insurance or make necessary repairs to the Project, Standard Federal may pay such taxes and assessments, effect such insurance and make such repairs, and the monies so paid by it shall be a further lien on the Project, payable forthwith, with interest at the default rate set forth in the Note. Standard Federal may make advances pursuant to this paragraph or to paragraph 7 without curing the Event of Default and without waiving Standard Federal's right of foreclosure or any other right or remedy of Standard Federal under this Mortgage. The exercise of the right to make advances pursuant to this paragraph shall be optional with Standard Federal and not obligatory and Standard Federal shall not be liable in any case for failure to exercise such right or for failure to continue exercising such right once having exercised it. Borrower's failure to pay taxes and/or assessments assessed against the Project, or any installment thereof, or any insurance premium upon policies covering the Project or any part thereof, shall constitute waste (although the meaning of the term "waste" shall not necessarily be limited to such nonpayment), as provided by Act No. 236 of the Public Acts of Michigan of 1961, as amended, and shall entitle Standard Federal to all remedies provided for therein. Borrower further agrees to and does hereby consent to the appointment of a receiver under such statute, should Standard Federal elect to seek such relief thereunder.

6. Escrow for Taxes and Insurance. Standard Federal, in its sole discretion, shall be entitled to require Borrower to pay to Standard Federal monthly such amounts as Standard Federal from time to time estimates as necessary to create and maintain a reserve fund from which to pay before the same become due all taxes, assessments and other charges and encumbrances levied on the Project and premiums for insurance as are herein covenanted to be paid by Borrower and when such taxes, assessments and other charges and encumbrances and insurance premiums become due and payable, Standard Federal shall pay the same to the extent funds are available from the reserve fund; provided, however, that Standard Federal shall have no liability for any failure to so pay taxes, assessments and other charges and encumbrances or insurance premiums for any reason whatsoever. In the event that sufficient

funds have not been deposited as aforesaid to cover the amount of such taxes, assessments and other charges and encumbrances and insurance premiums when the same become due and payable, Borrower shall forthwith upon request by Standard Federal pay such balance to Standard Federal. Standard Federal shall not be required to pay Borrower any interest or earnings whatever on the funds held by Standard Federal for the payment of such taxes, assessments and other charges and encumbrances or for the payment of insurance premiums, or on any other funds deposited with Standard Federal in connection with this Mortgage. Upon the occurrence of an Event of Default under this Mortgage, any of such monies then remaining on deposit with Standard Federal may be applied against the indebtedness hereby secured immediately upon or at any time after the occurrence of an Event of Default, and without notice to Borrower. Further, Standard Federal may make payments from any of such monies on deposit with Standard Federal for taxes, assessments, other charges or encumbrances or insurance premiums on or with respect to the Project notwithstanding that subsequent owners of the Project may benefit thereby.

7. Waste and Inspection and Repair. Borrower will abstain from and will not suffer the commission of waste on the Project and will keep the buildings, improvements, fixtures, equipment and appliances now or hereafter thereon in good repair and will make replacements thereto as and when the same become necessary. Borrower will comply promptly with all laws, ordinances, regulations and orders of all public authorities having jurisdiction over the Project relating to the use, occupancy and maintenance thereof, and shall upon request promptly submit to Standard Federal evidence of such compliance. Nothing herein shall be deemed to prohibit Borrower from contesting the enforceability or applicability of any law, ordinance, regulation or order; provided, however, that Standard Federal, in its sole discretion, may require that Borrower comply with any such law, ordinance, regulation or order during the pendency of any such contest and all appeals therefrom. In the event the Project or any part thereof, in the sole judgment of Standard Federal, requires inspection, repair, care or attention of any kind or nature not theretofore provided by Borrower within 30 days after notice thereof from Standard Federal to Borrower, or within such longer time as may be necessary if the repair, care or attention is of a kind which cannot be completed in 30 days, provided that Borrower undertakes the repair, care or attention within 30 days after notice thereof from Standard Federal and thereafter diligently pursues the completion of same within a reasonable time, Standard Federal may (without being obligated to do so) enter or cause entry to be made upon the Project and inspect, repair, and/or maintain the same as Standard Federal may deem necessary or advisable, and may (without being obligated to do so) make such expenditures and outlays of money as Standard Federal may deem appropriate for the preservation of the

Project. All expenditures and outlays of money made by Standard Federal pursuant hereto shall be secured hereby, shall be payable forthwith, and

-6-

7

shall bear interest at the default rate provided in the Note. Standard Federal shall have the right at any time, and from time to time, to enter the Project for the purpose of inspecting the same. Borrower will not permit the Project or any portion thereof to be used for any unlawful purpose. No building or other improvement on any part of the Project shall be removed, demolished or materially altered without the prior written consent of Standard Federal, except that Borrower shall have the right, without such consent, to remove and dispose of, free from the lien of this Mortgage, such personalty and equipment as from time to time may become worn out or obsolete, provided that (a) simultaneously with or prior to such removal, any such equipment shall be replaced with other new equipment of like kind and quality, free from any security interest, lien or encumbrances, and by such removal and replacement, Borrower shall be deemed to have subjected the replacement equipment to the lien of this Mortgage; and (b) any net cash proceeds received from such disposition shall be promptly paid over to Standard Federal to be applied to the outstanding principal balance under the Note, without any charge for prepayment.

8. Events of Default. The occurrences listed below shall be deemed Events of Default hereunder and shall entitle Standard Federal, at its option and without notice except where required by law and as otherwise provided herein, to exercise any one or any combination of remedies described in paragraph 9 or otherwise available to Standard Federal:

(a) If any indebtedness of the Borrower to Standard Federal is not paid within 10 days after the date due, regardless of whether such indebtedness has arisen pursuant to the terms of the Note, or any loan agreement, promissory note, mortgage, security agreement, guaranty, instrument or other agreement or otherwise.

(b) If any warranty or representation made by or for the Borrower and/or any endorser or guarantor of the Note ("Guarantor") in connection with the loan(s) evidenced thereby, or if any financial data or any other information now or hereafter furnished to Standard Federal by or on behalf of the Borrower and/or any Guarantor shall prove to be false, inaccurate or misleading in any material respect, and such default is not cured within 15 days after written notice to the Borrower of such default.

(c) If the Borrower and/or any Guarantor shall fail to perform any obligation or covenant hereunder, or shall fail to comply with any of the

provisions of the Note or of any loan agreement or other agreement with Standard Federal to which it may be a party, and such failure is not cured within 15 days after written notice to the Borrower of such failure.

-7-

8

(d) If any other Event of Default shall occur under the Note.

(e) If foreclosure or other proceedings to enforce any second mortgage or any junior security interest, lien or encumbrance of any kind upon the Project or any portion thereof are instituted and are not dismissed, or insured against or bonded over in a manner reasonably acceptable to Standard Federal within ninety (90) days.

(f) If Borrower fails to substantially comply with all of the material terms, covenants and provisions of any and all leases or other agreements, documents or restrictions that now encumber, affect or pertain to the Project or any portion thereof.

9. Remedies. Immediately upon the occurrence of an Event of Default defined in paragraph 8, Standard Federal shall have the option, in addition to and not in lieu of or substitution for, all other rights and remedies provided by law, to do any or all of the following:

(a) Without notice except as expressly required by law, to declare the principal sum secured by this Mortgage, with all interest thereon and all other sums secured hereby, to be immediately due and payable, and if the same is not paid on demand, at Standard Federal's option, to bring suit therefor; to demand payment of and if the same is not paid on demand, to bring suit for any delinquent installment payment under the Note or otherwise; to take any and all steps and institute any and all other proceedings that Standard Federal deems necessary to enforce the indebtedness and obligations secured hereby and to protect the lien of this Mortgage.

(b) Upon the occurrence of any Event of Default arising out of the existence of any lien upon the Project, Standard Federal shall have the right (without being obligated to do so or to continue to do so), without notice to Borrower, to advance on and for the account of Borrower such sums as Standard Federal in its sole discretion deems necessary to cure such Event of Default or to induce the holder of any such lien to forbear from exercising its rights thereunder. The repayment of all such advances, with interest thereon at the default rate set forth in the Note from the date of each such advance, shall be secured hereby and shall be immediately due and payable without demand.

(c) Immediately commence foreclosure proceedings against the Project pursuant to applicable law. The commencement by Standard Federal of foreclosure proceedings by advertisement or in equity shall be deemed an exercise by Standard Federal of its option set forth in paragraph 9(a) to accelerate the

-8-

9

due date of all sums secured hereby. Borrower hereby grants power to Standard Federal upon the occurrence of an Event of Default hereunder, to grant, bargain, sell, release and convey the Project at public auction or vendue, and upon such sale to execute and deliver to the purchaser(s) instruments of conveyance pursuant to the terms hereof and to the applicable laws. Borrower acknowledges that the foregoing sentence confers a power of sale upon Standard Federal, and that upon the occurrence of an Event of Default this Mortgage may be foreclosed by advertisement as described below and in the applicable Michigan statutes. Borrower understands that upon the occurrence of an Event of Default, Standard Federal is hereby authorized and empowered to sell the Project, or cause the same to be sold and to convey the same to the purchaser in any lawful manner, including but not limited to that provided by Chapter 32 of the Revised Judicature Act of Michigan, entitled "Foreclosure of Mortgages by Advertisement", which permits Standard Federal to sell the Project without affording Borrower a hearing, or giving him actual personal notice. The only notice required under such Chapter 32 is to publish notice in a local newspaper and to post a copy of the notice on the Project.

WAIVER: By conferring this power of sale upon Standard Federal, Borrower, for itself, its successors and assigns, after an opportunity for consultation with its legal counsel, hereby voluntarily, knowingly and intelligently waives all rights under the Constitution and Laws of the United States and under the Constitution and Laws of the State of Michigan, both to a hearing on the right to exercise and the exercise of the power of sale, and to notice except as required by the Michigan statute which provides for foreclosure of mortgages by advertisement. However, Borrower reserves the right to timely contest the exercise of the power of sale by instituting suit against Standard Federal in the circuit court of the county in which the Project is located or any other court of competent jurisdiction.

(d) Procure mortgage foreclosure or title reports. Borrower covenants to pay forthwith to Standard Federal all sums paid for such purposes with interest at the default rate provided for in the Note, and such sums and the interest thereon shall constitute a further lien upon the Project.

(e) Procure appraisals, environmental audits and such other investigations or analyses of the Project as Standard Federal may determine to be required by regulatory or accounting rules, procedures or practices or to otherwise be prudent or necessary. Borrower shall grant Standard Federal free and unrestricted access to the Project for such purposes. Borrower covenants to pay forthwith to Standard Federal all sums paid for such purposes with interest at the default rate

-9-

10

provided for in the Note, and such sums and the interest thereon shall constitute a further lien upon the Project.

(f) To enter into peaceful possession of the Project and/or to receive the rent, income and profits therefrom, and to apply the same in accordance with paragraph 18 hereof.

In connection with Standard Federal's right to possession of the Project upon the occurrence of an Event of Default, as specified in the foregoing paragraph, Borrower acknowledges that it has been advised that there is a significant body of case law in Michigan which purportedly provides that in the absence of a showing of waste of a character sufficient to endanger the value of the Project, or other special factors, a mortgagor is entitled to remain in possession of the Project, and to enjoy the income, rents and profits therefrom, during the pendency of foreclosure proceedings and until the expiration of the redemption period, even if the mortgage documents expressly provide to the contrary. Borrower further acknowledges that it has been advised that Standard Federal recognizes the value of the security covered hereby is inextricably intertwined with the effectiveness of the management, maintenance and general operation of the Project, and that Standard Federal would not make the loan secured hereby unless it could be assured that it would have the right to take possession of the Project in order to manage or to control management thereof, and to enjoy the income, rents and profits therefrom, immediately upon the occurrence of an Event of Default hereunder, notwithstanding that foreclosure proceedings may not have been instituted, or are pending, or the redemption period may not have expired. Accordingly, Borrower hereby knowingly, intelligently and voluntarily waives all right to possession of the Project from and after the occurrence of an Event of Default hereunder, upon demand for possession by Standard Federal, and Borrower agrees not to assert any objection or defense to Standard Federal's request or petition to a court for possession. The rights hereby conferred upon Standard Federal have been agreed upon prior to the occurrence of an Event of Default hereunder and the exercise by Standard Federal of any such rights shall not be deemed to put Standard Federal in the status of a "mortgagee in possession".

Borrower acknowledges that this provision is material to this transaction and that Standard Federal would not make the loan secured hereby but for this paragraph.

In the event of any sale of the Project by foreclosure, through suit in equity, by publication or otherwise, the proceeds of any such sale shall be applied in the following order of priority: (1) to all expenses incurred for the collection of Borrower's indebtedness and the foreclosure of the Mortgage, including reasonable attorneys' fees as are permitted by law; (2) to all sums expended or incurred by Standard Federal directly or indirectly in carrying out the covenants and agreements of Borrower under this Mortgage, together with interest thereon; (3) to all

-10-

11

interest accrued under the Note; (4) to the principal balance of the Note and the principal balance of any other indebtedness due from Borrower to Standard Federal; and (5) the surplus, if any, shall be paid to Borrower, unless a court of competent jurisdiction decrees otherwise.

10. Sale in Parcels. Upon any foreclosure sale of the Project, the same may be sold either as a whole or in parcels, as Standard Federal may elect, and if in parcels, the same may be divided as Standard Federal may elect, and at the election of Standard Federal, may be offered first in parcels and then as a whole, that offer producing the highest price for the entire Project to prevail. Any law, statutory or otherwise, to the contrary notwithstanding, Borrower hereby waives the right to require any such sale to be made in parcels or the right to select such parcels.

11. Costs of Legal Proceedings. The Borrower shall pay Standard Federal a reasonable attorney's fee in addition to all other legal costs in case Standard Federal shall become a party, either as plaintiff or defendant, to any legal proceedings in relation to the Project or the lien created hereby, which sums shall be secured hereby and shall be payable forthwith at the default rate set forth in the Note.

12. Eminent Domain. In the event the entire Project is taken under the power of eminent domain, the entire award or payment in lieu of condemnation, to the full extent of the amount secured hereby, shall be paid to Standard Federal. Standard Federal shall apply such award or payment, first, toward reimbursement of all of Standard Federal's costs and expenses incurred in connection with collecting such award or payment, and then, at Standard Federal's option, to the outstanding principal balance under the Note (without any penalty for prepayment), to fulfill any other covenant herein or to any other obligation of Borrower to Standard Federal.

In the event of a partial taking of the Project under the power of eminent domain, the entire award or payment in lieu of condemnation, to the full extent of the amount secured hereby, shall be paid over to Standard Federal. Provided there has occurred no Event of Default hereunder, nor any event which with notice or the passage of time or both would become an Event of Default hereunder, and Standard Federal shall reasonably determine that sufficient funds are available from the award or payment and any funds to be provided by Borrower to repair or restore the remaining portion of the Project within a reasonable time and that such repair or restoration is economically feasible, Standard Federal agrees, upon request by the Borrower, to apply the award or payment to repair or restore the remaining portion of the Project, after reimbursement of all costs and expenses of Standard Federal in collecting the award or payment, subject to the following terms and conditions:

-11-

12

(a) Standard Federal shall retain the award or payment in a non-interest bearing escrow account to be disbursed to pay the costs of repair or restoration in accordance with procedures reasonably established by Standard Federal.

(b) All plans and specifications for repair or restoration shall be approved by Standard Federal prior to the commencement of any repair or restoration.

(c) All repair or restoration shall be done by or under the direction of Borrower, shall be in accordance with the approved plans and specifications, shall be in a workmanlike manner free from all defects, shall be in compliance with all statutes, ordinances, rules and regulations applicable thereto and shall be completed free of all construction liens except those being contested in good faith by appropriate proceedings and with respect to which Borrower shall have provided Standard Federal satisfactory security.

(d) Standard Federal shall have the right, at Borrower's expense, to inspect all repairs and restoration and, if Standard Federal reasonably determines that any work or materials are not in conformity with the approved plans and specifications or other requirements of sub-paragraph (c) above, to stop the work and order replacement or correction thereof by Borrower.

(e) Standard Federal shall not be obligated to make disbursements more frequently than monthly and the remaining undisbursed proceeds shall always

be sufficient to meet the total estimated remaining costs to complete the repair or restoration plus 10% of such costs.

(f) All proceeds of the award or payment in excess of the amounts necessary to repair or restore the Project may be applied, at Standard Federal's option, to the outstanding principal balance under the Note (without penalty for prepayment), to fulfill any other covenant herein or any other obligation of Borrower to Standard Federal, or released to Borrower.

In the event all of the conditions to the use of the award or payment to repair or restore the Project which are outlined above are not satisfied, Standard Federal, at its option, may apply the award or payment or any part thereof, first, toward reimbursement of all costs and expenses of Standard Federal in collecting such award or payment, and then, to the outstanding principal balance under the Note (without any penalty for prepayment), to fulfill any other covenant herein or any other obligation of Borrower to Standard Federal, or to the restoration or repair of the Project.

-12-

13

Application by Standard Federal of any condemnation award or payment or portion thereof to the outstanding principal balance under the Note shall not excuse Borrower from making the regularly scheduled payments due thereunder, nor shall such application extend or reduce the amount of such payments. Standard Federal is hereby empowered in the name of Borrower to receive, and give acquittance for, any such award or payment, whether it is joint or several; provided, however, that Standard Federal shall not be held responsible for failure to collect any such award or payment, regardless of the cause of such failure.

13. Books and Records. The Borrower covenants and agrees to furnish to Standard Federal promptly certificates of occupancy and such other books, records, documents, information and statements pertaining to the Borrower, the Project and its operations and any guarantor(s) as Standard Federal may request. All books, records and other information provided by Borrower hereunder shall be in a form that is acceptable to Standard Federal and all costs of providing the same shall be borne entirely by Borrower.

14. Secondary Financing. Borrower will not, without the prior written consent of Standard Federal, mortgage or pledge the Project or any part thereof as security for any other loan or obligation of Borrower. If any such mortgage or pledge is entered into without the prior written consent of Standard Federal, the entire indebtedness secured hereby, may, at the option of Standard Federal, be declared immediately due and payable without notice. Further,

Borrower also shall pay any and all other obligations, liabilities or debts which may become liens, security interests, or encumbrances upon or charges against the Project for any repairs or improvements that are now or may hereafter be made thereon, and shall not, without Standard Federal's prior written consent, permit any lien, security interest, encumbrance or charge of any kind to accrue and remain outstanding against the Project or any part thereof, or any improvements thereon, irrespective of whether such lien, security interest, encumbrance or charge is junior to the lien of this Mortgage. Notwithstanding the foregoing, if any personal property by way of additions, replacements or substitutions is hereafter purchased and installed, affixed or placed by Borrower on the Project under a security agreement, the lien or title of which is superior to the lien created by this Mortgage, all the right, title and interest of Borrower in and to any and all such personal property, together with the benefit of any deposits or payments made thereon by Borrower, shall nevertheless be and are hereby assigned to Standard Federal and are covered by the lien of this Mortgage.

15. Payment Upon Acceleration Subject to Any Prepayment Penalty. Upon the occurrence of an Event of Default by Borrower hereunder and following the acceleration of maturity as provided in paragraph 9 hereof, a tender of payment of the amount necessary to satisfy the entire indebtedness secured hereby, made at any time

-13-

14

prior to the foreclosure sale by Borrower, or by anyone in behalf of the Borrower, shall constitute an evasion of the payment terms of the Note and shall be deemed to be a voluntary prepayment thereunder, and any such payment, to the extent permitted by law, will therefore include the premium required under the prepayment privilege, if any, contained in the Note.

16. Security Agreement and Financing Statements. Borrower shall execute, acknowledge and deliver any and all such further conveyances, documents, mortgages and assurances as Standard Federal may reasonably require for accomplishing the purposes hereof, including financing statements required by Standard Federal to protect its interest under the provisions of the Michigan Uniform Commercial Code, as amended, forthwith upon the written request of Standard Federal. Upon any failure of Borrower to do so, Standard Federal may execute, record, file, re-record and refile any and all such documents for and in the name of Borrower, and Borrower hereby irrevocably appoints Standard Federal as agent and attorney-in-fact of Borrower for the foregoing purposes. This instrument is intended by the parties to be, and shall be construed as, a security agreement, as that term is defined and used in Article Nine of the Michigan Uniform Commercial Code, as amended, and shall grant to Standard Federal a security interest in that portion of the Project with respect to

which a security interest can be granted under Article Nine of the Michigan Uniform Commercial Code, as amended, which security interest shall include a security interest in all personalty owned by Borrower, whether now owned or subsequently acquired, which is or in the future may be physically located on or affixed to the Project described in Exhibit "A" hereto, regardless of whether such personalty consists of fixtures under Michigan law, a security interest in the proceeds and products of the proceeds of all insurance policies now or hereafter covering all or any part of such collateral. For purposes of Article Nine of the Michigan Uniform Commercial Code, (a) Borrower herein is the "debtor", (b) Standard Federal herein is the "secured party", (c) information concerning the security interest created hereby may be obtained from Standard Federal at its address set forth on page 1 hereof, and (d) Borrower's mailing address is that set forth on page 1 hereof.

17. Assignment of Contracts and Agreements. Borrower hereby assigns to Standard Federal, as further security for the indebtedness secured hereby, Borrower's interest in all agreements, contracts (including contracts for the lease or sale of the Project or any portion thereof), licenses and permits affecting the Project. Such assignment shall not be construed as a consent by Standard Federal to any agreement, contract, license, or permit so assigned, or to impose upon Standard Federal any obligations with respect thereto. Borrower shall not cancel or amend any of the agreements, contracts, licenses and permits hereby assigned (nor permit any of the same to terminate if they are necessary or desirable for the operation of the Project), except in the ordinary

course of business, without first obtaining, on each occasion, the written approval of Standard Federal. This paragraph shall not be applicable to any agreement, contract, license or permit that terminates if it is assigned without the consent of any party thereto (other than Borrower) or issuer thereof, unless such consent has been obtained or this assignment is ratified by such party or issuer; nor shall this paragraph be construed as a present assignment of any agreement, contract, license or permit that Borrower is required by law to hold in order to operate the Project for the purposes intended.

18. Assignment of Leases and Rents. As additional security for the payment of the indebtedness evidenced by the Note, including interest thereon, and the performance of all of Borrower's obligations hereunder or secured hereby, and under any other document executed simultaneously or in connection herewith, Borrower does hereby sell, assign, transfer and set over unto Standard Federal, pursuant to Act 210 of the Public Acts of Michigan of 1953, as amended, all the rents, profits and income under all leases or occupancy

agreements or arrangements, however evidenced or denominated, upon or affecting the Project (including any extensions, amendments or renewals thereof), whether such rents, profits and income are due or are to become due, including all such leases in existence or coming into existence during the period this Mortgage is in effect. This assignment shall run with the land until this Mortgage is discharged in full and be good and valid as against Borrower and those claiming by, under or through Borrower, from the date of recording of this Mortgage. This assignment shall continue to be operative during the foreclosure or any other proceedings taken to enforce this Mortgage. In the event of a foreclosure sale which results in a deficiency, this assignment shall stand as security during the redemption period for the payment of such deficiency. This assignment is given as collateral security only and does not and shall not be construed as obligating Standard Federal to perform any of the covenants or undertakings required to be performed by Borrower in any leases.

Borrower covenants and agrees not to cancel, accept a surrender of, modify or alter (orally or in writing), reduce the rental under or consent to the assignment or subletting of the lessee's interest in, any lease affecting the Project, except in the ordinary course of business and on commercially reasonable terms, or to make any other assignment, pledge or other disposition of such leases, or any of them, or of the rents, issues and profits derived from the use of the mortgaged premises. Any of the above acts, if done without the written consent of Standard Federal, shall be null and void.

Borrower warrants and represents that all leases or copies of leases which have been delivered to Standard Federal are in full force and effect and there are no defaults existing thereunder, and that Borrower has not: (a) executed any prior assignments

-15-

16

presently subsisting of any leases or rentals pertaining to the Project, (b) performed any acts or executed any other instruments which might prevent or limit Standard Federal's operating under any of the terms and conditions of this Mortgage, (c) executed or granted any modification whatever of any lease pertaining to the Project which has not been disclosed to Standard Federal, or (d) subordinated any lease to the lien of this Mortgage, except on terms acceptable to Standard Federal.

Until the occurrence of an Event of Default hereunder, Borrower may receive, collect and enjoy the rents and income from the Project. Upon the occurrence of an Event of Default under this Mortgage, Standard Federal shall be entitled to, at its option, to enter upon the Project, or any part thereof, by its officers, agents, or employees, and: (a) collect the rents and income from the Project as long as an Event of Default exists and during the pendency

of any foreclosure proceedings and, if there is a deficiency, during any redemption period, (b) rent or lease the Project or any portion thereof upon such terms and for such time as it may deem best, (c) operate or maintain the Project, (d) maintain proceedings to recover rents or possession of the Project from any tenant or trespasser, and apply the net proceeds of such rent and income, after payment of all proper charges and expenses, to the following purposes: (1) payment of all of the costs and expenses incurred by Standard Federal in exercising its rights under this paragraph; (2) payment of interest and principal due under the Note; (3) payment of all other sums secured hereby; (4) payment of expenses of preserving the Project, including taxes and insurance premiums. Notwithstanding the foregoing, Standard Federal, in its sole discretion, may change the priorities set forth above for the application of the net proceeds of such rent and income. The Borrower hereby authorizes Standard Federal in general to perform all acts necessary for the operation and maintenance of the Project in the same manner and to the same extent that the Borrower might reasonably so act. Standard Federal shall only be accountable for money actually received by it pursuant to the assignment contained in this paragraph. Such entry and taking possession of the Project, or any part thereof, by Standard Federal, may be made by actual entry and possession, or by written notice served personally upon or sent by certified mail to the last address of the Borrower appearing on the records of Standard Federal, as Standard Federal may elect, and no further authorization or notice shall be required. BORROWER HEREBY WAIVES ANY RIGHT TO NOTICE, OTHER THAN THE NOTICE PROVIDED ABOVE AND WAIVES ANY RIGHT TO ANY HEARING JUDICIAL OR OTHERWISE PRIOR TO STANDARD FEDERAL EXERCISING ITS RIGHTS UNDER THE ASSIGNMENT CONTAINED IN THIS PARAGRAPH.

Standard Federal and its duly authorized agents shall be entitled to enter the Project for the purpose of delivering any and all such notices and other communications to the tenants and occupiers thereof or to take such other steps as shall be necessary or desirable in Standard Federal's discretion to exercise its

-16-

17

rights hereunder, and Standard Federal and its agents shall have absolutely no liability to Borrower arising therefrom, except for gross negligence or willful misconduct. Standard Federal shall not, however, be obligated to give any tenant or occupier of the Project any notice by personal delivery and Standard Federal may, in its sole discretion, deliver all such notices and communications by ordinary first-class U.S. mail, postage prepaid, or otherwise.

The Borrower irrevocably consents that any lessee or lessees under any leases covering the Project, upon demand and notice from Standard Federal of

Borrower's default under the Note or this Mortgage, shall pay all rents, issues and profits under such leases to Standard Federal without any obligation upon any such lessee or lessees for the determination of the actual existence of any default.

In the event that Borrower obstructs Standard Federal in its efforts to collect the rents and income from the Project, or after requested by Standard Federal, unreasonably refuses, fails or neglects to assist Standard Federal in collecting such rent and income, Standard Federal shall be entitled to the appointment of a receiver of the Project and of the income, rents and profits therefrom, with such powers as the court making such appointment may confer.

The Borrower covenants and agrees to perform and discharge each and every obligation, covenant, and agreement required to be performed by the landlord under all leases covering the Project, and should the Borrower fail so to do, then Standard Federal, but without obligation to do so, and without releasing the Borrower from any obligation hereof, may make or do the same in such manner and to such extent as Standard Federal may deem necessary to protect the security hereof. Nothing herein contained shall be construed to bind Standard Federal to perform any of the terms and provisions contained in the leases, or otherwise to impose any obligation upon Standard Federal. Any default by the Borrower in the performance of any of the obligations contained in this paragraph, which is not cured within 30 days after notice thereof from Standard Federal to Borrower, or, if the default is of a kind which cannot be cured within 30 days, if Borrower fails to undertake the cure of such default within 30 days after notice thereof from Standard Federal to Borrower and thereafter diligently pursue such cure and complete it within a reasonable time, shall constitute and be deemed to be a default under the terms of this Mortgage entitling Standard Federal to exercise the rights and remedies provided by this Mortgage.

Standard Federal shall at no time have any obligation whatever to attempt to collect rent from any tenant or occupier of the Project notwithstanding that such tenants and occupiers may not be paying rent to either Borrower or to Standard Federal. Further, Standard Federal shall at no time have any obligation whatever to

-17-

18

enforce any other obligations owed by tenants or occupiers of the Project to Borrower. No action taken by Standard Federal under this Mortgage shall put Standard Federal in the position of a "mortgagee in possession."

Borrower shall at no time collect advance rent under any lease upon, affecting or pertaining to the Project or any part thereof in excess of one

month (other than as a security deposit) and Standard Federal shall not be bound in any respect by any rent prepayment made or received in violation of the terms hereof.

Standard Federal shall have the right to assign the Borrower's right, title and interest in all leases covering the Project to any subsequent holder of this Mortgage or the Note, and to assign the same to any person acquiring title to the Project through foreclosure or otherwise.

19. Environmental Representations and Indemnity. The Borrower represents and warrants to Standard Federal:

(a) Except as may otherwise be disclosed in a Subsurface Investigation at 5669 East Cork Street, Comstock Park, Michigan, Clayton Project No. 58643.00, dated November 4, 1994, prepared by Clayton Environmental Consultants, neither the Borrower nor, to the best of Borrower's knowledge after due inquiry, any prior owner of the Project or any other person has caused or permitted any waste, oil, pesticides, or any substance or material of any kind which is currently known or suspected to be toxic or hazardous, including but not limited to any substance defined as a "Hazardous Waste" in Title 40, Part 261 of the Code of Federal Regulations, (hereinafter referred to as "Hazardous Material") to be discharged, dispersed, released, stored, treated, generated, disposed of, or allowed to escape on, under or at the Project, nor has the Project, or any part thereof ever been used by the Borrower or, to the best of Borrower's knowledge after due inquiry, any prior owner of the Project or any other person, as a dump, storage or disposal site for any Hazardous Material.

(b) To the best of Borrower's knowledge, no asbestos or asbestos-containing materials have been installed, used, incorporated into, or disposed of on the Project.

(c) To the best of Borrower's knowledge, no polychlorinated biphenyls ("PCBs") are located on or in the Project, in the form of electrical transformers, fluorescent light fixtures with ballasts, cooling oils, or any other device or form.

(d) To the best of Borrower's knowledge, no underground storage tanks are located on the Project or were located on the Project and subsequently removed or filled.

(e) The Borrower (1) has not received any notice of any release or threatened release of any Hazardous Materials in, under or upon the Project or of any violation of any environmental or ecological protection laws or

regulations with respect to the Project, and (2) does not know of any basis for any such notice or violation with respect to the Project.

Borrower hereby indemnifies Standard Federal and agrees to hold Standard Federal harmless from and against any and all losses, liabilities, damages, injuries, costs, expenses and claims of any and every kind whatsoever paid, incurred or suffered by, or asserted against, Standard Federal for, with respect to, or as a direct or indirect result of (a) the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission or release from, the Project of any Hazardous Material, including, without limitation, any losses, liabilities, damages, injuries, costs, expenses or claims, asserted or arising under the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. Section 9601 et seq., or any other federal, state or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to or imposing liability or standards of conduct concerning, any Hazardous Material, the costs of any required or necessary clean-up or detoxification of the Project, the costs of the preparation of any clean-up or closure plans and reasonable attorney's fees and costs, or (b) the presence of any asbestos on the Project (including, without limitation, the cost of removal) regardless of whether or not caused by, or within the control of, Borrower.

20. Due on Sale. Standard Federal in making the loan secured by this Mortgage is relying upon the integrity of Borrower and its undertaking to maintain the Project. If Borrower should (a) sell, transfer, convey or assign the Project, or any right, title or interest therein, whether legal or equitable, whether voluntarily or involuntarily, by outright sale, deed, installment sale contract, land contract, contract for deed, leasehold interest (other than leases to tenants) with a term greater than three years, lease option contract or any other method of conveyance of real property interests; or (b) cause, permit or suffer any change in the current ownership or management of the Borrower; or (c) cause, permit or suffer any change in the current management and control of the Project or in the degree of control Borrower exercises or is empowered to exercise over the decisions affecting the ownership and operation of the Project as of the date hereof, then, and in any such event, Standard Federal shall have the right at its sole option thereafter to declare all sums secured hereby and then unpaid to be due and payable forthwith although the period limited for the payment thereof shall not then have expired, anything contained to the contrary hereinbefore notwithstanding, and thereupon to exercise all of its rights and remedies under this Mortgage. If the ownership of the Project, or any part thereof, becomes vested in a person other than the Borrower (with or without

Standard Federal's consent), Standard Federal may deal with such successor or successors in interest with reference to this Mortgage, and the indebtedness hereby secured, in the same manner as with the Borrower, without in any manner vitiating, releasing or discharging the Borrower's liability hereunder or upon the indebtedness hereby secured. No sale of the Project and no forbearance or extensions by Standard Federal of the time for payment of the indebtedness hereby secured or the performance of the covenants and agreements herein provided shall in any way operate to release, discharge, modify, change or affect the lien of this Mortgage or the liability of Borrower on the Note or for the performance hereof, either in whole or in part, and the Borrower shall at all times continue primarily liable on the indebtedness secured hereby until this Mortgage is fully discharged or Borrower is formally released by an instrument in writing duly executed by Standard Federal.

21. Binding Effect. Until this Mortgage is discharged in full, all of the covenants and conditions hereof shall run with the land and shall be binding upon the successors and assigns of Borrower, and shall inure to the benefit of the successors and assigns of Standard Federal. Any reference herein to "Borrower" or "Standard Federal" shall include their respective successors and assigns.

22. Notices. All notices, demands and requests required or permitted to be given to Borrower hereunder or by law shall be deemed delivered when deposited in the United States mail, with full postage prepaid thereon, addressed to Borrower at the last address of Borrower on the records of Standard Federal.

23. No Waiver. No waiver by Standard Federal of any right or remedy granted hereunder shall affect or extend to any other right or remedy of Standard Federal hereunder, nor affect the subsequent exercise of the same right or remedy by Standard Federal for any further or subsequent Event of Default by Borrower hereunder, and all such rights and remedies of Standard Federal hereunder are cumulative. Time is of the essence.

24. Severability. If any provision(s) hereof are in conflict with any statute or rule of law of the State of Michigan or are otherwise unenforceable for any reason whatever, then such provision(s) shall be deemed null and void to the extent of such conflict or unenforceability, but shall be deemed separable from and shall not invalidate any other provisions of this Mortgage.

25. Pronouns. If more than one person joins in the execution hereof, or is of the feminine sex, or a corporation, the pronoun and relative words herein used shall be read as if in plural, feminine or neuter, respectively.

"EXHIBIT A"

Land in the Township of Comstock, County of Kalamazoo and State of Michigan, described as:

A parcel of land in the East half of the Southwest quarter of the Southeast quarter of Section 30, Town 2 South, Range 10 West, described as follows: commencing at the Southeast corner of the Southwest quarter of the Southeast quarter of Section 30, Town 2 South, Range 10 West; thence West along the South line of said Section 297.91 feet for the place of beginning of the land hereinafter described; thence continuing West along said South line 231.91 feet to a point 132 feet East of the West line of the East half of the Southwest quarter of the southeast quarter of said Section; thence North parallel to said West line 802.04 feet to a point 522 feet to a point 522 feet South of the North line of the Southwest quarter of the Southwest quarter of said Section; thence East parallel to said North line 231.95 feet; thence South 802.18 feet to the place of beginning.

Tax Parcel No.: 3907-30-455-060

GUARANTY

THIS GUARANTY, is made this 6th day of February , 1995, by McClain Industries, Inc., whose address is 6200 Elmridge, Sterling Heights, Michigan 48310 ("Guarantor") to and with Standard Federal Bank, a federal savings bank ("Standard Federal").

WITNESSETH:

WHEREAS, Galion Holding Company, a Michigan corporation, Galion Solid Waste Equipment, Inc., a Michigan corporation and Galion Dump Bodies, Inc., a Michigan corporation ("Borrower"), may from time to time request loans, advances or other financial accommodations from Standard Federal and Standard Federal may, in its discretion, honor such requests in whole or part and thereby Borrower may from time to time be indebted to Standard Federal; and

WHEREAS, Standard Federal is unwilling to make loans, advances or extend other financial accommodations to or otherwise do business with Borrower unless Guarantor unconditionally guarantees payment of all present and future indebtedness and obligations of Borrower to Standard Federal; and

WHEREAS, Guarantor will directly benefit from Standard Federal's making of loans advances or extending other financial accommodations to or otherwise doing business with Borrower.

NOW, THEREFORE, in order to induce Standard Federal to make loans, advances or extend other financial accommodations to and otherwise do business with Borrower and for other good and valuable consideration, the receipt and sufficiency whereof are hereby acknowledged, Guarantor hereby covenants and agrees with Standard Federal as follows:

SECTION 1. GUARANTY.

1.1 Guarantor hereby irrevocably and unconditionally guarantees to Standard Federal and its successors and assigns: (a) the full and prompt payment and performance when due of the Indebtedness, as hereinafter defined; and (b) the payment, compliance with and performance of all other obligations, covenants, representations and warranties of every kind, nature and description in accordance with all instruments and documents executed by the Borrower in favor of Standard Federal, whether now owing or existing or heretofore or hereafter created or arising, regardless of whether such obligations, covenants, representations or warranties are held to be unenforceable, void or of no effect against the Borrower and including without limitation, those under any loan agreement and/or promissory note executed and delivered by Borrower to Standard Federal, and any extensions, modifications or renewals thereof. The term "Indebtedness" shall mean all principal, interest, attorneys' fees,

commitment fees, liabilities for costs and expenses and all other indebtedness, obligations and liabilities

2

under and in accordance with the terms of all instruments and documents executed by Borrower in favor of Standard Federal, whether direct or indirect, absolute or contingent and whether now owing or existing or heretofore or hereafter created or arising, and regardless of whether such indebtedness, obligations or liabilities are held to be unenforceable, void or of no effect against the Borrower, and all costs, expenses and fees, including reasonable attorneys' fees, arising in connection with the collection or enforcement of any or all amounts, indebtedness, obligations and liabilities of Borrower to Standard Federal, as described above, regardless of whether the Borrower is held to be liable for such amounts. Guarantor acknowledges and agrees that any indebtedness of the Borrower to Standard Federal as evidenced by any promissory note may be extended or renewed upon maturity at the sole discretion of Standard Federal and that the Indebtedness as defined herein, the payment of which is hereby guaranteed, shall include, without limitation, all indebtedness and other obligations as extended or renewed and as may be evidenced by any renewal promissory note.

1.2 This is an irrevocable, unconditional and absolute guaranty of payment, and not of collection, and the undersigned agrees that its liability on this Guaranty shall be immediate and Standard Federal may have immediate recourse against the undersigned for full and immediate payment of the Indebtedness at any time after the Indebtedness or any part thereof, has not been paid when due (whether by acceleration or otherwise) or the Borrower has defaulted or otherwise failed to perform when due any of its obligations, covenants, representations or warranties to Standard Federal.

SECTION 2. LIABILITY OF GUARANTOR.

2.1 The liability of Guarantor on this Guaranty shall not be contingent upon the exercise or enforcement by Standard Federal of whatever remedies it may have against the Borrower or others, or the enforcement of any lien or realization upon any security or collateral Standard Federal may at any time possess. Any one or more successive and/or concurrent actions may be brought hereon against Guarantor either in the same action, if any, brought against Borrower or in separate actions, as often as Standard Federal, in its sole discretion, may deem advisable. No election to proceed in one form of action or proceeding, or against any party, or on any obligation, shall constitute a waiver of Standard Federal's right to proceed in any other form of action or proceeding or against other parties unless Standard Federal has expressly waived such right in writing. Specifically, but without limiting the generality of the foregoing, no action or proceeding by Standard Federal against Borrower under any document or instrument evidencing or securing the Indebtedness shall serve to diminish the liability of Guarantor, except to the extent Standard Federal realizes payment by such action or proceeding,

notwithstanding the effect of any such action or proceeding upon Guarantor's right of subrogation against Borrower. Receipt by Standard Federal of payment or payments with knowledge of the breach of any provision with respect to any of the Indebtedness shall not, as to the Guarantor, be deemed a waiver of such breach. All rights, powers and remedies of Standard Federal hereunder and under any other agreement now or at any time hereafter in force between Standard Federal and the Guarantor shall be cumulative and not alternative and shall be in addition to all rights, powers and remedies given to Standard Federal by law.

2.2 Guarantor agrees that its liability hereunder is absolute and unconditional and that Standard Federal shall not be obligated (although it may do so at its sole option) before being entitled to direct recourse against Guarantor to take any steps, whatsoever to preserve, protect, accept, perfect Standard Federal's interest in, foreclose upon or realize on collateral security, if any, for the payment of the Indebtedness or any other guaranty of the Indebtedness or in any other respect exercise any diligence whatever in collecting or attempting to collect the Indebtedness by any means.

2.3 The liability of the Guarantor shall in no way be affected or impaired by: (a) any amendment, alteration, extension, renewal, waiver, indulgence or other modification of the Indebtedness; (b) any settlement or compromise in connection with the Indebtedness; (c) any subordination of payments under the Indebtedness to any other debt or claim; (d) any substitution, exchange, release or other disposition of all or any part of the Indebtedness; (e) any failure, delay, neglect, act or omission by Standard Federal to act in connection with the Indebtedness; (f) any advances for the purpose of performing any covenant of agreement of the Borrower, or curing any breach; (g) the filing by or against Borrower of bankruptcy, insolvency, reorganization or other debtor's relief afforded Borrower pursuant to the present or future provisions of the Bankruptcy Code or any other state or federal statute or by the decision of any court; or (h) any other matter whether similar or dissimilar to the foregoing. The obligations of Guarantor are unconditional, notwithstanding any defect in the genuineness, validity, regularity or enforceability of the Indebtedness or any other circumstances whether or not referred to herein, which might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor.

2.4 The Guarantor hereby waives each and every defense which, under principles of guaranty or suretyship law or otherwise, would otherwise operate to impair or diminish the liability of Guarantor hereunder, including, without limitation: (a) notice of acceptance of this Guaranty and of creations of Indebtedness of Borrower to Standard Federal; (b) any subrogation to the rights of Standard Federal against Borrower until the Indebtedness has been

paid in full; (c) presentment and demand for payment of any Indebtedness

-3-

4

of Borrower; (d) protest, notice or protest, and notice of dishonor or default to the Guarantor or to any other party with respect to any of the Indebtedness; (e) all other notices to which the Guarantor might otherwise be entitled; (f) any demand for payment under this Guaranty; (g) any defense arising by reason of any disability or other defense of Borrower by reason of the cessation from any cause whatsoever of the liability of the Borrower; (h) any rights to extension, composition or otherwise under the Bankruptcy Code or any amendments thereof, or under any state or other federal statute; and (i) any right or claim or claim of right to cause a marshalling of Borrower's assets. No notice to or demand on the Guarantor shall be deemed to be a waiver of the obligation of the Guarantor or of the right of Standard Federal to take further action without notice or demand as provided herein; nor in any event shall any modification or waiver of the provisions of this Guaranty be effective unless in writing nor shall any such waiver be applicable except in the specific instance for which given.

SECTION 3. WARRANTIES AND REPRESENTATIONS.

3.1 Guarantor represents, warrants and covenants to Standard Federal that, as of the date of this Guaranty: the fair salable value of Guarantor's assets exceeds its liabilities, including the liability undertaken pursuant to this Guaranty; Guarantor is meeting its current liabilities as they mature; any financial statements of Guarantor furnished Standard Federal are true and correct and include in the footnotes thereto all contingent liabilities of Guarantor: since the date of said financial statements there has been no material adverse change in the financial condition of Guarantor; there are not now pending any material court or administrative proceedings or undischarged judgments against Guarantor and no federal or state tax liens have been filed or threatened against Guarantor, nor is Guarantor in default or claimed default under any agreement for borrowed money.

3.2 Guarantor agrees to immediately give Standard Federal written notice of any material adverse change in its financial condition, including but not limited to litigation commenced, tax liens filed, default claimed under its indebtedness for borrowed money or bankruptcy proceedings commenced by or against Guarantor. Guarantor agrees to deliver, timely to Standard Federal, annual financial statements for the preceding fiscal year; and at such reasonable times as Standard Federal requests to furnish its current financial statements to Standard Federal and permit Standard Federal or its representatives to inspect at Guarantor's offices, its financial records and properties and make extracts therefrom in order to evaluate the financial

condition of Guarantor. Guarantor is fully aware of the financial condition of the Borrower. Guarantor delivers this Guaranty based solely upon its own independent investigation and in no part upon any representation or statement of Standard Federal with respect

-4-

5

thereto. Guarantor is in a position to and hereby assumes full responsibility for obtaining any additional information concerning Borrower's financial condition as Guarantor may deem material to its obligations hereunder; and Guarantor is not relying upon nor expecting Standard Federal to furnish it any information in Standard Federal's possession concerning Borrower's financial condition.

SECTION 4. MISCELLANEOUS.

4.1 This Guaranty shall inure to the benefit of Standard Federal and its successors and assigns, including each and every holder or owner of any of the indebtedness guaranteed hereby. In the event that there shall be more than one such holder or owner, this Guaranty shall be deemed a separate contract with each such holder and owner. In the event that any person other than Standard Federal shall become a holder or owner of any of the Indebtedness, each reference to Standard Federal hereunder shall be construed as if it referred to each such holder or owner.

4.2 This Guaranty shall be binding upon Guarantor and its successors and assigns. Guarantor agrees that recourse may be had against its earnings and separate property for all of Guarantor's obligations under this Guaranty.

4.3 The liability of each Guarantor executing this Guaranty shall be joint and several and the term "Guarantor" shall mean each and all such Guarantors.

4.4 This Guaranty and all rights and obligations hereunder, including matters of construction, validity and performance, shall be governed by the laws of the State of Michigan.

4.5 THIS GUARANTY IS FREELY AND VOLUNTARILY GIVEN TO STANDARD FEDERAL BY GUARANTOR, JOINTLY AND SEVERALLY, WITHOUT ANY DURESS OR COERCION, AND AFTER GUARANTOR, JOINTLY AND SEVERALLY, HAS EITHER CONSULTED WITH COUNSEL OR BEEN GIVEN AN OPPORTUNITY TO DO SO, AND GUARANTOR, JOINTLY AND SEVERALLY, HAS CAREFULLY AND COMPLETELY READ ALL OF THE TERMS AND PROVISIONS OF THIS GUARANTY.

IN WITNESS WHEREOF, this Guaranty was executed and delivered by the undersigned on the day and year first above written.

WITNESSES:

GUARANTOR:

McClain Industries, Inc., a
Michigan corporation

By:

E. James Zabinski

Its: Treasurer

-5-

6

STANDARD FEDERAL BANK, a federal
savings bank
2600 W. Big Beaver Road
Troy, Michigan 48084

-6-

Note No. 0250017740

STANDARD FEDERAL BANK

PROMISSORY NOTE

(Line of Credit with Term Provisions) New(First Line of Credit) Renewal

\$950,000.00

Sterling Heights , Michigan

Due Date: February 1, 2002

Dated: February 6, 1995

FOR VALUE RECEIVED, on the Due Date unless accelerated earlier as provided herein, the undersigned, jointly and severally (collectively, "Borrower"), promise to pay to the order of Standard Federal Bank, a federal savings bank ("Standard Federal"), at its office set forth below, or at such other place as Standard Federal may designate in writing, the principal sum of Nine Hundred Fifty Thousand and 00/100 Dollars (\$950,000.00) or such lesser amount as may from time to time be outstanding by reason of having been advanced hereunder in accordance with the provisions of a Loan Agreement of even date herewith (the "Loan Agreement"), plus interest as hereinafter provided on all amounts from time to time outstanding hereunder, all in lawful money of the United States of America.

The principal outstanding under this Note from time to time shall bear interest ("Effective Interest Rate"), on a basis of a year of 360 days for the actual number of days amounts are outstanding hereunder, at a rate per annum equal to the Wall Street Journal Prime Rate. As used herein the phrase "Wall Street Journal Prime Rate" shall mean the "Prime Rate" published by the Wall Street Journal as the base rate on corporate loans posted by at least 75% of the nation's 30 largest banks as the same may be changed from time to time. If more than one Prime Rate is published, the highest rate published shall be deemed the Wall Street Journal Prime Rate. If the publishing of the Wall Street Journal Prime Rate is discontinued during the term hereof, then the Effective Interest Rate shall be based upon the index which is published by The Wall Street Journal in replacement thereof based on similar base rates on corporate loans or, if no such replacement index is published, the index which, in Standard Federal's sole determination, most nearly corresponds to the Wall Street Journal Prime Rate. If, in such event, Standard Federal selects an index which, in the Borrower's opinion, does not correspond to the Wall Street Journal Prime Rate, Borrower's sole remedy shall be to prepay this Note in full without penalty or premium. Until such prepayment has been received by

Standard Federal, the index selected by Standard Federal shall apply for all purposes of this Note.

2

It is understood and agreed by Borrower that the Effective Interest Rate shall be determined by reference to the "Wall Street Journal Prime Rate" and not by reference to the actual rate of interest charged by any particular bank to any particular borrower or borrowers and shall automatically increase or decrease when and to the extent that the Wall Street Journal Prime Rate shall have been increased or decreased.

This Note is given as evidence of any and all indebtedness of the Borrower to Standard Federal arising as a result of advances or other credit which may be made under this Note from time to time to and until August 1, 1995 (the "Term Date"). Any and all indebtedness may be repaid by the Borrower in whole or in part from time to time prior to the Term Date. Standard Federal shall, from time to time prior to the Term Date, make advances to Borrower hereunder upon request therefor by Borrower, made in accordance with the requirements of the Loan Agreement, provided that upon giving effect to such advance no Event of Default (as hereinafter defined) and no event which with notice and/or the passage of time would become an Event of Default shall exist at the time the advance is to be made and that all representations and warranties of Borrower theretofore made are true and correct and that Standard Federal shall not have previously or concurrently declared all amounts owing hereunder to be immediately due and payable and that the amount requested shall not cause the total amount outstanding hereunder to exceed the First Credit Limit as defined in the Loan Agreement. The principal amount of indebtedness owing pursuant to this Note shall change from time to time, decreasing in an amount equal to any and all payments of principal made by the Borrower prior to the Due Date and increasing by an amount equal to any and all advances made by Standard Federal to the Borrower pursuant to the terms hereof, and the books and records of Standard Federal shall be conclusive evidence of the amount of principal and interest owing hereunder at any time. All payments made hereunder shall be applied first against costs and expenses required to be paid hereunder, then against accrued interest to the extent thereof and the balance shall be applied against the outstanding principal amount hereof.

Accrued interest shall be payable on the 1st day of each month beginning on March 1, 1995 through and including the Term Date. From and after the Term Date, Standard Federal shall make no further advances hereunder and the outstanding principal balance hereunder as of the Term Date, with interest, shall be repaid in consecutive monthly payments of principal, each in the amount determined by dividing the outstanding principal balance hereunder as of the Term Date by 78, plus interest accrued to the due date of each such payment, commencing on September 1, 1995 and continuing on the same day of each consecutive month thereafter and a final payment on the Due Date in an amount equal to the then unpaid principal and accrued interest.

Nothing herein contained, nor any transaction relating thereto, or hereto, shall be construed or so operate as to require the Borrower to pay, or charge, interest at a greater rate than the maximum allowed by the applicable law relating to this Note. Should any interest, or other charges, charged, paid or payable by the Borrower in connection with this Note, or any other document delivered in connection herewith, result in the charging, compensation, payment or earning of interest in excess of the maximum allowed by applicable law, then any and all such excess shall be and the same is hereby waived by Standard Federal, and any and all such excess paid shall be automatically credited against and in reduction of the principal due under this Note. If Standard Federal shall reasonably determine that the Effective Interest Rate (together with all other charges or payments related hereto that may be deemed interest) stipulated under this Note is, or may be, usurious or otherwise limited by law, the unpaid balance of this Note, with accrued interest at the highest rate permitted to be charged by stipulation in writing between Standard Federal and Borrower, at the option of Standard Federal, shall immediately become due and payable.

The Borrower represents and warrants that it is duly organized, validly existing and in good standing and is duly authorized to make and perform this Note, which constitutes its valid and binding legal obligation enforceable in accordance with its terms. All financial data furnished to Standard Federal in connection with this Note fairly present the financial condition of the Borrower and its subsidiaries, if any, as of the dates thereof and there has been no material adverse change in the condition (financial or otherwise) of the Borrower since such dates.

An Event of Default shall be deemed to have occurred hereunder if any indebtedness of the Borrower to Standard Federal hereunder is not paid when due, regardless of whether such indebtedness has arisen pursuant to the terms of this Note, the Loan Agreement or any mortgage, security agreement, guaranty, instrument or other agreement executed in conjunction herewith, or if an Event of Default shall otherwise occur under the Loan Agreement.

Upon the occurrence of any Event of Default, after the giving of any notice and the expiration of any grace, cure or notice period provided for in the Loan Agreement, if any, and if no such notice or grace, cure or notice period is so provided for in the Loan Agreement, then immediately, Standard Federal may declare the entire unpaid and outstanding principal balance hereunder and all accrued interest to be due and payable in full forthwith, without presentment, demand or notice of any kind and may exercise any one or more of the rights and remedies provided herein or in the Loan Agreement or in any mortgage, guaranty, security agreement or other document relating hereto or

by applicable law. The remedies provided for hereunder are cumulative to the remedies for collection of the amounts owing hereunder as provided by law or by

-3-

4

the Loan Agreement, or by any mortgage, guaranty, security agreement or other document relating hereto. Nothing herein is intended, nor should it be construed, to preclude Standard Federal from pursuing any other remedy for the recovery of any other sum to which Standard Federal may be or become entitled for breach of the terms of this Note or the Loan Agreement, or any mortgage, guaranty, security agreement or other instrument relating hereto.

Borrower agrees, in case of an Event of Default under the terms of this Note or under any loan agreement, security or other agreement executed in connection herewith, to pay all costs of Standard Federal for collection of the Note and all other liabilities of Borrower to Standard Federal and enforcement of rights hereunder, including reasonable attorney fees and legal expenses including participation in Bankruptcy proceedings. During any period(s) this Note is in default, or after the Due Date, or after acceleration of maturity, the outstanding principal amount hereof shall bear interest at a rate equal to two percent (2.0%) per annum greater than the interest rate otherwise charged hereunder. If any required payment is not made within ten (10) days after the date it is due, then, at the option of Standard Federal, a late charge of not more than four cents (\$.04) for each dollar of the payment so overdue may be charged. In addition to any other security interests granted to Standard Federal, Borrower hereby grants Standard Federal a security interest in all of Borrower's bank deposits, instruments, negotiable documents, and chattel paper which at any time are in the possession or control of Standard Federal. After the occurrence of an Event of Default hereunder, Standard Federal may hold and apply at any time its own indebtedness or liability to Borrower in payment of any indebtedness hereunder.

Acceptance by Standard Federal of any payment in an amount less than the amount then due shall be deemed an acceptance on account only, and the failure to pay the entire amount then due shall be and continue to be an Event of Default. Upon any Event of Default, neither the failure of Standard Federal promptly to exercise its right to declare the outstanding principal and accrued unpaid interest hereunder to be immediately due and payable, nor the failure of Standard Federal to demand strict performance of any other obligation of the Borrower or any other person who may be liable hereunder shall constitute a waiver of any such rights, nor a waiver of such rights in connection with any future default on the part of the Borrower or any other person who may be liable hereunder.

Borrower and all endorsers and guarantors hereof, hereby jointly and

severally waive presentment for payment, demand, notice of non-payment, notice of protest or protest of this Note, diligence in collection or bringing suit, and hereby consent to any and all extensions of time, renewals, waivers, or modifications that may be granted by Standard Federal with respect to payment or

5

any other provisions of this Note, and to the release of any collateral or any part thereof, with or without substitution. The liability of the Borrower shall be absolute and unconditional, without regard to the liability of any other party hereto.

This Note is executed pursuant to the Loan Agreement of even date herewith and is secured by a Security Agreement, dated September 15, 1994. Reference is hereby made to such documents for additional terms relating to the transaction giving rise to this Note, the security given for this Note and additional terms and conditions under which this Note matures, may be accelerated or prepaid.

Advances hereunder may be requested by telephone, in writing or in any other manner acceptable to Standard Federal. Borrower understands and agrees that any telephone conversation with Standard Federal may be recorded for accuracy.

BORROWER:

MCCLAIN INDUSTRIES, INC., a Michigan corporation

By:

E. James Zabinski

Its: Treasurer

38-1867649

Taxpayer Identification Number

MCCLAIN OF GEORGIA, INC., a Georgia

corporation

By:

Carl L. Jaworski

Its: Secretary

58-1738825

Taxpayer Identification Number

-5-

6

SHELBY STEEL PROCESSING COMPANY, a
Michigan corporation

By:

Carl L. Jaworski

Its: Secretary

38-2205216

Taxpayer Identification Number

MCCLAIN TUBE COMPANY d/b/a QUALITY
TUBE, a Michigan corporation

By:

E. James Zabinski

Its: Treasurer

Taxpayer Identification Number

MCCLAIN INDUSTRIES OF OHIO, INC., a
Michigan corporation

By:

E. James Zabinski

Its: Treasurer

Taxpayer Identification Number

Standard Federal Bank, a
federal savings bank
2600 West Big Beaver Road
Troy, Michigan 48084

Note No. 0250017675

STANDARD FEDERAL BANK

PROMISSORY NOTE

(Line of Credit with Term Provisions) New
 (Second Line of Credit) Renewal

\$950,000.00

Sterling Heights , Michigan

Due Date: August 1, 2002

Dated: February 6, 1995

FOR VALUE RECEIVED, on the Due Date unless accelerated earlier as provided herein, the undersigned, jointly and severally (collectively, "Borrower"), promise to pay to the order of Standard Federal Bank, a federal savings bank ("Standard Federal"), at its office set forth below, or at such other place as Standard Federal may designate in writing, the principal sum of Nine Hundred Fifty Thousand and 00/100 Dollars (\$950,000.00) or such lesser amount as may from time to time be outstanding by reason of having been advanced hereunder in accordance with the provisions of a Loan Agreement of even date herewith (the "Loan Agreement"), plus interest as hereinafter provided on all amounts from time to time outstanding hereunder, all in lawful money of the United States of America.

The principal outstanding under this Note from time to time shall bear interest ("Effective Interest Rate"), on a basis of a year of 360 days for the actual number of days amounts are outstanding hereunder, at a rate per annum equal to the Wall Street Journal Prime Rate. As used herein the phrase "Wall Street Journal Prime Rate" shall mean the "Prime Rate" published by the Wall Street Journal as the base rate on corporate loans posted by at least 75% of the nation's 30 largest banks as the same may be changed from time to time. If more than one Prime Rate is published, the highest rate published shall be deemed the Wall Street Journal Prime Rate. If the publishing of the Wall Street Journal Prime Rate is discontinued during the term hereof, then the Effective Interest Rate shall be based upon the index which is published by The Wall Street Journal in replacement thereof based on similar base rates on corporate loans or, if no such replacement index is published, the index which, in Standard Federal's sole determination, most nearly corresponds to the Wall Street Journal Prime Rate. If, in such event, Standard Federal selects an index which, in the Borrower's opinion, does not correspond to the Wall Street Journal Prime Rate, Borrower's sole remedy shall be to prepay this Note in full without penalty or premium. Until such prepayment has been received by

Standard Federal, the index selected by Standard Federal shall apply for all purposes of this Note.

2

It is understood and agreed by Borrower that the Effective Interest Rate shall be determined by reference to the "Wall Street Journal Prime Rate" and not by reference to the actual rate of interest charged by any particular bank to any particular borrower or borrowers and shall automatically increase or decrease when and to the extent that the Wall Street Journal Prime Rate shall have been increased or decreased.

This Note is given as evidence of any and all indebtedness of the Borrower to Standard Federal arising as a result of advances or other credit which may be made under this Note from time to time after August 1, 1995 to and until February 1, 1996 (the "Term Date"). Any and all indebtedness may be repaid by the Borrower in whole or in part from time to time prior to the Term Date. Standard Federal shall, from time to time prior to the Term Date, make advances to Borrower hereunder upon request therefor by Borrower, made in accordance with the requirements of the Loan Agreement, provided that upon giving effect to such advance no Event of Default (as hereinafter defined) and no event which with notice and/or the passage of time would become an Event of Default shall exist at the time the advance is to be made and that all representations and warranties of Borrower theretofore made are true and correct and that Standard Federal shall not have previously or concurrently declared all amounts owing hereunder to be immediately due and payable and that the amount requested shall not cause the total amount outstanding hereunder to exceed the Second Credit Limit as defined in the Loan Agreement. The principal amount of indebtedness owing pursuant to this Note shall change from time to time, decreasing in an amount equal to any and all payments of principal made by the Borrower prior to the Due Date and increasing by an amount equal to any and all advances made by Standard Federal to the Borrower pursuant to the terms hereof, and the books and records of Standard Federal shall be conclusive evidence of the amount of principal and interest owing hereunder at any time. All payments made hereunder shall be applied first against costs and expenses required to be paid hereunder, then against accrued interest to the extent thereof and the balance shall be applied against the outstanding principal amount hereof.

Accrued interest shall be payable on the 1st day of each month beginning on September 1, 1995 through and including the Term Date. From and after the Term Date, Standard Federal shall make no further advances hereunder and the outstanding principal balance hereunder as of the Term Date, with interest, shall be repaid in consecutive monthly payments of principal, each in the amount determined by dividing the outstanding principal balance hereunder as of the Term Date by 78, plus interest accrued to the due date of each such payment, commencing on March 1, 1996 and continuing on the same day of each consecutive month thereafter and a final payment on the Due Date in an amount equal to the then unpaid principal and accrued interest.

Nothing herein contained, nor any transaction relating thereto, or hereto, shall be construed or so operate as to require the Borrower to pay, or charge, interest at a greater rate than the maximum allowed by the applicable law relating to this Note. Should any interest, or other charges, charged, paid or payable by the Borrower in connection with this Note, or any other document delivered in connection herewith, result in the charging, compensation, payment or earning of interest in excess of the maximum allowed by applicable law, then any and all such excess shall be and the same is hereby waived by Standard Federal, and any and all such excess paid shall be automatically credited against and in reduction of the principal due under this Note. If Standard Federal shall reasonably determine that the Effective Interest Rate (together with all other charges or payments related hereto that may be deemed interest) stipulated under this Note is, or may be, usurious or otherwise limited by law, the unpaid balance of this Note, with accrued interest at the highest rate permitted to be charged by stipulation in writing between Standard Federal and Borrower, at the option of Standard Federal, shall immediately become due and payable.

The Borrower represents and warrants that it is duly organized, validly existing and in good standing and is duly authorized to make and perform this Note, which constitutes its valid and binding legal obligation enforceable in accordance with its terms. All financial data furnished to Standard Federal in connection with this Note fairly present the financial condition of the Borrower and its subsidiaries, if any, as of the dates thereof and there has been no material adverse change in the condition (financial or otherwise) of the Borrower since such dates.

An Event of Default shall be deemed to have occurred hereunder if any indebtedness of the Borrower to Standard Federal hereunder is not paid when due, regardless of whether such indebtedness has arisen pursuant to the terms of this Note, the Loan Agreement or any mortgage, security agreement, guaranty, instrument or other agreement executed in conjunction herewith, or if an Event of Default shall otherwise occur under the Loan Agreement.

Upon the occurrence of any Event of Default, after the giving of any notice and the expiration of any grace, cure or notice period provided for in the Loan Agreement, if any, and if no such notice or grace, cure or notice period is so provided for in the Loan Agreement, then immediately, Standard Federal may declare the entire unpaid and outstanding principal balance hereunder and all accrued interest to be due and payable in full forthwith, without presentment, demand or notice of any kind and may exercise any one or more of the rights and remedies provided herein or in the Loan Agreement or in any mortgage, guaranty, security agreement or other document relating hereto or by applicable law. The remedies provided for hereunder are cumulative to the remedies for collection of the amounts owing hereunder as provided by law or by

the Loan Agreement, or by any mortgage, guaranty, security agreement or other document relating hereto. Nothing herein is intended, nor should it be construed, to preclude Standard Federal from pursuing any other remedy for the recovery of any other sum to which Standard Federal may be or become entitled for breach of the terms of this Note or the Loan Agreement, or any mortgage, guaranty, security agreement or other instrument relating hereto.

Borrower agrees, in case of an Event of Default under the terms of this Note or under any loan agreement, security or other agreement executed in connection herewith, to pay all costs of Standard Federal for collection of the Note and all other liabilities of Borrower to Standard Federal and enforcement of rights hereunder, including reasonable attorney fees and legal expenses including participation in Bankruptcy proceedings. During any period(s) this Note is in default, or after the Due Date, or after acceleration of maturity, the outstanding principal amount hereof shall bear interest at a rate equal to two percent (2.0%) per annum greater than the interest rate otherwise charged hereunder. If any required payment is not made within ten (10) days after the date it is due, then, at the option of Standard Federal, a late charge of not more than four cents (\$.04) for each dollar of the payment so overdue may be charged. In addition to any other security interests granted to Standard Federal, Borrower hereby grants Standard Federal a security interest in all of Borrower's bank deposits, instruments, negotiable documents, and chattel paper which at any time are in the possession or control of Standard Federal. After the occurrence of an Event of Default hereunder, Standard Federal may hold and apply at any time its own indebtedness or liability to Borrower in payment of any indebtedness hereunder.

Acceptance by Standard Federal of any payment in an amount less than the amount then due shall be deemed an acceptance on account only, and the failure to pay the entire amount then due shall be and continue to be an Event of Default. Upon any Event of Default, neither the failure of Standard Federal promptly to exercise its right to declare the outstanding principal and accrued unpaid interest hereunder to be immediately due and payable, nor the failure of Standard Federal to demand strict performance of any other obligation of the Borrower or any other person who may be liable hereunder shall constitute a waiver of any such rights, nor a waiver of such rights in connection with any future default on the part of the Borrower or any other person who may be liable hereunder.

Borrower and all endorsers and guarantors hereof, hereby jointly and severally waive presentment for payment, demand, notice of non-payment, notice of protest or protest of this Note, diligence in collection or bringing suit,

and hereby consent to any and all extensions of time, renewals, waivers, or modifications that may be granted by Standard Federal with respect to payment or

5

any other provisions of this Note, and to the release of any collateral or any part thereof, with or without substitution. The liability of the Borrower shall be absolute and unconditional, without regard to the liability of any other party hereto.

This Note is executed pursuant to the Loan Agreement of even date herewith and is secured by a Security Agreement, dated September 15, 1994. Reference is hereby made to such documents for additional terms relating to the transaction giving rise to this Note, the security given for this Note and additional terms and conditions under which this Note matures, may be accelerated or prepaid.

Advances hereunder may be requested by telephone, in writing or in any other manner acceptable to Standard Federal. Borrower understands and agrees that any telephone conversation with Standard Federal may be recorded for accuracy.

BORROWER:

MCCLAIN INDUSTRIES, INC., a Michigan corporation

By:

E. James Zabinski

Its: Treasurer

38-1867649

Taxpayer Identification Number

MCCLAIN OF GEORGIA, INC., a Georgia

corporation

By:

Carl L. Jaworski

Its: Secretary

58-1738825

Taxpayer Identification Number

-5-

6

SHELBY STEEL PROCESSING COMPANY, a
Michigan corporation

By:

Carl L. Jaworski

Its: Secretary

38-2205216

Taxpayer Identification Number

MCCLAIN TUBE COMPANY d/b/a QUALITY
TUBE, a Michigan corporation

By:

E. James Zabinski

Its: Treasurer

Taxpayer Identification Number

MCCLAIN INDUSTRIES OF OHIO, INC., a
Michigan corporation

By:

E. James Zabinski

Its: Treasurer

Taxpayer Identification Number

Standard Federal Bank, a
federal savings bank
2600 West Big Beaver Road
Troy, Michigan 48084

LOAN AGREEMENT

BETWEEN

STANDARD FEDERAL BANK

AND

MCCLAIN INDUSTRIES, INC., MCCLAIN OF GEORGIA, INC.,
SHELBY STEEL PROCESSING COMPANY,
MCCLAIN TUBE COMPANY D/B/A QUALITY TUBE AND
MCCLAIN INDUSTRIES OF OHIO, INC.

THIS AGREEMENT made and delivered this 6th day of February , 1995, by and between McClain Industries, Inc., a Michigan corporation, McClain of Georgia, Inc., a Georgia corporation, Shelby Steel Processing Company, a Michigan corporation, McClain Tube Company d/b/a Quality Tube, a Michigan corporation, and McClain Industries of Ohio, Inc., a Michigan corporation (collectively, "Borrower"), whose address/principal office is 6200 Elmridge, Sterling Heights, Michigan 48310, and Standard Federal Bank, a federal savings bank ("Standard Federal"), whose address is 2600 West Big Beaver Road, Troy, Michigan 48084.

RECITALS:

A. Borrower has requested a term loan in the principal amount of \$2,000,000.00 and an equipment purchase credit facility in the total principal amount of \$950,000.00.

B. Standard Federal is willing to supply such financing subject to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in reliance upon the representations herein provided and in consideration of the premises and the mutual promises herein contained, the Borrower and Standard Federal hereby agree as follows:

SECTION 1. TERM LOAN

1.1 Standard Federal hereby extends to the Borrower a term loan (the "Term Loan") in the principal amount of Two Million and 00/100 Dollars (\$2,000,000.00).

1A.2 The Term Loan herein extended shall be subject to the terms and conditions of a Promissory Note (Term Loan) of even date herewith and all renewals and amendments thereof (the "Term Note"). The Term Loan shall be payable and shall bear interest as set forth in the Term Note. This Loan Agreement and the Term Note are of equal materiality and shall each be

construed in such manner as to give full force and effect to all provisions of both documents.

2

SECTION 1A. EQUIPMENT PURCHASE LINES OF CREDIT

1A.1 First Line of Credit

1A.1(a) Standard Federal hereby extends to the Borrower a revolving line of credit (the "First Line of Credit") which shall not exceed at any one time outstanding the principal amount of Nine Hundred Fifty Thousand and 00/100 Dollars (\$950,000.00) (the "First Credit Limit").

1A.1(b) The First Line of Credit herein extended shall be subject to the terms and conditions of a Promissory Note (Line of Credit with Term Provisions) (First Line of Credit), in the principal amount of Nine Hundred Fifty Thousand and 00/100 Dollars (\$950,000.00), of even date herewith and all renewals and amendments thereof (the "First Line of Credit Note"). This Loan Agreement and the First Line of Credit Note are of equal materiality and shall each be construed in such manner as to give full force and effect to all provisions of both documents.

1A.1(c) If at any time the amount outstanding under the First Line of Credit shall exceed the First Credit Limit, Borrower shall, on demand, forthwith pay to Standard Federal such sums as are necessary to reduce the amount outstanding to an amount not greater than the First Credit Limit.

1A.1(d) Each advance under the First Line of Credit shall be used solely for the purchase of equipment. Each advance shall be in an amount not in excess of Eighty Five percent (85.0%) of the cost to the Borrower of the equipment to be purchased with such advance. Standard Federal shall make advances under the First Line of Credit only upon receipt by it in a form satisfactory to it of a true and authentic copy of the dealer invoice for the equipment purchased or to be purchased with the advance.

1A.1(e) Standard Federal shall, from time to time to and until August 1, 1995 (the "First Term Date"), make advances to Borrower under the First Line of Credit upon request therefor by Borrower, subject to the other conditions contained in the First Line of Credit Note.

1A.1(f) Accrued interest shall be payable under the First Line of Credit Note on the 1st day of each month beginning on March 1, 1995 through and including the First Term Date. From and after the First Term Date, Standard Federal shall make no further advances under the First Line of Credit and the outstanding principal balance thereunder as of the First Term Date, with interest, shall be repaid in consecutive monthly payments of principal, each in the amount determined by dividing the outstanding principal balance under the First Line of Credit Note as of the First Term Date by 78, plus interest accrued to the due date of each such payment, commencing on September 1, 1995 and continuing on the same day of

each consecutive month thereafter and a final payment on February 1, 2002 in an amount equal to the then unpaid principal and accrued interest under the First Line of Credit Note.

1A.2 Second Line of Credit

1A.2(a) Standard Federal hereby extends to the Borrower an additional revolving line of credit (the "Second Line of Credit") (the First Line of Credit and the Second Line of Credit are sometimes herein collectively referred to as the "Line of Credit") which shall not exceed at any one time outstanding the principal amount of Nine Hundred Fifty Thousand and 00/100 Dollars (\$950,000.00), less the principal outstanding under the First Line of Credit as of the First Term Date (the "Second Credit Limit").

1A.2(b) The Second Line of Credit herein extended shall be subject to the terms and conditions of a Promissory Note (Line of Credit with Term Provisions) (Second Line of Credit), in the principal amount of Nine Hundred Fifty Thousand and 00/100 Dollars (\$950,000.00), of even date herewith and all renewals and amendments thereof (the "Second Line of Credit Note") (the First Line of Credit Note and the Second Line of Credit Note are sometimes herein collectively referred to as the "Line of Credit Notes"). This Loan Agreement and the Second Line of Credit Note are of equal materiality and shall each be construed in such manner as to give full force and effect to all provisions of both documents.

1A.2(c) If at any time the amount outstanding under the Second Line of Credit shall exceed the Second Credit Limit, Borrower shall, on demand, forthwith pay to Standard Federal such sums as are necessary to reduce the amount outstanding to an amount not greater than the Second Credit Limit.

1A.2(d) Each advance under the Second Line of Credit shall be used solely for the purchase of equipment. Each advance shall be in an amount not in excess of Eighty Five percent (85.0%) of the cost to the Borrower of the equipment to be purchased with such advance. Standard Federal shall make advances under the Second Line of Credit only upon receipt by it in a form satisfactory to it of a true and authentic copy of the dealer invoice for the equipment purchased or to be purchased with the advance.

1A.2(e) Standard Federal shall, from time to time after the First Term Date and to and until February 1, 1996 (the "Second Term Date"), make advances to Borrower under the Second Line of Credit upon request therefor by Borrower, subject to the other conditions contained in the Second Line of Credit Note.

1A.2(f) Accrued interest shall be payable under the Second Line of Credit Note on the 1st day of each month beginning on September 1, 1995 through and including the Second Term Date. From and after

3

4

the Second Term Date, Standard Federal shall make no further advances under the Second Line of Credit and the outstanding principal balance thereunder as of the Second Term Date, with interest, shall be repaid in consecutive monthly payments of principal, each in the amount determined by dividing the outstanding principal balance under the Second Line of Credit Note as of the Second Term Date by 78, plus interest accrued to the due date of each such payment, commencing on March 1, 1996 and continuing on the same day of each consecutive month thereafter and a final payment on August 1, 2002 in an amount equal to the then unpaid principal and accrued interest under the Second Line of Credit Note.

SECTION 1B. CONDITIONS TO MAKING LOANS

1B.1 The following are conditions precedent to the obligation of Standard to make the Term Loan and the Line of Credit hereunder:

1B.1(a) The Borrower shall have delivered or shall have had delivered to Standard Federal, in form and substance satisfactory to Standard Federal and its counsel, each of the following:

- a. A duly executed copy of this Loan Agreement;
- b. A duly executed copy of the Line of Credit Notes, the Term Note and such other loan documents as Standard Federal shall require to evidence and document the Line of Credit and the Term Loan;
- c. Such credit applications, financial statements, authorizations, and such information concerning the Borrower and its business, operations, and condition (financial and otherwise) as Standard Federal may reasonably request;
- d. Certified copies of resolutions of the Boards of Directors of the Borrower approving the execution and delivery of the loan documents required hereunder;
- e. A certificate of the Secretary or an Assistant Secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign the loan documents required hereunder;
- f. Copies of each of the Articles of Incorporation of the Borrower, certified by the Secretary of State of Michigan as of a recent date;
- g. Copies of each of the Articles of Incorporation and Bylaws of the

Borrower, certified by the Secretary or an Assistant Secretary of the Borrower as of the date of this Agreement as being accurate and complete;

- h. Certificate of good standing of the Borrower from the Secretary of State of Michigan as of a recent date;
- i. Certificates of authority and good standing of the Borrower for each state in which the Borrower is qualified to do business;

4

5

- j. A certificate of compliance of the chief financial officer or treasurer of the Borrower in form satisfactory to Standard Federal dated as of the date of this Agreement;
- k. Such certificates, binders or other evidence of all insurance required of the Borrower under this Loan Agreement as Standard Federal may reasonably require; and
- l. Acknowledgement copies of all UCC-1 financing statements filed with respect to the Collateral accompanied by a search report showing such financing statements as duly filed and evidencing that the security interest of Standard Federal in the Collateral is prior to all other security interests of record.

1B.1(b) All acts and conditions (including, without limitation, the obtaining of any necessary regulatory approvals and the making of any required filings, recordings, or registrations) required to be done and performed and to have happened precedent to the execution, delivery, and performance of the loan documents required hereunder and to constitute the same legal, valid, and binding obligations, enforceable in accordance with their respective terms, shall have been done and performed and shall have happened in due and strict compliance with all applicable laws.

1B.1(c) All documentation, including, without limitation, documentation for corporate and legal proceedings in connection with the transactions contemplated by the Loan Documents shall be satisfactory in form and substance to Standard Federal and its counsel and all fees and charges, including recording and filing fees, shall have been paid as required hereunder.

1B.2 As conditions precedent to Standard Federal's obligation to make the Term Loan and to fund any request for an advance under the Line of Credit, at and as of the date of the funding thereof;

- a. The representations and warranties of the Borrower contained in the Loan Documents shall be accurate and complete in all respects as if made on and as of such date;
- b. The Borrower shall have paid all fees and expenses, including any

recording fees and charges, required hereunder;

- c. There shall not have occurred an Event of Default or any event which with the passage of time of the giving of notice or both would constitute an Event of Default; and
- d. Following the making of such loan or advance, the aggregate principal amount outstanding will not exceed the limitations described in Sections 1 and 1A.

SECTION 2. REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to Standard Federal that as of the date of acceptance of this Agreement, as of the time any advance is to be made hereunder and, unless expressly provided otherwise herein or agreed to by a writing signed by Standard Federal, at all times any amounts are outstanding hereunder:

2.1 The Borrower and each of its subsidiaries, if any, are corporations duly organized, validly existing and in good standing under the laws of the state of their incorporation; the Borrower and each of its subsidiaries (if any) have the legal power and authority to own their properties and assets and to carry out their business as now being conducted and each is qualified to do business in the state of its incorporation and in every jurisdiction where the nature of its business or the property owned or operated by it makes such qualification necessary and is otherwise in compliance with all applicable laws, statutes, regulations, rules and requirements of any federal, state, judicial, regulatory or administrative body having jurisdiction of the Borrower or any of its assets; the Borrower has the legal power and authority to execute and perform this Agreement, to borrow money in accordance with its terms, to execute and deliver the Line of Credit Notes and the Term Note and other documents contemplated hereby, to grant to Standard Federal mortgages and security interests in the Collateral, as hereby contemplated, and to do any and all other things required of it hereunder; and this Agreement, the Line of Credit Notes, the Term Note and all other documents contemplated hereby, when executed by the Borrower's duly authorized officers will constitute its valid and binding legal obligations enforceable in accordance with their terms.

2.2 The execution, delivery and performance of this Agreement, the borrowings hereunder and the execution and delivery of the Line of Credit Notes and the Term Note and other documents contemplated hereby (a) have been duly authorized by all requisite corporate action, (b) do not require governmental approval or the approval of any person not a party to this Agreement, (c) will not result (with or without notice and/or the passage of time) in any conflict with or breach or violation of or default under, any provision of law, the

Articles of Incorporation or Bylaws of the Borrower or any indenture, agreement or other instrument to which the Borrower is a party, or by which it or any of its properties or assets are bound, and (d) will not result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Borrower other than in favor of Standard Federal and as contemplated hereby.

2.3 There is not pending or, to the best of the knowledge of the Borrower, threatened, any litigation, proceeding or governmental investigation which could materially and adversely

6

7

affect the business of the Borrower or its subsidiaries, if any, or its ability to perform its covenants hereunder.

2.4 Borrower has good and marketable title to its properties given as security as herein described, and, except for liens in favor of Standard Federal, liens for taxes not delinquent or being contested in good faith and liens created in connection with worker's compensation, unemployment insurance and social security, or to secure the performance of bids, tenders or contracts (other than for the repayment of borrowed money), leases, statutory obligations, surety and appeal bonds, and other obligations of like nature made in the ordinary course of business, none of the Borrower's or any of its subsidiaries' (if any) assets are subject to any mortgage, pledge, lien, security interest, or other encumbrance of any kind or character except as have been disclosed to Standard Federal in writing. The Borrower owns all material patents, trademarks, service marks, trade names, copyrights, licenses and other rights, free from any material restrictions, that are necessary for the operation of its business as presently conducted.

2.5 All financial data which has been or shall hereafter be furnished to Standard Federal for the purposes of, or in connection with, this Agreement, including particularly, but without limitation, the audited consolidated financial statements of McClain Industries, Inc. as of September 30, 1993, prepared by Rehmann Robson & Co., and the Form 10-Q's filed with the Securities and Exchange Commission by McClain Industries, Inc. pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly periods ended December 31, 1993, March 31, 1994 and June 30, 1994, and the transactions contemplated hereby has been and/or shall be prepared in accordance with generally accepted accounting principles consistently applied, and does or will fairly present the financial condition of the Borrower as of the dates, and the results of its operations for the periods, for which the same is furnished to Standard Federal.

2.6 There has been no material adverse change in the business, properties or condition (financial or otherwise) of the Borrower or its subsidiaries (if any) since the date of the latest financial statements provided to Standard Federal and there are no material debts, liabilities or obligations (absolute or contingent) of the Borrower except as reflected in such financial statements (or in the notes thereto).

2.7 The Borrower is not in default in the repayment of any indebtedness for money borrowed by it nor has there occurred any event which, with or without notice or the passage of time or both, would constitute a default by the Borrower under any agreement or instrument pertaining to any indebtedness for money borrowed by it.

2.8 Borrower has filed all reports and tax returns required by governmental authority to be filed by it prior to the date hereof and Borrower has received no notice that such reports or returns have been rejected, declared insufficient, or otherwise challenged by such governmental authority.

2.9 The principal officers of the Borrower ("Principal Officers") are as follows:

McClain Industries, Inc.:

Chairman of the Board	Kenneth D. McClain -----
Vice President	Robert W. McClain -----
Treasurer	E. James Zabinski -----
Secretary	Carl L. Jaworski -----

McClain of Georgia, Inc.:

President	Kenneth D. McClain -----
Vice President	Robert W. McClain -----

Secretary

Carl L. Jaworski

Shelby Steel Processing Company:

President

Robert W. McClain

Vice President

Kenneth D. McClain

Secretary

Carl L. Jaworski

McClain Tube Company d/b/a Quality Tube:

President

Kenneth D. McClain

Treasurer

E. James Zabinski

Secretary

Carl L. Jaworski

McClain Industries of Ohio, Inc.:

President

Kenneth D. McClain

Vice President

Robert W. McClain

Treasurer

E. James Zabinski

Secretary

Margaret Bruce

2.10 McClain of Georgia, Inc., a Georgia corporation, Shelby Steel Processing Company, a Michigan corporation, McClain Tube Company d/b/a Quality Tube, a Michigan corporation, McClain Industries of Ohio, Inc., a Michigan

corporation, and Southfield Quality Leasing Company, a Michigan corporation, are each wholly-owned subsidiaries of McClain Industries, Inc., a Michigan corporation, and have no subsidiaries. Prime Leasing Corporation, a Michigan corporation, and Galion Holding Company, a Michigan corporation, are also wholly-owned subsidiaries of McClain Industries, Inc. McClain Industries, Inc. also holds one-third of the outstanding capital stock of M.E.G. Equipment Sales, Inc., Michigan corporation, of which M.E.G. Equipment Sales of Florida, Inc., a Florida corporation, is a wholly-owned subsidiary. McClain Industries, Inc., as of the date of this Loan Agreement, owns no other subsidiaries.

2.11 None of the proceeds of the Line of Credit or the Term Loan will be used for the purpose of purchasing or carrying any "margin stock" as defined in Regulation U or G of the Board of Governors of the Federal Reserve System (12 C.F.R. Part 221 and 207), or for the purpose of reducing or retiring any indebtedness which was originally incurred to purchase or carry a margin stock or for any other purpose which might constitute this transaction a "purpose credit" within the meaning of such Regulation U or G. Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stocks. Neither Borrower nor any person acting on behalf of Borrower has taken or will take any action which might cause the Line of Credit Notes and the Term Note or any of the other documents executed in conjunction therewith, including this Agreement, to violate Regulations U or G or any other regulations of the Board of Governors of the Federal Reserve System or to violate Section 7 of the Securities Exchange Act of 1934 or any rule or regulation thereunder, in each case as now in effect or as the same may hereinafter be in effect. Borrower and its subsidiaries, if any, own no "margin stock" except for that described in the financial statements provided to Standard Federal and, as of the date hereof, the aggregate value of all "margin stock" owned by Borrower and its subsidiaries, if any, does not exceed 25% of all of the value of all of Borrower's and its subsidiaries', if any, assets.

2.12 Except as disclosed in the environmental reports listed in attached Schedule 2.12, copies of which the Borrower has furnished to Standard Federal, neither the Borrower nor, to the best of Borrower's knowledge after due inquiry, any other person or entity, has caused or permitted any waste, oil, pesticides, or any substance or material of any kind which is currently known or suspected to be toxic or hazardous, including but not limited to any substance defined as a "Hazardous Waste" in Title 40, Part 261 of the Code of Federal Regulations, (hereinafter referred to as "Hazardous Material") to be discharged, dispersed, released, disposed of, or allowed to escape on, under or at any property

owned, occupied or operated by any Borrower in violation of any Hazardous Materials Laws (as hereinafter defined), nor has any property owned, occupied or operated by any Borrower, or any part thereof, ever been used by the Borrower or, to the best of Borrower's knowledge after due inquiry, any prior owner or any other person, as a dump, storage or disposal site for any Hazardous Material, nor has there occurred any other violation of the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. Section 9601 et seq., or any other federal, state or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to or imposing liability or standards of conduct concerning, any Hazardous Material ("Hazardous Materials Laws") with respect to any property owned, occupied or operated by any Borrower. No asbestos or asbestos-containing materials have been installed, used, incorporated into, or disposed of on any property owned, occupied or operated by any Borrower. No polychlorinated biphenyls ("PCBs") are located on or in any property owned, occupied or operated by any Borrower, in the form of electrical transformers, fluorescent light fixtures with ballasts, cooling oils, or any other device or form. All underground storage tanks located on any property owned, occupied or operated by any Borrower have been installed and are being operated in full compliance with all applicable Hazardous Materials Laws. The Borrower: (a) has not received any notice of any release, threatened release, escape, seepage, leakage, spillage, discharge or emission of any Hazardous Materials in, under or upon any property owned, occupied or operated by any Borrower or of any violation of any Hazardous Materials Law, and (2) does not know of any basis for any such notice or violation.

2.13 No "reportable event," as defined in the Employee Retirement Income Security Act of 1974 and any amendments thereto ("ERISA"), has occurred and is continuing with respect to any employee pension and/or profit sharing benefit plan maintained by or on behalf of the Borrower for the benefit of any of its employees. The Pension Benefit Guaranty Corporation ("PBGC") has not instituted proceedings to terminate any such employee pension and/or profit sharing plan or to appoint a trustee to administer such plan. The Borrower has maintained and funded and caused each of its subsidiaries, if any, to maintain and fund all employee pension and/or profit sharing plans in accordance with their terms and with all applicable provisions of ERISA. Neither the Borrower nor any duly appointed administrator of any employee pension and/or profit sharing plan: (a) has incurred any liability to PBGC with respect to any such plan other than for premiums not yet due or payable, (b) has instituted or intends to institute proceedings to terminate any such plan under Section 4042 or 4041A of Erisa, or (c) has withdrawn from any Multi-Employer Pension Plan (as that term is defined in Section 3(37) of ERISA).

2.14 There is no material fact that the Borrower has not disclosed to Standard Federal which could have a material adverse

effect on the properties, business, prospects or condition (financial or otherwise) of the Borrower or any of its subsidiaries. For purposes of this Section 2.14, a "material adverse effect" means any circumstance or event which (a) could have any adverse effect whatsoever upon the validity, performance or enforceability of any material provision of the Loan Documents, (b) is or might be material and adverse to the financial condition or business operations of the Borrower or any subsidiary, (c) could impair the ability of the Borrower to fulfill its obligations under the Loan Documents, or (d) causes an Event of Default or any event which, with notice or lapse of time or both, could become an Event of Default. Neither the financial statements referred to in Section 2.5 hereof, nor any certificate or statement delivered herewith or heretofore by Borrower in connection with the negotiations of this Loan Agreement, contains any untrue statement of a material fact or omits to state any material fact necessary to keep the statements contained herein or therein, under the circumstances in which they were made, from being misleading.

2.15 Each request for an advance under the Line of Credit shall constitute, without the necessity of specifically containing a written statement, a representation and warranty by Borrower that no Event of Default exists and that all representations and warranties contained in this Section 2 or in any mortgage, guaranty, security agreement or other document given to secure or relating to the Line of Credit Notes or this Agreement are true and correct at and as of the time the advance is to be made.

SECTION 3. AFFIRMATIVE COVENANTS OF BORROWER

3.1 Prior to Standard Federal's disbursement of any advances under the Line of Credit, or closing of the Term Loan, the Borrower shall; (a) furnish to Standard Federal, if Standard Federal so requires, certified copies of its Articles of Incorporation, Bylaws and Certificate of Good Standing, which Articles of Incorporation and Good Standing Certificate are to be certified by the appropriate official of the Borrower's state of incorporation; (b) furnish to Standard Federal if Standard Federal so requires a statement of the Borrower and the chief financial officer of Borrower certifying that they are unaware of the occurrence of an Event of Default or of any event which with notice and/or the passage of time could become an Event of Default; and (c) furnish Standard Federal such other instruments, documents, opinions or certificates as Standard Federal or its counsel shall reasonably require. All actions, proceedings, instruments and documents required or requested hereunder shall be satisfactory to and approved by Standard Federal and/or its counsel prior to the disbursement of advances under the Line of Credit or closing of the Term Loan.

3.2 From the date hereof until all amounts owing under the Term Loan and the Line of Credit are paid in full and all

obligations under the Line of Credit Notes and the Term Note, this Agreement and all other documents executed in connection with the Line of Credit and the Term Loan are fully paid, performed and satisfied and so long as Standard Federal has any commitment to make advances hereunder, the Borrower covenants and agrees it will:

3.2(a) Furnish to Standard Federal as soon as available and, in any event, within 90 days after the close of each fiscal year of the Borrower, or, in the event the Borrower obtains an extension of the filing date from the Securities Exchange Commission, by such extended date, detailed financial statements of the Borrower as of the close of such fiscal year, containing a consolidated balance sheet of the Borrower and its subsidiaries, if any, and statements of income and cash flows of the Borrower and its subsidiaries, if any, for such fiscal year prepared in accordance with generally accepted accounting principles and in a manner consistent with prior such statements containing an analysis of sources and uses of funds and such other comments and financial details as are usually included in similar reports. Such statements shall be accompanied by an opinion thereon (which shall not be qualified by reason of any limitation imposed by Borrower) of independent certified public accountants selected by Borrower and acceptable to Standard Federal as to the fairness of the statements included in the report and to the effect that the examination of such accounts in connection with such financial statements has been made in accordance with generally accepted auditing standards and, accordingly, includes such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances.

3.2(b) Furnish to Standard Federal as soon as available and, in any event, within 45 days after the close of each quarter of each fiscal year, or, in the event the Borrower obtains an extension of the filing date from the Securities Exchange Commission, by such extended date, detailed financial statements of the Borrower as of the close of such fiscal period containing a consolidated balance sheet of the Borrower and its subsidiaries, if any, and statements of income and cash flows of the Borrower and its subsidiaries, if any, for such fiscal period and for the portion of the fiscal year ending with such period in reasonable detail and form acceptable to Standard Federal and certified by the chief financial officer of the Borrower as being true and correct and as having been prepared in accordance with generally accepted accounting principles consistently applied, subject to year-end adjustments, if any.

3.2(c) Furnish to Standard Federal, promptly after sending, filing or publishing the same, copies of all proxy statements, financial statements and reports that the Borrower sends to its public shareholders and copies of all regular, periodic and special reports and all registration statements and amendments thereto that the Borrower files with the Securities and Exchange

Commission or any other governmental authority and any Exchange, and copies of all press releases issued by Borrower.

12

13

3.2(d) Promptly inform Standard Federal of the occurrence of any Event of Default or of any event (including without limitation any pending or threatened litigation or other proceedings before any governmental body or agency) which could have a materially adverse effect upon the Borrower's business, properties, financial condition or ability to comply with its obligations hereunder or under the Line of Credit Notes or the Term Note.

3.2(e) Furnish such other information as Standard Federal may reasonably request and permit Standard Federal and its agents, attorneys and employees to inspect all of the books, records and properties of the Borrower at any reasonable time.

3.2(f) Maintain adequate insurance with responsible companies in such amounts and against such risks and hazards as are normally insured against by similar businesses, and provide Standard Federal evidence of such insurance upon request; policies of casualty insurance shall contain a customary mortgagee clause requiring payment of proceeds to Borrower and to Standard Federal as their interests may appear and all other insurance shall contain a customary loss payable clause requiring payment of proceeds to Borrower and to Standard Federal as their interests may appear and all insurance policies shall provide that no cancellation, reduction in amount, change in coverage or expiration thereof shall be effective until at least 30 days prior written notice has been given by the insurer to Standard Federal; and pay when due all taxes, assessments, fees and similar charges of every kind and nature lawfully assessed upon the Borrower and/or its property, except to the extent being contested in good faith; and in the event the Borrower fails to maintain such insurance or to pay promptly any taxes or charges when due, then and in such event Standard Federal, in its sole discretion, may, but shall not be required to, pay the same and any amounts expended by Standard Federal for such purpose shall become a part of the Line of Credit and shall bear interest at the rate applicable to the outstanding principal balance owing under the Line of Credit Notes.

3.2(g) Preserve and keep in full force and effect its own and its material, operating subsidiaries' (if any) corporate existence in good standing and maintain voting control in its present controlling shareholder(s); keep current all filings of assumed name certificates for each name under which and each county in which the Borrower does business and promptly inform Standard Federal of any assumed names under which it does business which were not used by the

Borrower on the date of this Agreement; continue to conduct and operate its business substantially as presently conducted and operated in accordance with all applicable laws and regulations; maintain and protect all franchises and trade names and preserve all the remainder of its property used or useful in the conduct of its business and keep the same in good repair and condition; pay its indebtedness and obligations when due under normal terms and maintain proper books of record and account, and;

13

14

otherwise remain in compliance with all applicable laws, statutes, regulations, rules and requirements of any federal, state, judicial, regulatory or administrative body having jurisdiction of the Borrower or any of its assets, except to the extent noncompliance is immaterial and would not have a material adverse effect on Borrower.

3.2(h) Maintain on a consolidated statement basis "Tangible Net Worth" of not less than the amounts specified below as of the end of each fiscal quarter during the fiscal years ending on the dates specified below:

<TABLE>

<CAPTION>

Fiscal Year-End -----	Minimum "Tangible Net Worth" -----
<S>	<C>
09/30/94	\$16,500,000
09/30/95	\$18,000,000
09/30/96	\$19,000,000

</TABLE>

"Tangible Net Worth" shall mean total assets less trademarks, franchises, copyrights, licenses, goodwill, similar intangible assets and all liabilities (excluding debt subordinated to Standard Federal upon terms and conditions acceptable to Standard Federal) of the Borrower.

3.2(k) Maintain on a consolidated statement basis the ratio of "Current Assets" to "Current Liabilities" of not less than the ratios specified below as of the end of each fiscal quarter during the fiscal years ending on the dates specified below:

<TABLE>

<CAPTION>

Fiscal Year-End -----	Minimum Current Ratio -----
<S>	<C>
09/30/94	2.25 to 1.00
09/30/95	2.30 to 1.00
09/30/96	2.35 to 1.00

</TABLE>

"Current Assets" shall include all assets considered current in accordance with generally accepted accounting principles as in effect as of the date of this Agreement, consistently applied, less all amounts due Borrower from any of its directors, officers, employees, its shareholders, or any company controlled by any of its shareholders. "Current Liabilities" shall include all liabilities considered current in accordance with generally accepted accounting principles as in effect as of the date of this Agreement, consistently applied, except that portion of the Line of Credit payable within a twelve-month period.

14

15

3.2(1) On a consolidated statement basis maintain the ratio of "Liabilities" to "Tangible Net Worth" of not more than the ratios specified below as of the end of each fiscal quarter during the fiscal years ending on the dates specified below:

<TABLE>

<CAPTION>

Fiscal Year-End -----	Maximum Liabilities-to-Worth Ratio -----
<S>	<C>
09/30/94	2.75 to 1.00
09/30/95	2.65 to 1.00
09/30/96	2.55 to 1.00

</TABLE>

"Liabilities" shall mean all liabilities of the Borrower and its consolidated subsidiaries, if any, as defined in accordance with generally accepted accounting principles as in effect as of the date of this Agreement, consistently applied.

"Tangible Net Worth" shall mean total assets less trademarks, franchises, copyrights, licenses, goodwill, similar intangible assets and all liabilities (excluding debt subordinated to Standard Federal upon terms and conditions acceptable to Standard Federal) of the Borrower.

3.2(m) On a consolidated statement basis, maintain an Interest Coverage Ratio of not less than 2.00 to 1.00 for each fiscal year. The "Interest Coverage Ratio" shall be defined as the ratio of the Borrower's net income, plus interest charges, income and other taxes and amortization and depreciation for the fiscal year to all interest expense of the Borrower for such fiscal year, as determined in accordance with generally accepted accounting principles.

3.2(n) On a consolidated statement basis, maintain a Fixed Charge Coverage Ratio of not less than 1.75 to 1.00 for each fiscal year. The "Fixed Charge Coverage Ratio" for each fiscal year shall be defined as the ratio of the Borrower's net income, plus amortization and depreciation for the fiscal year, to current maturities of long term debt, as determined in accordance with generally accepted accounting principles.

3.2(o) At all times meet and cause each of its subsidiaries, if any, to meet the minimum funding requirements of ERISA with respect to all employee pension and/or profit sharing plans subject to ERISA and, with respect to any such employee benefit plan, promptly notify Standard Federal in writing of any reportable event, as defined in ERISA, or any proposed termination (voluntary or otherwise) which could give rise to material termination liability within the meaning of ERISA Section 4062.

3.3 The Borrower will not make any change in its accounting policies or financial reporting practices and procedures, except

15

16

changes in accounting policies which are required or permitted by generally accepted accounting principles and changes in financial reporting practices and procedures which are required or permitted by generally accepted accounting principles.

3.4 The Borrower shall use the monies loaned hereunder only for the purpose(s) set forth in the preamble hereto.

3.5 The Borrower shall allow Standard Federal's participant in the Line of Credit and Term Loan and staff or independent accountants or auditors selected by Standard Federal's participant to conduct a full audit of the

Borrower's financial statements and its books and records twice during the first year of the term of the Line of Credit and Term Loan and once in each of the second and third years of the term of the Line of Credit and Term Loan. Standard Federal's participant shall schedule such audits during normal business hours of the Borrower and shall provide Borrower not less than two (2) business days notice of the commencement of each audit. The Borrower shall make adequate facilities available on its premises at Borrower's expense to enable Standard Federal's participant to conduct the audits herein described and shall make available all of its books, records and other documents and information as may be reasonably requested to facilitate the audits. The Borrower agrees to pay to Standard Federal's participant an audit fee of \$3,000.00 plus travel expenses for each audit so conducted by the participant.

SECTION 4. NEGATIVE COVENANTS

4.1 From the date hereof until all amounts owing under the Line of Credit are paid in full and all obligations under the Line of Credit Notes and the Term Note, this Agreement and all other documents executed in connection with the Line of Credit and the Term Loan are fully paid, performed and satisfied and so long as Standard Federal has any commitment to make advances hereunder, the Borrower covenants and agrees that it will not do and will not permit any subsidiary, if any, to do any of the following without the prior written approval of Standard Federal:

4.1(a) Create, incur, assume or permit to exist (a) any mortgage, pledge, security interest, lien or charge of any kind upon any of its property or assets whether now owned or hereafter acquired other than in favor of Standard Federal, except as required or permitted by Standard Federal, or (b) any indebtedness or liability for borrowed money, except indebtedness to Standard Federal or indebtedness subordinated to the prior payment in full of the Borrower's indebtedness to Standard Federal which is approved in writing by Standard Federal, except as otherwise required or permitted in writing by Standard Federal.

4.1(b) Make loans, advances or extensions of credit to any Entity (which in this Agreement means any individual, partnership,

corporation or other legal entity), other than a parent or subsidiary of the Borrower, in excess of \$100,000.00 in principal amount, except for sales on open account and in ordinary course of business; or guarantee or in any way become responsible for obligations of any other Entity except by endorsement of negotiable instruments for deposit or collection in the ordinary course of business; or subordinate any indebtedness due it from an Entity to indebtedness

of any other creditor of such Entity.

4.1(c) Sell, lease or transfer, during any fiscal year, except inventory in the ordinary course of business, any substantial portion of its assets; or consolidate with or merge into any other Entity, or permit another to merge into it; or acquire by lease or purchase all or substantially all the business or assets of any Entity; or enter into any lease-back arrangement with any Entity.

4.1(d) Acquire or expend for, by lease, purchase or otherwise, during any fiscal year, fixed assets in excess of \$4,500,000, excluding expenditures during 1994 relating to the tube mill of McClain Tube Company d/b/a Quality Tube.

SECTION 5. SECURITY

5.1 In order to secure: (1) the full and timely performance of the Borrower's covenants set forth herein and in the Line of Credit Notes and the Term Note, (2) the repayment of any and all indebtedness of the Borrower to Standard Federal arising pursuant to the Line of Credit Notes, the Term Note (including any renewals or substitutions thereof), this Agreement and any mortgage, guaranty, security agreement or other document given to secure or relating to the Line of Credit Notes, the Term Note or this Agreement, and (3) all other indebtedness and liabilities of the Borrower to Standard Federal arising under this Agreement, the Line of Credit Notes or the Term Note, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising:

5.1(a) The Borrower hereby grants unto Standard Federal a security interest in the following property and the proceeds thereof: (i) any and all securities or other property received by the Borrower with respect to, on account of or in exchange for any item of Collateral; (ii) all stock and/or liquidating dividends (whether the same be in the form of cash or other property) paid upon, on account of or with respect to any item of Collateral; and (iii) all bank deposits, instruments, negotiable documents, chattel paper and any and all other property of the Borrower of any kind whatsoever which shall at any time be in the possession or under the control of Standard Federal; and

5.1(b) The Borrower has granted to Standard Federal a security interest of first priority in all personal property of the Borrower as provided in a certain Security Agreement dated September 15,

1994 from the Borrower to Standard Federal, the provisions of which are hereby

incorporated herein by reference (herein, together with the property described in Sections 5.1(a) (i), (ii) and (iii) above, referred to as the "Collateral" or "item(s) of Collateral").

5.2 The Borrower shall execute and deliver to Standard Federal any and all documents (including financing statements) as Standard Federal may require to insure the perfection and priority of its liens and security interests in the Collateral and furnish, if Standard Federal so requires, proof of hazard insurance policies, in accordance with Section 3.2(g) above, relating to the Collateral.

SECTION 6. EVENTS OF DEFAULT

The occurrence of any of the events enumerated in Sections 6.1 to 6.11 below shall constitute an Event of Default for purposes of this Agreement:

6.1 FAILURE TO PAY MONIES DUE. If any indebtedness of the Borrower to Standard Federal on the Line of Credit or the Term Loan is not paid when due, regardless of whether such indebtedness has arisen pursuant to the terms of the Line of Credit Notes, the Term Note, this Agreement or any mortgage, security agreement, guaranty, instrument or other agreement executed in conjunction herewith.

6.2 MISREPRESENTATION. If any warranty or representation made by or for the Borrower and/or any endorser or guarantor of the Line of Credit Notes or the Term Note in connection with the loan(s) evidenced thereby, or if any financial data or any other information now or hereafter furnished to Standard Federal by or on behalf of the Borrower and/or any endorser or guarantor of the Line of Credit Notes or the Term Note shall prove to be false, inaccurate or misleading in any material respect.

6.3 NONCOMPLIANCE WITH AFFIRMATIVE COVENANTS AND OTHER AGREEMENTS. If the Borrower shall fail to perform any of its obligations and covenants under Section 3 of this Agreement, or shall fail to comply with any of the other provisions of this Agreement, other than under Section 4 hereof, or the Line of Credit Notes, the Term Note, or any other agreement with Standard Federal to which it may be a party, other than the payment of principal and interest.

6.4 NONCOMPLIANCE WITH NEGATIVE COVENANTS. If the Borrower shall fail to perform any of its obligations and covenants described in Section 4 of this Agreement.

6.5 BUSINESS SUSPENSION. If the Borrower and/or any endorser or guarantor of the Line of Credit Notes or the Term Note shall voluntarily suspend transaction of its business.

6.6 BANKRUPTCY, ETC. If the Borrower and/or any endorser or guarantor of the Line of Credit Notes or the Term Note: (a) makes a general assignment for the benefit of creditors; (b) shall file a voluntary petition in bankruptcy or for a reorganization to effect a plan or other arrangement with creditors; or shall file an answer to a creditor's petition or other petition against Borrower and/or any endorser or guarantor of the Line of Credit Notes or the Term Note for relief in bankruptcy or for a reorganization which answer admits the material allegations thereof; or if any order for relief shall be entered by any court of bankruptcy jurisdiction with respect to the Borrower and/or any endorser or guarantor of the Line of Credit Notes or the Term Note, or if bankruptcy, reorganization or liquidation proceedings are instituted against Borrower and/or any endorser or guarantor of the Line of Credit Notes or the Term Note and remain undismissed for 60 days; (c) has entered against it any order by any court approving a plan for the reorganization of the Borrower or any endorser or guarantor of the Line of Credit Notes or the Term Note or any other plan or arrangement with creditors of the Borrower or any endorser or guarantor of the Line of Credit Notes or the Term Note; (d) shall apply for or permit the appointment of a receiver, trustee or custodian for any substantial portion of the Borrower's and/or any endorser's or guarantor's properties or assets; or (e) becomes unable to meet its debts as they mature or becomes insolvent.

6.7 JUDGMENTS AND WRITS. If there shall be entered against the Borrower and/or any endorser or guarantor of the Line of Credit Notes or the Term Note one or more judgments or decrees which are not insured against or satisfied or appealed from and bonded within the time or times limited by applicable rules of procedure for appeal as of right or if a writ of attachment or garnishment against the Borrower and/or any endorser or guarantor of the Line of Credit Notes or the Term Note shall be issued and levied in an action claiming \$100,000.00 or more and not released, bonded or appealed from within 30 days after the levy thereof.

6.8 MERGER. If the Borrower shall merge or consolidate with another entity.

6.9 CHANGE OF CONTROL OR MANAGEMENT. If the Borrower or a controlling portion of its voting stock or a substantial portion of its assets comes under the practical, beneficial or effective control of any person or persons other than those having such control as of the date of execution of the Line of Credit Notes and the Term Note, whether by reason of merger, consolidation, sale or purchase of stock or assets or otherwise, if any such change of control, in the sole and absolute discretion of Standard Federal, adversely impacts upon the ability of the Borrower to carry on its business as theretofore conducted.

6.10 OTHER DEFAULTS. If the Borrower and/or any endorser or guarantor of the Line of Credit Notes or the Term Note shall

default in the due payment of any material indebtedness to whomsoever owed, or shall default in the observance or performance of any material term, covenant or condition in any mortgage, security agreement, guaranty, instrument, lease or agreement to which the Borrower and/or any endorser or guarantor of the Line of Credit Notes or the Term Note is a party.

6.11 REPORTABLE EVENT. If there shall occur any "reportable event", as defined in the Employee Retirement Income Security Act of 1974 and any amendments thereto, which is determined to constitute grounds for termination by the Pension Benefit Guaranty Corporation of any employee pension benefit plan maintained by or on behalf of the Borrower for the benefit of any of its employees or for the appointment by the appropriate United States District Court of a trustee to administer such plan and such reportable event is not corrected and such determination is not revoked within 30 days after notice thereof has been given to the plan administrator or the Borrower; or the institution of proceedings by the Pension Benefit Guaranty Corporation to terminate any such employee benefit pension plan or to appoint a trustee to administer such plan; or the appointment of a trustee by the appropriate United States District Court to administer any such employee benefit pension plan.

SECTION 7. REMEDIES UPON EVENT OF DEFAULT

7.1 Upon the occurrence of any Event of Default described in Sections 6.2, 6.3 or 6.10 hereof which is not cured or waived in writing by Standard Federal within 15 days after written notice to the Borrower of such default; or upon the occurrence of any Event of Default described in Section 6.1 which continues unremedied for 10 days, or upon the occurrence of any Event of Default described in Sections 6.4, 6.5, 6.6, 6.7, 6.8, 6.9 or 6.11, Standard Federal's commitment to lend hereunder, if any, shall terminate and Standard Federal may, without notice, declare the entire unpaid and outstanding principal balance of the Line of Credit and the Term Loan and all accrued interest to be due and payable in full forthwith, without presentment, demand or notice of any kind, all of which are hereby expressly waived by Borrower, and thereupon Standard Federal shall have and may exercise any one or more of the rights and remedies provided herein or in the Line of Credit Notes or the Term Note or in any mortgage, guaranty, security agreement or other document relating hereto or granted secured parties under the Michigan Uniform Commercial Code, including the right to take possession of and dispose of the Collateral, or otherwise provided by applicable law, and to offset against the Line of Credit and the Term Loan any amount owing by Standard Federal to the Borrower.

SECTION 8. MISCELLANEOUS.

8.1 No default shall be waived by Standard Federal except in writing and a waiver of any default shall not be a waiver of any

20

21

other default or of the same default on a future occasion. No single or partial exercise of any right, power or privilege hereunder, or any delay in the exercise hereof, shall preclude other or further exercise of the rights of the parties to this Agreement.

8.2 No forbearance on the part of Standard Federal in enforcing any of its rights under this Agreement, nor any renewal, extension or rearrangement of any payment or covenant to be made or performed by the Borrower hereunder shall constitute a waiver of any of the terms of this Agreement or of any such right.

8.3 This Agreement shall be construed in accordance with the law of the State of Michigan.

8.4 All covenants, agreements, representations and warranties made in connection with this Agreement and any document contemplated hereby shall survive the borrowing hereunder and shall be deemed to have been relied upon by Standard Federal. All statements contained in any certificate or other document delivered to Standard Federal at any time by or on behalf of the Borrower pursuant hereto shall constitute representations and warranties by the Borrower.

8.5 The Borrower agrees that it will pay all costs and expenses incurred by Standard Federal in enforcing Standard Federal's rights under this Agreement and the documents contemplated hereby, including without limitation any and all reasonable fees and disbursements of legal counsel to Standard Federal.

8.6 This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective heirs, personal representatives, successors and assigns; provided, however, that the Borrower shall not assign or transfer its rights or obligations hereunder without the prior written consent of Standard Federal.

8.7 If any provision of this Agreement shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any or all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any

extent whatever. The invalidity of any one or more phrases, sentences, clauses or sections contained in this Agreement, shall not affect the remaining portions of this Agreement, or any part thereof.

IN WITNESS WHEREOF, the Borrower and Standard Federal have caused this Line of Credit Loan Agreement to be executed as of the day and year first written above.

BORROWER:

MCCLAIN INDUSTRIES, INC.,
a Michigan corporation

By:

E. James Zabinski

Its: Treasurer

38-1867649

Taxpayer Identification Number

MCCLAIN OF GEORGIA, INC.,
a Georgia corporation

By:

Carl L. Jaworski

Its: Secretary

Taxpayer Identification Number

SHELBY STEEL PROCESSING COMPANY,
a Michigan corporation

By:

Carl L. Jaworski

Its: Secretary

38-2205216

Taxpayer Identification Number

22

23

MCCLAIN TUBE COMPANY d/b/a QUALITY
TUBE, a Michigan corporation

By:

E. James Zabinski

Its: Treasurer

Taxpayer Identification Number

MCCLAIN INDUSTRIES OF OHIO, INC.,
a Michigan corporation

By:

E. James Zabinski

Its: Treasurer

Taxpayer Identification Number

STANDARD FEDERAL BANK, a
federal savings bank

By:

Its:

23

24

Schedule 2.12

1. Final Report Phase I Environmental Assessment Peabody-Galion Corporation, Winesburg, Holmes County, Ohio, prepared by Stearns & Wheler, Environmental Engineers and Scientists, dated February, 1993, Project No. 2471.
2. Final Report Phase II Site Investigation, Galion Site, Winesburg, Ohio, prepared by Stearns & Wheler, Environmental Engineers and Scientists, dated September, 1993, Project No. 2471.
3. Phase II Site Investigation Peabody-Galion Site, Galion, Ohio, prepared by Stearns & Wheler, Environmental Engineers and Scientists, dated January, 1993, Project No. 2429.
4. Subsurface Investigation at 5669 East Cork Street, Comstock Park, Michigan, Clayton Project No. 58643.00, dated November 4, 1994,

prepared by Clayton Environmental Consultants.

5. Subsurface Investigation at 6200 Elmridge Drive, Sterling Heights, Michigan, Clayton Project No. 58644.00, dated November 4, 1994, prepared by Clayton Environmental Consultants.

LOAN AGREEMENT

BETWEEN

STANDARD FEDERAL BANK

AND

GALION HOLDING COMPANY,
GALION SOLID WASTE EQUIPMENT, INC.
AND GALION DUMP BODIES, INC.

THIS AGREEMENT made and delivered this 6th day of February, 1995, by and between Galion Holding Company, a Michigan corporation, Galion Solid Waste Equipment, Inc., a Michigan corporation, and Galion Dump Bodies, Inc., a Michigan corporation (collectively, "Borrower"), whose address/principal office is 6200 Elmridge, Sterling Heights, Michigan 48310, and Standard Federal Bank, a federal savings bank ("Standard Federal"), whose address is 2600 West Big Beaver Road, Troy, Michigan 48084.

RECITALS:

A. Borrower has requested an equipment purchase credit facility in the total principal amount of \$800,000.00.

B. Standard Federal is willing to supply such financing subject to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in reliance upon the representations herein provided and in consideration of the premises and the mutual promises herein contained, the Borrower and Standard Federal hereby agree as follows:

SECTION 1. EQUIPMENT PURCHASE LINES OF CREDIT

1.1 First Line of Credit

1.1(a) Standard Federal hereby extends to the Borrower a revolving line of credit (the "First Line of Credit") which shall not exceed at any one time outstanding the principal amount of Eight Hundred Thousand and 00/100 Dollars (\$800,000.00) (the "First Credit Limit").

1.1(b) The First Line of Credit herein extended shall be subject to the terms and conditions of a Promissory Note (Line of Credit with Term Provisions) (First Line of Credit), in the principal amount of Eight Hundred Thousand and 00/100 Dollars (\$800,000.00), of even date herewith and all renewals and

amendments thereof (the "First Line of Credit Note"). This Loan Agreement and the First Line of Credit Note are of equal materiality and shall each be construed in such manner as to give full force and effect to all provisions of both documents.

2

1.1(c) If at any time the amount outstanding under the First Line of Credit shall exceed the First Credit Limit, Borrower shall, on demand, forthwith pay to Standard Federal such sums as are necessary to reduce the amount outstanding to an amount not greater than the First Credit Limit.

1.1(d) Each advance under the First Line of Credit shall be used solely for the purchase of equipment. Each advance shall be in an amount not in excess of Eighty Five percent (85.0%) of the cost to the Borrower of the equipment to be purchased with such advance. Standard Federal shall make advances under the First Line of Credit only upon receipt by it in a form satisfactory to it of a true and authentic copy of the dealer invoice for the equipment purchased or to be purchased with the advance.

1.1(e) Standard Federal shall, from time to time to and until August 1, 1995 (the "First Term Date"), make advances to Borrower under the First Line of Credit upon request therefor by Borrower, subject to the other conditions contained in the First Line of Credit Note.

1.1(f) Accrued interest shall be payable under the First Line of Credit Note on the 1st day of each month beginning on March 1, 1995 through and including the First Term Date. From and after the First Term Date, Standard Federal shall make no further advances under the First Line of Credit and the outstanding principal balance thereunder as of the First Term Date, with interest, shall be repaid in consecutive monthly payments of principal, each in the amount determined by dividing the outstanding principal balance under the First Line of Credit Note as of the First Term Date by 78, plus interest accrued to the due date of each such payment, commencing on September 1, 1995 and continuing on the same day of each consecutive month thereafter and a final payment on February 1, 2002 in an amount equal to the then unpaid principal and accrued interest under the First Line of Credit Note.

1.2 Second Line of Credit

1.2(a) Standard Federal hereby extends to the Borrower an additional revolving line of credit (the "Second Line of Credit") (the First Line of Credit and the Second Line of Credit are sometimes herein collectively referred to as the "Line of Credit") which shall not exceed at any one time outstanding the principal amount of Eight Hundred Thousand and 00/100 Dollars (\$800,000.00), less the principal outstanding under the First Line of Credit as of the First Term Date (the "Second Credit Limit").

1.2(b) The Second Line of Credit herein extended shall be subject to the terms and conditions of a Promissory Note (Line of Credit with Term Provisions)

(Second Line of Credit), in the principal amount of Eight Hundred Thousand and 00/100 Dollars (\$950,000.00), of even date herewith and all renewals and

2

3

amendments thereof (the "Second Line of Credit Note") (the First Line of Credit Note and the Second Line of Credit Note are sometimes herein collectively referred to as the "Line of Credit Notes"). This Loan Agreement and the Second Line of Credit Note are of equal materiality and shall each be construed in such manner as to give full force and effect to all provisions of both documents.

1.2(c) If at any time the amount outstanding under the Second Line of Credit shall exceed the Second Credit Limit, Borrower shall, on demand, forthwith pay to Standard Federal such sums as are necessary to reduce the amount outstanding to an amount not greater than the Second Credit Limit.

1.2(d) Each advance under the Second Line of Credit shall be used solely for the purchase of equipment. Each advance shall be in an amount not in excess of Eighty Five percent (85.0%) of the cost to the Borrower of the equipment to be purchased with such advance. Standard Federal shall make advances under the Second Line of Credit only upon receipt by it in a form satisfactory to it of a true and authentic copy of the dealer invoice for the equipment purchased or to be purchased with the advance.

1.2(e) Standard Federal shall, from time to time after the First Term Date and to and until February 1, 1996 (the "Second Term Date"), make advances to Borrower under the Second Line of Credit upon request therefor by Borrower, subject to the other conditions contained in the Second Line of Credit Note.

1.2(f) Accrued interest shall be payable under the Second Line of Credit Note on the 1st day of each month beginning on September 1, 1995 through and including the Second Term Date. From and after the Second Term Date, Standard Federal shall make no further advances under the Second Line of Credit and the outstanding principal balance thereunder as of the Second Term Date, with interest, shall be repaid in consecutive monthly payments of principal, each in the amount determined by dividing the outstanding principal balance under the Second Line of Credit Note as of the Second Term Date by 78, plus interest accrued to the due date of each such payment, commencing on March 1, 1996 and continuing on the same day of each consecutive month thereafter and a final payment on August 1, 2002 in an amount equal to the then unpaid principal and accrued interest under the Second Line of Credit Note.

SECTION 1A.

CONDITIONS TO MAKING LOAN

1A.1 The following are conditions precedent to the obligation of Standard to make the Line of Credit hereunder:

3

4

1A.1(a) The Borrower shall have delivered or shall have had delivered to Standard Federal, in form and substance satisfactory to Standard Federal and its counsel, each of the following:

- a. A duly executed copy of this Loan Agreement;
- b. A duly executed copy of the Line of Credit Notes and such other loan documents as Standard Federal shall require to evidence and document the Line of Credit;
- c. Such credit applications, financial statements, authorizations, and such information concerning the Borrower and its business, operations, and condition (financial and otherwise) as Standard Federal may reasonably request;
- d. Certified copies of resolutions of the Boards of Directors of the Borrower approving the execution and delivery of the loan documents required hereunder;
- e. A certificate of the Secretary or an Assistant Secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign the loan documents required hereunder;
- f. Copies of each of the Articles of Incorporation of the Borrower, certified by the Secretary of State of Michigan as of a recent date;
- g. Copies of each of the Articles of Incorporation and Bylaws of the Borrower, certified by the Secretary or an Assistant Secretary of the Borrower as of the date of this Agreement as being accurate and complete;
- h. Certificate of good standing of the Borrower from the Secretary of State of Michigan as of a recent date;
- i. Certificates of authority and good standing of the Borrower for each state in which the Borrower is qualified to do business;
- j. A certificate of compliance of the chief financial officer or treasurer of the Borrower in form satisfactory to Standard Federal dated as of the date of this Agreement;
- k. Such certificates, binders or other evidence of all insurance required of the Borrower under this Loan Agreement as Standard Federal may reasonably require; and
- l. Acknowledgement copies of all UCC-1 financing statements filed with respect to the Collateral accompanied by a search report showing such financing statements as duly filed and evidencing that the security interest of Standard Federal in the Collateral is prior to

all other security interests of record.

1A.1(b) All acts and conditions (including, without limitation, the obtaining of any necessary regulatory approvals and the making of any required filings, recordings, or registrations) required to be done and performed and to have happened precedent to the execution, delivery, and performance of the loan documents required hereunder and to constitute the same legal, valid, and binding

4

5

obligations, enforceable in accordance with their respective terms, shall have been done and performed and shall have happened in due and strict compliance with all applicable laws.

1A.1(c) All documentation, including, without limitation, documentation for corporate and legal proceedings in connection with the transactions contemplated by the Loan Documents shall be satisfactory in form and substance to Standard Federal and its counsel and all fees and charges, including recording and filing fees, shall have been paid as required hereunder.

1A.2 As conditions precedent to Standard Federal's obligation to fund any request for an advance under the Line of Credit, at and as of the date of the funding thereof;

- a. The representations and warranties of the Borrower contained in the Loan Documents shall be accurate and complete in all respects as if made on and as of such date;
- b. The Borrower shall have paid all fees and expenses, including any recording fees and charges, required hereunder;
- c. There shall not have occurred an Event of Default or any event which with the passage of time of the giving of notice or both would constitute an Event of Default; and
- d. Following the making of such loan or advance, the aggregate principal amount outstanding will not exceed the limitations described in Sections 1 and 1A.

SECTION 2. REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to Standard Federal that as of the date of acceptance of this Agreement, as of the time any advance is to be made hereunder and, unless expressly provided otherwise herein or agreed to by a writing signed by Standard Federal, at all times any amounts are outstanding hereunder:

2.1 The Borrower and each of its subsidiaries, if any, are corporations duly organized, validly existing and in good standing under the laws of the state of their incorporation; the Borrower and each of its subsidiaries (if any) have the legal power and authority to own their properties and assets and to carry out their business as now being conducted and each is qualified to do business in the State of Ohio, the State of Michigan and in every jurisdiction where the nature of its business or the property owned or operated by it makes such qualification necessary and is otherwise in compliance with all applicable laws, statutes, regulations, rules and requirements of any federal, state, judicial, regulatory or administrative body having jurisdiction of the Borrower or any of its assets; the Borrower has the legal power and authority to execute and perform this Agreement, to borrow money in accordance with its terms, to execute and deliver the Line

5

6

of Credit Notes and other documents contemplated hereby, to grant to Standard Federal mortgages and security interests in the Collateral, as hereby contemplated, and to do any and all other things required of it hereunder; and this Agreement, the Line of Credit Notes and all other documents contemplated hereby, when executed by the Borrower's duly authorized officers will constitute its valid and binding legal obligations enforceable in accordance with their terms.

2.2 The execution, delivery and performance of this Agreement, the borrowings hereunder and the execution and delivery of the Line of Credit Notes and other documents contemplated hereby (a) have been duly authorized by all requisite corporate action, (b) do not require governmental approval or the approval of any person not a party to this Agreement, (c) will not result (with or without notice and/or the passage of time) in any conflict with or breach or violation of or default under, any provision of law, the Articles of Incorporation or Bylaws of the Borrower or any indenture, agreement or other instrument to which the Borrower is a party, or by which it or any of its properties or assets are bound, and (d) will not result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Borrower other than in favor of Standard Federal and as contemplated hereby.

2.3 There is not pending or, to the best of the knowledge of the Borrower, threatened, any litigation, proceeding or governmental investigation which could materially and adversely affect the business of the Borrower or its subsidiaries, if any, or its ability to perform its covenants hereunder.

2.4 Borrower has good and marketable title to its properties given as security as herein described, and, except for liens in favor of Standard

Federal, liens for taxes not delinquent or being contested in good faith and liens created in connection with worker's compensation, unemployment insurance and social security, or to secure the performance of bids, tenders or contracts (other than for the repayment of borrowed money), leases, statutory obligations, surety and appeal bonds, and other obligations of like nature made in the ordinary course of business, none of the Borrower's or any of its subsidiaries' (if any) assets are subject to any mortgage, pledge, lien, security interest, or other encumbrance of any kind or character except as have been disclosed to Standard Federal in writing. The Borrower owns all material patents, trademarks, service marks, trade names, copyrights, licenses and other rights, free from any material restrictions, that are necessary for the operation of its business as presently conducted.

2.5 All financial data which has been or shall hereafter be furnished to Standard Federal for the purposes of, or in connection with, this Agreement, including particularly, but without

6

7

limitation, the audited consolidated financial statements of McClain Industries, Inc. as of September 30, 1993, prepared by Rehmann Robson & Co., and the Form 10-Q's filed with the Securities and Exchange Commission by McClain industries, Inc. pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly periods ended December 31, 1993, March 31, 1994 and June 30, 1994, and the transactions contemplated hereby has been and/or shall be prepared in accordance with generally accepted accounting principles consistently applied, and does or will fairly present the financial condition of the Borrower as of the dates, and the results of its operations for the periods, for which the same is furnished to Standard Federal.

2.6 There has been no material adverse change in the business, properties or condition (financial or otherwise) of the Borrower or its subsidiaries (if any) since the date of the latest financial statements provided to Standard Federal and there are no material debts, liabilities or obligations (absolute or contingent) of the Borrower except as reflected in such financial statements (or in the notes thereto).

2.7 The Borrower is not in default in the repayment of any indebtedness for money borrowed by it nor has there occurred any event which, with or without notice or the passage of time or both, would constitute a default by the Borrower under any agreement or instrument pertaining to any indebtedness for money borrowed by it.

2.8 Borrower has filed all reports and tax returns required by governmental authority to be filed by it prior to the date hereof and Borrower

has received no notice that such reports or returns have been rejected, declared insufficient, or otherwise challenged by such governmental authority.

2.9 The principal officers of the Borrower ("Principal Officers") are as follows:

Galion Holding Company:

Chairman of the Board	Kenneth D. McClain -----
Vice President	E. James Zabinski -----
Treasurer	E. James Zabinski -----
Secretary	Carl L. Jaworski -----

Galion Solid Waste Equipment, Inc.:

Chairman of the Board	Kenneth D. McClain -----
Vice President	E. James Zabinski -----

Treasurer	E. James Zabinski -----
Secretary	Carl L. Jaworski -----

Galion Dump Bodies, Inc.:

Chairman of the Board	Kenneth D. McClain -----
Vice President	E. James Zabinski -----
Treasurer	Carl L. Jaworski -----
Secretary	Carl L. Jaworski -----

2.10 Galion Solid Waste Equipment, Inc., a Michigan corporation, and Galion Dump Bodies, Inc., a Michigan corporation, are each wholly-owned subsidiaries of Galion Holding Company, a Michigan corporation, which is a wholly-owned subsidiary of McClain Industries, Inc., a Michigan corporation. Galion Solid Waste Equipment, Inc. and Galion Dump Bodies, Inc. also each hold one-third of the outstanding capital stock of M.E.G. Equipment Sales, Inc., Michigan corporation, of which M.E.G. Equipment Sales of Florida, Inc., a Florida corporation, is a wholly-owned subsidiary. Galion Holding Company, as of the date of this Loan Agreement, owns no other subsidiaries.

2.11 None of the proceeds of the Line of Credit will be used for the purpose of purchasing or carrying any "margin stock" as defined in Regulation U or G of the Board of Governors of the Federal Reserve System (12 C.F.R. Part 221 and 207), or for the purpose of reducing or retiring any indebtedness which was originally incurred to purchase or carry a margin stock or for any other purpose which might constitute this transaction a "purpose credit" within the meaning of such Regulation U or G. Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stocks. Neither Borrower nor any person acting on behalf of Borrower has taken or will take any action which might cause the Line of Credit Notes or any of the other documents executed in conjunction therewith, including this Agreement, to violate Regulations U or G or any other regulations of the Board of Governors of the Federal Reserve System or to violate Section 7 of the Securities Exchange Act of 1934 or any rule or regulation thereunder, in each case as now in effect or as the same may hereinafter be in effect. Borrower and its subsidiaries, if any, own no "margin stock" except for that described in the financial statements provided to Standard Federal and, as of the date hereof, the aggregate value of all "margin stock" owned by Borrower and its subsidiaries, if any, does not exceed 25% of all of the value of all of Borrower's and its subsidiaries', if any, assets.

2.12 Except as disclosed in the environmental reports listed in attached Schedule 2.12, copies of which the Borrower has furnished to Standard Federal, neither the Borrower nor, to the best of Borrower's knowledge after due inquiry, any other person or entity, has caused or permitted any waste, oil, pesticides, or any substance or material of any kind which is currently known or suspected to be toxic or hazardous, including but not limited to any substance defined as a "Hazardous Waste" in Title 40, Part 261 of the Code of Federal Regulations, (hereinafter referred to as "Hazardous Material") to be discharged, dispersed, released, disposed of, or allowed to escape on, under or

at any property owned, occupied or operated by any Borrower in violation of any Hazardous Materials Laws (as hereinafter defined), nor has any property owned, occupied or operated by any Borrower, or any part thereof, ever been used by the Borrower or, to the best of Borrower's knowledge after due inquiry, any prior owner or any other person, as a dump, storage or disposal site for any Hazardous Material, nor has there occurred any other violation of the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. Section 9601 et seq., or any other federal, state or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to or imposing liability or standards of conduct concerning, any Hazardous Material ("Hazardous Materials Laws") with respect to any property owned, occupied or operated by any Borrower. No asbestos or asbestos-containing materials have been installed, used, incorporated into, or disposed of on any property owned, occupied or operated by any Borrower. No polychlorinated biphenyls ("PCBs") are located on or in any property owned, occupied or operated by any Borrower, in the form of electrical transformers, fluorescent light fixtures with ballasts, cooling oils, or any other device or form. All underground storage tanks located on any property owned, occupied or operated by any Borrower have been installed and are being operated in full compliance with all applicable Hazardous Materials Laws. The Borrower: (a) has not received any notice of any release, threatened release, escape, seepage, leakage, spillage, discharge or emission of any Hazardous Materials in, under or upon any property owned, occupied or operated by any Borrower or of any violation of any Hazardous Materials Law, and (2) does not know of any basis for any such notice or violation.

2.13 No "reportable event," as defined in the Employee Retirement Income Security Act of 1974 and any amendments thereto ("ERISA"), has occurred and is continuing with respect to any employee pension and/or profit sharing benefit plan maintained by or on behalf of the Borrower for the benefit of any of its employees. The Pension Benefit Guaranty Corporation ("PBGC") has not instituted proceedings to terminate any such employee pension and/or profit sharing plan or to appoint a trustee to administer such plan. The Borrower has maintained and funded and caused each of its subsidiaries, if any, to maintain and fund all employee pension and/or profit sharing plans in accordance with their terms

and with all applicable provisions of ERISA. Neither the Borrower nor any duly appointed administrator of any employee pension and/or profit sharing plan: (a) has incurred any liability to PBGC with respect to any such plan other than for premiums not yet due or payable, (b) has instituted or intends to institute proceedings to terminate any such plan under Section 4042 or 4041A of Erisa, or (c) has withdrawn from any Multi-Employer Pension Plan (as that term is defined

in Section 3(37) of ERISA).

2.14 There is no material fact that the Borrower has not disclosed to Standard Federal which could have a material adverse effect on the properties, business, prospects or condition (financial or otherwise) of the Borrower or any of its subsidiaries. For purposes of this Section 2.14, a "material adverse effect" means any circumstance or event which (a) could have any adverse effect whatsoever upon the validity, performance or enforceability of any material provision of the Loan Documents, (b) is or might be material and adverse to the financial condition or business operations of the Borrower or any subsidiary, (c) could impair the ability of the Borrower to fulfill its obligations under the Loan Documents, or (d) causes an Event of Default or any event which, with notice or lapse of time or both, could become an Event of Default. Neither the financial statements referred to in Section 2.5 hereof, nor any certificate or statement delivered herewith or heretofore by Borrower in connection with the negotiations of this Loan Agreement, contains any untrue statement of a material fact or omits to state any material fact necessary to keep the statements contained herein or therein, under the circumstances in which they were made, from being misleading.

2.15 Each request for an advance under the Line of Credit shall constitute, without the necessity of specifically containing a written statement, a representation and warranty by Borrower that no Event of Default exists and that all representations and warranties contained in this Section 2 or in any mortgage, guaranty, security agreement or other document given to secure or relating to the Line of Credit Notes or this Agreement are true and correct at and as of the time the advance is to be made.

SECTION 3. AFFIRMATIVE COVENANTS OF BORROWER

3.1 Prior to Standard Federal's disbursement of any advances under the Line of Credit, the Borrower shall; (a) furnish to Standard Federal, if Standard Federal so requires, certified copies of its Articles of Incorporation, Bylaws and Certificate of Good Standing, which Articles of Incorporation and Good Standing Certificate are to be certified by the appropriate official of the Borrower's state of incorporation; (b) furnish to Standard Federal if Standard Federal so requires a statement of the Borrower and the chief financial officer of Borrower certifying that they are unaware of the occurrence of an Event

10

11

of Default or of any event which with notice and/or the passage of time could become an Event of Default; and (c) furnish Standard Federal such other instruments, documents, opinions or certificates as Standard Federal or its counsel shall reasonably require. All actions, proceedings, instruments and documents required or requested hereunder shall be satisfactory to and approved by Standard Federal and/or its counsel prior to the disbursement of advances under the Line of Credit.

3.2 From the date hereof until all amounts owing under the Line of Credit are paid in full and all obligations under the Line of Credit Notes, this Agreement and all other documents executed in connection with the Line of Credit are fully paid, performed and satisfied and so long as Standard Federal has any commitment to make advances hereunder, the Borrower covenants and agrees it will:

3.2(a) Furnish to Standard Federal as soon as available and, in any event, within 90 days after the close of each fiscal year of the parent corporation of the Borrower, McClain Industries, Inc. ("McClain"), or, in the event McClain obtains an extension of the filing date from the Securities Exchange Commission, by such extended date, detailed financial statements of McClain as of the close of such fiscal year, containing a consolidated balance sheet of McClain and its subsidiaries and statements of income and cash flows of McClain and its subsidiaries for such fiscal year prepared in accordance with generally accepted accounting principles and in a manner consistent with prior such statements containing an analysis of sources and uses of funds and such other comments and financial details as are usually included in similar reports. Such statements shall be accompanied by an opinion thereon (which shall not be qualified by reason of any limitation imposed by Borrower or McClain) of independent certified public accountants selected by McClain and acceptable to Standard Federal as to the fairness of the statements included in the report and to the effect that the examination of such accounts in connection with such financial statements has been made in accordance with generally accepted auditing standards and, accordingly, includes such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances.

3.2(b) Furnish to Standard Federal, as soon as available and in any event within 45 days after the close of each quarter of each fiscal year of McClain, or, in the event McClain obtains an extension of the filing date from the Securities Exchange Commission, by such extended date, detailed financial statements of McClain as of the close of such fiscal period containing a consolidated balance sheet of McClain and its subsidiaries and statements of income and cash flows of the McClain and its subsidiaries for such fiscal period and for the portion of the fiscal year ending with such period in reasonable detail and form acceptable to Standard Federal and certified by the chief financial officer of McClain as being true and correct and as having been prepared in accordance with generally accepted accounting

principles consistently applied, subject to year-end adjustments, if any.

3.2(c) Furnish to Standard Federal in a form acceptable to Standard Federal within a reasonable time not to exceed 20 days after the end of each calendar month during the term hereof a statement of accounts receivable of Borrower certified as correct by Borrower or a Principal Officer showing the agings

thereof and the payment, write-off or other disposition of former accounts receivable the disposition of which has not previously been reported to Standard Federal, and such other information and data as Standard Federal may reasonably require. Borrower will further specifically disclose any facts known to Borrower which facts would tend to render doubtful the collectibility of any account receivable disclosed in such statements, or which would indicate that the existence or amount of such account is disputed by the debtor thereon or which would preclude any account from being included in the computation of Eligible Accounts Receivable herein defined.

3.2(d) Furnish to Standard Federal in a form acceptable to Standard Federal within a reasonable time not to exceed 20 days after the end of each calendar month during the term hereof a statement of inventory of the Borrower certified as correct by Borrower or a Principal Officer showing the method of reporting and all additions to and dispositions of inventory since the previous inventory report and such other information and data as Standard Federal may reasonably require.

3.2(e) Furnish to Standard Federal, promptly after McClain sends, files or publishes the same, copies of all proxy statements, financial statements and reports that McClain sends to its public shareholders and copies of all regular, periodic and special reports and all registration statements and amendments thereto that McClain files with the Securities and Exchange Commission or any other governmental authority and any Exchange, and copies of all press releases issued by McClain.

3.2(f) Promptly inform Standard Federal of the occurrence of any Event of Default or of any event (including without limitation any pending or threatened litigation or other proceedings before any governmental body or agency) which could have a materially adverse effect upon the Borrower's business, properties, financial condition or ability to comply with its obligations hereunder or under the Line of Credit Notes.

3.2(g) Furnish such other information as Standard Federal may reasonably request and permit Standard Federal and its agents, attorneys and employees to inspect all of the books, records and properties of the Borrower at any reasonable time.

3.2(h) Maintain adequate insurance with responsible companies in such amounts and against such risks and hazards as are normally insured against by similar businesses, and provide Standard Federal evidence of such insurance

upon request; policies of casualty insurance shall contain a customary mortgagee clause requiring payment of proceeds to Borrower and to Standard Federal as their interests may appear and all other insurance shall contain a customary loss payable clause requiring payment of proceeds to Borrower and to Standard Federal as their interests may appear and all insurance policies shall provide that no cancellation, reduction in amount, change in coverage or expiration thereof shall be effective until at least 30 days prior written notice has been given by the insurer to Standard Federal; and pay when due all taxes, assessments, fees and similar charges of every kind and nature lawfully assessed upon the Borrower and/or its property, except to the extent being contested in good faith; and in the event the Borrower fails to maintain such insurance or to pay promptly any taxes or charges when due, then and in such event Standard Federal, in its sole discretion, may, but shall not be required to, pay the same and any amounts expended by Standard Federal for such purpose shall become a part of the Line of Credit and shall bear interest at the rate applicable to the outstanding principal balance owing under the Line of Credit Notes.

3.2(i) Preserve and keep in full force and effect its own and its material, operating subsidiaries' (if any) corporate existence in good standing and maintain voting control in its present controlling shareholder(s); keep current all filings of assumed name certificates for each name under which and each county in which the Borrower does business and promptly inform Standard Federal of any assumed names under which it does business which were not used by the Borrower on the date of this Agreement; continue to conduct and operate its business substantially as presently conducted and operated in accordance with all applicable laws and regulations; maintain and protect all franchises and trade names and preserve all the remainder of its property used or useful in the conduct of its business and keep the same in good repair and condition; pay its indebtedness and obligations when due under normal terms and maintain proper books of record and account, and; otherwise remain in compliance with all applicable laws, statutes, regulations, rules and requirements of any federal, state, judicial, regulatory or administrative body having jurisdiction of the Borrower or any of its assets, except to the extent noncompliance is immaterial and would not have a material adverse effect on Borrower.

3.2(j) Cause McClain to maintain on a consolidated statement basis "Tangible Net Worth" of not less than the amounts specified below as of the end of each fiscal quarter during the fiscal years ending on the dates specified below:

<TABLE>

<CAPTION>

Fiscal Year-End -----	Minimum "Tangible Net Worth" -----
<S>	<C>
09/30/94	\$16,500,000
09/30/95	\$18,000,000
09/30/96	\$19,000,000

</TABLE>

"Tangible Net Worth" shall mean total assets less trademarks, franchises, copyrights, licenses, goodwill, similar intangible assets and all liabilities (excluding debt subordinated to Standard Federal upon terms and conditions acceptable to Standard Federal) of the Borrower.

3.2(k) Cause McClain to maintain on a consolidated statement basis the ratio of "Current Assets" to "Current Liabilities" of not less than the ratios specified below as of the end of each fiscal quarter during the fiscal years ending on the dates specified below:

<TABLE>

<CAPTION>

Fiscal Year-End -----	Minimum Current Ratio -----
<S>	<C>
09/30/94	2.25 to 1.00
09/30/95	2.30 to 1.00
09/30/96	2.35 to 1.00

</TABLE>

"Current Assets" shall include all assets considered current in accordance with generally accepted accounting principles as in effect as of the date of this Agreement, consistently applied, less all amounts due Borrower from any of its directors, officers, employees, its shareholders, or any company controlled by any of its shareholders. "Current Liabilities" shall include all liabilities considered current in accordance with generally accepted accounting principles as in effect as of the date of this Agreement, consistently applied, except that portion of McClain's \$5,000,000.00 line of credit with Standard Federal which is payable within a twelve-month period.

3.2(l) Cause McClain, on a consolidated statement basis, to maintain the ratio of "Liabilities" to "Tangible Net Worth" of not more than the ratios specified below as of the end of each fiscal quarter during the fiscal years

ending on the dates specified below:

15

<TABLE>

<CAPTION>

Fiscal Year-End ----- <S>	Maximum Liabilities-to-Worth Ratio ----- <C>
09/30/94	2.75 to 1.00
09/30/95	2.65 to 1.00
09/30/96	2.55 to 1.00

</TABLE>

"Liabilities" shall mean all liabilities of McClain and its consolidated subsidiaries as defined in accordance with generally accepted accounting principles as in effect as of the date of this Agreement, consistently applied.

"Tangible Net Worth" shall mean total assets less trademarks, franchises, copyrights, licenses, goodwill, similar intangible assets and all liabilities (excluding debt subordinated to Standard Federal upon terms and conditions acceptable to Standard Federal) of McClain.

3.2(m) Cause McClain, on a consolidated statement basis, to maintain an Interest Coverage Ratio of not less than 2.00 to 1.00 for each fiscal year. The "Interest Coverage Ratio" shall be defined as the ratio of McClain's net income, plus interest charges, income and other taxes and amortization and depreciation for the fiscal year to all interest expense of the Borrower for such fiscal year, as determined in accordance with generally accepted accounting principles.

3.2(n) Cause McClain, on a consolidated statement basis, to maintain a Fixed Charge Coverage Ratio of not less than 1.75 to 1.00 for each fiscal year. The "Fixed Charge Coverage Ratio" for each fiscal year shall be defined as the ratio of McClain's net income, plus amortization and depreciation for the fiscal year, to current maturities of long term debt, as determined in accordance with generally accepted accounting principles.

3.2(o) At all times meet and cause each of its subsidiaries, if any, to meet the minimum funding requirements of ERISA with respect to all employee pension and/or profit sharing plans subject to ERISA and, with respect to any such employee benefit plan, promptly notify Standard Federal in writing of any reportable event, as defined in ERISA, or any proposed termination (voluntary or otherwise) which could give rise to material termination liability within the meaning of ERISA Section 4062.

3.3 The Borrower will not make any change in its accounting policies or financial reporting practices and procedures, except changes in accounting policies which are required or permitted by generally accepted accounting principles and changes in financial reporting practices and procedures which are required or permitted by generally accepted accounting principles.

15

16

3.4 The Borrower shall use the monies loaned hereunder only for the purpose(s) set forth in the preamble hereto.

3.5 The Borrower shall allow Standard Federal's participant in the Line of Credit and staff or independent accountants or auditors selected by Standard Federal's participant to conduct a full audit of the Borrower's financial statements and its books and records twice during the first year of the term of the Line of Credit and once in each of the second and third years of the term of the Line of Credit an Loan. Standard Federal's participant shall schedule such audits during normal business hours of the Borrower and shall provide Borrower not less than two (2) business days notice of the commencement of each audit. The Borrower shall make adequate facilities available on its premises at Borrower's expense to enable Standard Federal's participant to conduct the audits herein described and shall make available all of its books, records and other documents and information as may be reasonably requested to facilitate the audits. The Borrower agrees to pay to Standard Federal's participant an audit fee of \$3,000.00 plus travel expenses for each audit so conducted by the participant.

SECTION 4.

NEGATIVE COVENANTS

4.1 From the date hereof until all amounts owing under the Line of Credit are paid in full and all obligations under the Line of Credit Notes, this Agreement and all other documents executed in connection with the Line of Credit are fully paid, performed and satisfied and so long as Standard Federal has any commitment to make advances hereunder, the Borrower covenants and agrees that it will not do and will not permit any subsidiary, if any, to do any of the following without the prior written approval of Standard Federal:

4.1(a) Create, incur, assume or permit to exist (a) any mortgage, pledge, security interest, lien or charge of any kind upon any of its property or assets whether now owned or hereafter acquired other than in favor of Standard Federal, except as required or permitted by Standard Federal, or (b) any indebtedness or liability for borrowed money, except indebtedness to Standard Federal or indebtedness subordinated to the prior payment in full of the

Borrower's indebtedness to Standard Federal which is approved in writing by Standard Federal, except as otherwise required or permitted in writing by Standard Federal.

4.1(b) Make loans, advances or extensions of credit to any Entity (which in this Agreement means any individual, partnership, corporation or other legal entity), other than a parent or subsidiary of the Borrower, in excess of \$100,000.00 in principal amount, except for sales on open account and in ordinary course of business; or guarantee or in any way become responsible for obligations of any other Entity except by endorsement of negotiable instruments for deposit or collection in the ordinary course of

16

17

business; or subordinate any indebtedness due it from an Entity to indebtedness of any other creditor of such Entity.

4.1(c) Sell, lease or transfer, during any fiscal year, except inventory in the ordinary course of business, any substantial portion of its assets; or consolidate with or merge into any other Entity, or permit another to merge into it; or acquire by lease or purchase all or substantially all the business or assets of any Entity; or enter into any lease-back arrangement with any Entity.

4.1(d) Allow McClain to acquire or expend for, by lease, purchase or otherwise, during any fiscal year, fixed assets in excess of \$4,500,000, excluding expenditures during 1994 relating to the tube mill of McClain Tube Company d/b/a Quality Tube.

SECTION 5. SECURITY

5.1 In order to secure: (1) the full and timely performance of the Borrower's covenants set forth herein and in the Line of Credit Notes, (2) the repayment of any and all indebtedness of the Borrower to Standard Federal arising pursuant to the Line of Credit Notes (including any renewals or substitutions thereof), this Agreement and any mortgage, guaranty, security agreement or other document given to secure or relating to the Line of Credit Notes or this Agreement, and (3) all other indebtedness and liabilities of the Borrower to Standard Federal arising under this Agreement, the Line of Credit Notes, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising:

5.1(a) The Borrower hereby grants unto Standard Federal a security interest in the following property and the proceeds thereof: (i) any and all securities or other property received by the Borrower with respect to, on account of or in

exchange for any item of Collateral; (ii) all stock and/or liquidating dividends (whether the same be in the form of cash or other property) paid upon, on account of or with respect to any item of Collateral; and (iii) all bank deposits, instruments, negotiable documents, chattel paper and any and all other property of the Borrower of any kind whatsoever which shall at any time be in the possession or under the control of Standard Federal; and

5.1(b) The Borrower shall execute and deliver amendment agreements whereby the mortgages, dated June 29, 1993 ("Mortgages"), from Galion Solid Waste Equipment, Inc. and Galion Dump Bodies, Inc., as mortgagors, to Standard Federal, as mortgagee, are amended to secure the Line of Credit, thereby granting Standard Federal mortgages of first priority in the real property and the fixtures and improvements thereon described in the Mortgages, the provisions of which are hereby incorporated herein by reference.

17

18

5.1(c) The Borrower has granted to Standard Federal a security interest of first priority in all personal property of the Borrower as provided in a certain Security Agreement dated September 15, 1994 from the Borrower to Standard Federal, the provisions of which are hereby incorporated herein by reference (herein, together with the property described in Sections 5.1(a) (i), (ii) and (iii) above, referred to as the "Collateral" or "item(s) of Collateral").

5.2 The Borrower shall execute and deliver to Standard Federal any and all documents (including financing statements) as Standard Federal may require to insure the perfection and priority of its liens and security interests in the Collateral and furnish, if Standard Federal so requires, proof of hazard insurance policies, in accordance with Section 3.2(g) above, relating to the Collateral. Borrower shall also furnish a standard ALTA mortgage title insurance policy without exceptions (provided that the policy may contain exceptions approved in writing by Standard Federal) insuring Standard Federal mortgage interest in the properties described in the mortgages provided for in Section 5.1(b).

SECTION 6. EVENTS OF DEFAULT

The occurrence of any of the events enumerated in Sections 6.1 to 6.11 below shall constitute an Event of Default for purposes of this Agreement:

6.1 FAILURE TO PAY MONIES DUE. If any indebtedness of the Borrower to Standard Federal on the Line of Credit is not paid when due, regardless of whether such indebtedness has arisen pursuant to the terms of the Line of

Credit Notes, this Agreement or any mortgage, security agreement, guaranty, instrument or other agreement executed in conjunction herewith.

6.2 MISREPRESENTATION. If any warranty or representation made by or for the Borrower and/or any endorser or guarantor of the Line of Credit Notes in connection with the loan(s) evidenced thereby, or if any financial data or any other information now or hereafter furnished to Standard Federal by or on behalf of the Borrower and/or any endorser or guarantor of the Line of Credit Notes shall prove to be false, inaccurate or misleading in any material respect.

6.3 NONCOMPLIANCE WITH AFFIRMATIVE COVENANTS AND OTHER AGREEMENTS. If the Borrower shall fail to perform any of its obligations and covenants under Section 3 of this Agreement, or shall fail to comply with any of the other provisions of this Agreement, other than under Section 4 hereof, or the Line of Credit Notes, or any other agreement with Standard Federal to which it may be a party, other than the payment of principal and interest.

18

19

6.4 NONCOMPLIANCE WITH NEGATIVE COVENANTS. If the Borrower shall fail to perform any of its obligations and covenants described in Section 4 of this Agreement.

6.5 BUSINESS SUSPENSION. If the Borrower and/or any endorser or guarantor of the Line of Credit Notes shall voluntarily suspend transaction of its business.

6.6 BANKRUPTCY, ETC. If the Borrower and/or any endorser or guarantor of the Line of Credit Notes: (a) makes a general assignment for the benefit of creditors; (b) shall file a voluntary petition in bankruptcy or for a reorganization to effect a plan or other arrangement with creditors; or shall file an answer to a creditor's petition or other petition against Borrower and/or any endorser or guarantor of the Line of Credit Notes for relief in bankruptcy or for a reorganization which answer admits the material allegations thereof; or if any order for relief shall be entered by any court of bankruptcy jurisdiction with respect to the Borrower and/or any endorser or guarantor of the Line of Credit Notes, or if bankruptcy, reorganization or liquidation proceedings are instituted against Borrower and/or any endorser or guarantor of the Line of Credit Notes and remain undismissed for 60 days; (c) has entered against it any order by any court approving a plan for the reorganization of the Borrower or any endorser or guarantor of the Line of Credit Notes or any other plan or arrangement with creditors of the Borrower or

any endorser or guarantor of the Line of Credit Notes; (d) shall apply for or permit the appointment of a receiver, trustee or custodian for any substantial portion of the Borrower's and/or any endorser's or guarantor's properties or assets; or (e) becomes unable to meet its debts as they mature or becomes insolvent.

6.7 JUDGMENTS AND WRITS. If there shall be entered against the Borrower and/or any endorser or guarantor of the Line of Credit Notes one or more judgments or decrees which are not insured against or satisfied or appealed from and bonded within the time or times limited by applicable rules of procedure for appeal as of right or if a writ of attachment or garnishment against the Borrower and/or any endorser or guarantor of the Line of Credit Notes shall be issued and levied in an action claiming \$100,000.00 or more and not released, bonded or appealed from within 30 days after the levy thereof.

6.8 MERGER. If the Borrower shall merge or consolidate with another entity.

6.9 CHANGE OF CONTROL OR MANAGEMENT. If the Borrower or a controlling portion of its voting stock or a substantial portion of its assets comes under the practical, beneficial or effective control of any person or persons other than those having such control as of the date of execution of the Line of Credit Notes, whether by reason of merger, consolidation, sale or purchase of stock or

assets or otherwise, if any such change of control, in the sole and absolute discretion of Standard Federal, adversely impacts upon the ability of the Borrower to carry on its business as theretofore conducted.

6.10 OTHER DEFAULTS. If the Borrower and/or any endorser or guarantor of the Line of Credit Notes shall default in the due payment of any material indebtedness to whomsoever owed, or shall default in the observance or performance of any material term, covenant or condition in any mortgage, security agreement, guaranty, instrument, lease or agreement to which the Borrower and/or any endorser or guarantor of the Line of Credit Notes is a party.

6.11 REPORTABLE EVENT. If there shall occur any "reportable event", as defined in the Employee Retirement Income Security Act of 1974 and any amendments thereto, which is determined to constitute grounds for termination by the Pension Benefit Guaranty Corporation of any employee pension benefit plan maintained by or on behalf of the Borrower for the benefit of any of its employees or for the appointment by the appropriate United States District

Court of a trustee to administer such plan and such reportable event is not corrected and such determination is not revoked within 30 days after notice thereof has been given to the plan administrator or the Borrower; or the institution of proceedings by the Pension Benefit Guaranty Corporation to terminate any such employee benefit pension plan or to appoint a trustee to administer such plan; or the appointment of a trustee by the appropriate United States District Court to administer any such employee benefit pension plan.

SECTION 7. REMEDIES UPON EVENT OF DEFAULT

7.1 Upon the occurrence of any Event of Default described in Sections 6.2, 6.3 or 6.10 hereof which is not cured or waived in writing by Standard Federal within 15 days after written notice to the Borrower of such default; or upon the occurrence of any Event of Default described in Section 6.1 which continues unremedied for 10 days, or upon the occurrence of any Event of Default described in Sections 6.4, 6.5, 6.6, 6.7, 6.8, 6.9 or 6.11, Standard Federal's commitment to lend hereunder, if any, shall terminate and Standard Federal may, without notice, declare the entire unpaid and outstanding principal balance of the Line of Credit and all accrued interest to be due and payable in full forthwith, without presentment, demand or notice of any kind, all of which are hereby expressly waived by Borrower, and thereupon Standard Federal shall have and may exercise any one or more of the rights and remedies provided herein or in the Line of Credit Notes or in any mortgage, guaranty, security agreement or other document relating hereto or granted secured parties under the Michigan Uniform Commercial Code, including the right to take possession of and dispose of the Collateral, or otherwise provided by applicable law, and to offset

against the Line of Credit any amount owing by Standard Federal to the Borrower.

SECTION 8. MISCELLANEOUS.

8.1 No default shall be waived by Standard Federal except in writing and a waiver of any default shall not be a waiver of any other default or of the same default on a future occasion. No single or partial exercise of any right, power or privilege hereunder, or any delay in the exercise hereof, shall preclude other or further exercise of the rights of the parties to this Agreement.

8.2 No forbearance on the part of Standard Federal in enforcing any of its rights under this Agreement, nor any renewal, extension or rearrangement of any payment or covenant to be made or performed by the Borrower hereunder shall

constitute a waiver of any of the terms of this Agreement or of any such right.

8.3 This Agreement shall be construed in accordance with the law of the State of Michigan.

8.4 All covenants, agreements, representations and warranties made in connection with this Agreement and any document contemplated hereby shall survive the borrowing hereunder and shall be deemed to have been relied upon by Standard Federal. All statements contained in any certificate or other document delivered to Standard Federal at any time by or on behalf of the Borrower pursuant hereto shall constitute representations and warranties by the Borrower.

8.5 The Borrower agrees that it will pay all costs and expenses incurred by Standard Federal in enforcing Standard Federal's rights under this Agreement and the documents contemplated hereby, including without limitation any and all reasonable fees and disbursements of legal counsel to Standard Federal.

8.6 This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective heirs, personal representatives, successors and assigns; provided, however, that the Borrower shall not assign or transfer its rights or obligations hereunder without the prior written consent of Standard Federal.

8.7 If any provision of this Agreement shall be held or deemed to be or shall, in fact, be inoperative or

unenforceable as applied in any particular case in any or all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever. The invalidity of any one or more phrases, sentences, clauses or sections contained in this Agreement, shall not affect the remaining portions of this Agreement, or any part thereof.

SECTION 9. ADDITIONAL PROVISION

9.1 In addition to the terms, covenants and conditions set forth above, Borrower agrees to cause McClain Industries, Inc., a Michigan corporation, to execute and deliver to Standard Federal an unlimited and continuing guaranty of

payment of the obligations of Borrower under the Line of Credit in form and substance acceptable to Standard Federal.

IN WITNESS WHEREOF, the Borrower and Standard Federal have caused this Line of Credit Loan Agreement to be executed as of the day and year first written above.

Witnesses:

BORROWER:

GALION HOLDING COMPANY, a Michigan corporation

By:

E. James Zabinski
Vice President/Treasurer

Taxpayer Identification Number:

38-3060196

GALION SOLID WASTE EQUIPMENT, INC., a Michigan corporation

By:

E. James Zabinski
Treasurer

Taxpayer Identification Number:

22

23

GALION DUMP BODIES, INC., a Michigan corporation

By:

Carl Jaworski
Treasurer

Taxpayer Identification Number:

STANDARD FEDERAL BANK, a
federal savings bank

By:

Its:

23

24

Schedule 2.12

1. Final Report Phase I Environmental Assessment Peabody-Galion Corporation, Winesburg, Holmes County, Ohio, prepared by Stearns & Wheler, Environmental Engineers and Scientists, dated February, 1993, Project No. 2471.
2. Final Report Phase II Site Investigation, Galion Site, Winesburg, Ohio, prepared by Stearns & Wheler, Environmental Engineers and Scientists, dated September, 1993, Project No. 2471.
3. Phase II Site Investigation Peabody-Galion Site, Galion, Ohio, prepared by Stearns & Wheler, Environmental Engineers and Scientists, dated January, 1993, Project No. 2429.

24

Note No. 0250017732

STANDARD FEDERAL BANK

PROMISSORY NOTE

(Line of Credit with Term Provisions)	<input checked="" type="checkbox"/>	New
(First Line of Credit)	<input type="checkbox"/>	Renewal

\$800,000.00

Sterling Heights , Michigan

Due Date: February 1, 2002

Dated: February 6, 1995

FOR VALUE RECEIVED, on the Due Date unless accelerated earlier as provided herein, the undersigned, jointly and severally (collectively, "Borrower"), promise to pay to the order of Standard Federal Bank, a federal savings bank ("Standard Federal"), at its office set forth below, or at such other place as Standard Federal may designate in writing, the principal sum of Eight Hundred Thousand and 00/100 Dollars (\$800,000.00) or such lesser amount as may from time to time be outstanding by reason of having been advanced hereunder in accordance with the provisions of a Loan Agreement of even date herewith (the "Loan Agreement"), plus interest as hereinafter provided on all amounts from time to time outstanding hereunder, all in lawful money of the United States of America.

The principal outstanding under this Note from time to time shall bear interest ("Effective Interest Rate"), on a basis of a year of 360 days for the actual number of days amounts are outstanding hereunder, at a rate per annum equal to the Wall Street Journal Prime Rate. As used herein the phrase "Wall Street Journal Prime Rate" shall mean the "Prime Rate" published by the Wall Street Journal as the base rate on corporate loans posted by at least 75% of the nation's 30 largest banks as the same may be changed from time to time. If more than one Prime Rate is published, the highest rate published shall be deemed the Wall Street Journal Prime Rate. If the publishing of the Wall Street Journal Prime Rate is discontinued during the term hereof, then the Effective Interest Rate shall be based upon the index which is published by The Wall Street Journal in replacement thereof based on similar base rates on corporate loans or, if no such replacement index is published, the index which, in Standard Federal's sole determination, most nearly corresponds to the Wall Street Journal Prime Rate. If, in such event, Standard Federal selects an index which, in the Borrower's opinion, does not correspond to the Wall Street Journal Prime Rate, Borrower's sole remedy shall be to prepay this Note in full

without penalty or premium. Until such prepayment has been received by Standard Federal, the index selected by Standard Federal shall apply for all purposes of this Note.

2

It is understood and agreed by Borrower that the Effective Interest Rate shall be determined by reference to the "Wall Street Journal Prime Rate" and not by reference to the actual rate of interest charged by any particular bank to any particular borrower or borrowers and shall automatically increase or decrease when and to the extent that the Wall Street Journal Prime Rate shall have been increased or decreased.

This Note is given as evidence of any and all indebtedness of the Borrower to Standard Federal arising as a result of advances or other credit which may be made under this Note from time to time to and until August 1, 1995 (the "Term Date"). Any and all indebtedness may be repaid by the Borrower in whole or in part from time to time prior to the Term Date. Standard Federal shall, from time to time prior to the Term Date, make advances to Borrower hereunder upon request therefor by Borrower, made in accordance with the requirements of the Loan Agreement, provided that upon giving effect to such advance no Event of Default (as hereinafter defined) and no event which with notice and/or the passage of time would become an Event of Default shall exist at the time the advance is to be made and that all representations and warranties of Borrower theretofore made are true and correct and that Standard Federal shall not have previously or concurrently declared all amounts owing hereunder to be immediately due and payable and that the amount requested shall not cause the total amount outstanding hereunder to exceed the First Credit Limit as defined in the Loan Agreement. The principal amount of indebtedness owing pursuant to this Note shall change from time to time, decreasing in an amount equal to any and all payments of principal made by the Borrower prior to the Due Date and increasing by an amount equal to any and all advances made by Standard Federal to the Borrower pursuant to the terms hereof, and the books and records of Standard Federal shall be conclusive evidence of the amount of principal and interest owing hereunder at any time. All payments made hereunder shall be applied first against costs and expenses required to be paid hereunder, then against accrued interest to the extent thereof and the balance shall be applied against the outstanding principal amount hereof.

Accrued interest shall be payable on the 1st day of each month beginning on March 1, 1995 through and including the Term Date. From and after the Term Date, Standard Federal shall make no further advances hereunder and the outstanding principal balance hereunder as of the Term Date, with interest, shall be repaid in consecutive monthly payments of principal, each in the

amount determined by dividing the outstanding principal balance hereunder as of the Term Date by 78, plus interest accrued to the due date of each such payment, commencing on September 1, 1995 and continuing on the same day of each consecutive month thereafter and a final payment on the Due Date in an amount equal to the then unpaid principal and accrued interest.

-2-

3

Nothing herein contained, nor any transaction relating thereto, or hereto, shall be construed or so operate as to require the Borrower to pay, or charge, interest at a greater rate than the maximum allowed by the applicable law relating to this Note. Should any interest, or other charges, charged, paid or payable by the Borrower in connection with this Note, or any other document delivered in connection herewith, result in the charging, compensation, payment or earning of interest in excess of the maximum allowed by applicable law, then any and all such excess shall be and the same is hereby waived by Standard Federal, and any and all such excess paid shall be automatically credited against and in reduction of the principal due under this Note. If Standard Federal shall reasonably determine that the Effective Interest Rate (together with all other charges or payments related hereto that may be deemed interest) stipulated under this Note is, or may be, usurious or otherwise limited by law, the unpaid balance of this Note, with accrued interest at the highest rate permitted to be charged by stipulation in writing between Standard Federal and Borrower, at the option of Standard Federal, shall immediately become due and payable.

The Borrower represents and warrants that it is duly organized, validly existing and in good standing and is duly authorized to make and perform this Note, which constitutes its valid and binding legal obligation enforceable in accordance with its terms. All financial data furnished to Standard Federal in connection with this Note fairly present the financial condition of the Borrower and its subsidiaries, if any, as of the dates thereof and there has been no material adverse change in the condition (financial or otherwise) of the Borrower since such dates.

An Event of Default shall be deemed to have occurred hereunder if any indebtedness of the Borrower to Standard Federal hereunder is not paid when due, regardless of whether such indebtedness has arisen pursuant to the terms of this Note, the Loan Agreement or any mortgage, security agreement, guaranty, instrument or other agreement executed in conjunction herewith, or if an Event of Default shall otherwise occur under the Loan Agreement.

Upon the occurrence of any Event of Default, after the giving of any notice and the expiration of any grace, cure or notice period provided for in the Loan Agreement, if any, and if no such notice or grace, cure or notice period is so provided for in the Loan Agreement, then immediately, Standard Federal may declare the entire unpaid and outstanding principal balance hereunder and all accrued interest to be due and payable in full forthwith,

without presentment, demand or notice of any kind and may exercise any one or more of the rights and remedies provided herein or in the Loan Agreement or in any mortgage, guaranty, security agreement or other document relating hereto or by applicable law. The remedies provided for hereunder are cumulative to the remedies for collection of the amounts owing hereunder as provided by law or by

-3-

4

the Loan Agreement, or by any mortgage, guaranty, security agreement or other document relating hereto. Nothing herein is intended, nor should it be construed, to preclude Standard Federal from pursuing any other remedy for the recovery of any other sum to which Standard Federal may be or become entitled for breach of the terms of this Note or the Loan Agreement, or any mortgage, guaranty, security agreement or other instrument relating hereto.

Borrower agrees, in case of an Event of Default under the terms of this Note or under any loan agreement, security or other agreement executed in connection herewith, to pay all costs of Standard Federal for collection of the Note and all other liabilities of Borrower to Standard Federal and enforcement of rights hereunder, including reasonable attorney fees and legal expenses including participation in Bankruptcy proceedings. During any period(s) this Note is in default, or after the Due Date, or after acceleration of maturity, the outstanding principal amount hereof shall bear interest at a rate equal to two percent (2.0%) per annum greater than the interest rate otherwise charged hereunder. If any required payment is not made within ten (10) days after the date it is due, then, at the option of Standard Federal, a late charge of not more than four cents (\$.04) for each dollar of the payment so overdue may be charged. In addition to any other security interests granted to Standard Federal, Borrower hereby grants Standard Federal a security interest in all of Borrower's bank deposits, instruments, negotiable documents, and chattel paper which at any time are in the possession or control of Standard Federal. After the occurrence of an Event of Default hereunder, Standard Federal may hold and apply at any time its own indebtedness or liability to Borrower in payment of any indebtedness hereunder.

Acceptance by Standard Federal of any payment in an amount less than the amount then due shall be deemed an acceptance on account only, and the failure to pay the entire amount then due shall be and continue to be an Event of Default. Upon any Event of Default, neither the failure of Standard Federal promptly to exercise its right to declare the outstanding principal and accrued unpaid interest hereunder to be immediately due and payable, nor the failure of Standard Federal to demand strict performance of any other obligation of the Borrower or any other person who may be liable hereunder shall constitute a waiver of any such rights, nor a waiver of such rights in connection with any future default on the part of the Borrower or any other person who may be

liable hereunder.

Borrower and all endorsers and guarantors hereof, hereby jointly and severally waive presentment for payment, demand, notice of non-payment, notice of protest or protest of this Note, diligence in collection or bringing suit, and hereby consent to any and all extensions of time, renewals, waivers, or modifications that may be granted by Standard Federal with respect to payment or

-4-

5

any other provisions of this Note, and to the release of any collateral or any part thereof, with or without substitution. The liability of the Borrower shall be absolute and unconditional, without regard to the liability of any other party hereto.

This Note is executed pursuant to a Loan Agreement of even date herewith, is secured by a Security Agreement dated September 15, 1994 and two Open-End Commercial Mortgages and Assignments of Lease and Rentals, dated June 29, 1993, as amended of even date herewith, and is supported by a Guaranty executed by McClain Industries, Inc., a Michigan corporation, of even date herewith. Reference is hereby made to such documents for additional terms relating to the transaction giving rise to this Note, the security given for this Note and additional terms and conditions under which this Note matures, may be accelerated or prepaid.

Advances hereunder may be requested by telephone, in writing or in any other manner acceptable to Standard Federal. Borrower understands and agrees that any telephone conversation with Standard Federal may be recorded for accuracy.

WAIVER OF JURY TRIAL. THE BORROWER AND STANDARD FEDERAL, AFTER CONSULTING OR HAVING HAD THE OPPORTUNITY TO CONSULT WITH COUNSEL, KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT EITHER OF THEM MAY HAVE TO A TRIAL BY JURY IN ANY LITIGATION BASED UPON OR ARISING OUT OF THIS NOTE OR ANY RELATED INSTRUMENT OR AGREEMENT, OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREBY, OR ANY COURSE OF CONDUCT, DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN), OR ACTIONS OF EITHER OF THEM. THIS WAIVER SHALL NOT IN ANY WAY AFFECT STANDARD FEDERAL'S ABILITY TO PURSUE REMEDIES PURSUANT TO ANY CONFESSION OF JUDGMENT OR COGNOVIT PROVISION CONTAINED HEREIN OR IN ANY RELATED INSTRUMENT OR AGREEMENT. NEITHER THE BORROWER NOR STANDARD FEDERAL SHALL SEEK TO CONSOLIDATE, BY COUNTERCLAIM OR OTHERWISE, ANY ACTION IN WHICH A JURY TRIAL HAS BEEN WAIVED WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. THESE PROVISIONS SHALL NOT BE DEEMED TO HAVE BEEN MODIFIED IN ANY RESPECT OR RELINQUISHED BY EITHER THE BORROWER OR STANDARD FEDERAL EXCEPT BY A WRITTEN

Confession of Judgment: The Borrower irrevocably authorizes any attorney-at-law to appear for the Borrower in any court of record in Crawford County, Ohio (which the Borrower acknowledges to be the place where this note was made), or any other state or jurisdiction wherein the Borrower may then reside, to (i) waive the issuing and service of process, (ii) confess judgment against the Borrower in favor of the holder of this Note for the amount then due, together with costs of suit, (iii) release all errors, and (iv) waive all rights of appeal. The Borrower consents to the jurisdiction and venue of that court.

-5-

6

The undersigned has executed this Note in Galion, Ohio, as of the date and year first above written. This Note shall be governed by and construed in accordance with the law of the State of Ohio.

WARNING - BY SIGNING THIS PAPER YOU GIVE UP YOUR RIGHT TO NOTICE AND COURT TRIAL. IF YOU DO NOT PAY ON TIME A COURT JUDGMENT MAY BE TAKEN AGAINST YOU WITHOUT YOUR PRIOR KNOWLEDGE AND THE POWERS OF A COURT CAN BE USED TO COLLECT FROM YOU REGARDLESS OF ANY CLAIMS YOU MAY HAVE AGAINST THE CREDITOR WHETHER FOR RETURNED GOODS, FAULTY GOODS, FAILURE ON THE CREDITOR'S PART TO COMPLY WITH ANY AGREEMENT WITH THE BORROWER, OR ANY OTHER CAUSE.

Each of the undersigned Borrowers acknowledge, represent and agree that they will all be using the funds representing the proceeds of the loan evidenced hereby and that they will all be receiving a substantial portion of such funds. At the request of the undersigned Borrowers, Standard Federal has structured the credit facility evidenced by this Note in order to allow all of the undersigned Borrowers access to the facility, and each will derive a substantial benefit therefrom. The Borrowers hereby appoint Galion Holding Company as the disbursing agent for all of them to make requests for disbursements hereunder, to receive the proceeds of all advances hereunder and to disburse those proceeds to each of the undersigned as the undersigned may deem necessary or convenient.

Witnesses:

BORROWER:

GALION HOLDING COMPANY, a Michigan corporation

By:

E. James Zabinski
Vice President/Treasurer

Taxpayer Identification Number:
38-3060196

GALION SOLID WASTE EQUIPMENT, INC., a Michigan
corporation

By:

E. James Zabinski
Treasurer

Taxpayer Identification Number:

-6-

7

GALION DUMP BODIES, INC., a Michigan
corporation

By:

Carl Jaworski
Treasurer

Taxpayer Identification Number:

Address: 6200 Elmridge
Sterling Heights, MI 48318

Standard Federal Bank, a

federal savings bank
2600 West Big Beaver Road
Troy, Michigan 48084

- 7 -

Note No. 0250017683

STANDARD FEDERAL BANK

PROMISSORY NOTE

(Line of Credit with Term Provisions)	<input checked="" type="checkbox"/>	New
(Second Line of Credit)	<input type="checkbox"/>	Renewal

\$800,000.00

Sterling Heights , Michigan

Due Date: February 1, 2002

Dated: February 6, 1995

FOR VALUE RECEIVED, on the Due Date unless accelerated earlier as provided herein, the undersigned, jointly and severally (collectively, "Borrower"), promise to pay to the order of Standard Federal Bank, a federal savings bank ("Standard Federal"), at its office set forth below, or at such other place as Standard Federal may designate in writing, the principal sum of Eight Hundred Thousand and 00/100 Dollars (\$800,000.00) or such lesser amount as may from time to time be outstanding by reason of having been advanced hereunder in accordance with the provisions of a Loan Agreement of even date herewith (the "Loan Agreement"), plus interest as hereinafter provided on all amounts from time to time outstanding hereunder, all in lawful money of the United States of America.

The principal outstanding under this Note from time to time shall bear interest ("Effective Interest Rate"), on a basis of a year of 360 days for the actual number of days amounts are outstanding hereunder, at a rate per annum equal to the Wall Street Journal Prime Rate. As used herein the phrase "Wall Street Journal Prime Rate" shall mean the "Prime Rate" published by the Wall Street Journal as the base rate on corporate loans posted by at least 75% of the nation's 30 largest banks as the same may be changed from time to time. If more than one Prime Rate is published, the highest rate published shall be deemed the Wall Street Journal Prime Rate. If the publishing of the Wall Street Journal Prime Rate is discontinued during the term hereof, then the Effective Interest Rate shall be based upon the index which is published by The Wall Street Journal in replacement thereof based on similar base rates on corporate loans or, if no such replacement index is published, the index which, in Standard Federal's sole determination, most nearly corresponds to the Wall Street Journal Prime Rate. If, in such event, Standard Federal selects an index which, in the Borrower's opinion, does not correspond to the Wall Street Journal Prime Rate, Borrower's sole remedy shall be to prepay this Note in full without penalty or premium. Until such prepayment has been received by

Standard Federal, the index selected by Standard Federal shall apply for all purposes of this Note.

2

It is understood and agreed by Borrower that the Effective Interest Rate shall be determined by reference to the "Wall Street Journal Prime Rate" and not by reference to the actual rate of interest charged by any particular bank to any particular borrower or borrowers and shall automatically increase or decrease when and to the extent that the Wall Street Journal Prime Rate shall have been increased or decreased.

This Note is given as evidence of any and all indebtedness of the Borrower to Standard Federal arising as a result of advances or other credit which may be made under this Note from time to time after August 1, 1995 to and until February 1, 1996 (the "Term Date"). Any and all indebtedness may be repaid by the Borrower in whole or in part from time to time prior to the Term Date. Standard Federal shall, from time to time prior to the Term Date, make advances to Borrower hereunder upon request therefor by Borrower, made in accordance with the requirements of the Loan Agreement, provided that upon giving effect to such advance no Event of Default (as hereinafter defined) and no event which with notice and/or the passage of time would become an Event of Default shall exist at the time the advance is to be made and that all representations and warranties of Borrower theretofore made are true and correct and that Standard Federal shall not have previously or concurrently declared all amounts owing hereunder to be immediately due and payable and that the amount requested shall not cause the total amount outstanding hereunder to exceed the First Credit Limit as defined in the Loan Agreement. The principal amount of indebtedness owing pursuant to this Note shall change from time to time, decreasing in an amount equal to any and all payments of principal made by the Borrower prior to the Due Date and increasing by an amount equal to any and all advances made by Standard Federal to the Borrower pursuant to the terms hereof, and the books and records of Standard Federal shall be conclusive evidence of the amount of principal and interest owing hereunder at any time. All payments made hereunder shall be applied first against costs and expenses required to be paid hereunder, then against accrued interest to the extent thereof and the balance shall be applied against the outstanding principal amount hereof.

Accrued interest shall be payable on the 1st day of each month beginning on September 1, 1995 through and including the Term Date. From and after the Term Date, Standard Federal shall make no further advances hereunder and the outstanding principal balance hereunder as of the Term Date, with interest, shall be repaid in consecutive monthly payments of principal, each in the amount determined by dividing the outstanding principal balance hereunder as of the Term Date by 78, plus interest accrued to the due date of each such

payment, commencing on March 1, 1996 and continuing on the same day of each consecutive month thereafter and a final payment on the Due Date in an amount equal to the then unpaid principal and accrued interest.

-2-

3

Nothing herein contained, nor any transaction relating thereto, or hereto, shall be construed or so operate as to require the Borrower to pay, or charge, interest at a greater rate than the maximum allowed by the applicable law relating to this Note. Should any interest, or other charges, charged, paid or payable by the Borrower in connection with this Note, or any other document delivered in connection herewith, result in the charging, compensation, payment or earning of interest in excess of the maximum allowed by applicable law, then any and all such excess shall be and the same is hereby waived by Standard Federal, and any and all such excess paid shall be automatically credited against and in reduction of the principal due under this Note. If Standard Federal shall reasonably determine that the Effective Interest Rate (together with all other charges or payments related hereto that may be deemed interest) stipulated under this Note is, or may be, usurious or otherwise limited by law, the unpaid balance of this Note, with accrued interest at the highest rate permitted to be charged by stipulation in writing between Standard Federal and Borrower, at the option of Standard Federal, shall immediately become due and payable.

The Borrower represents and warrants that it is duly organized, validly existing and in good standing and is duly authorized to make and perform this Note, which constitutes its valid and binding legal obligation enforceable in accordance with its terms. All financial data furnished to Standard Federal in connection with this Note fairly present the financial condition of the Borrower and its subsidiaries, if any, as of the dates thereof and there has been no material adverse change in the condition (financial or otherwise) of the Borrower since such dates.

An Event of Default shall be deemed to have occurred hereunder if any indebtedness of the Borrower to Standard Federal hereunder is not paid when due, regardless of whether such indebtedness has arisen pursuant to the terms of this Note, the Loan Agreement or any mortgage, security agreement, guaranty, instrument or other agreement executed in conjunction herewith, or if an Event of Default shall otherwise occur under the Loan Agreement.

Upon the occurrence of any Event of Default, after the giving of any notice and the expiration of any grace, cure or notice period provided for in the Loan Agreement, if any, and if no such notice or grace, cure or notice period is so provided for in the Loan Agreement, then immediately, Standard Federal may declare the entire unpaid and outstanding principal balance

hereunder and all accrued interest to be due and payable in full forthwith, without presentment, demand or notice of any kind and may exercise any one or more of the rights and remedies provided herein or in the Loan Agreement or in any mortgage, guaranty, security agreement or other document relating hereto or by applicable law. The remedies provided for hereunder are cumulative to the remedies for collection of the amounts owing hereunder as provided by law or by

-3-

4

the Loan Agreement, or by any mortgage, guaranty, security agreement or other document relating hereto. Nothing herein is intended, nor should it be construed, to preclude Standard Federal from pursuing any other remedy for the recovery of any other sum to which Standard Federal may be or become entitled for breach of the terms of this Note or the Loan Agreement, or any mortgage, guaranty, security agreement or other instrument relating hereto.

Borrower agrees, in case of an Event of Default under the terms of this Note or under any loan agreement, security or other agreement executed in connection herewith, to pay all costs of Standard Federal for collection of the Note and all other liabilities of Borrower to Standard Federal and enforcement of rights hereunder, including reasonable attorney fees and legal expenses including participation in Bankruptcy proceedings. During any period(s) this Note is in default, or after the Due Date, or after acceleration of maturity, the outstanding principal amount hereof shall bear interest at a rate equal to two percent (2.0%) per annum greater than the interest rate otherwise charged hereunder. If any required payment is not made within ten (10) days after the date it is due, then, at the option of Standard Federal, a late charge of not more than four cents (\$.04) for each dollar of the payment so overdue may be charged. In addition to any other security interests granted to Standard Federal, Borrower hereby grants Standard Federal a security interest in all of Borrower's bank deposits, instruments, negotiable documents, and chattel paper which at any time are in the possession or control of Standard Federal. After the occurrence of an Event of Default hereunder, Standard Federal may hold and apply at any time its own indebtedness or liability to Borrower in payment of any indebtedness hereunder.

Acceptance by Standard Federal of any payment in an amount less than the amount then due shall be deemed an acceptance on account only, and the failure to pay the entire amount then due shall be and continue to be an Event of Default. Upon any Event of Default, neither the failure of Standard Federal promptly to exercise its right to declare the outstanding principal and accrued unpaid interest hereunder to be immediately due and payable, nor the failure of Standard Federal to demand strict performance of any other obligation of the Borrower or any other person who may be liable hereunder shall constitute a waiver of any such rights, nor a waiver of such rights in connection with any future default on the part of the Borrower or any other person who may be

liable hereunder.

Borrower and all endorsers and guarantors hereof, hereby jointly and severally waive presentment for payment, demand, notice of non-payment, notice of protest or protest of this Note, diligence in collection or bringing suit, and hereby consent to any and all extensions of time, renewals, waivers, or modifications that may be granted by Standard Federal with respect to payment or

-4-

5

any other provisions of this Note, and to the release of any collateral or any part thereof, with or without substitution. The liability of the Borrower shall be absolute and unconditional, without regard to the liability of any other party hereto.

This Note is executed pursuant to a Loan Agreement of even date herewith, is secured by a Security Agreement dated September 15, 1994 and two Open-End Commercial Mortgages and Assignments of Lease and Rentals, dated June 29, 1993, as amended of even date herewith, and is supported by a Guaranty executed by McClain Industries, Inc., a Michigan corporation, of even date herewith. Reference is hereby made to such documents for additional terms relating to the transaction giving rise to this Note, the security given for this Note and additional terms and conditions under which this Note matures, may be accelerated or prepaid.

Advances hereunder may be requested by telephone, in writing or in any other manner acceptable to Standard Federal. Borrower understands and agrees that any telephone conversation with Standard Federal may be recorded for accuracy.

WAIVER OF JURY TRIAL. THE BORROWER AND STANDARD FEDERAL, AFTER CONSULTING OR HAVING HAD THE OPPORTUNITY TO CONSULT WITH COUNSEL, KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT EITHER OF THEM MAY HAVE TO A TRIAL BY JURY IN ANY LITIGATION BASED UPON OR ARISING OUT OF THIS NOTE OR ANY RELATED INSTRUMENT OR AGREEMENT, OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREBY, OR ANY COURSE OF CONDUCT, DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN), OR ACTIONS OF EITHER OF THEM. THIS WAIVER SHALL NOT IN ANY WAY AFFECT STANDARD FEDERAL'S ABILITY TO PURSUE REMEDIES PURSUANT TO ANY CONFESSION OF JUDGMENT OR COGNOVIT PROVISION CONTAINED HEREIN OR IN ANY RELATED INSTRUMENT OR AGREEMENT. NEITHER THE BORROWER NOR STANDARD FEDERAL SHALL SEEK TO CONSOLIDATE, BY COUNTERCLAIM OR OTHERWISE, ANY ACTION IN WHICH A JURY TRIAL HAS BEEN WAIVED WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. THESE PROVISIONS SHALL NOT BE DEEMED TO HAVE BEEN MODIFIED IN ANY RESPECT OR RELINQUISHED BY EITHER THE BORROWER OR STANDARD FEDERAL EXCEPT BY A WRITTEN INSTRUMENT EXECUTED BY BOTH OF THEM.

Confession of Judgment: The Borrower irrevocably authorizes any attorney-at-law to appear for the Borrower in any court of record in Crawford County, Ohio (which the Borrower acknowledges to be the place where this note was made), or any other state or jurisdiction wherein the Borrower may then reside, to (i) waive the issuing and service of process, (ii) confess judgment against the Borrower in favor of the holder of this Note for the amount then due, together with costs of suit, (iii) release all errors, and (iv) waive all rights of appeal. The Borrower consents to the jurisdiction and venue of that court.

-5-

6

The undersigned has executed this Note in Galion, Ohio, as of the date and year first above written. This Note shall be governed by and construed in accordance with the law of the State of Ohio.

WARNING - BY SIGNING THIS PAPER YOU GIVE UP YOUR RIGHT TO NOTICE AND COURT TRIAL. IF YOU DO NOT PAY ON TIME A COURT JUDGMENT MAY BE TAKEN AGAINST YOU WITHOUT YOUR PRIOR KNOWLEDGE AND THE POWERS OF A COURT CAN BE USED TO COLLECT FROM YOU REGARDLESS OF ANY CLAIMS YOU MAY HAVE AGAINST THE CREDITOR WHETHER FOR RETURNED GOODS, FAULTY GOODS, FAILURE ON THE CREDITOR'S PART TO COMPLY WITH ANY AGREEMENT WITH THE BORROWER, OR ANY OTHER CAUSE.

Each of the undersigned Borrowers acknowledge, represent and agree that they will all be using the funds representing the proceeds of the loan evidenced hereby and that they will all be receiving a substantial portion of such funds. At the request of the undersigned Borrowers, Standard Federal has structured the credit facility evidenced by this Note in order to allow all of the undersigned Borrowers access to the facility, and each will derive a substantial benefit therefrom. The Borrowers hereby appoint Galion Holding Company as the disbursing agent for all of them to make requests for disbursements hereunder, to receive the proceeds of all advances hereunder and to disburse those proceeds to each of the undersigned as the undersigned may deem necessary or convenient.

Witnesses:

BORROWER:

GALION HOLDING COMPANY, a Michigan corporation

By:

E. James Zabinski
Vice President/Treasurer

Taxpayer Identification Number:
38-3060196

GALION SOLID WASTE EQUIPMENT, INC., a Michigan
corporation

By:

E. James Zabinski
Treasurer

Taxpayer Identification Number:

-6-

7

GALION DUMP BODIES, INC., a Michigan corporation

By:

Carl Jaworski
Treasurer

Taxpayer Identification Number:

Address: 6200 Elmridge
Sterling Heights, MI 48318

Standard Federal Bank, a
federal savings bank
2600 West Big Beaver Road

Troy, Michigan 48084

- 7 -

SECOND AMENDMENT TO OPEN-END COMMERCIAL MORTGAGE
AND ASSIGNMENT OF LEASE AND RENTALS
(Secures Future Advances)
Maximum Indebtedness not to Exceed \$8,800,000.00

THIS AMENDMENT TO OPEN-END COMMERCIAL MORTGAGE AND ASSIGNMENT OF LEASES AND RENTALS, is made and entered into this 6th day of February, 1995, by and between Standard Federal Bank, a federal savings bank, of 2600 West Big Beaver Road, Troy, Michigan 48084 ("Mortgagee"), and Galion Solid Waste Equipment, Inc., a Michigan corporation of 6200 Elmridge, Sterling Heights, Michigan 48318 ("Mortgagor").

WITNESSETH:

WHEREAS, on June 29, 1993, in order to secure a promissory note dated June 29, 1993 by Mortgagor in favor of Mortgagee, Mortgagor granted to Mortgagee an Open-End Commercial Mortgage and Assignment of Lease and Rentals (the "Mortgage") on certain real property located in the City of Galion, County of Crawford and State of Ohio, which real property is more particularly described in the attached Exhibit A; and which Mortgage was recorded on July 13, 1993, in Book 469, Page 631, Crawford County Recorder, and

WHEREAS, the Mortgage was amended by an Amendment to Open-end Commercial Mortgage and Assignment of Lease and Rentals, dated September 15, 1994, and recorded on October 4, 1994, in Book 487, Page 428, Crawford County Recorder (the "Amendment to Mortgage, and

WHEREAS, the parties hereto desire to amend the Mortgage in the manner hereinafter set forth.

NOW, THEREFORE, in consideration of One and No/100 Dollar (\$1.00) and the mutual covenants herein contained, the parties hereto hereby agree as follows:

1. The Mortgage is hereby amended to secure, in addition to the indebtedness described in the Mortgage and the Amendment to Mortgage, two Promissory Notes (Line of Credit) from the Mortgagor to Mortgagee, of even date herewith, under which total principal in the amount of \$800,000.00 may be outstanding (collectively, the "Notes"), such Notes identified as being secured by the Mortgage by statements thereon, including the payment of principal and interest of such indebtedness according to the terms of the Notes, and all other amounts payable by Mortgagor thereunder, and any and all extensions and renewals thereof, however evidenced. The Notes have been executed pursuant to a Loan Agreement of even date herewith by and between the Mortgagor and the Mortgagee (the "Loan Agreement"). The indebtedness secured by the Mortgage

shall hereafter be deemed to include the indebtedness and obligations evidenced by the Notes and the Loan Agreement, as well as the indebtedness described in the Mortgage and the Amendment to Mortgage, such that the total indebtedness secured by the Mortgage has been increased to

2

\$8,800,000.00.

2. In all other respects, the Mortgage is hereby ratified and confirmed and shall continue in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed as of the day and year first above written.

WITNESSES:

Galion Solid Waste Equipment, Inc.,
a Michigan corporation

By:

E. James Zabinski

Its: Treasurer

Standard Federal Bank, a federal
savings bank

By:

David J. Bartlett

Its: Vice President

STATE OF MICHIGAN)
) ss
COUNTY OF OAKLAND)

SECOND AMENDMENT TO OPEN-END COMMERCIAL MORTGAGE
AND ASSIGNMENT OF LEASE AND RENTALS
(Secures Future Advances)
Maximum Indebtedness not to Exceed \$8,800,000.00

THIS AMENDMENT TO OPEN-END COMMERCIAL MORTGAGE AND ASSIGNMENT OF LEASES AND RENTALS, is made and entered into this 6th day of February, 1995, by and between Standard Federal Bank, a federal savings bank, of 2600 West Big Beaver Road, Troy, Michigan 48084 ("Mortgagee"), and Galion Dump Bodies, Inc., a Michigan corporation, of 6200 Elmridge, Sterling Heights, Michigan 48318 ("Mortgagor").

WITNESSETH:

WHEREAS, on June 29, 1993, in order to secure a promissory note dated June 29, 1993 by Mortgagor in favor of Mortgagee, Mortgagor granted to Mortgagee an Open-End Commercial Mortgage and Assignment of Lease and Rentals (the "Mortgage") on certain real property located in the City of Winesburg, County of Holmes and State of Ohio, which real property is more particularly described in the attached Exhibit A; and which Mortgage was recorded on July 13, 1993, in Volume 202, Page 527, Holmes County Recorder, and

WHEREAS, the Mortgage was amended by an Amendment to Open-end Commercial Mortgage and Assignment of Lease and Rentals, dated September 15, 1994, and recorded on September 30, 1994, in Volume 214, Page 9, Holmes County Recorder (the "Amendment to Mortgage, and

WHEREAS, the parties hereto desire to further amend the Mortgage in the manner hereinafter set forth.

NOW, THEREFORE, in consideration of One and No/100 Dollar (\$1.00) and the mutual covenants herein contained, the parties hereto hereby agree as follows:

1. The Mortgage is hereby amended to secure, in addition to the indebtedness described in the Mortgage and the Amendment to Mortgage, two Promissory Notes (Line of Credit) from the Mortgagor to Mortgagee, of even date herewith, under which total principal in the amount of \$800,000.00 may be outstanding (collectively, the "Notes"), such Notes identified as being secured by the Mortgage by statements thereon, including the payment of principal and interest of such indebtedness according to the terms of the Notes, and all other amounts payable by Mortgagor thereunder, and any and all extensions and renewals thereof, however evidenced. The Notes have been executed pursuant to a Loan Agreement of even date herewith by and between the Mortgagor and the Mortgagee (the "Loan Agreement"). The indebtedness secured by the Mortgage shall hereafter be deemed to include the indebtedness and obligations evidenced

_____ County, Michigan

My Commission Expires: _____

-2-

3

STATE OF MICHIGAN)
) ss
COUNTY OF OAKLAND)

The foregoing instrument was acknowledged before me this 6th day of February , 1995, by David J. Bartlett , a Vice President of Standard Federal Bank, a federal savings bank, on behalf of the Bank.

Notary Public

_____ County, Michigan

My Commission Expires: _____

DRAFTED BY:

Daniel C. Watson
Standard Federal Bank
2600 West Big Beaver Road
Troy, Michigan 48084

AFTER RECORDING RETURN TO:

Commercial Loan Department
Standard Federal Bank
2600 West Big Beaver Road
Troy, Michigan 48084

-3-

Note No. 0250006199

STANDARD FEDERAL BANK

AMENDED AND RESTATED

PROMISSORY NOTE
(Line of Credit)

\$9,500,000.00

Sterling Heights , Michigan

Due Date: March 31, 1997

Dated: February 16, 1995

FOR VALUE RECEIVED, on the Due Date unless accelerated earlier as provided herein, the undersigned, jointly and severally (collectively, "Borrower"), promise to pay to the order of Standard Federal Bank, a federal savings bank ("Standard Federal"), at its office set forth below, or at such other place as Standard Federal may designate in writing, the principal sum of Nine Million Five Hundred Thousand and 00/100 Dollars (\$9,500,000.00) or such lesser amount as may from time to time be outstanding by reason of having been advanced hereunder, plus interest as hereinafter provided on all amounts from time to time outstanding hereunder, all in lawful money of the United States of America.

The principal outstanding under this Note from time to time shall bear interest ("Effective Interest Rate"), on a basis of a year of 360 days for the actual number of days amounts are outstanding hereunder, at a rate per annum equal to the Wall Street Journal Prime Rate. As used herein the phrase "Wall Street Journal Prime Rate" shall mean the "Prime Rate" published by the Wall Street Journal as the base rate on corporate loans posted by at least 75% of the nation's 30 largest banks as the same may be changed from time to time. If more than one Prime Rate is published, the highest rate published shall be deemed the Wall Street Journal Prime Rate. If the publishing of the Wall Street Journal Prime Rate is discontinued during the term hereof, then the Effective Interest Rate shall be based upon the index which is published by The Wall Street Journal in replacement thereof based on similar base rates on corporate loans or, if no such replacement index is published, the index which, in Standard Federal's sole determination, most nearly corresponds to the Wall Street Journal Prime Rate. If, in such event, Standard Federal selects an index which, in the Borrower's opinion, does not correspond to the Wall Street Journal Prime Rate, Borrower's sole remedy shall be to prepay this Note in full without penalty or premium. Until such prepayment has been received by Standard Federal, the index selected by Standard Federal shall apply for all purposes of this Note.

It is understood and agreed by Borrower that the Effective Interest Rate shall be determined by reference to the "Wall Street

2

Journal Prime Rate" and not by reference to the actual rate of interest charged by any particular bank to any particular borrower or borrowers and shall automatically increase or decrease when and to the extent that the Wall Street Journal Prime Rate shall have been increased or decreased.

Accrued interest shall be payable on the first day of each month beginning on March 1, 1995.

This Note is given as evidence of any and all indebtedness of the Borrower to Standard Federal arising as a result of advances or other credit which may be made under this Note from time to time in accordance with the provisions of a Loan Agreement of even date herewith by and between Standard Federal and the Borrower (the "Loan Agreement"). Any and all indebtedness may be repaid by the Borrower in whole or in part from time to time prior to the Due Date. Standard Federal shall, from time to time prior to the Due Date, make advances to Borrower hereunder upon request therefor by Borrower, provided that, upon giving effect to such advance: (a) no Event of Default (as hereinafter defined) and no event which with notice and/or the passage of time would become an Event of Default shall exist at the time the advance is to be made; (b) all representations and warranties of Borrower theretofore made are true and correct; (c) Standard Federal shall not have previously or concurrently declared all amounts owing hereunder to be immediately due and payable; (d) the amount requested shall not cause the total amount outstanding hereunder to exceed the Credit Limit, as defined in the Loan Agreement; and (e) all other requirements for the making of advances provided for in the Loan Agreement have been satisfied. The principal amount of indebtedness owing pursuant to this Note shall change from time to time, decreasing in an amount equal to any and all payments of principal made by the Borrower and increasing by an amount equal to any and all advances made by Standard Federal to the Borrower pursuant to the terms hereof, and the books and records of Standard Federal shall be conclusive evidence of the amount of principal and interest owing hereunder at any time. All payments made hereunder shall be applied first against costs and expenses required to be paid hereunder, then against accrued interest to the extent thereof and the balance shall be applied against the outstanding principal amount hereof.

Nothing herein contained, nor any transaction relating thereto, or hereto, shall be construed or so operate as to require the Borrower to pay, or charge, interest at a greater rate than the maximum allowed by the applicable law relating to this Note. Should any interest, or other charges, charged, paid or payable by the Borrower in connection with this Note, or any other document delivered in connection herewith, result in the charging, compensation, payment or earning of interest in excess of the maximum allowed by applicable law, then any and all such excess shall be and the same is hereby waived by Standard Federal, and any and all such excess paid shall be automatically credited against

and in reduction of the principal due under this Note. If Standard Federal shall reasonably determine that the Effective Interest Rate (together with all other charges or payments related hereto that may be deemed interest) stipulated under this Note is, or may be, usurious or otherwise limited by law, the unpaid balance of this Note, with accrued interest at the highest rate permitted to be charged by stipulation in writing between Standard Federal and Borrower, at the option of Standard Federal, shall immediately become due and payable.

The Borrower represents and warrants that it is duly organized, validly existing and in good standing and is duly authorized to make and perform this Note, which constitutes its valid and binding legal obligation enforceable in accordance with its terms. All financial data furnished to Standard Federal in connection with this Note fairly present the financial condition of the Borrower and its subsidiaries, if any, as of the dates thereof and there has been no material adverse change in the condition (financial or otherwise) of the Borrower since such dates.

An Event of Default shall be deemed to have occurred hereunder if any indebtedness of the Borrower to Standard Federal hereunder is not paid when due, regardless of whether such indebtedness has arisen pursuant to the terms of this Note, the Loan Agreement or any mortgage, security agreement, guaranty, instrument or other agreement executed in conjunction herewith, or if an Event of Default shall otherwise occur under the Loan Agreement.

Upon the occurrence of any Event of Default, after the giving of any notice and the expiration of any grace, cure or notice period provided for in the Loan Agreement, if any, and if no such notice or grace, cure or notice period is so provided for in the Loan Agreement, then immediately, Standard Federal may declare the entire unpaid and outstanding principal balance hereunder and all accrued interest to be due and payable in full forthwith, without presentment, demand or notice of any kind and may exercise any one or more of the rights and remedies provided herein or in the Loan Agreement or in any mortgage, guaranty, security agreement or other document relating hereto or by applicable law. The remedies provided for hereunder are cumulative to the remedies for collection of the amounts owing hereunder as provided by law or by the Loan Agreement, or by any mortgage, guaranty, security agreement or other document relating hereto. Nothing herein is intended, nor should it be construed, to preclude Standard Federal from pursuing any other remedy for the recovery of any other sum to which Standard Federal may be or become entitled for breach of the terms of this Note or the Loan Agreement, or any mortgage, guaranty, security agreement or other instrument relating hereto.

Borrower agrees, in case of an Event of Default under the terms of this Note or under any loan agreement, security or other agreement executed in connection herewith, to pay all costs of

-3-

4

Standard Federal for collection of the Note and all other liabilities of Borrower to Standard Federal and enforcement of rights hereunder, including reasonable attorney fees and legal expenses including participation in Bankruptcy proceedings. During any period(s) this Note is in default, or after the Due Date, or after acceleration of maturity, the outstanding principal amount hereof shall bear interest at a rate equal to two percent (2.0%) per annum greater than the interest rate otherwise charged hereunder. If any required payment is not made within ten (10) days after the date it is due, then, at the option of Standard Federal, a late charge of not more than four cents (\$.04) for each dollar of the payment so overdue may be charged. In addition to any other security interests granted to Standard Federal, Borrower hereby grants Standard Federal a security interest in all of Borrower's bank deposits, instruments, negotiable documents, and chattel paper which at any time are in the possession or control of Standard Federal. After the occurrence of an Event of Default hereunder, Standard Federal may hold and apply at any time its own indebtedness or liability to Borrower in payment of any indebtedness hereunder.

Acceptance by Standard Federal of any payment in an amount less than the amount then due shall be deemed an acceptance on account only, and the failure to pay the entire amount then due shall be and continue to be an Event of Default. Upon any Event of Default, neither the failure of Standard Federal promptly to exercise its right to declare the outstanding principal and accrued unpaid interest hereunder to be immediately due and payable, nor the failure of Standard Federal to demand strict performance of any other obligation of the Borrower or any other person who may be liable hereunder shall constitute a waiver of any such rights, nor a waiver of such rights in connection with any future default on the part of the Borrower or any other person who may be liable hereunder.

Borrower and all endorsers and guarantors hereof, hereby jointly and severally waive presentment for payment, demand, notice of non-payment, notice of protest or protest of this Note, diligence in collection or bringing suit, and hereby consent to any and all extensions of time, renewals, waivers, or modifications that may be granted by Standard Federal with respect to payment or any other provisions of this Note, and to the release of any collateral or any part thereof, with or without substitution. The liability of the Borrower shall be absolute and unconditional, without regard to the liability of any

other party hereto.

This Note is executed pursuant to a Loan Agreement, dated September 15, 1994, as amended by a First Amendment to Loan Agreement of even date herewith, and is secured by a Security Agreement, dated September 15, 1994. Reference is hereby made to such documents for additional terms relating to the transaction giving rise to this Note, the security given for this Note and

-4-

5

additional terms and conditions under which this Note matures, may be accelerated or prepaid.

Advances hereunder may be requested by telephone, in writing or in any other manner acceptable to Standard Federal. Borrower understands and agrees that any telephone conversation with Standard Federal may be recorded for accuracy.

BORROWER:

MCCLAIN INDUSTRIES, INC., a Michigan corporation

By:

E. James Zabinski

Its: Treasurer

38-1867649

Taxpayer Identification Number

MCCLAIN OF GEORGIA, INC., a Georgia corporation

By:

Carl L. Jaworski

Its: Secretary

58-1738825

Taxpayer Identification Number

SHELBY STEEL PROCESSING COMPANY, a
Michigan corporation

By:

Carl L. Jaworski

Its: Secretary

38-2205216

Taxpayer Identification Number

-5-

6

MCCLAIN TUBE COMPANY d/b/a QUALITY
TUBE, a Michigan corporation

By:

E. James Zabinski

Its: Treasurer

Taxpayer Identification Number

MCCLAIN INDUSTRIES OF OHIO, INC., a
Michigan corporation

By:

E. James Zabinski

Its: Treasurer

Taxpayer Identification Number

Standard Federal Bank, a
federal savings bank
2600 West Big Beaver Road
Troy, Michigan 48084

FIRST AMENDMENT TO LOAN AGREEMENT

BETWEEN

STANDARD FEDERAL BANK

AND

MCCLAIN INDUSTRIES, INC., MCCLAIN OF GEORGIA, INC.,
SHELBY STEEL PROCESSING COMPANY,
MCCLAIN TUBE COMPANY d/b/a QUALITY TUBE AND
MCCLAIN INDUSTRIES OF OHIO, INC.

THIS AMENDMENT AGREEMENT made and delivered this 16th day of February, 1995, by and between McClain Industries, Inc., a Michigan corporation, McClain of Georgia, Inc., a Georgia corporation, Shelby Steel Processing Company, a Michigan corporation, McClain Tube Company d/b/a Quality Tube, a Michigan corporation, and McClain Industries of Ohio, Inc., a Michigan corporation (collectively, "Borrower"), whose address/principal office is 6200 Elmridge, Sterling Heights, Michigan 48310, and Standard Federal Bank, a federal savings bank ("Standard Federal"), whose address is 2600 West Big Beaver Road, Troy, Michigan 48084.

RECITALS:

A. On September 15, 1994, the Borrower and Standard Federal entered into a Loan Agreement (the "Loan Agreement"), pursuant to which the Borrower opened a revolving line of credit facility with Standard Federal, Loan No. 0250006199, with a credit limit of up to \$5,000,000.00 (the "Line of Credit"), as evidenced by a Promissory Note (Line of Credit), dated September 15, 1994, in the principal amount of \$5,000,000.00 (the "Note"), secured by a Security Agreement dated September 15, 1994 (the "Security Agreement").

B. The Borrower has requested an increase in the credit limit of the Line of Credit, as herein provided, and Standard Federal is willing to supply such financing subject to the terms and conditions set forth in this Amendment Agreement.

NOW, THEREFORE, in reliance upon the representations herein provided and in consideration of the premises and the mutual promises herein contained, the Borrower and Standard Federal hereby agree as follows:

1. The Borrower is a Michigan corporation in good standing. All corporate resolutions heretofore delivered to Standard Federal relative to borrowing money and granting security interests remain in full force and

effect. Borrower has duly authorized and validly executed and delivered this Amendment Agreement and such Amendment Agreement and the Loan Agreement (as hereby amended) are valid and enforceable according to their terms and do not conflict with or

2

violate Borrower's corporate charter or by-laws or any agreement or covenants to which Borrower is a party.

2. The Security Agreement is valid and enforceable in accordance with its terms. Standard Federal's security interest in the collateral described in the Security Agreement is valid and perfected and Borrower is aware of no claims or interests in such collateral prior or paramount to Standard Federal's.

3. Section 1.1 of the Loan Agreement is hereby deleted in its entirety and replaced by the following new Section 1.1:

1.1 Standard Federal hereby extends to the Borrower a revolving line of credit (the "Line of Credit") which shall not exceed at any one time outstanding the Credit Limit as hereafter defined. The term "Credit Limit" shall mean the lesser of: (a) Nine Million Five Hundred Thousand and 00/100 Dollars (\$9,500,000.00), or (b) an amount equal to the sum of: (i) an amount equal to 80% of Eligible Accounts Receivable, plus (ii) an amount equal to the lesser of: (1) Six Million and 00/100 Dollars (\$6,000,000.00), or (2) an amount equal to 40% of Qualified Inventory. As used herein, the term "Eligible Accounts Receivable" shall mean accounts receivable of the Borrower less than 90 days old, not doubtful as to collectibility or disputed as to existence or amount or subject to offset, contra-indebtedness or return and not intra-company or owing from any affiliated or related company or other entity, exclusive of any account receivable arising under a government contract, the assignment of which is subject to the Assignment of Claims Act of 1940, as amended, or any other similar federal or state statute or regulation governing the assignment of contracts with a governmental agency. The term "Qualified Inventory" shall mean the inventory of Borrower in which Standard Federal holds a perfected first security interest exclusive of any returned or damaged items and work-in-process.

4. Simultaneously with the execution of this Amendment Agreement, the Borrower shall execute and deliver to Standard Federal an Amended and Restated Promissory Note (Line of Credit) in the stated principal amount of \$9,500,000.00 (the "Amended Note") to evidence the Line of Credit as hereby amended and to replace the Note. The "Line of Credit Note" referred to in the Loan Agreement shall hereafter be deemed to refer to the Amended Note.

5. Except as herein amended, the Loan Agreement and Security Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the Borrower and Standard Federal have caused this Amendment Agreement to be executed as of the day and year first written above.

2

3

BORROWER:

MCCLAIN INDUSTRIES, INC., a Michigan corporation

By: _____

E. James Zabinski

Its: Treasurer

38-1867649
Taxpayer Identification Number

MCCLAIN OF GEORGIA, INC., a Georgia corporation

By: _____

Carl L. Jaworski

Its: Secretary

58-1738825
Taxpayer Identification Number

SHELBY STEEL PROCESSING COMPANY, a Michigan corporation

By: _____

Carl L. Jaworski

Its: Secretary

38-2205216

Taxpayer Identification Number

MCCLAIN TUBE COMPANY d/b/a QUALITY
TUBE, a Michigan corporation

By:

E. James Zabinski

Its: Treasurer

3

4

Taxpayer Identification Number

MCCLAIN INDUSTRIES OF OHIO, INC., a
Michigan corporation

By:

E. James Zabinski

Its: Treasurer

Taxpayer Identification Number

STANDARD FEDERAL BANK, a
federal savings bank

By:

Its:

4

Note No. 0250012691

STANDARD FEDERAL BANK

AMENDED AND RESTATED

PROMISSORY NOTE
(Line of Credit)

\$7,500,000.00

Sterling Heights, Michigan

Due Date: March 31, 1997

Dated: February 16, 1995

FOR VALUE RECEIVED, on the Due Date unless accelerated earlier as provided herein, the undersigned, jointly and severally (collectively, "Borrower"), promise to pay to the order of Standard Federal Bank, a federal savings bank ("Standard Federal"), at its office set forth below, or at such other place as Standard Federal may designate in writing, the principal sum of Seven Million Five Hundred Thousand and 00/100 Dollars (\$7,500,000.00) or such lesser amount as may from time to time be outstanding by reason of having been advanced hereunder, plus interest as hereinafter provided on all amounts from time to time outstanding hereunder, all in lawful money of the United States of America.

The principal outstanding under this Note from time to time shall bear interest ("Effective Interest Rate"), on a basis of a year of 360 days for the actual number of days amounts are outstanding hereunder, at a rate per annum equal to One-Half of One percent (0.50%) in excess of the Wall Street Journal Prime Rate. As used herein the phrase "Wall Street Journal Prime Rate" shall mean the "Prime Rate" published by the Wall Street Journal as the base rate on corporate loans posted by at least 75% of the nation's 30 largest banks as the same may be changed from time to time. If more than one Prime Rate is published, the highest rate published shall be deemed the Wall Street Journal Prime Rate. If the publishing of the Wall Street Journal Prime Rate is discontinued during the term hereof, then the Effective Interest Rate shall be based upon the index which is published by The Wall Street Journal in replacement thereof based on similar base rates on corporate loans or, if no such replacement index is published, the index which, in Standard Federal's sole determination, most nearly corresponds to the Wall Street Journal Prime Rate. If, in such event, Standard Federal selects an index which, in the Borrower's opinion, does not correspond to the Wall Street Journal Prime Rate, Borrower's sole remedy shall be to prepay this Note in full without penalty or premium. Until such prepayment has been received by Standard Federal, the index selected by Standard Federal shall apply for all purposes of this Note.

It is understood and agreed by Borrower that the Effective Interest Rate shall be determined by reference to the "Wall Street

2

Journal Prime Rate" and not by reference to the actual rate of interest charged by any particular bank to any particular borrower or borrowers and shall automatically increase or decrease when and to the extent that the Wall Street Journal Prime Rate shall have been increased or decreased.

Accrued interest shall be payable on the first day of each month beginning on March 1, 1995.

This Note is given as evidence of any and all indebtedness of the Borrower to Standard Federal arising as a result of advances or other credit which may be made under this Note from time to time in accordance with the provisions of a Loan Agreement of even date herewith by and between Standard Federal and the Borrower (the "Loan Agreement"). Any and all indebtedness may be repaid by the Borrower in whole or in part from time to time prior to the Due Date. Standard Federal shall, from time to time prior to the Due Date, make advances to Borrower hereunder upon request therefor by Borrower, provided that, upon giving effect to such advance: (a) no Event of Default (as hereinafter defined) and no event which with notice and/or the passage of time would become an Event of Default shall exist at the time the advance is to be made; (b) all representations and warranties of Borrower theretofore made are true and correct; (c) Standard Federal shall not have previously or concurrently declared all amounts owing hereunder to be immediately due and payable; (d) the amount requested shall not cause the total amount outstanding hereunder to exceed the Credit Limit, as defined in the Loan Agreement; and (e) all other requirements for the making of advances provided for in the Loan Agreement have been satisfied. The principal amount of indebtedness owing pursuant to this Note shall change from time to time, decreasing in an amount equal to any and all payments of principal made by the Borrower and increasing by an amount equal to any and all advances made by Standard Federal to the Borrower pursuant to the terms hereof, and the books and records of Standard Federal shall be conclusive evidence of the amount of principal and interest owing hereunder at any time. All payments made hereunder shall be applied first against costs and expenses required to be paid hereunder, then against accrued interest to the extent thereof and the balance shall be applied against the outstanding principal amount hereof.

Nothing herein contained, nor any transaction relating thereto, or hereto, shall be construed or so operate as to require the Borrower to pay, or charge, interest at a greater rate than the maximum allowed by the applicable law relating to this Note. Should any interest, or other charges, charged, paid or payable by the Borrower in connection with this Note, or any other document delivered in connection herewith, result in the charging, compensation, payment or earning of interest in excess of the maximum allowed by applicable law, then any and all such excess shall be and the same is hereby

waived by Standard Federal, and any and all such excess paid shall be automatically credited against

-2-

3

and in reduction of the principal due under this Note. If Standard Federal shall reasonably determine that the Effective Interest Rate (together with all other charges or payments related hereto that may be deemed interest) stipulated under this Note is, or may be, usurious or otherwise limited by law, the unpaid balance of this Note, with accrued interest at the highest rate permitted to be charged by stipulation in writing between Standard Federal and Borrower, at the option of Standard Federal, shall immediately become due and payable.

The Borrower represents and warrants that it is duly organized, validly existing and in good standing and is duly authorized to make and perform this Note, which constitutes its valid and binding legal obligation enforceable in accordance with its terms. All financial data furnished to Standard Federal in connection with this Note fairly present the financial condition of the Borrower and its subsidiaries, if any, as of the dates thereof and there has been no material adverse change in the condition (financial or otherwise) of the Borrower since such dates.

An Event of Default shall be deemed to have occurred hereunder if any indebtedness of the Borrower to Standard Federal hereunder is not paid when due, regardless of whether such indebtedness has arisen pursuant to the terms of this Note, the Loan Agreement or any mortgage, security agreement, guaranty, instrument or other agreement executed in conjunction herewith, or if an Event of Default shall otherwise occur under the Loan Agreement.

Upon the occurrence of any Event of Default, after the giving of any notice and the expiration of any grace, cure or notice period provided for in the Loan Agreement, if any, and if no such notice or grace, cure or notice period is so provided for in the Loan Agreement, then immediately, Standard Federal may declare the entire unpaid and outstanding principal balance hereunder and all accrued interest to be due and payable in full forthwith, without presentment, demand or notice of any kind and may exercise any one or more of the rights and remedies provided herein or in the Loan Agreement or in any mortgage, guaranty, security agreement or other document relating hereto or by applicable law. The remedies provided for hereunder are cumulative to the remedies for collection of the amounts owing hereunder as provided by law or by the Loan Agreement, or by any mortgage, guaranty, security agreement or other document relating hereto. Nothing herein is intended, nor should it be construed, to preclude Standard Federal from pursuing any other remedy for the recovery of any other sum to which Standard Federal may be or become entitled

for breach of the terms of this Note or the Loan Agreement, or any mortgage, guaranty, security agreement or other instrument relating hereto.

Borrower agrees, in case of an Event of Default under the terms of this Note or under any loan agreement, security or other agreement executed in connection herewith, to pay all costs of

-3-

4

Standard Federal for collection of the Note and all other liabilities of Borrower to Standard Federal and enforcement of rights hereunder, including reasonable attorney fees and legal expenses including participation in Bankruptcy proceedings. During any period(s) this Note is in default, or after the Due Date, or after acceleration of maturity, the outstanding principal amount hereof shall bear interest at a rate equal to two percent (2.0%) per annum greater than the interest rate otherwise charged hereunder. If any required payment is not made within ten (10) days after the date it is due, then, at the option of Standard Federal, a late charge of not more than four cents (\$.04) for each dollar of the payment so overdue may be charged. In addition to any other security interests granted to Standard Federal, Borrower hereby grants Standard Federal a security interest in all of Borrower's bank deposits, instruments, negotiable documents, and chattel paper which at any time are in the possession or control of Standard Federal. After the occurrence of an Event of Default hereunder, Standard Federal may hold and apply at any time its own indebtedness or liability to Borrower in payment of any indebtedness hereunder.

Acceptance by Standard Federal of any payment in an amount less than the amount then due shall be deemed an acceptance on account only, and the failure to pay the entire amount then due shall be and continue to be an Event of Default. Upon any Event of Default, neither the failure of Standard Federal promptly to exercise its right to declare the outstanding principal and accrued unpaid interest hereunder to be immediately due and payable, nor the failure of Standard Federal to demand strict performance of any other obligation of the Borrower or any other person who may be liable hereunder shall constitute a waiver of any such rights, nor a waiver of such rights in connection with any future default on the part of the Borrower or any other person who may be liable hereunder.

Borrower and all endorsers and guarantors hereof, hereby jointly and severally waive presentment for payment, demand, notice of non-payment, notice of protest or protest of this Note, diligence in collection or bringing suit, and hereby consent to any and all extensions of time, renewals, waivers, or modifications that may be granted by Standard Federal with respect to payment or any other provisions of this Note, and to the release of any collateral or

any part thereof, with or without substitution. The liability of the Borrower shall be absolute and unconditional, without regard to the liability of any other party hereto.

This Note is executed pursuant to a Loan Agreement dated September 15, 1994, as amended by a First Amendment to Loan Agreement of even date herewith, is secured by a Security Agreement, dated September 15, 1994, and two Open-End Commercial Mortgages and Assignments of Lease and Rentals, dated June 29, 1993, as amended September 15, 1994 and as further amended of even

-4-

5

date herewith, and is supported by a Guaranty executed by McClain Industries, Inc., a Michigan corporation, of even date herewith. Reference is hereby made to such documents for additional terms relating to the transaction giving rise to this Note, the security given for this Note and additional terms and conditions under which this Note matures, may be accelerated or prepaid.

Advances hereunder may be requested by telephone, in writing or in any other manner acceptable to Standard Federal. Borrower understands and agrees that any telephone conversation with Standard Federal may be recorded for accuracy.

WAIVER OF JURY TRIAL. THE BORROWER AND STANDARD FEDERAL, AFTER CONSULTING OR HAVING HAD THE OPPORTUNITY TO CONSULT WITH COUNSEL, KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT EITHER OF THEM MAY HAVE TO A TRIAL BY JURY IN ANY LITIGATION BASED UPON OR ARISING OUT OF THIS NOTE OR ANY RELATED INSTRUMENT OR AGREEMENT, OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREBY, OR ANY COURSE OF CONDUCT, DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN), OR ACTIONS OF EITHER OF THEM. THIS WAIVER SHALL NOT IN ANY WAY AFFECT STANDARD FEDERAL'S ABILITY TO PURSUE REMEDIES PURSUANT TO ANY CONFESSION OF JUDGMENT OR COGNOVIT PROVISION CONTAINED HEREIN OR IN ANY RELATED INSTRUMENT OR AGREEMENT. NEITHER THE BORROWER NOR STANDARD FEDERAL SHALL SEEK TO CONSOLIDATE, BY COUNTERCLAIM OR OTHERWISE, ANY ACTION IN WHICH A JURY TRIAL HAS BEEN WAIVED WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. THESE PROVISIONS SHALL NOT BE DEEMED TO HAVE BEEN MODIFIED IN ANY RESPECT OR RELINQUISHED BY EITHER THE BORROWER OR STANDARD FEDERAL EXCEPT BY A WRITTEN INSTRUMENT EXECUTED BY BOTH OF THEM.

Confession of Judgment: The Borrower irrevocably authorizes any attorney-at-law to appear for the Borrower in any court of record in Crawford County, Ohio (which the Borrower acknowledges to be the place where this note was made), or any other state or jurisdiction wherein the Borrower may then reside, to (i) waive the issuing and service of process, (ii) confess judgment against the Borrower in favor of the holder of this Note for the amount then

due, together with costs of suit, (iii) release all errors, and (iv) waive all rights of appeal. The Borrower consents to the jurisdiction and venue of that court.

The undersigned has executed this Note in Galion, Ohio, as of the date and year first above written. This Note shall be governed by and construed in accordance with the law of the State of Ohio.

WARNING - BY SIGNING THIS PAPER YOU GIVE UP YOUR RIGHT TO NOTICE AND COURT TRIAL. IF YOU DO NOT PAY ON TIME A COURT JUDGMENT MAY BE TAKEN AGAINST YOU WITHOUT YOUR PRIOR KNOWLEDGE AND THE POWERS OF A COURT CAN BE USED TO COLLECT FROM YOU REGARDLESS OF ANY CLAIMS YOU MAY HAVE AGAINST THE CREDITOR WHETHER FOR RETURNED GOODS, FAULTY GOODS, FAILURE ON THE CREDITOR'S PART TO COMPLY WITH ANY AGREEMENT WITH THE BORROWER, OR ANY OTHER CAUSE.

-5-

6

Each of the undersigned Borrowers acknowledge, represent and agree that they will all be using the funds representing the proceeds of the loan evidenced hereby and that they will all be receiving a substantial portion of such funds. At the request of the undersigned Borrowers, Standard Federal has structured the credit facility evidenced by this Note in order to allow all of the undersigned Borrowers access to the facility, and each will derive a substantial benefit therefrom. The Borrowers hereby appoint Galion Holding Company as the disbursing agent for all of them to make requests for disbursements hereunder, to receive the proceeds of all advances hereunder and to disburse those proceeds to each of the undersigned as the undersigned may deem necessary or convenient.

Witnesses:

BORROWER:

GALION HOLDING COMPANY, a Michigan
corporation

By:

E. James Zabinski
Vice President/Treasurer

Taxpayer Identification Number:
38-3060196

GALION SOLID WASTE EQUIPMENT, INC.,
a Michigan corporation

By:

E. James Zabinski
Treasurer

Taxpayer Identification Number:

GALION DUMP BODIES, INC., a Michigan
corporation

By:

Carl Jaworski
Treasurer

Taxpayer Identification Number:

-6-

7

Address: 6200 Elmridge
Sterling Heights, MI 48318

Standard Federal Bank, a
federal savings bank
2600 West Big Beaver Road
Troy, Michigan 48084

FIRST AMENDMENT TO LOAN AGREEMENT

BETWEEN

STANDARD FEDERAL BANK

AND

GALION HOLDING COMPANY,
GALION SOLID WASTE EQUIPMENT, INC.
AND GALION DUMP BODIES, INC.

THIS AMENDMENT AGREEMENT made and delivered this 16th day of February, 1995, by and between Galion Holding Company, a Michigan corporation, Galion Solid Waste Equipment, Inc., a Michigan corporation, and Galion Dump Bodies, Inc., a Michigan corporation (collectively, "Borrower"), whose address/principal office is 6200 Elmridge, Sterling Heights, Michigan 48310, and Standard Federal Bank, a federal savings bank ("Standard Federal"), whose address is 2600 West Big Beaver Road, Troy, Michigan 48084.

RECITALS:

A. On September 15, 1994, the Borrower and Standard Federal entered into a Loan Agreement (the "Loan Agreement"), pursuant to which the Borrower opened a revolving line of credit facility with Standard Federal, Loan No. 0250012691, with a credit limit of up to \$6,000,000.00 (the "Line of Credit"), as evidenced by a Promissory Note (Line of Credit), dated September 15, 1994, in the principal amount of \$6,000,000.00 (the "Note"), secured by a Security Agreement, dated September 15, 1994 (the "Security Agreement"), and two Open-End Commercial Mortgages and Assignments of Lease and Rentals, dated June 29, 1993, as amended September 15, 1994 (the "Mortgages").

B. The Borrower has requested an increase in the credit limit of the Line of Credit, as herein provided, and Standard Federal is willing to supply such financing subject to the terms and conditions set forth in this Amendment Agreement.

NOW, THEREFORE, in reliance upon the representations herein provided and in consideration of the premises and the mutual promises herein contained, the Borrower and Standard Federal hereby agree as follows:

1. The Borrower is a Michigan corporation in good standing. All corporate resolutions heretofore delivered to Standard Federal relative to borrowing money and granting security interests remain in full force and effect. Borrower has duly authorized and validly executed and delivered this Amendment Agreement and such Amendment Agreement and the Loan Agreement (as

hereby amended) are valid and enforceable according to their terms and do not conflict with or

-8-

2

violate Borrower's corporate charter or by-laws or any agreement or covenants to which Borrower is a party.

2. The Security Agreement is valid and enforceable in accordance with its terms. Standard Federal's security interest in the collateral described in the Security Agreement is valid and perfected and Borrower is aware of no claims or interests in such collateral prior or paramount to Standard Federal's.

3. The Mortgages are valid and enforceable in accordance with their terms. Standard Federal holds valid first mortgage interests in the real property described in the Mortgages which are valid and perfected and Borrower is aware of no claims or interests in such property prior or paramount to Standard Federal's.

4. Section 1.1 of the Loan Agreement is hereby deleted in its entirety and replaced by the following new Section 1.1:

1.1 Standard Federal hereby extends to the Borrower a revolving line of credit (the "Line of Credit") which shall not exceed at any one time outstanding the Credit Limit as hereafter defined. The term "Credit Limit" shall mean the lesser of: (a) Seven Million Five Hundred Thousand and 00/100 Dollars (\$7,500,000.00), or (b) an amount equal to the sum of: (i) an amount equal to 80% of Eligible Accounts Receivable, plus (ii) an amount equal to the lesser of: (1) Five Million and 00/100 Dollars (\$5,000,000.00), or (2) an amount equal to 40% of Qualified Inventory. As used herein, the term "Eligible Accounts Receivable" shall mean accounts receivable of the Borrower less than 90 days old, not doubtful as to collectibility or disputed as to existence or amount or subject to offset, contra-indebtedness or return and not intra-company or owing from any affiliated or related company or other entity, exclusive of any account receivable arising under a government contract, the assignment of which is subject to the Assignment of Claims Act of 1940, as amended, or any other similar federal or state statute or regulation governing the assignment of contracts with a governmental agency. The term "Qualified Inventory" shall mean the inventory of Borrower in which Standard Federal holds a perfected first security interest exclusive of any returned or damaged items and work-in-process.

5. Simultaneously with the execution of this Amendment Agreement, the Borrower shall execute and deliver to Standard Federal an Amended and Restated Promissory Note (Line of Credit) in the stated principal amount of \$7,500,000.00 (the "Amended Note") to evidence the Line of Credit as hereby amended and to replace the Note. The "Line of Credit Note" referred to in the Loan Agreement shall hereafter be deemed to refer to the Amended Note.

6. Simultaneously with the execution of this Amendment Agreement, the Borrower shall also execute and deliver amendment agreements whereby the Mortgages are amended to secure the Line of Credit as hereby amended, and shall cause McClain Industries, Inc., a Michigan corporation, to executed an unlimited guaranty of payment of the obligations of the Borrower to Standard Federal.

7. Except as herein amended, the Loan Agreement, Security Agreement and Mortgages shall remain in full force and effect.

IN WITNESS WHEREOF, the Borrower and Standard Federal have caused this Amendment Agreement to be executed as of the day and year first written above.

Witnesses:

BORROWER:

GALION HOLDING COMPANY, a Michigan corporation

By:

E. James Zabinski
Vice President/Treasurer

Taxpayer Identification Number:
38-3060196

GALION SOLID WASTE EQUIPMENT, INC.,
a Michigan corporation

By:

E. James Zabinski
Treasurer

Taxpayer Identification Number:

GALION DUMP BODIES, INC., a Michigan
corporation

By:

Carl Jaworski
Treasurer

Taxpayer Identification Number:

3

4

STANDARD FEDERAL BANK, a
federal savings bank

By:

Its:

4

Note No. 0250012691

STANDARD FEDERAL BANK

AMENDED AND RESTATED

PROMISSORY NOTE
(Line of Credit)

\$9,000,000.00

Troy, Michigan

Due Date: March 31, 1997

Dated: May 5, 1995

FOR VALUE RECEIVED, on the Due Date unless accelerated earlier as provided herein, the undersigned, jointly and severally (collectively, "Borrower"), promise to pay to the order of Standard Federal Bank, a federal savings bank ("Standard Federal"), at its office set forth below, or at such other place as Standard Federal may designate in writing, the principal sum of Nine Million and 00/100 Dollars (\$9,000,000.00) or such lesser amount as may from time to time be outstanding by reason of having been advanced hereunder, plus interest as hereinafter provided on all amounts from time to time outstanding hereunder, all in lawful money of the United States of America.

The principal outstanding under this Note from time to time shall bear interest ("Effective Interest Rate"), on a basis of a year of 360 days for the actual number of days amounts are outstanding hereunder, at a rate per annum equal to One-Half of One percent (0.50%) in excess of the Wall Street Journal Prime Rate. As used herein the phrase "Wall Street Journal Prime Rate" shall mean the "Prime Rate" published by the Wall Street Journal as the base rate on corporate loans posted by at least 75% of the nation's 30 largest banks as the same may be changed from time to time. If more than one Prime Rate is published, the highest rate published shall be deemed the Wall Street Journal Prime Rate. If the publishing of the Wall Street Journal Prime Rate is discontinued during the term hereof, then the Effective Interest Rate shall be based upon the index which is published by The Wall Street Journal in replacement thereof based on similar base rates on corporate loans or, if no such replacement index is published, the index which, in Standard Federal's sole determination, most nearly corresponds to the Wall Street Journal Prime Rate. If, in such event, Standard Federal selects an index which, in the Borrower's opinion, does not correspond to the Wall Street Journal Prime Rate, Borrower's sole remedy shall be to prepay this Note in full without penalty or premium. Until such prepayment has been received by Standard Federal, the index selected by Standard Federal shall apply for all purposes of this Note.

It is understood and agreed by Borrower that the Effective Interest Rate shall be determined by reference to the "Wall Street

2

Journal Prime Rate" and not by reference to the actual rate of interest charged by any particular bank to any particular borrower or borrowers and shall automatically increase or decrease when and to the extent that the Wall Street Journal Prime Rate shall have been increased or decreased.

Accrued interest shall be payable on the first day of each month beginning on June 1, 1995.

This Note is given as evidence of any and all indebtedness of the Borrower to Standard Federal arising as a result of advances or other credit which may be made under this Note from time to time in accordance with the provisions of a Loan Agreement of even date herewith by and between Standard Federal and the Borrower (the "Loan Agreement"). Any and all indebtedness may be repaid by the Borrower in whole or in part from time to time prior to the Due Date. Standard Federal shall, from time to time prior to the Due Date, make advances to Borrower hereunder upon request therefor by Borrower, provided that, upon giving effect to such advance: (a) no Event of Default (as hereinafter defined) and no event which with notice and/or the passage of time would become an Event of Default shall exist at the time the advance is to be made; (b) all representations and warranties of Borrower theretofore made are true and correct; (c) Standard Federal shall not have previously or concurrently declared all amounts owing hereunder to be immediately due and payable; (d) the amount requested shall not cause the total amount outstanding hereunder to exceed the Credit Limit, as defined in the Loan Agreement; and (e) all other requirements for the making of advances provided for in the Loan Agreement have been satisfied. The principal amount of indebtedness owing pursuant to this Note shall change from time to time, decreasing in an amount equal to any and all payments of principal made by the Borrower and increasing by an amount equal to any and all advances made by Standard Federal to the Borrower pursuant to the terms hereof, and the books and records of Standard Federal shall be conclusive evidence of the amount of principal and interest owing hereunder at any time. All payments made hereunder shall be applied first against costs and expenses required to be paid hereunder, then against accrued interest to the extent thereof and the balance shall be applied against the outstanding principal amount hereof.

Nothing herein contained, nor any transaction relating thereto, or hereto, shall be construed or so operate as to require the Borrower to pay, or charge, interest at a greater rate than the maximum allowed by the applicable law relating to this Note. Should any interest, or other charges, charged, paid or payable by the Borrower in connection with this Note, or any other document delivered in connection herewith, result in the charging, compensation, payment or earning of interest in excess of the maximum allowed by applicable law, then any and all such excess shall be and the same is hereby

waived by Standard Federal, and any and all such excess paid shall be automatically credited against

-2-

3

and in reduction of the principal due under this Note. If Standard Federal shall reasonably determine that the Effective Interest Rate (together with all other charges or payments related hereto that may be deemed interest) stipulated under this Note is, or may be, usurious or otherwise limited by law, the unpaid balance of this Note, with accrued interest at the highest rate permitted to be charged by stipulation in writing between Standard Federal and Borrower, at the option of Standard Federal, shall immediately become due and payable.

The Borrower represents and warrants that it is duly organized, validly existing and in good standing and is duly authorized to make and perform this Note, which constitutes its valid and binding legal obligation enforceable in accordance with its terms. All financial data furnished to Standard Federal in connection with this Note fairly present the financial condition of the Borrower and its subsidiaries, if any, as of the dates thereof and there has been no material adverse change in the condition (financial or otherwise) of the Borrower since such dates.

An Event of Default shall be deemed to have occurred hereunder if any indebtedness of the Borrower to Standard Federal hereunder is not paid when due, regardless of whether such indebtedness has arisen pursuant to the terms of this Note, the Loan Agreement or any mortgage, security agreement, guaranty, instrument or other agreement executed in conjunction herewith, or if an Event of Default shall otherwise occur under the Loan Agreement.

Upon the occurrence of any Event of Default, after the giving of any notice and the expiration of any grace, cure or notice period provided for in the Loan Agreement, if any, and if no such notice or grace, cure or notice period is so provided for in the Loan Agreement, then immediately, Standard Federal may declare the entire unpaid and outstanding principal balance hereunder and all accrued interest to be due and payable in full forthwith, without presentment, demand or notice of any kind and may exercise any one or more of the rights and remedies provided herein or in the Loan Agreement or in any mortgage, guaranty, security agreement or other document relating hereto or by applicable law. The remedies provided for hereunder are cumulative to the remedies for collection of the amounts owing hereunder as provided by law or by the Loan Agreement, or by any mortgage, guaranty, security agreement or other document relating hereto. Nothing herein is intended, nor should it be construed, to preclude Standard Federal from pursuing any other remedy for the recovery of any other sum to which Standard Federal may be or become entitled

for breach of the terms of this Note or the Loan Agreement, or any mortgage, guaranty, security agreement or other instrument relating hereto.

Borrower agrees, in case of an Event of Default under the terms of this Note or under any loan agreement, security or other agreement executed in connection herewith, to pay all costs of

-3-

4

Standard Federal for collection of the Note and all other liabilities of Borrower to Standard Federal and enforcement of rights hereunder, including reasonable attorney fees and legal expenses including participation in Bankruptcy proceedings. During any period(s) this Note is in default, or after the Due Date, or after acceleration of maturity, the outstanding principal amount hereof shall bear interest at a rate equal to two percent (2.0%) per annum greater than the interest rate otherwise charged hereunder. If any required payment is not made within ten (10) days after the date it is due, then, at the option of Standard Federal, a late charge of not more than four cents (\$.04) for each dollar of the payment so overdue may be charged. In addition to any other security interests granted to Standard Federal, Borrower hereby grants Standard Federal a security interest in all of Borrower's bank deposits, instruments, negotiable documents, and chattel paper which at any time are in the possession or control of Standard Federal. After the occurrence of an Event of Default hereunder, Standard Federal may hold and apply at any time its own indebtedness or liability to Borrower in payment of any indebtedness hereunder.

Acceptance by Standard Federal of any payment in an amount less than the amount then due shall be deemed an acceptance on account only, and the failure to pay the entire amount then due shall be and continue to be an Event of Default. Upon any Event of Default, neither the failure of Standard Federal promptly to exercise its right to declare the outstanding principal and accrued unpaid interest hereunder to be immediately due and payable, nor the failure of Standard Federal to demand strict performance of any other obligation of the Borrower or any other person who may be liable hereunder shall constitute a waiver of any such rights, nor a waiver of such rights in connection with any future default on the part of the Borrower or any other person who may be liable hereunder.

Borrower and all endorsers and guarantors hereof, hereby jointly and severally waive presentment for payment, demand, notice of non-payment, notice of protest or protest of this Note, diligence in collection or bringing suit, and hereby consent to any and all extensions of time, renewals, waivers, or modifications that may be granted by Standard Federal with respect to payment or any other provisions of this Note, and to the release of any collateral or

any part thereof, with or without substitution. The liability of the Borrower shall be absolute and unconditional, without regard to the liability of any other party hereto.

This Note is executed pursuant to a Loan Agreement dated September 15, 1994, as amended by a First Amendment to Loan Agreement, dated February 16, 1995 and by a Second Amendment to Loan Agreement of even date herewith, is secured by a Security Agreement, dated September 15, 1994, and two Open-End Commercial Mortgages and Assignments of Lease and Rentals, dated June 29,

-4-

5

1993, as amended September 15, 1994, February 6, 1995 and February 16, 1995 and as further amended of even date herewith, and is supported by a Guaranty executed by McClain Industries, Inc., a Michigan corporation, of even date herewith. Reference is hereby made to such documents for additional terms relating to the transaction giving rise to this Note, the security given for this Note and additional terms and conditions under which this Note matures, may be accelerated or prepaid.

Advances hereunder may be requested by telephone, in writing or in any other manner acceptable to Standard Federal. Borrower understands and agrees that any telephone conversation with Standard Federal may be recorded for accuracy.

WAIVER OF JURY TRIAL. THE BORROWER AND STANDARD FEDERAL, AFTER CONSULTING OR HAVING HAD THE OPPORTUNITY TO CONSULT WITH COUNSEL, KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT EITHER OF THEM MAY HAVE TO A TRIAL BY JURY IN ANY LITIGATION BASED UPON OR ARISING OUT OF THIS NOTE OR ANY RELATED INSTRUMENT OR AGREEMENT, OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREBY, OR ANY COURSE OF CONDUCT, DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN), OR ACTIONS OF EITHER OF THEM. THIS WAIVER SHALL NOT IN ANY WAY AFFECT STANDARD FEDERAL'S ABILITY TO PURSUE REMEDIES PURSUANT TO ANY CONFESSION OF JUDGMENT OR COGNOVIT PROVISION CONTAINED HEREIN OR IN ANY RELATED INSTRUMENT OR AGREEMENT. NEITHER THE BORROWER NOR STANDARD FEDERAL SHALL SEEK TO CONSOLIDATE, BY COUNTERCLAIM OR OTHERWISE, ANY ACTION IN WHICH A JURY TRIAL HAS BEEN WAIVED WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. THESE PROVISIONS SHALL NOT BE DEEMED TO HAVE BEEN MODIFIED IN ANY RESPECT OR RELINQUISHED BY EITHER THE BORROWER OR STANDARD FEDERAL EXCEPT BY A WRITTEN INSTRUMENT EXECUTED BY BOTH OF THEM.

Confession of Judgment: The Borrower irrevocably authorizes any attorney-at-law to appear for the Borrower in any court of record in Crawford County, Ohio (which the Borrower acknowledges to be the place where this note was made), or any other state or jurisdiction wherein the Borrower may then

reside, to (i) waive the issuing and service of process, (ii) confess judgment against the Borrower in favor of the holder of this Note for the amount then due, together with costs of suit, (iii) release all errors, and (iv) waive all rights of appeal. The Borrower consents to the jurisdiction and venue of that court.

The undersigned has executed this Note in Galion, Ohio, as of the date and year first above written. This Note shall be governed by and construed in accordance with the law of the State of Ohio.

WARNING - BY SIGNING THIS PAPER YOU GIVE UP YOUR RIGHT TO NOTICE AND COURT TRIAL. IF YOU DO NOT PAY ON TIME A COURT JUDGMENT MAY BE TAKEN AGAINST YOU WITHOUT YOUR PRIOR KNOWLEDGE AND THE POWERS OF A COURT CAN BE USED TO COLLECT FROM YOU REGARDLESS OF ANY CLAIMS YOU MAY HAVE AGAINST THE CREDITOR WHETHER FOR RETURNED GOODS, FAULTY

-5-

6

GOODS, FAILURE ON THE CREDITOR'S PART TO COMPLY WITH ANY AGREEMENT WITH THE BORROWER, OR ANY OTHER CAUSE.

Each of the undersigned Borrowers acknowledge, represent and agree that they will all be using the funds representing the proceeds of the loan evidenced hereby and that they will all be receiving a substantial portion of such funds. At the request of the undersigned Borrowers, Standard Federal has structured the credit facility evidenced by this Note in order to allow all of the undersigned Borrowers access to the facility, and each will derive a substantial benefit therefrom. The Borrowers hereby appoint Galion Holding Company as the disbursing agent for all of them to make requests for disbursements hereunder, to receive the proceeds of all advances hereunder and to disburse those proceeds to each of the undersigned as the undersigned may deem necessary or convenient.

Witnesses:

BORROWER:

GALION HOLDING COMPANY, a Michigan corporation

By:

E. James Zabinski
Vice President/Treasurer

Taxpayer Identification Number:
38-3060196

GALION SOLID WASTE EQUIPMENT, INC.,
a Michigan corporation

By:

E. James Zabinski
Treasurer

Taxpayer Identification Number:

GALION DUMP BODIES, INC., a Michigan
corporation

By:

Carl Jaworski
Treasurer

-6-

7

Taxpayer Identification Number:

Address: 6200 Elmridge
Sterling Heights, MI 48318

Standard Federal Bank, a
federal savings bank
2600 West Big Beaver Road
Troy, Michigan 48084

SECOND AMENDMENT TO LOAN AGREEMENT

BETWEEN

STANDARD FEDERAL BANK

AND

GALION HOLDING COMPANY,
GALION SOLID WASTE EQUIPMENT, INC.
AND GALION DUMP BODIES, INC.

THIS AMENDMENT AGREEMENT made and delivered this 5th day of May, 1995, by and between Galion Holding Company, a Michigan corporation, Galion Solid Waste Equipment, Inc., a Michigan corporation, and Galion Dump Bodies, Inc., a Michigan corporation (collectively, "Borrower"), whose address/principal office is 6200 Elmridge, Sterling Heights, Michigan 48310, and Standard Federal Bank, a federal savings bank ("Standard Federal"), whose address is 2600 West Big Beaver Road, Troy, Michigan 48084.

RECITALS:

A. On September 15, 1994, the Borrower and Standard Federal entered into a Loan Agreement, as amended February 16, 1995 (the "Loan Agreement"), pursuant to which the Borrower opened a revolving line of credit facility with Standard Federal, Loan No. 0250012691, with a credit limit of up to \$7,500,000.00 (the "Line of Credit"), as evidenced by an Amended and Restated Promissory Note (Line of Credit), dated February 16, 1995, in the principal amount of \$7,500,000.00 (the "Note"), secured by a Security Agreement, dated September 15, 1994 (the "Security Agreement"), and two Open-End Commercial Mortgages and Assignments of Lease and Rentals, dated June 29, 1993, as amended September 15, 1994, February 6, 1995 and February 16, 1995 (the "Mortgages").

B. The Borrower has requested an increase in the credit limit of the Line of Credit, as herein provided, and Standard Federal is willing to supply such financing subject to the terms and conditions set forth in this Amendment Agreement.

NOW, THEREFORE, in reliance upon the representations herein provided and in consideration of the premises and the mutual promises herein contained, the Borrower and Standard Federal hereby agree as follows:

1. The Borrower is a Michigan corporation in good standing. All corporate resolutions heretofore delivered to Standard Federal relative to borrowing money and granting security interests remain in full force and

effect. Borrower has duly authorized and validly executed and delivered this Amendment Agreement and such Amendment Agreement and the Loan Agreement (as hereby amended) are valid and

2

enforceable according to their terms and do not conflict with or violate Borrower's corporate charter or by-laws or any agreement or covenants to which Borrower is a party.

2. The Security Agreement is valid and enforceable in accordance with its terms. Standard Federal's security interest in the collateral described in the Security Agreement is valid and perfected and Borrower is aware of no claims or interests in such collateral prior or paramount to Standard Federal's.

3. The Mortgages are valid and enforceable in accordance with their terms. Standard Federal holds valid first mortgage interests in the real property described in the Mortgages which are valid and perfected and Borrower is aware of no claims or interests in such property prior or paramount to Standard Federal's.

4. Section 1.1 of the Loan Agreement is hereby deleted in its entirety and replaced by the following new Section 1.1:

1.1 Standard Federal hereby extends to the Borrower a revolving line of credit (the "Line of Credit") which shall not exceed at any one time outstanding the Credit Limit as hereafter defined. The term "Credit Limit" shall mean the lesser of: (a) Nine Million and 00/100 Dollars (\$9,000,000.00), or (b) an amount equal to the sum of: (i) an amount equal to 80% of Eligible Accounts Receivable, plus (ii) an amount equal to the lesser of: (1) Five Million and 00/100 Dollars (\$5,000,000.00), or (2) an amount equal to 40% of Qualified Inventory. As used herein, the term "Eligible Accounts Receivable" shall mean accounts receivable of the Borrower less than 90 days old, not doubtful as to collectibility or disputed as to existence or amount or subject to offset, contra- indebtedness or return and not intra-company or owing from any affiliated or related company or other entity, exclusive of any account receivable arising under a government contract, the assignment of which is subject to the Assignment of Claims Act of 1940, as amended, or any other similar federal or state statute or regulation governing the assignment of contracts with a governmental agency. The term "Qualified Inventory" shall mean the inventory of Borrower in which Standard Federal holds a perfected first security interest exclusive of any returned or damaged items and work-in-process.

5. Simultaneously with the execution of this Amendment Agreement, the Borrower shall execute and deliver to Standard Federal an Amended and Restated Promissory Note (Line of Credit) in the stated principal amount of \$9,000,000.00 (the "Amended Note") to evidence the Line of Credit as hereby

amended and to replace the Note. The "Line of Credit Note" referred to in the Loan Agreement shall hereafter be deemed to refer to the Amended Note.

6. Simultaneously with the execution of this Amendment Agreement, the Borrower shall also execute and deliver amendment agreements whereby the Mortgages are amended to secure the Line of Credit as hereby amended, and shall cause McClain Industries, Inc., a Michigan corporation, to executed an unlimited guaranty of payment of the obligations of the Borrower to Standard Federal.

7. Except as herein amended, the Loan Agreement, Security Agreement and Mortgages shall remain in full force and effect.

IN WITNESS WHEREOF, the Borrower and Standard Federal have caused this Amendment Agreement to be executed as of the day and year first written above.

Witnesses:

BORROWER:

GALION HOLDING COMPANY, a Michigan corporation

By:

E. James Zabinski
Vice President/Treasurer

Taxpayer Identification Number:
38-3060196

GALION SOLID WASTE EQUIPMENT, INC.,
a Michigan corporation

By:

E. James Zabinski
Treasurer

Taxpayer Identification Number:

GALION DUMP BODIES, INC., a Michigan
corporation

By:

Carl Jaworski
Treasurer

Taxpayer Identification Number:

3

4

STANDARD FEDERAL BANK, a
federal savings bank

By: _____

Its: _____

4

SECOND AMENDMENT TO LOAN AGREEMENT

BETWEEN

STANDARD FEDERAL BANK

AND

MCCLAIN INDUSTRIES, INC., MCCLAIN OF GEORGIA, INC.,
SHELBY STEEL PROCESSING COMPANY,
MCCLAIN TUBE COMPANY D/B/A QUALITY TUBE,
MCCLAIN INDUSTRIES OF OHIO, INC. AND
EPCO MANUFACTURING, INC.

THIS AMENDMENT AGREEMENT made and delivered this 22nd day of June, 1995, by and between McClain Industries, Inc., a Michigan corporation, McClain of Georgia, Inc., a Georgia corporation, Shelby Steel Processing Company, a Michigan corporation, McClain Tube Company d/b/a Quality Tube, a Michigan corporation, McClain Industries of Ohio, Inc., a Michigan corporation (collectively, "Borrower"), and EpcO Manufacturing, Inc. ("EpcO"), a New York corporation, whose address/principal office is 6200 Elmridge, Sterling Heights, Michigan 48310, and Standard Federal Bank, a federal savings bank ("Standard Federal"), whose address is 2600 West Big Beaver Road, Troy, Michigan 48084.

RECITALS:

A. On September 15, 1994, the Borrower and Standard Federal entered into a Loan Agreement, as amended by a First Amendment to Loan Agreement, dated February 16, 1995 (the "Loan Agreement"), pursuant to which the Borrower opened a revolving line of credit facility with Standard Federal, Loan No. 0250006199, with a credit limit of up to \$9,500,000.00 (the "Line of Credit"), as evidenced by an Amended and Restated Promissory Note (Line of Credit), dated February 16, 1995, in the principal amount of \$9,500,000.00 (the "Note"), secured by a Security Agreement dated September 15, 1994 (the "Security Agreement").

B. The Borrower has requested an increase in the credit limit of the Line of Credit and a change in the advance formula thereunder, as herein provided, and Standard Federal is willing to supply such financing subject to the terms and conditions set forth in this Amendment Agreement.

C. The Borrower has also requested the extension of an additional equipment purchase line of credit and a term loan, as herein provided, and Standard Federal is willing to supply such financing subject to the terms and

conditions set forth in this Amendment Agreement.

NOW, THEREFORE, in reliance upon the representations herein provided and in consideration of the premises and the mutual prom-

2

ises herein contained, the Borrower and Standard Federal hereby agree as follows:

1. The Borrower is a Michigan corporation in good standing. All corporate resolutions heretofore delivered to Standard Federal relative to borrowing money and granting security interests remain in full force and effect. Borrower has duly authorized and validly executed and delivered this Amendment Agreement and such Amendment Agreement and the Loan Agreement (as hereby amended) are valid and enforceable according to their terms and do not conflict with or violate Borrower's corporate charter or by-laws or any agreement or covenants to which Borrower is a party.

2. The Security Agreement is valid and enforceable in accordance with its terms. Standard Federal's security interest in the collateral described in the Security Agreement is valid and perfected and Borrower is aware of no claims or interests in such collateral prior or paramount to Standard Federal's.

3. Section 1.1 of the Loan Agreement is hereby deleted in its entirety and replaced by the following new Section 1.1:

1.1 Standard Federal hereby extends to the Borrower a revolving line of credit (the "Line of Credit") which shall not exceed at any one time outstanding the Credit Limit as hereafter defined. The term "Credit Limit" shall mean the lesser of: (a) Eleven Million and 00/100 Dollars (\$11,000,000.00), or (b) an amount equal to the sum of: (i) an amount equal to 80% of Eligible Accounts Receivable, plus (ii) an amount equal to the lesser of: (1) Seven Million Five Hundred Thousand and 00/100 Dollars (\$7,500,000.00), or (2) an amount equal to 50% of Qualified Inventory. As used herein, the term "Eligible Accounts Receivable" shall mean accounts receivable of the Borrower less than 90 days old, not doubtful as to collectibility or disputed as to existence or amount or subject to offset, contra-indebtedness or return and not intra-company or owing from any affiliated or related company or other entity, exclusive of any account receivable arising under a government contract, the assignment of which is subject to the Assignment of Claims Act of 1940, as amended, or any other similar federal or state statute or regulation governing the assignment of contracts with a governmental agency. The term "Qualified Inventory" shall mean the inventory of Borrower in which Standard Federal holds a perfected first security interest exclusive of any returned or damaged items and work-in-process.

4. Simultaneously with the execution of this Amendment Agreement,

the Borrower shall execute and deliver to Standard Federal a Second Amended and Restated Promissory Note (Line of Credit) in the stated principal amount of \$11,000,000.00 (the "Amended Note") to evidence the Line of Credit as hereby amended

2

3

and to replace the Note. The "Line of Credit Note" referred to in the Loan Agreement shall hereafter be deemed to refer to the Amended Note.

5. Epcoco is hereby added as a borrower under the Loan Agreement and the term "Borrower," as used in the Loan Agreement, shall hereafter be deemed to refer to Epcoco, jointly and severally with the other entities referred to as "Borrower" in the Loan Agreement. Epcoco shall also execute and deliver the Amended Note, jointly and severally, with the other entities referred to as "Borrower" in the Loan Agreement. Epcoco shall also execute and deliver to Standard Federal with this Amendment Agreement a Security Agreement whereby Epcoco shall grant to Standard Federal a security interest of first priority in all personal property of Epcoco, in accordance with the provisions of Section 5.1(b) of the Loan Agreement.

6. The following new sections are hereby added to the Loan Agreement:

SECTION 1A1. EQUIPMENT PURCHASE LINES OF CREDIT

1A1A.1 First Line of Credit

1A1A.1(a) Standard Federal hereby extends to the Borrower a revolving line of credit (the "First Line of Credit") which shall not exceed at any one time outstanding the principal amount of Four Hundred Twenty Six Thousand and 00/100 Dollars (\$426,000.00) (the "First Credit Limit").

1A1A.1(b) The First Line of Credit herein extended shall be subject to the terms and conditions of a Promissory Note (Line of Credit with Term Provisions) (First Line of Credit), in the principal amount of Four Hundred Twenty Six Thousand and 00/100 Dollars (\$426,000.00), of even date herewith and all renewals and amendments thereof (the "First Line of Credit Note"). This Loan Agreement and the First Line of Credit Note are of equal materiality and shall each be construed in such manner as to give full force and effect to all provisions of both documents.

1A1A.1(c) If at any time the amount outstanding under the First Line of Credit shall exceed the First Credit Limit, Borrower shall, on demand, forthwith pay to Standard Federal such sums as are necessary to reduce the amount outstanding to an amount not greater than the

First Credit Limit.

1A1A.1(d) Each advance under the First Line of Credit shall be used solely for the purchase of equipment. Each advance shall be in an amount not in excess of Eighty Five percent (85.0%) of the cost to the Borrower of the equipment to be purchased with such advance. Standard Federal shall make advances under

3

4

the First Line of Credit only upon receipt by it in a form satisfactory to it of a true and authentic copy of the dealer invoice for the equipment purchased or to be purchased with the advance.

1A1A.1(e) Standard Federal shall, from time to time to and until January 1, 1996 (the "First Term Date"), make advances to Borrower under the First Line of Credit upon request therefor by Borrower, subject to the other conditions contained in the First Line of Credit Note.

1A1A.1(f) Accrued interest shall be payable under the First Line of Credit Note on the 1st day of each month beginning on August 1, 1995 through and including the First Term Date. From and after the First Term Date, Standard Federal shall make no further advances under the First Line of Credit and the outstanding principal balance thereunder as of the First Term Date, with interest, shall be repaid in consecutive monthly payments of principal, each in the amount determined by dividing the outstanding principal balance under the First Line of Credit Note as of the First Term Date by 78, plus interest accrued to the due date of each such payment, commencing on February 1, 1996 and continuing on the same day of each consecutive month thereafter and a final payment on July 1, 2002 in an amount equal to the then unpaid principal and accrued interest under the First Line of Credit Note.

1A1B.2 Second Line of Credit

1A1B.2(a) Standard Federal hereby extends to the Borrower an additional revolving line of credit (the "Second Line of Credit") (the First Line of Credit and the Second Line of Credit are sometimes herein collectively referred to as the "Line of Credit") which shall not exceed at any one time outstanding the principal amount of Four Hundred Twenty Six Thousand and 00/100 Dollars (\$426,000.00), less the principal outstanding under the First Line of Credit as of the First Term Date (the "Second Credit Limit").

1A1B.2(b) The Second Line of Credit herein extended shall be subject to the terms and conditions of a Promissory Note (Line of Credit with

Term Provisions) (Second Line of Credit), in the principal amount of Four Hundred Twenty Six Thousand and 00/100 Dollars (\$426,000.00), of even date herewith and all renewals and amendments thereof (the "Second Line of Credit Note") (the First Line of Credit Note and the Second Line of Credit Note are sometimes herein collectively referred to as the "Line of Credit Notes"). This Loan Agreement and the Second Line of Credit Note are of equal materiality and shall each be construed in such manner as to give full force and effect to all provisions of both documents.

4

5

1A1B.2(c) If at any time the amount outstanding under the Second Line of Credit shall exceed the Second Credit Limit, Borrower shall, on demand, forthwith pay to Standard Federal such sums as are necessary to reduce the amount outstanding to an amount not greater than the Second Credit Limit.

1A1B.2(d) Each advance under the Second Line of Credit shall be used solely for the purchase of equipment. Each advance shall be in an amount not in excess of Eighty Five percent (85.0%) of the cost to the Borrower of the equipment to be purchased with such advance. Standard Federal shall make advances under the Second Line of Credit only upon receipt by it in a form satisfactory to it of a true and authentic copy of the dealer invoice for the equipment purchased or to be purchased with the advance.

1A1B.2(e) Standard Federal shall, from time to time after the First Term Date and to and until July 1, 1996 (the "Second Term Date"), make advances to Borrower under the Second Line of Credit upon request therefor by Borrower, subject to the other conditions contained in the Second Line of Credit Note.

1A1B.2(f) Accrued interest shall be payable under the Second Line of Credit Note on the 1st day of each month beginning on February 1, 1996 through and including the Second Term Date. From and after the Second Term Date, Standard Federal shall make no further advances under the Second Line of Credit and the outstanding principal balance thereunder as of the Second Term Date, with interest, shall be repaid in consecutive monthly payments of principal, each in the amount determined by dividing the outstanding principal balance under the Second Line of Credit Note as of the Second Term Date by 78, plus interest accrued to the due date of each such payment, commencing on August 1, 1996 and continuing on the same day of each consecutive month thereafter and a final payment on January 1, 2003 in an amount equal to the then unpaid principal and accrued interest under the Second Line of Credit Note.

1A2.1 Standard Federal hereby extends to the Borrower a term loan (the "McClain/EpcO Term Loan") in the principal amount of Two Hundred Forty Thousand and 00/100 Dollars (\$240,000.00).

1A2.2 The McClain/EpcO Term Loan herein extended shall be subject to the terms and conditions of a Promissory Note (Term Loan) of even date herewith and all renewals and amendments thereof (the "McClain/EpcO Term Note"). The McClain/EpcO Term Loan shall be payable and shall bear interest as set forth in the McClain/EpcO Term Note. This Loan Agreement and the

McClain/EpcO Term Note are of equal materiality and shall each be construed in such manner as to give full force and effect to all provisions of both documents.

7. Except as herein amended, the Loan Agreement and Security Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the Borrower and Standard Federal have caused this Amendment Agreement to be executed as of the day and year first written above.

BORROWER:

MCCLAIN INDUSTRIES, INC., a Michigan corporation

By:

E. James Zabinski

Its: Treasurer

38-1867649

Taxpayer Identification Number

MCCLAIN OF GEORGIA, INC., a Georgia
corporation

By:

Carl L. Jaworski

Its: Secretary

58-1738825

Taxpayer Identification Number

SHELBY STEEL PROCESSING COMPANY, a
Michigan corporation

By:

Carl L. Jaworski

Its: Secretary

38-2205216

Taxpayer Identification Number

6

7

MCCLAIN TUBE COMPANY d/b/a QUALITY
TUBE, a Michigan corporation

By:

E. James Zabinski

Its: Treasurer

Taxpayer Identification Number

MCCLAIN INDUSTRIES OF OHIO, INC., a
Michigan corporation

By:

E. James Zabinski

Its: Treasurer

Taxpayer Identification Number

EPCO MANUFACTURING, INC., a New York
corporation

By:

E. James Zabinski

Its: Treasurer

38-

Taxpayer Identification Number

STANDARD FEDERAL BANK, a
federal savings bank

By:

Its:

Note No. 0250006199

STANDARD FEDERAL BANK

SECOND AMENDED AND RESTATED

PROMISSORY NOTE
(Line of Credit)

\$11,000,000.00

Sterling Heights, Michigan

Due Date: March 31, 1997

Dated: June 22, 1995

FOR VALUE RECEIVED, on the Due Date unless accelerated earlier as provided herein, the undersigned, jointly and severally (collectively, "Borrower"), promise to pay to the order of Standard Federal Bank, a federal savings bank ("Standard Federal"), at its office set forth below, or at such other place as Standard Federal may designate in writing, the principal sum of Eleven Million and 00/100 Dollars (\$11,000,000.00) or such lesser amount as may from time to time be outstanding by reason of having been advanced hereunder, plus interest as hereinafter provided on all amounts from time to time outstanding hereunder, all in lawful money of the United States of America.

The principal outstanding under this Note from time to time shall bear interest ("Effective Interest Rate"), on a basis of a year of 360 days for the actual number of days amounts are outstanding hereunder, at a rate per annum equal to the Wall Street Journal Prime Rate. As used herein the phrase "Wall Street Journal Prime Rate" shall mean the "Prime Rate" published by the Wall Street Journal as the base rate on corporate loans posted by at least 75% of the nation's 30 largest banks as the same may be changed from time to time. If more than one Prime Rate is published, the highest rate published shall be deemed the Wall Street Journal Prime Rate. If the publishing of the Wall Street Journal Prime Rate is discontinued during the term hereof, then the Effective Interest Rate shall be based upon the index which is published by The Wall Street Journal in replacement thereof based on similar base rates on corporate loans or, if no such replacement index is published, the index which, in Standard Federal's sole determination, most nearly corresponds to the Wall Street Journal Prime Rate. If, in such event, Standard Federal selects an index which, in the Borrower's opinion, does not correspond to the Wall Street Journal Prime Rate, Borrower's sole remedy shall be to prepay this Note in full without penalty or premium. Until such prepayment has been received by Standard Federal, the index selected by Standard Federal shall apply for all purposes of this Note.

It is understood and agreed by Borrower that the Effective Interest Rate shall be determined by reference to the "Wall Street

2

Journal Prime Rate" and not by reference to the actual rate of interest charged by any particular bank to any particular borrower or borrowers and shall automatically increase or decrease when and to the extent that the Wall Street Journal Prime Rate shall have been increased or decreased.

Accrued interest shall be payable on the first day of each month beginning on August 1, 1995.

This Note is given as evidence of any and all indebtedness of the Borrower to Standard Federal arising as a result of advances or other credit which may be made under this Note from time to time in accordance with the provisions of a Loan Agreement, dated September 15, 1994, as amended by a First Amendment to Loan Agreement, dated February 16, 1995 and by a Second Amendment to Loan Agreement of even date herewith, by and between Standard Federal and the Borrower (the "Loan Agreement"). Any and all indebtedness may be repaid by the Borrower in whole or in part from time to time prior to the Due Date. Standard Federal shall, from time to time prior to the Due Date, make advances to Borrower hereunder upon request therefor by Borrower, provided that, upon giving effect to such advance: (a) no Event of Default (as hereinafter defined) and no event which with notice and/or the passage of time would become an Event of Default shall exist at the time the advance is to be made; (b) all representations and warranties of Borrower theretofore made are true and correct; (c) Standard Federal shall not have previously or concurrently declared all amounts owing hereunder to be immediately due and payable; (d) the amount requested shall not cause the total amount outstanding hereunder to exceed the Credit Limit, as defined in the Loan Agreement; and (e) all other requirements for the making of advances provided for in the Loan Agreement have been satisfied. The principal amount of indebtedness owing pursuant to this Note shall change from time to time, decreasing in an amount equal to any and all payments of principal made by the Borrower and increasing by an amount equal to any and all advances made by Standard Federal to the Borrower pursuant to the terms hereof, and the books and records of Standard Federal shall be conclusive evidence of the amount of principal and interest owing hereunder at any time. All payments made hereunder shall be applied first against costs and expenses required to be paid hereunder, then against accrued interest to the extent thereof and the balance shall be applied against the outstanding principal amount hereof.

Nothing herein contained, nor any transaction relating thereto, or hereto, shall be construed or so operate as to require the Borrower to pay, or charge, interest at a greater rate than the maximum allowed by the applicable law relating to this Note. Should any interest, or other charges, charged, paid or payable by the Borrower in connection with this Note, or any other document delivered in connection herewith, result in the charging, compensation, payment or earning of interest in excess of the

maximum allowed by applicable law, then any and all such excess shall be and the same is hereby waived by Standard Federal, and any and all such excess paid shall be automatically credited against and in reduction of the principal due under this Note. If Standard Federal shall reasonably determine that the Effective Interest Rate (together with all other charges or payments related hereto that may be deemed interest) stipulated under this Note is, or may be, usurious or otherwise limited by law, the unpaid balance of this Note, with accrued interest at the highest rate permitted to be charged by stipulation in writing between Standard Federal and Borrower, at the option of Standard Federal, shall immediately become due and payable.

The Borrower represents and warrants that it is duly organized, validly existing and in good standing and is duly authorized to make and perform this Note, which constitutes its valid and binding legal obligation enforceable in accordance with its terms. All financial data furnished to Standard Federal in connection with this Note fairly present the financial condition of the Borrower and its subsidiaries, if any, as of the dates thereof and there has been no material adverse change in the condition (financial or otherwise) of the Borrower since such dates.

An Event of Default shall be deemed to have occurred hereunder if any indebtedness of the Borrower to Standard Federal hereunder is not paid when due, regardless of whether such indebtedness has arisen pursuant to the terms of this Note, the Loan Agreement or any mortgage, security agreement, guaranty, instrument or other agreement executed in conjunction herewith, or if an Event of Default shall otherwise occur under the Loan Agreement.

Upon the occurrence of any Event of Default, after the giving of any notice and the expiration of any grace, cure or notice period provided for in the Loan Agreement, if any, and if no such notice or grace, cure or notice period is so provided for in the Loan Agreement, then immediately, Standard Federal may declare the entire unpaid and outstanding principal balance hereunder and all accrued interest to be due and payable in full forthwith, without presentment, demand or notice of any kind and may exercise any one or more of the rights and remedies provided herein or in the Loan Agreement or in any mortgage, guaranty, security agreement or other document relating hereto or by applicable law. The remedies provided for hereunder are cumulative to the remedies for collection of the amounts owing hereunder as provided by law or by the Loan Agreement, or by any mortgage, guaranty, security agreement or other document relating hereto. Nothing herein is intended, nor should it be construed, to preclude Standard Federal from pursuing any other remedy for the recovery of any other sum to which Standard Federal may be or become entitled for breach of the terms of this Note or the Loan Agreement, or any mortgage, guaranty, security agreement or other instrument relating hereto.

Borrower agrees, in case of an Event of Default under the terms of this Note or under any loan agreement, security or other agreement executed in connection herewith, to pay all costs of Standard Federal for collection of the Note and all other liabilities of Borrower to Standard Federal and enforcement of rights hereunder, including reasonable attorney fees and legal expenses including participation in Bankruptcy proceedings. During any period(s) this Note is in default, or after the Due Date, or after acceleration of maturity, the outstanding principal amount hereof shall bear interest at a rate equal to two percent (2.0%) per annum greater than the interest rate otherwise charged hereunder. If any required payment is not made within ten (10) days after the date it is due, then, at the option of Standard Federal, a late charge of not more than four cents (\$.04) for each dollar of the payment so overdue may be charged. In addition to any other security interests granted to Standard Federal, Borrower hereby grants Standard Federal a security interest in all of Borrower's bank deposits, instruments, negotiable documents, and chattel paper which at any time are in the possession or control of Standard Federal. After the occurrence of an Event of Default hereunder, Standard Federal may hold and apply at any time its own indebtedness or liability to Borrower in payment of any indebtedness hereunder.

Acceptance by Standard Federal of any payment in an amount less than the amount then due shall be deemed an acceptance on account only, and the failure to pay the entire amount then due shall be and continue to be an Event of Default. Upon any Event of Default, neither the failure of Standard Federal promptly to exercise its right to declare the outstanding principal and accrued unpaid interest hereunder to be immediately due and payable, nor the failure of Standard Federal to demand strict performance of any other obligation of the Borrower or any other person who may be liable hereunder shall constitute a waiver of any such rights, nor a waiver of such rights in connection with any future default on the part of the Borrower or any other person who may be liable hereunder.

Borrower and all endorsers and guarantors hereof, hereby jointly and severally waive presentment for payment, demand, notice of non-payment, notice of protest or protest of this Note, diligence in collection or bringing suit, and hereby consent to any and all extensions of time, renewals, waivers, or modifications that may be granted by Standard Federal with respect to payment or any other provisions of this Note, and to the release of any collateral or any part thereof, with or without substitution. The liability of the Borrower shall be absolute and unconditional, without regard to the liability of any other party hereto.

This Note is executed pursuant to the Loan Agreement and is secured by a Security Agreement, dated September 15, 1994, and by a Security Agreement of even date herewith. Reference is hereby

made to such documents for additional terms relating to the transaction giving rise to this Note, the security given for this Note and additional terms and conditions under which this Note matures, may be accelerated or prepaid.

Advances hereunder may be requested by telephone, in writing or in any other manner acceptable to Standard Federal. Borrower understands and agrees that any telephone conversation with Standard Federal may be recorded for accuracy.

BORROWER:

MCCLAIN INDUSTRIES, INC., a Michigan corporation

By:

E. James Zabinski

Its: Treasurer

38-1867649

Taxpayer Identification Number

MCCLAIN OF GEORGIA, INC., a Georgia corporation

By:

Carl L. Jaworski

Its: Secretary

58-1738825

Taxpayer Identification Number

SHELBY STEEL PROCESSING COMPANY, a
Michigan corporation

By:

Carl L. Jaworski

Its: Secretary

38-2205216

Taxpayer Identification Number

-5-

6

MCCLAIN TUBE COMPANY d/b/a QUALITY
TUBE, a Michigan corporation

By:

E. James Zabinski

Its: Treasurer

Taxpayer Identification Number

MCCLAIN INDUSTRIES OF OHIO, INC., a
Michigan corporation

By:

E. James Zabinski

Its: Treasurer

Taxpayer Identification Number

EPCO MANUFACTURING, INC., a New
York corporation

By:

E. James Zabinski

Its: Treasurer

Taxpayer Identification Number

Standard Federal Bank, a
federal savings bank
2600 West Big Beaver Road
Troy, Michigan 48084

FIFTH AMENDMENT TO OPEN-END COMMERCIAL MORTGAGE
AND ASSIGNMENT OF LEASE AND RENTALS
(Secures Future Advances)
Maximum Indebtedness not to Exceed \$12,800,000.00

THIS AMENDMENT TO OPEN-END COMMERCIAL MORTGAGE AND ASSIGNMENT OF LEASES AND RENTALS, is made and entered into this 22nd day of June, 1995, by and between Standard Federal Bank, a federal savings bank, of 2600 West Big Beaver Road, Troy, Michigan 48084 ("Mortgagee"), and Galion Dump Bodies, Inc., a Michigan corporation of 6200 Elmridge, Sterling Heights, Michigan 48318 ("Mortgagor").

WITNESSETH:

WHEREAS, on June 29, 1993, in order to secure a promissory note dated June 29, 1993 by Mortgagor in favor of Mortgagee, Mortgagor granted to Mortgagee an Open-End Commercial Mortgage and Assignment of Lease and Rentals (the "Mortgage") on certain real property located in the City of Winesburg, County of Holmes and State of Ohio, which real property is more particularly described in the attached Exhibit A; and which Mortgage was recorded on July 13, 1993, in Volume 202, Page 527, Holmes County Recorder, and

WHEREAS, the Mortgage was amended by an Amendment to Open-End Commercial Mortgage and Assignment of Lease and Rentals, dated September 15, 1994, recorded on September 30, 1994, in Volume 214, Page 9, Holmes County Recorder (the "First Amendment"), and

WHEREAS, the Mortgage was further amended by a Second Amendment to Open-End Commercial Mortgage and Assignment of Lease and Rentals, dated February 6, 1995, recorded on March 9, 1995, in Volume 216, Page 1011, Holmes County Recorder, and

WHEREAS, the Mortgage was further amended by a Third Amendment to Open-End Commercial Mortgage and Assignment of Lease and Rentals, dated February 16, 1995, recorded on March 9, 1995, in Volume 216, Page 1016, Holmes County Recorder (the "Third Amendment"), and

WHEREAS, the Mortgage was further amended by a Fourth Amendment to Open-End Commercial Mortgage and Assignment of Lease and Rentals, dated May 5, 1995, recorded on May 15, 1995, in Volume 218, Page 584, Holmes County Recorder (the "Fourth Amendment"), and

WHEREAS, the parties hereto desire to further amend the Mortgage in the manner hereinafter set forth.

NOW, THEREFORE, in consideration of One and No/100 Dollar (\$1.00) and the mutual covenants herein contained, the parties hereto hereby agree as follows:

1. The Mortgage is hereby amended to secure a Third Amended and Restated Promissory Note (Line of Credit) from the Mortgagor to

2

Mortgagee, of even date herewith, in the principal amount of \$10,000,000.00 (the "Note"), whereby the line of credit evidenced by the Promissory Note (Line of Credit) secured by the Mortgage under the provisions of the First Amendment, the Third Amendment and the Fourth Amendment has been restated and increased, such Note identified as being secured by the Mortgage by statements thereon, including the payment of principal and interest of such indebtedness according to the terms of the Note, and all other amounts payable by Mortgagor thereunder, and any and all extensions and renewals thereof, however evidenced. The Note has been executed pursuant to a Third Amendment to Loan Agreement of even date herewith by and between the Mortgagor and the Mortgagee (the "Loan Agreement"). The indebtedness secured by the Mortgage shall hereafter be deemed to be the indebtedness and obligations evidenced by the Note and the Loan Agreement, in the principal amount of \$10,000,000.00 as well as a Promissory Note (Term Loan) from the Mortgagor to Mortgagee, dated September 15, 1994, in the original principal amount of \$2,000,000.00, which note is also identified as being secured by the Mortgage by a statement thereon, and two Promissory Notes (Line of Credit) evidencing a line of credit with a total credit limit in the principal amount of \$800,000.00, which notes are also identified as being secured by the Mortgage by statements thereon, such that the total original principal amount of the indebtedness secured by the Mortgage is now \$12,800,000.00.

2. In all other respects, the Mortgage is hereby ratified and confirmed and shall continue in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed as of the day and year first above written.

WITNESSES:

Galion Dump Bodies, Inc., a Michigan corporation

By:

Carl Jaworski

Its: Treasurer

Standard Federal Bank, a federal
savings bank

By:

Its:

STATE OF MICHIGAN)
) ss
COUNTY OF OAKLAND)

The foregoing instrument was acknowledged before me this ____ day of _____, 1995, by Carl Jaworski, who is the Treasurer of Galion Dump Bodies, Inc., a Michigan corporation, on behalf of the corporation.

Notary Public

County, Michigan

My Commission Expires:

STATE OF MICHIGAN)
) ss
COUNTY OF OAKLAND)

The foregoing instrument was acknowledged before me this _____ day of _____, 1995, by _____, a _____ of Standard Federal Bank, a federal savings bank, on behalf of the Bank.

Notary Public

County, Michigan

My Commission Expires:

DRAFTED BY:

Daniel C. Watson
Standard Federal Bank
2600 West Big Beaver Road
Troy, Michigan 48084

AFTER RECORDING RETURN TO:

Commercial Loan Department
Standard Federal Bank
2600 West Big Beaver Road
Troy, Michigan 48084

-3-

THIRD AMENDMENT TO LOAN AGREEMENT

BETWEEN

STANDARD FEDERAL BANK

AND

GALION HOLDING COMPANY,
GALION SOLID WASTE EQUIPMENT, INC.,
GALION DUMP BODIES, INC.
AND M.E.G. EQUIPMENT SALES OF FLORIDA, INC.

THIS AMENDMENT AGREEMENT made and delivered this 22nd day of June, 1995, by and between Galion Holding Company, a Michigan corporation, Galion Solid Waste Equipment, Inc., a Michigan corporation, and Galion Dump Bodies, Inc., a Michigan corporation (collectively, "Borrower"), and M.E.G. Equipment Sales of Florida, Inc. ("M.E.G."), a Florida corporation, whose address/principal office is 6200 Elmridge, Sterling Heights, Michigan 48310, McClain Industries, Inc., a Michigan corporation, whose address/principal office is 6200 Elmridge, Sterling Heights, Michigan 48310 ("Guarantor"), and Standard Federal Bank, a federal savings bank ("Standard Federal"), whose address is 2600 West Big Beaver Road, Troy, Michigan 48084.

RECITALS:

A. On September 15, 1994, the Borrower and Standard Federal entered into a Loan Agreement, as amended by a First Amendment to Loan Agreement, dated February 16, 1995, and by a Second Amendment to Loan Agreement, dated May 5, 1995 (the "Loan Agreement"), pursuant to which the Borrower opened a revolving line of credit facility with Standard Federal, Loan No. 0250012691, with a credit limit of up to \$9,000,000.00 (the "Line of Credit"), as evidenced by an Amended and Restated Promissory Note (Line of Credit), dated May 5, 1995, in the principal amount of \$9,000,000.00 (the "Note"), secured by a Security Agreement, dated September 15, 1994 (the "Security Agreement"), and two Open-End Commercial Mortgages and Assignments of Lease and Rentals, dated June 29, 1993, as amended September 15, 1994, February 6, 1995, February 16, 1995 and May 5, 1995 (the "Mortgages") and supported by a Guaranty, dated May 5, 1995, executed by the Guarantor (the "Guaranty").

B. The Borrower has requested an increase in the credit limit of the Line of Credit and a change in the advance formula thereunder, as herein provided, and Standard Federal is willing to supply such financing subject to the terms and conditions set forth in this Amendment Agreement and the Guarantor is agreeable thereto.

NOW, THEREFORE, in reliance upon the representations herein provided and in consideration of the premises and the mutual prom-

2

ises herein contained, the Borrower and Standard Federal hereby agree as follows:

1. The Borrower is a Michigan corporation in good standing. All corporate resolutions heretofore delivered to Standard Federal relative to borrowing money and granting security interests remain in full force and effect. Borrower has duly authorized and validly executed and delivered this Amendment Agreement and such Amendment Agreement and the Loan Agreement (as hereby amended) are valid and enforceable according to their terms and do not conflict with or violate Borrower's corporate charter or by-laws or any agreement or covenants to which Borrower is a party.

2. The Security Agreement is valid and enforceable in accordance with its terms. Standard Federal's security interest in the collateral described in the Security Agreement is valid and perfected and Borrower is aware of no claims or interests in such collateral prior or paramount to Standard Federal's.

3. The Mortgages are valid and enforceable in accordance with their terms. Standard Federal holds valid first mortgage interests in the real property described in the Mortgages which are valid and perfected and Borrower is aware of no claims or interests in such property prior or paramount to Standard Federal's.

4. The Guaranty is valid and enforceable in accordance with its terms and the Guarantor presently has no valid and existing defense to liability thereunder.

5. Section 1.1 of the Loan Agreement is hereby deleted in its entirety and replaced by the following new Section 1.1:

1.1 Standard Federal hereby extends to the Borrower a revolving line of credit (the "Line of Credit") which shall not exceed at any one time outstanding the Credit Limit as hereafter defined. The term "Credit Limit" shall mean the lesser of: (a) Ten Million and 00/100 Dollars (\$10,000,000.00), or (b) an amount equal to the sum of: (i) an amount equal to 80% of Eligible Accounts Receivable, plus (ii) an amount equal to the lesser of: (1) Five Million and 00/100 Dollars (\$5,000,000.00), or (2) an amount equal to 50% of Qualified Inventory. As used herein, the term "Eligible Accounts Receivable" shall mean accounts receivable of the Borrower less than 90 days old, not doubtful as to collectibility or disputed as to existence or amount or subject to offset, contra- indebtedness or return and not intra-company or owing from any affiliated or related company or other entity, exclusive of any account receivable arising under a government

contract, the assignment of which is subject to the Assignment of Claims Act of 1940, as amended, or any other similar federal or state statute or regulation governing the assignment of contracts with a governmental

2

3

agency. The term "Qualified Inventory" shall mean the inventory of Borrower in which Standard Federal holds a perfected first security interest exclusive of any returned or damaged items and work-in-process.

6. Simultaneously with the execution of this Amendment Agreement, the Borrower shall execute and deliver to Standard Federal a Third Amended and Restated Promissory Note (Line of Credit) in the stated principal amount of \$10,000,000.00 (the "Amended Note") to evidence the Line of Credit as hereby amended and to replace the Note. The "Line of Credit Note" referred to in the Loan Agreement shall hereafter be deemed to refer to the Amended Note.

7. M.E.G. is hereby added as a borrower under the Loan Agreement and the term "Borrower," as used in the Loan Agreement, shall hereafter be deemed to refer to M.E.G., jointly and severally with the other entities referred to as "Borrower" in the Loan Agreement. M.E.G. shall also execute and deliver the Amended Note, jointly and severally, with the other entities referred to as "Borrower" in the Loan Agreement. M.E.G. shall also execute and deliver to Standard Federal with this Amendment Agreement a Security Agreement whereby M.E.G. shall grant to Standard Federal a security interest of first priority in all personal property of M.E.G., in accordance with the provisions of Section 5.1(c) of the Loan Agreement.

8. Simultaneously with the execution of this Amendment Agreement, the Borrower shall also execute and deliver amendment agreements whereby the Mortgages are amended to secure the Line of Credit as hereby amended.

9. Except as herein amended, the Loan Agreement, Security Agreement, Mortgages and Guaranty shall remain in full force and effect.

10. Guarantor acknowledges and consents to the amendment to the Loan Agreement herein provided and agrees that the Guaranty shall continue and remain in full force and effect with respect to the Loan Agreement as herein amended and to the Amended Note.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment Agreement to be executed as of the day and year first written above.

Witnesses:

BORROWER:

GALION HOLDING COMPANY, a Michigan corporation

By:

E. James Zabinski
Vice President/Treasurer

Taxpayer Identification Number:
38-3060196

GALION SOLID WASTE EQUIPMENT, INC.,
a Michigan corporation

By:

E. James Zabinski
Treasurer

Taxpayer Identification Number:

GALION DUMP BODIES, INC., a Michigan corporation

By:

Carl Jaworski
Treasurer

Taxpayer Identification Number:

M.E.G. EQUIPMENT SALES OF FLORIDA,
INC., a Florida corporation

By:

E. James Zabinski
Treasurer

Taxpayer Identification Number:
59-3241829

4

5

GUARANTOR:

MCCLAIN INDUSTRIES, INC., a Michigan
corporation

By:

E. James Zabinski

Its: Treasurer

38-1867649

Taxpayer Identification Number

STANDARD FEDERAL BANK, a
federal savings bank

By:

Its:

Note No. 0250012691

STANDARD FEDERAL BANK

THIRD AMENDED AND RESTATED

PROMISSORY NOTE
(Line of Credit)

\$10,000,000.00
Sterling Heights , Michigan

Due Date: March 31, 1997

Dated: June 22, 1995

FOR VALUE RECEIVED, on the Due Date unless accelerated earlier as provided herein, the undersigned, jointly and severally (collectively, "Borrower"), promise to pay to the order of Standard Federal Bank, a federal savings bank ("Standard Federal"), at its office set forth below, or at such other place as Standard Federal may designate in writing, the principal sum of Ten Million and 00/100 Dollars (\$10,000,000.00) or such lesser amount as may from time to time be outstanding by reason of having been advanced hereunder, plus interest as hereinafter provided on all amounts from time to time outstanding hereunder, all in lawful money of the United States of America.

The principal outstanding under this Note from time to time shall bear interest ("Effective Interest Rate"), on a basis of a year of 360 days for the actual number of days amounts are outstanding hereunder, at a rate per annum equal to One-Half of One percent (0.50%) in excess of the Wall Street Journal Prime Rate. As used herein the phrase "Wall Street Journal Prime Rate" shall mean the "Prime Rate" published by the Wall Street Journal as the base rate on corporate loans posted by at least 75% of the nation's 30 largest banks as the same may be changed from time to time. If more than one Prime Rate is published, the highest rate published shall be deemed the Wall Street Journal Prime Rate. If the publishing of the Wall Street Journal Prime Rate is discontinued during the term hereof, then the Effective Interest Rate shall be based upon the index which is published by The Wall Street Journal in replacement thereof based on similar base rates on corporate loans or, if no such replacement index is published, the index which, in Standard Federal's sole determination, most nearly corresponds to the Wall Street Journal Prime Rate. If, in such event, Standard Federal selects an index which, in the Borrower's opinion, does not correspond to the Wall Street Journal Prime Rate, Borrower's sole remedy shall be to prepay this Note in full without penalty or premium. Until such prepayment has been received by Standard Federal, the index selected by Standard Federal shall apply for all purposes of this Note.

It is understood and agreed by Borrower that the Effective Interest Rate shall be determined by reference to the "Wall Street

2

Journal Prime Rate" and not by reference to the actual rate of interest charged by any particular bank to any particular borrower or borrowers and shall automatically increase or decrease when and to the extent that the Wall Street Journal Prime Rate shall have been increased or decreased.

Accrued interest shall be payable on the first day of each month beginning on August 1, 1995.

This Note is given as evidence of any and all indebtedness of the Borrower to Standard Federal arising as a result of advances or other credit which may be made under this Note from time to time in accordance with the provisions of a Loan Agreement, dated September 15, 1994, as amended by a First Amendment to Loan Agreement, dated February 16, 1995, and by a Second Amendment to Loan Agreement, dated May 5, 1995, and by a Third Amendment to Loan Agreement of even date herewith, by and between Standard Federal and the Borrower (the "Loan Agreement"). Any and all indebtedness may be repaid by the Borrower in whole or in part from time to time prior to the Due Date. Standard Federal shall, from time to time prior to the Due Date, make advances to Borrower hereunder upon request therefor by Borrower, provided that, upon giving effect to such advance: (a) no Event of Default (as hereinafter defined) and no event which with notice and/or the passage of time would become an Event of Default shall exist at the time the advance is to be made; (b) all representations and warranties of Borrower theretofore made are true and correct; (c) Standard Federal shall not have previously or concurrently declared all amounts owing hereunder to be immediately due and payable; (d) the amount requested shall not cause the total amount outstanding hereunder to exceed the Credit Limit, as defined in the Loan Agreement; and (e) all other requirements for the making of advances provided for in the Loan Agreement have been satisfied. The principal amount of indebtedness owing pursuant to this Note shall change from time to time, decreasing in an amount equal to any and all payments of principal made by the Borrower and increasing by an amount equal to any and all advances made by Standard Federal to the Borrower pursuant to the terms hereof, and the books and records of Standard Federal shall be conclusive evidence of the amount of principal and interest owing hereunder at any time. All payments made hereunder shall be applied first against costs and expenses required to be paid hereunder, then against accrued interest to the extent thereof and the balance shall be applied against the outstanding principal amount hereof.

Nothing herein contained, nor any transaction relating thereto, or hereto, shall be construed or so operate as to require the Borrower to pay, or charge, interest at a greater rate than the maximum allowed by the applicable law relating to this Note. Should any interest, or other charges, charged, paid or payable by the Borrower in connection with this Note, or any other document delivered in connection herewith, result in the charging,

compensation, payment or earning of interest in excess of the maximum allowed by applicable law, then any and all such excess shall be and the same is hereby waived by Standard Federal, and any and all such excess paid shall be automatically credited against and in reduction of the principal due under this Note. If Standard Federal shall reasonably determine that the Effective Interest Rate (together with all other charges or payments related hereto that may be deemed interest) stipulated under this Note is, or may be, usurious or otherwise limited by law, the unpaid balance of this Note, with accrued interest at the highest rate permitted to be charged by stipulation in writing between Standard Federal and Borrower, at the option of Standard Federal, shall immediately become due and payable.

The Borrower represents and warrants that it is duly organized, validly existing and in good standing and is duly authorized to make and perform this Note, which constitutes its valid and binding legal obligation enforceable in accordance with its terms. All financial data furnished to Standard Federal in connection with this Note fairly present the financial condition of the Borrower and its subsidiaries, if any, as of the dates thereof and there has been no material adverse change in the condition (financial or otherwise) of the Borrower since such dates.

An Event of Default shall be deemed to have occurred hereunder if any indebtedness of the Borrower to Standard Federal hereunder is not paid when due, regardless of whether such indebtedness has arisen pursuant to the terms of this Note, the Loan Agreement or any mortgage, security agreement, guaranty, instrument or other agreement executed in conjunction herewith, or if an Event of Default shall otherwise occur under the Loan Agreement.

Upon the occurrence of any Event of Default, after the giving of any notice and the expiration of any grace, cure or notice period provided for in the Loan Agreement, if any, and if no such notice or grace, cure or notice period is so provided for in the Loan Agreement, then immediately, Standard Federal may declare the entire unpaid and outstanding principal balance hereunder and all accrued interest to be due and payable in full forthwith, without presentment, demand or notice of any kind and may exercise any one or more of the rights and remedies provided herein or in the Loan Agreement or in any mortgage, guaranty, security agreement or other document relating hereto or by applicable law. The remedies provided for hereunder are cumulative to the remedies for collection of the amounts owing hereunder as provided by law or by the Loan Agreement, or by any mortgage, guaranty, security agreement or other document relating hereto. Nothing herein is intended, nor should it be construed, to preclude Standard Federal from pursuing any other remedy for the recovery of any other sum to which Standard Federal may be or become entitled

for breach of the terms of this Note or the Loan Agreement, or any mortgage, guaranty, security agreement or other instrument relating hereto.

-3-

4

Borrower agrees, in case of an Event of Default under the terms of this Note or under any loan agreement, security or other agreement executed in connection herewith, to pay all costs of Standard Federal for collection of the Note and all other liabilities of Borrower to Standard Federal and enforcement of rights hereunder, including reasonable attorney fees and legal expenses including participation in Bankruptcy proceedings. During any period(s) this Note is in default, or after the Due Date, or after acceleration of maturity, the outstanding principal amount hereof shall bear interest at a rate equal to two percent (2.0%) per annum greater than the interest rate otherwise charged hereunder. If any required payment is not made within ten (10) days after the date it is due, then, at the option of Standard Federal, a late charge of not more than four cents (\$.04) for each dollar of the payment so overdue may be charged. In addition to any other security interests granted to Standard Federal, Borrower hereby grants Standard Federal a security interest in all of Borrower's bank deposits, instruments, negotiable documents, and chattel paper which at any time are in the possession or control of Standard Federal. After the occurrence of an Event of Default hereunder, Standard Federal may hold and apply at any time its own indebtedness or liability to Borrower in payment of any indebtedness hereunder.

Acceptance by Standard Federal of any payment in an amount less than the amount then due shall be deemed an acceptance on account only, and the failure to pay the entire amount then due shall be and continue to be an Event of Default. Upon any Event of Default, neither the failure of Standard Federal promptly to exercise its right to declare the outstanding principal and accrued unpaid interest hereunder to be immediately due and payable, nor the failure of Standard Federal to demand strict performance of any other obligation of the Borrower or any other person who may be liable hereunder shall constitute a waiver of any such rights, nor a waiver of such rights in connection with any future default on the part of the Borrower or any other person who may be liable hereunder.

Borrower and all endorsers and guarantors hereof, hereby jointly and severally waive presentment for payment, demand, notice of non-payment, notice of protest or protest of this Note, diligence in collection or bringing suit, and hereby consent to any and all extensions of time, renewals, waivers, or modifications that may be granted by Standard Federal with respect to payment or any other provisions of this Note, and to the release of any collateral or any part thereof, with or without substitution. The liability of the Borrower

shall be absolute and unconditional, without regard to the liability of any other party hereto.

This Note is executed pursuant to the Loan Agreement, is secured by a Security Agreement, dated September 15, 1994, by a Security Agreement of even date herewith, and by two Open-End

-4-

5

Commercial Mortgages and Assignments of Lease and Rentals, dated June 29, 1993, as amended September 15, 1994, February 6, 1995, February 16, 1995 and May 5, 1995 and as further amended of even date herewith, and is supported by a Guaranty executed by McClain Industries, Inc., a Michigan corporation, dated May 5, 1995. Reference is hereby made to such documents for additional terms relating to the transaction giving rise to this Note, the security given for this Note and additional terms and conditions under which this Note matures, may be accelerated or prepaid.

Advances hereunder may be requested by telephone, in writing or in any other manner acceptable to Standard Federal. Borrower understands and agrees that any telephone conversation with Standard Federal may be recorded for accuracy.

WAIVER OF JURY TRIAL. THE BORROWER AND STANDARD FEDERAL, AFTER CONSULTING OR HAVING HAD THE OPPORTUNITY TO CONSULT WITH COUNSEL, KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT EITHER OF THEM MAY HAVE TO A TRIAL BY JURY IN ANY LITIGATION BASED UPON OR ARISING OUT OF THIS NOTE OR ANY RELATED INSTRUMENT OR AGREEMENT, OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREBY, OR ANY COURSE OF CONDUCT, DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN), OR ACTIONS OF EITHER OF THEM. THIS WAIVER SHALL NOT IN ANY WAY AFFECT STANDARD FEDERAL'S ABILITY TO PURSUE REMEDIES PURSUANT TO ANY CONFESSION OF JUDGMENT OR COGNOVIT PROVISION CONTAINED HEREIN OR IN ANY RELATED INSTRUMENT OR AGREEMENT. NEITHER THE BORROWER NOR STANDARD FEDERAL SHALL SEEK TO CONSOLIDATE, BY COUNTERCLAIM OR OTHERWISE, ANY ACTION IN WHICH A JURY TRIAL HAS BEEN WAIVED WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. THESE PROVISIONS SHALL NOT BE DEEMED TO HAVE BEEN MODIFIED IN ANY RESPECT OR RELINQUISHED BY EITHER THE BORROWER OR STANDARD FEDERAL EXCEPT BY A WRITTEN INSTRUMENT EXECUTED BY BOTH OF THEM.

Confession of Judgment: The Borrower irrevocably authorizes any attorney-at-law to appear for the Borrower in any court of record in Crawford County, Ohio (which the Borrower acknowledges to be the place where this note was made), or any other state or jurisdiction wherein the Borrower may then reside, to (i) waive the issuing and service of process, (ii) confess judgment against the Borrower in favor of the holder of this Note for the amount then

due, together with costs of suit, (iii) release all errors, and (iv) waive all rights of appeal. The Borrower consents to the jurisdiction and venue of that court.

The undersigned has executed this Note in Galion, Ohio, as of the date and year first above written. This Note shall be governed by and construed in accordance with the law of the State of Ohio.

WARNING - BY SIGNING THIS PAPER YOU GIVE UP YOUR RIGHT TO NOTICE AND COURT TRIAL. IF YOU DO NOT PAY ON TIME A COURT JUDGMENT MAY BE TAKEN AGAINST YOU WITHOUT YOUR PRIOR KNOWLEDGE AND THE POWERS OF A COURT CAN BE USED TO COLLECT FROM YOU REGARDLESS OF ANY CLAIMS YOU

-5-

6

MAY HAVE AGAINST THE CREDITOR WHETHER FOR RETURNED GOODS, FAULTY GOODS, FAILURE ON THE CREDITOR'S PART TO COMPLY WITH ANY AGREEMENT WITH THE BORROWER, OR ANY OTHER CAUSE.

Each of the undersigned Borrowers acknowledge, represent and agree that they will all be using the funds representing the proceeds of the loan evidenced hereby and that they will all be receiving a substantial portion of such funds. At the request of the undersigned Borrowers, Standard Federal has structured the credit facility evidenced by this Note in order to allow all of the undersigned Borrowers access to the facility, and each will derive a substantial benefit therefrom. The Borrowers hereby appoint Galion Holding Company as the disbursing agent for all of them to make requests for disbursements hereunder, to receive the proceeds of all advances hereunder and to disburse those proceeds to each of the undersigned as the undersigned may deem necessary or convenient.

Witnesses:

BORROWER:

GALION HOLDING COMPANY, a Michigan corporation

By: _____
E. James Zabinski
Vice President/Treasurer

Taxpayer Identification Number:
38-3060196

GALION SOLID WASTE EQUIPMENT, INC.,

a Michigan corporation

By: _____
E. James Zabinski
Treasurer

Taxpayer Identification Number:

GALION DUMP BODIES, INC., a Michigan
corporation

By: _____
Carl Jaworski
Treasurer

Taxpayer Identification Number:

-6-

7

M.E.G. EQUIPMENT SALES OF FLORIDA,
INC., a Florida corporation

By: _____
E. James Zabinski
Treasurer

Taxpayer Identification Number:
59-3241829

Address: 6200 Elmridge
Sterling Heights, MI 48318

Standard Federal Bank, a
federal savings bank
2600 West Big Beaver Road
Troy, Michigan 48084

SECURITY AGREEMENT

THIS AGREEMENT made and delivered this 22nd day of June, 1995, by and between M.E.G. Equipment Sales of Florida, Inc., a Florida corporation, whose address/principal office is 6200 Elmridge, Sterling Heights, Michigan 48310 ("Borrower") and Standard Federal Bank, a federal savings bank ("Standard Federal").

WITNESSETH:

WHEREAS, the Borrower may from time to time request loans, advances or other financial accommodations from Standard Federal and Standard Federal may, in its discretion, honor such requests in whole or part;

NOW, THEREFORE, in consideration of the premises and the mutual promises herein contained, the Borrower and Standard Federal hereby agree as follows:

SECTION 1. GRANT OF SECURITY INTEREST.

1.1 Borrower hereby grants to Standard Federal a continuing security interest in the property and interests in property described in Section 2.1 below (hereinafter referred to as the "Collateral") to secure the payment of all loans and advances including any renewals or extensions thereof from Standard Federal to Borrower and all obligations of any and every kind and nature heretofore, now or hereafter owing from Borrower to Standard Federal, however incurred or evidenced, whether primary, secondary, contingent or otherwise, whether arising under this Agreement, under any other security agreement(s), promissory note(s), guarantee(s), mortgage(s), lease(s), instrument(s), document(s), contract(s), letter(s) of credit or similar agreement(s) heretofore, now or hereafter executed by Borrower and delivered to Standard Federal, or by oral agreement or by operation of law plus all interest, costs, expenses and reasonable attorney fees which may be made or incurred by Standard Federal in the disbursement, administration or collection of such obligations and in the protection, maintenance and liquidation of the Collateral (hereinafter collectively called "Liabilities").

1.2 All statements of account rendered by Standard Federal to Borrower relating to Borrower's Liabilities, including all statements of principal, interest, expenses and costs owing by Borrower to Standard Federal, shall be presumed correct and accurate and shall constitute an account stated between Borrower and Standard Federal unless within thirty (30) days after mailing thereof to Borrower, Borrower shall deliver to Standard Federal by registered or certified mail addressed to Standard Federal at its principal place of business, written objection thereto specifying the error or errors, if any, contained in any such statement.

1.3 This Agreement shall be and become effective when, and continue in effect as long as, any Liabilities of Borrower to Standard Federal are outstanding and unpaid. Borrower will not sell, assign, transfer, pledge, alienate or otherwise dispose of or encumber any Collateral to any third party while this Agreement is in effect without the written consent of Standard Federal.

SECTION 2. COLLATERAL.

2.1 The Collateral covered by this Agreement is all the Borrower's property described below, which it now owns or shall hereafter acquire or create immediately upon the acquisition or creation thereof, and includes, but is not limited to, any items listed on any schedule or list attached hereto:

Accounts, etc. All Accounts, Chattel Paper, Documents, Instruments, General Intangibles, including any right to any refund of taxes paid before or after the date of this Agreement to any governmental entity.

Equipment. All Equipment including without limitation all machinery, furnishings, furniture and vehicles, together with all accessions, parts, attachments, accessories, tools, dies or appurtenances thereto or intended for use in connection therewith and all substitutions, betterments and replacements thereof and additions thereto.

Inventory, etc. All Inventory and Goods (other than Equipment), including without limitation raw materials, work in process, finished goods, tangible property, stock in trade, wares and merchandise held for sale or lease or furnished or to be furnished under contracts of service or used or consumed in a business, including goods whose sale, lease or other disposition has given rise to any Accounts and any Goods which may have been returned to or repossessed or stopped in transit by the Borrower.

Proceeds. Proceeds (whether Cash Proceeds or Noncash Proceeds) of the Collateral, including without limitation proceeds of insurance payable by reason of loss or damage to the Collateral and of eminent domain or condemnation awards and all products of and accessions to the Collateral and all Deposit Accounts or other sums at any time credited by or due from Standard Federal to Borrower and all policies and certificates of insurance, Accounts, Chattel Paper, Documents, Instruments, General Intangibles, Goods, Deposit Accounts, Money, Checks, Cash Proceeds and Noncash Proceeds (whether or not the same are Collateral or Proceeds thereof hereunder) in which Borrower has an interest which are now or are at any time hereafter in the possession or under the control of Standard Federal or in transit by mail or carrier to or from Standard Federal or in possession of or under the control of

3

any third party acting on Standard Federal's behalf without regard to whether Standard Federal received the same in pledge, for safekeeping, as agent for collection or transmission or otherwise or whether Standard Federal has conditionally released the same (excluding, nevertheless, any of the foregoing assets of the Borrower which are now or any time hereafter in possession or control of Standard Federal under any written trust agreement wherein Standard Federal is trustee and Borrower is trustor).

2.2 The Collateral is kept and maintained at Borrower's address above and at the following addresses:

500 Sherman Street, Galion Ohio
666 Peabody-Dent Road, Winesburg, Ohio

2.3 All records pertaining to Accounts are kept and maintained at the following address (if the same as Borrower's address above, insert "Same"):

Same

2.4 Borrower will give to Standard Federal prompt written notice of any new address at which the Collateral is kept or maintained upon any change in location of the Collateral or records pertaining to Accounts.

SECTION 3. PERFECTON OF SECURITY INTEREST.

3.1 Borrower shall execute and deliver to Standard Federal concurrently with Borrower's execution of this Agreement and at any time or times hereafter at the request of Standard Federal and pay the cost of filing or recording same in all public offices deemed necessary by Standard Federal, all financing statements, continuation financing statements, assignments, certificates of title, applications for vehicle titles, affidavits, reports, notices, schedules of Accounts, designations of Inventory, letters of authority and all other documents that Standard Federal may reasonably request in form satisfactory to Standard Federal to perfect and maintain Standard Federal's security interests in the Collateral. In order to fully consummate all of the transactions contemplated hereunder, Borrower shall make appropriate entries on its books and records disclosing Standard Federal's security interests in the Collateral.

SECTION 4. WARRANTIES.

4.1 Borrower warrants and agrees that while any of the Liabilities

remain unperformed and unpaid:

-3-

4

4.1(a) Borrower is the owner of the Collateral free and clear of all liens or security interests, except Standard Federal's security interest and any other lien or security interest set forth in Section 10.1 below, and all Chattel Paper constituting Collateral evidences a perfected security interest in the goods covered by it free from all other liens and security interests other than those set forth in Section 10.1 below, and no financing statements, other than that of Standard Federal and those set forth in Section 10.2 below, are on file covering the Collateral or any of it, and if Inventory is represented or covered by documents of title, Borrower is the owner of the documents free of all liens and security interests other than Standard Federal's security interest, the lien or security interest of any other creditor named in Section 10.1 below and warehousemen's charges, if any, not delinquent;

4.1(b) The address of Borrower's principal office is as set forth above; the addresses of Borrower's other places of business where Collateral and account records are now or may in the future be located, if any, are set forth in Sections 2.2 and 2.3 above and Borrower's business locations shall not be changed without the prior written consent of Standard Federal; Borrower further warrants that the Collateral, wherever located, is covered by this Agreement;

4.1(c) The Collateral will not be used, nor will Borrower permit the Collateral to be used, for any unlawful purpose, whatever;

4.1(d) Borrower will neither change its name, form of business entity nor address of its principal office or the office where account records are maintained without giving written notice to Standard Federal thereof at least ten (10) days prior to the effective date of such change, and Borrower agrees that all documents, instruments, and agreements demanded by Standard Federal in response to such change shall be prepared, filed, and recorded at Borrower's expense prior to the effective date of such change;

4.1(e) Each Account, Chattel Paper and General Intangible constituting Collateral is genuine and enforceable against the account debtor according to its terms, and it, and the transaction out of which it arose, comply with all applicable laws and regulations, the amount represented by Borrower to Standard Federal as owing by each account debtor is the amount actually owing and is not subject to setoff, credit, allowance or adjustment except any discount for prompt payment, nor has any account debtor returned the goods or disputed his liability, there has been no default according to the

terms of any such Collateral, and no step has been taken to foreclose the security interest it evidences or to otherwise enforce its payment;

4.1(f) Borrower shall at all times maintain the Collateral in first-class condition and repair;

-4-

5

4.1(g) The execution and delivery of this Agreement and any instruments evidencing Liabilities will not violate nor constitute a breach of Borrower's Articles of Incorporation, By-Laws, Partnership Agreement, or any agreement or restriction of any type whatsoever to which Borrower is a party or is subject;

4.1(h) All financial statements and information relating to Borrower delivered or to be delivered by Borrower to Standard Federal are true and correct and prepared in accordance with generally accepted accounting principles, and there has been no material adverse change in the financial condition of Borrower since the submission of any such financial information to Standard Federal;

4.1(i) There are no actions or proceedings which are threatened or pending against Borrower which might result in any material adverse change in Borrower's financial condition or which might materially affect any of Borrower's assets;

4.1(j) Borrower has duly filed all federal, state, and other governmental tax returns which Borrower is required by law to file, and will continue to file same during such time as any of the Liabilities hereunder remain owing to Standard Federal, and all such taxes required to be paid have been paid, in full; and

4.1(k) Borrower will indemnify and hold Standard Federal harmless against claims of any persons or entities not a party to this Agreement concerning disputes arising over the Collateral.

SECTION 5. INSURANCE, TAXES, ETC.

5.1 Borrower shall:

5.1(a) Pay promptly all taxes, levies, assessments, judgments, and charges of any kind upon or relating to the Collateral, to Borrower's business, and to Borrower's ownership or use of any of its assets, income, or gross receipts;

5.1(b) At its own expense, keep and maintain all of the Collateral fully insured against loss or damage by fire, theft, explosion and other risks in such amounts, with such companies, under such policies and in such form as shall be satisfactory to Standard Federal, which policies shall expressly provide that loss thereunder shall be payable to Standard Federal as its interest may appear (and Standard Federal shall have a security interest in the proceeds of such insurance. Prior to the occurrence of an Event of Default, any proceeds of insurance may be used, at Borrower's option, to repair or replace the property damaged or applied upon the Liabilities. After the occurrence of an Event of Default, all insurance proceeds shall be delivered to Standard Federal, who may apply any such proceeds which may be received by it toward payment

-5-

6

of Borrower's Liabilities, whether or not due, in such order of application as Standard Federal may determine; and

5.1(c) Maintain at its own expense public liability and property damage insurance in such amounts, with such companies, under such policies and in such form as shall be satisfactory to Standard Federal, and, upon Standard Federal's request, shall furnish Standard Federal with such policies and evidence of payment of premiums thereon.

5.2 If Borrower at any time hereafter should fail to obtain or maintain any of the policies required above or pay any premium in whole or in part relating thereto, or shall fail to pay any such tax, assessment, levy, or charge or to discharge any such lien, claim, or encumbrance, then Standard Federal, without waiving or releasing any obligation or default of Borrower hereunder, may at any time hereafter (but shall be under no obligation to do so) make such payment or obtain such discharge or obtain and maintain such policies of insurance and pay such premiums, and take such action with respect thereto as Standard Federal deems advisable. All sums so disbursed by Standard Federal, including reasonable attorney fees, court costs, expenses, and other charges relating thereto, shall be part of Borrower's Liabilities, secured hereby, and payable upon demand together with interest at the highest rate payable in connection with any of the Liabilities from the date when advanced until paid.

SECTION 6. SALE, COLLECTIONS, ETC.

6.1 If Accounts are Collateral hereunder, Standard Federal authorizes and permits Borrower to collect Accounts from debtors. This privilege may be terminated by Standard Federal at any time after the occurrence of an Event of Default hereunder, whereupon Standard Federal shall

be vested with full title to the Accounts, and Standard Federal thereupon shall be entitled to and have all of the ownership, title, rights, securities and guarantees of Borrower in respect thereto, and in respect to the property evidenced thereby, including the right of stoppage in transit, and Standard Federal may notify any debtor or debtors of the assignment of Accounts and collect the same. All Account debtors of the Borrower shall be entitled to rely upon notice from Standard Federal that an Event of Default has occurred hereunder and shall have no duty of inquiry as to the accuracy thereof or any other obligation with respect thereto. The Borrower hereby fully and forever releases all such Account debtors from any and all claims or liabilities which the Borrower may claim to arise as a result of an Account debtor relying upon and honoring a notice from Standard Federal that an Event of Default has occurred and that all payments on Accounts are thereafter to be collected by Standard Federal. Thereafter Borrower will receive all payments on Account as agent of and for Standard Federal and will transmit to Standard Federal, on the day of receipt thereof, all original checks, drafts,

-6-

7

acceptances, notes and other evidence of payment received in payment of or on account of Accounts, including all cash moneys similarly received by Borrower. Until such delivery, Borrower shall keep all such remittances separate and apart from Borrower's own funds, capable of identification as the property of Standard Federal, and shall hold the same in trust for Standard Federal. All items or accounts which are delivered by Borrower to Standard Federal on account of partial or full payment or otherwise as proceeds of any of the Collateral shall be deposited to the credit of a deposit account (herein called the "Collateral Deposit Account") of Borrower with Standard Federal, as security for payment of the Liabilities. Borrower shall have no right to withdraw any funds deposited in the Collateral Deposit Account. Standard Federal may from time to time, at its discretion, and shall upon request of Borrower made not more than once in a week, apply all or any of the then balance, representing collected funds in the Collateral Deposit Account, toward payment of the Liabilities, whether or not then due, in such order of application as Standard Federal may determine, and Standard Federal may, from time to time, in its discretion, release all or any of such balance to Borrower. Borrower, if in default in the performance of any of the provisions of this Agreement, upon demand, will open all mail only in the presence of a representative of Standard Federal, who may take therefrom any remittance on Accounts in which Standard Federal shall have a security interest. Standard Federal or its representatives is authorized to endorse, in the name of Borrower, any item howsoever received by Standard Federal, representing any payment on or other proceeds of any of the Collateral, and may endorse or sign the name of Borrower to Accounts, invoices, assignments, financing statements, notices to debtors, bills of lading, storage receipts, or other instruments or

documents in respect to Accounts or the property covered thereby requested by Standard Federal. Borrower will promptly give Standard Federal copies of all Accounts, to be accompanied by such information and by such documents or copies thereof as Standard Federal may require. Borrower will maintain such records with respect to Accounts and the conduct and operation of its business as Standard Federal may request, and will furnish Standard Federal all information with respect to Accounts and the conduct and operation of its business, including balance sheets, operating statements and other financial information, as Standard Federal may request.

6.2 If Inventory is Collateral hereunder, until such time as Standard Federal shall notify Borrower of the revocation of such power and authority, which notice may not be given unless and until an Event of Default shall have occurred hereunder, Borrower (a) may only in the ordinary course of its business, at its own expense, sell, lease or furnish under contracts of service any of the inventory normally held by Borrower for such purpose; (b) may use and consume any raw materials, work in process or materials, the use and consumption of which is necessary in order to carry on Borrower's business; and (c) will at its own expense, endeavor to

-7-

8

collect, as and when due, all accounts due with respect to any of the Collateral, including the taking of such action with respect to such collection as Standard Federal may reasonably request or, in the absence of such request, as Borrower may deem advisable. A sale in the ordinary course of business does not include a transfer in partial or total satisfaction of a debt.

SECTION 7. INFORMATION.

7.1 Borrower shall permit Standard Federal or its agents upon reasonable request to have access to, and to inspect, all the Collateral (and Borrower's other assets, if any) and may from time to time verify Accounts, inspect, check, make copies of, or extracts from the books, records, and files of Borrower, and Borrower will make same available at any time for such purposes. In addition, Borrower shall promptly supply Standard Federal with financial and such other information concerning its affairs and assets as Standard Federal may request from time to time.

SECTION 8. DEFAULT AND REMEDIES UPON DEFAULT.

8.1 The occurrence of any of the following shall constitute an Event of Default hereunder: (a) If the Borrower shall fail to pay when due any of the Liabilities; (b) If any warranty or representation made by or for the Borrower or if any financial data or any other information now or hereafter

furnished to Standard Federal by or on behalf of the Borrower shall prove to be false, inaccurate or misleading in any material respect; (c) If an event of default shall occur under any promissory note secured hereby or if the Borrower shall fail to perform any obligation or covenant hereunder, or shall fail to comply with any of the provisions of any loan agreement or other agreement with Standard Federal, (d) If the Borrower or any other party liable on any of the Liabilities: (i) shall voluntarily suspend transaction of its business, (ii) shall make a general assignment for the benefit of creditors, (iii) shall file a voluntary petition in bankruptcy or for a reorganization to effect a plan or other arrangement with creditors, or shall file an answer to a creditor's petition or other petition for relief in bankruptcy or for a reorganization which answer admits the material allegations thereof, or if any order for relief shall be entered by any court of bankruptcy jurisdiction with respect to it or shall have instituted against it bankruptcy, reorganization or liquidation proceedings which remain undismissed for 60 days, (iv) shall have entered against it any order by any court approving a plan of reorganization or any other plan or arrangement with creditors, (v) shall apply for or permit the appointment of a receiver, trustee or custodian for any substantial portion of its assets, or (vi) shall become unable to meet its debts as they mature or insolvent; (e) If a judgment shall be entered against the Borrower which is not insured against or satisfied or appealed from and bonded within the time or times limited by applicable rules of procedure for appeal as of right or

-8-

9

if a writ of attachment or garnishment shall be issued and levied on any of the Deposit Account(s); (f) If the Borrower shall dissolve or shall merge or consolidate with any other entity.

8.2 Upon the occurrence of any Event of Default, any and all of the Liabilities may (notwithstanding any provisions thereof and unless otherwise provided in any loan agreement executed in conjunction herewith), at the option of Standard Federal, and without demand or notice of any kind, be declared and thereupon shall immediately become due and payable and Standard Federal may exercise from time to time any rights and remedies including the right to immediate possession of the Collateral available to it under applicable law. Standard Federal may directly contact third parties and enforce against them all rights which arise with respect to the Collateral and to which Borrower or Standard Federal would be entitled. Standard Federal shall have the right to hold any property then in, upon or in any way affiliated to said Collateral at the time of repossession even though not covered by this Security Agreement until return is demanded in writing by the Borrower. Borrower agrees, in case of Default, to assemble at its expense all the Collateral at a convenient place acceptable to Standard Federal and to pay all costs of Standard Federal of collection of the Liabilities, and enforcement

of rights hereunder, including reasonable attorney fees and legal expenses, including participation in Bankruptcy proceedings, and expense of locating the Collateral and expenses of any repairs to any realty or other property to which any of the Collateral may be affixed or be a part. If any notification of intended disposition of any of the Collateral is required by law, such notification, if mailed, shall be deemed reasonably and properly given if sent at least seven (7) days before such disposition, postage pre-paid, addressed to the Borrower either at the address shown above or at any other address of the Borrower appearing on the records of Standard Federal. Borrower acknowledges that Standard Federal may be unable to effect a public sale of all or any portion of the Collateral because of certain legal and/or practical restrictions and provisions which may be applicable to the Collateral and, therefore, may be compelled to resort to one or more private sales to a restricted group of offerees and purchasers. Borrower consents to any such private sale so made even though at places and upon terms less favorable than if the Collateral were sold at public sale. Borrower waives the right to jury trial in any proceeding instituted with respect to the Collateral. Out of the net proceeds from sale or disposition of the Collateral, Standard Federal shall retain all Indebtedness then owing to it and the actual cost of collection (including reasonable attorney fees) and shall tender any excess to Borrower or its successors or assigns. If the Collateral shall be insufficient to pay the entire Indebtedness, Borrower shall pay to Standard Federal the resulting deficiency upon demand. Borrower expressly waives any and all claims of any nature, kind or description which it has or may hereafter have against Standard Federal or its representatives, by reason of

-9-

10

taking, selling or collecting any portion of the Collateral. Borrower consents to releases of the Collateral at any time (including prior to default) and to sales of the Collateral in groups, parcels or portions, or as an entirety, as Standard Federal shall deem appropriate. Borrower expressly absolves Standard Federal from any loss or decline in market value of any Collateral by reason of delay in the enforcement or assertion or nonenforcement of any rights or remedies under this Agreement.

8.3 Borrower agrees that Standard Federal shall, in the event of any default, have the right to peacefully retake any of the collateral. Borrower waives any right it may have in such instance to a judicial hearing prior to such retaking.

SECTION 9. GENERAL.

9.1 Time shall be deemed of the very essence of this Agreement. Except as otherwise defined in this Agreement, all terms in this Agreement

shall have the meanings provided by the Michigan Uniform Commercial Code. Standard Federal shall be deemed to have exercised reasonable care in the custody and preservation of any Collateral in its possession if it takes such action for that purpose as Borrower requests in writing, but failure of Standard Federal to comply with any such request shall not of itself be deemed a failure to exercise reasonable care, and failure of Standard Federal to preserve or protect any rights with respect to such Collateral against any prior parties or to do any act with respect to the preservation of such Collateral not so requested by Borrower shall not be deemed a failure to exercise reasonable care in the custody and preservation of such Collateral.

9.2 Any delay on the part of Standard Federal in exercising any power, privilege or right hereunder, or under any other instrument executed by Borrower to Standard Federal in connection herewith shall not operate as a waiver thereof, and no single or partial exercise thereof, or the exercise of any other power, privilege or right shall preclude other or further exercise thereof, or the exercise of any other power, privilege or right. The waiver of Standard Federal of any default by Borrower shall not constitute a waiver of any subsequent defaults, but shall be restricted to the default so waived. All rights, remedies and powers of Standard Federal hereunder are irrevocable and cumulative, and not alternative or exclusive, and shall be in addition to all rights, remedies, and powers given hereunder or in or by any other instruments, or by the Michigan Uniform Commercial Code, or any laws now existing or hereafter enacted.

9.3 This Agreement has been delivered in Michigan and shall be construed in accordance with the laws of the State of Michigan. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be

-10-

11

prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. The rights and privileges of Standard Federal hereunder shall inure to the benefit of its successors and assigns, and this Agreement shall be binding on all heirs, personal representatives, assigns and successors of Borrower. Borrower hereby expressly authorizes and appoints Standard Federal to act as its attorney-in-fact for the sole purpose of executing any and all financing statements or other documents deemed necessary to perfect the security interest herein contemplated.

9.4 The Borrower acknowledges that this is the entire Agreement

between the parties except to the extent that writings signed by the party to be charged are specifically incorporated herein by reference either in this Agreement or in such writings, and acknowledges receipt of a true and complete copy of this Agreement.

9.5 WAIVER OF JURY TRIAL. THE BORROWER AND STANDARD FEDERAL, AFTER CONSULTING OR HAVING HAD THE OPPORTUNITY TO CONSULT WITH COUNSEL, KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT EITHER OF THEM MAY HAVE TO A TRIAL BY JURY IN ANY LITIGATION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY RELATED INSTRUMENT OR AGREEMENT, OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREBY, OR ANY COURSE OF CONDUCT, DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN), OR ACTION OF EITHER OF THEM. THIS WAIVER SHALL NOT IN ANY WAY AFFECT STANDARD FEDERAL'S ABILITY TO PURSUE REMEDIES PURSUANT TO ANY CONFESSION OF JUDGMENT OR COGNOVIT PROVISION CONTAINED HEREIN OR IN ANY RELATED INSTRUMENT OR AGREEMENT. NEITHER THE BORROWER NOR STANDARD FEDERAL SHALL SEEK TO CONSOLIDATE, BY COUNTERCLAIM OR OTHERWISE, ANY ACTION IN WHICH A JURY TRIAL HAS BEEN WAIVED WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. THESE PROVISIONS SHALL NOT BE DEEMED TO HAVE BEEN MODIFIED IN ANY RESPECT OR RELINQUISHED BY EITHER THE BORROWER OR STANDARD FEDERAL EXCEPT BY A WRITTEN INSTRUMENT EXECUTED BY BOTH OF THEM.

SECTION 10. ADDITIONAL PROVISIONS.

10.1 The following constitutes all other liens and security interests in the Collateral as referred to in Section 4.1(a) above:

None

10.2 The following is a complete description of all financing statements on file covering the Collateral as referred to in Section 4.1(a) above:

None

-11-

12

IN WITNESS WHEREOF, the Borrower and Standard Federal have caused this Security Agreement to be executed as of the day and year first written above.

STANDARD FEDERAL BANK, a federal
savings bank
2600 West Big Beaver Road
Troy, Michigan 48084

BORROWER:
M.E.G. Equipment Sales of
Florida, Inc., a Florida
corporation

By: _____

Its: _____

By: _____

E. James Zabinski

Its: Treasurer

FIFTH AMENDMENT TO OPEN-END COMMERCIAL MORTGAGE
AND ASSIGNMENT OF LEASE AND RENTALS
(Secures Future Advances)
Maximum Indebtedness not to Exceed \$12,800,000.00

THIS AMENDMENT TO OPEN-END COMMERCIAL MORTGAGE AND ASSIGNMENT OF LEASES AND RENTALS, is made and entered into this 22nd day of June, 1995, by and between Standard Federal Bank, a federal savings bank, of 2600 West Big Beaver Road, Troy, Michigan 48084 ("Mortgagee"), and Galion Solid Waste Equipment, Inc., a Michigan corporation of 6200 Elmridge, Sterling Heights, Michigan 48318 ("Mortgagor").

WITNESSETH:

WHEREAS, on June 29, 1993, in order to secure a promissory note dated June 29, 1993 by Mortgagor in favor of Mortgagee, Mortgagor granted to Mortgagee an Open-End Commercial Mortgage and Assignment of Lease and Rentals (the "Mortgage") on certain real property located in the City of Galion, County of Crawford and State of Ohio, which real property is more particularly described in the attached Exhibit A; and which Mortgage was recorded on July 13, 1993, in Book 469, Page 631, Crawford County Recorder, and

WHEREAS, the Mortgage was amended by an Amendment to Open-End Commercial Mortgage and Assignment of Lease and Rentals, dated September 15, 1994, recorded on October 4, 1994, in Book 487, Page 428, Crawford County Recorder (the "First Amendment"), and

WHEREAS, the Mortgage was further amended by a Second Amendment to Open-End Commercial Mortgage and Assignment of Lease and Rentals, dated February 6, 1995, recorded on February 23, 1995, in Book 491, Page 630, Crawford County Recorder, and

WHEREAS, the Mortgage was further amended by a Third Amendment to Open-End Commercial Mortgage and Assignment of Lease and Rentals, dated February 16, 1995, recorded on March 13, 1995, in Book 492, Page 98, Crawford County Recorder (the "Third Amendment"), and

WHEREAS, the Mortgage was further amended by a Fourth Amendment to Open-End Commercial Mortgage and Assignment of Lease and Rentals, dated May 5, 1995, recorded on May 17, 1995, in Book 494, Page 440, Crawford County Recorder (the "Fourth Amendment"), and

WHEREAS, the parties hereto desire to further amend the Mortgage in the manner hereinafter set forth.

NOW, THEREFORE, in consideration of One and No/100 Dollar (\$1.00) and the mutual covenants herein contained, the parties hereto hereby agree as follows:

2

1. The Mortgage is hereby amended to secure a Third Amended and Restated Promissory Note (Line of Credit) from the Mortgagor to Mortgagee, of even date herewith, in the principal amount of \$10,000,000.00 (the "Note"), whereby the line of credit evidenced by the Promissory Note (Line of Credit) secured by the Mortgage under the provisions of the First Amendment, the Third Amendment and the Fourth Amendment has been restated and increased, such Note identified as being secured by the Mortgage by statements thereon, including the payment of principal and interest of such indebtedness according to the terms of the Note, and all other amounts payable by Mortgagor thereunder, and any and all extensions and renewals thereof, however evidenced. The Note has been executed pursuant to a Third Amendment to Loan Agreement of even date herewith by and between the Mortgagor and the Mortgagee (the "Loan Agreement"). The indebtedness secured by the Mortgage shall hereafter be deemed to be the indebtedness and obligations evidenced by the Note and the Loan Agreement, in the principal amount of \$10,000,000.00 as well as a Promissory Note (Term Loan) from the Mortgagor to Mortgagee, dated September 15, 1994, in the original principal amount of \$2,000,000.00, which note is also identified as being secured by the Mortgage by a statement thereon, and two Promissory Notes (Line of Credit) evidencing a line of credit with a total credit limit in the principal amount of \$800,000.00, which notes are also identified as being secured by the Mortgage by statements thereon, such that the total original principal amount of the indebtedness secured by the Mortgage is now \$12,800,000.00.

2. In all other respects, the Mortgage is hereby ratified and confirmed and shall continue in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed as of the day and year first above written.

WITNESSES:

Galion Solid Waste Equipment, Inc.,
a Michigan corporation

By:

E. James Zabinski

Its: Treasurer

Standard Federal Bank, a federal savings bank

By:

Its:

STATE OF MICHIGAN)
) ss
COUNTY OF OAKLAND)

The foregoing instrument was acknowledged before me this ____ day of _____, 1995, by E. James Zabinski, who is the Treasurer of Galion Solid Waste Equipment, Inc., a Michigan corporation, on behalf of the corporation.

Notary Public
_____ County, Michigan
My Commission Expires: _____

STATE OF MICHIGAN)
) ss
COUNTY OF OAKLAND)

The foregoing instrument was acknowledged before me this ____ day of _____, 1995, by _____, a _____ of Standard Federal Bank, a federal savings bank, on behalf of the Bank.

Notary Public
_____ County, Michigan
My Commission Expires: _____

DRAFTED BY:

AFTER RECORDING RETURN TO:

Daniel C. Watson
Standard Federal Bank
2600 West Big Beaver Road
Troy, Michigan 48084

Commercial Loan Department
Standard Federal Bank
2600 West Big Beaver Road
Troy, Michigan 48084

-3-

CERTIFICATION OF RESOLUTION OF CORPORATION
AUTHORITY TO BORROW AND PLEDGE COLLATERAL

I hereby certify that I am the duly elected and qualified Treasurer and keeper of the records and corporate seal of M.E.G. Equipment Sales of Florida, Inc., a Florida corporation (the "Corporation"), and that the following is a true and complete copy of a resolution duly adopted at a meeting of the Board of Directors of the Corporation, held on June 22, 1995 in accordance with law, and the by-laws of the Corporation, and that such resolution is still in full force and effect and shall remain in full force and effect until Standard Federal Bank is notified, in writing, as hereinafter provided.

"RESOLVED, That the persons whose names, titles and signatures appear below, all of whom are presently officers of this corporation ("Officer(s)"), or any one of them, are hereby authorized for and on behalf of this corporation to negotiate and procure loans and other financial accommodations from or assume indebtedness to Standard Federal Bank, a federal savings bank ("Standard Federal"), from time to time as they may deem necessary, to grant mortgages upon and security interests in and to pledge to Standard Federal at any time the receivables, stocks, bonds, other personal property, life insurance, or any real property of this corporation as security for any such loans, financial accommodations or assumptions of indebtedness, to discount with Standard Federal bills receivable and any other paper held by this corporation without limit as to amount and to sign all notes and other evidences of such loans, financial accommodations or assumptions of indebtedness, all instruments of pledge, assignment or lien, and to endorse and transfer all paper discounted.

"RESOLVED FURTHER, that Standard Federal is hereby authorized and directed to pay the proceeds of any such loan, financial accommodation, assumption of indebtedness or discount as directed by the Officers signing such instruments, whether or not payable to the order of any Officer so signing, and whether or not such proceeds are deposited to the individual credit of the Officers so signing, or to the individual credit of any of the other Officers.

"RESOLVED FURTHER, Standard Federal shall be fully protected in relying on a certification of these resolutions by an officer of this corporation, and shall be indemnified for any claims, expenses, or loss resulting from the honoring of any signature hereby certified, or refusing to honor any signature not so certified. Notwithstanding any modification or termination of the power of any Officer or other person to represent the corporation, and notwithstanding any other notice thereof Standard Federal may receive, these resolutions shall continue in force and bind this corporation or its successors, and Standard Federal may recognize the present Officers of this

corporation as set forth below, as authorized to act for it hereunder, until Standard Federal receives

2

notice to the contrary either by first class mail addressed to: Standard Federal Bank, Commercial Loan Department, 2600 West Big Beaver Road, Troy, Michigan 48084, or by actual delivery to Standard Federal Bank, Commercial Loan Department. Receipt of such notice shall not affect any action taken by Standard Federal prior thereto.

TITLE	NAME	SIGNATURE
President	-----	-----
Vice President	-----	-----
Secretary	-----	-----
Treasurer	E. James Zabinski -----	-----
Chairman of the Board -----	-----	-----

I further certify that the above resolutions contain the titles, names and genuine signatures of the present Officers of the Corporation authorized by the above resolution.

IN WITNESS WHEREOF, I E. James Zabinski have hereunto subscribed my name as Treasurer and have affixed the seal of this Corporation on June 22, 1995.

CORPORATE
SEAL

(Secretary or Other
Certifying Officer)

CERTIFICATION OF RESOLUTION OF CORPORATION
AUTHORITY TO BORROW AND PLEDGE COLLATERAL

I hereby certify that I am the duly elected and qualified Treasurer and keeper of the records and corporate seal of Epco Manufacturing, Inc., a New York corporation (the "Corporation"), and that the following is a true and complete copy of a resolution duly adopted at a meeting of the Board of Directors of the Corporation, held on July 18, 1995 in accordance with law, and the by-laws of the Corporation, and that such resolution is still in full force and effect and shall remain in full force and effect until Standard Federal Bank is notified, in writing, as hereinafter provided.

"RESOLVED, That the persons whose names, titles and signatures appear below, all of whom are presently officers of this corporation ("Officer(s)"), or any one of them, are hereby authorized for and on behalf of this corporation to negotiate and procure loans and other financial accommodations from or assume indebtedness to Standard Federal Bank, a federal savings bank ("Standard Federal"), from time to time as they may deem necessary, to grant mortgages upon and security interests in and to pledge to Standard Federal at any time the receivables, stocks, bonds, other personal property, life insurance, or any real property of this corporation as security for any such loans, financial accommodations or assumptions of indebtedness, to discount with Standard Federal bills receivable and any other paper held by this corporation without limit as to amount and to sign all notes and other evidences of such loans, financial accommodations or assumptions of indebtedness, all instruments of pledge, assignment or lien, and to endorse and transfer all paper discounted.

"RESOLVED FURTHER, that Standard Federal is hereby authorized and directed to pay the proceeds of any such loan, financial accommodation, assumption of indebtedness or discount as directed by the Officers signing such instruments, whether or not payable to the order of any Officer so signing, and whether or not such proceeds are deposited to the individual credit of the Officers so signing, or to the individual credit of any of the other Officers.

"RESOLVED FURTHER, Standard Federal shall be fully protected in relying on a certification of these resolutions by an officer of this corporation, and shall be indemnified for any claims, expenses, or loss resulting from the honoring of any signature hereby certified, or refusing to honor any signature not so certified. Notwithstanding any modification or termination of the power of any Officer or other person to represent the corporation, and notwithstanding any other notice thereof Standard Federal may receive,

these resolutions shall continue in force and bind this corporation or its successors, and Standard Federal may recognize the present Officers of this corporation as set forth below, as authorized to act for it hereunder, until Standard Federal receives

2

notice to the contrary either by first class mail addressed to: Standard Federal Bank, Commercial Loan Department, 2600 West Big Beaver Road, Troy, Michigan 48084, or by actual delivery to Standard Federal Bank, Commercial Loan Department. Receipt of such notice shall not affect any action taken by Standard Federal prior thereto.

TITLE	NAME	SIGNATURE
President	-----	-----
Vice President	-----	-----
Secretary	-----	-----
Treasurer	E. James Zabinski -----	-----
Chairman of the Board -----	-----	-----

I further certify that the above resolutions contain the titles, names and genuine signatures of the present Officers of the Corporation authorized by the above resolution.

IN WITNESS WHEREOF, I E. James Zabinski have hereunto subscribed my name as Treasurer and have affixed the seal of this Corporation on July 18, 1995.

CORPORATE
SEAL

(Secretary or Other
Certifying Officer)

-2-

Note No. 0250193871

STANDARD FEDERAL BANK

PROMISSORY NOTE

(Line of Credit with Term Provisions) [X] New
 (Second Line of Credit) [] Renewal

\$426,000.00

Troy, Michigan

Due Date: January 1, 2003

Dated: July 18, 1995

FOR VALUE RECEIVED, on the Due Date unless accelerated earlier as provided herein, the undersigned, jointly and severally (collectively, "Borrower"), promise to pay to the order of Standard Federal Bank, a federal savings bank ("Standard Federal"), at its office set forth below, or at such other place as Standard Federal may designate in writing, the principal sum of Four Hundred Twenty Six Thousand and 00/100 Dollars (\$426,000.00) or such lesser amount as may from time to time be outstanding by reason of having been advanced hereunder in accordance with the provisions of a Loan Agreement, dated September 15, 1994, as amended by a First Amendment to Loan Agreement, dated February 16, 1995 and by a Second Amendment to Loan Agreement of even date herewith (the "Loan Agreement"), plus interest as hereinafter provided on all amounts from time to time outstanding hereunder, all in lawful money of the United States of America.

The principal outstanding under this Note from time to time shall bear interest ("Effective Interest Rate"), on a basis of a year of 360 days for the actual number of days amounts are outstanding hereunder, at a rate per annum equal to the Wall Street Journal Prime Rate. As used herein the phrase "Wall Street Journal Prime Rate" shall mean the "Prime Rate" published by the Wall Street Journal as the base rate on corporate loans posted by at least 75% of the nation's 30 largest banks as the same may be changed from time to time. If more than one Prime Rate is published, the highest rate published shall be deemed the Wall Street Journal Prime Rate. If the publishing of the Wall Street Journal Prime Rate is discontinued during the term hereof, then the Effective Interest Rate shall be based upon the index which is published by The Wall Street Journal in replacement thereof based on similar base rates on corporate loans or, if no such replacement index is published, the index which, in Standard Federal's sole determination, most nearly corresponds to the Wall Street Journal Prime Rate. If, in such event, Standard Federal selects an index which, in the Borrower's opinion, does not correspond to the Wall Street Journal Prime Rate, Borrower's sole remedy shall be to prepay this Note in full without penalty or premium. Until such prepayment has been received by

Standard Federal, the index selected by Standard Federal shall apply for all purposes of this Note.

2

It is understood and agreed by Borrower that the Effective Interest Rate shall be determined by reference to the "Wall Street Journal Prime Rate" and not by reference to the actual rate of interest charged by any particular bank to any particular borrower or borrowers and shall automatically increase or decrease when and to the extent that the Wall Street Journal Prime Rate shall have been increased or decreased.

This Note is given as evidence of any and all indebtedness of the Borrower to Standard Federal arising as a result of advances or other credit which may be made under this Note from time to time after January 1, 1996 to and until July 1, 1996 (the "Term Date"). Any and all indebtedness may be repaid by the Borrower in whole or in part from time to time prior to the Term Date. Standard Federal shall, from time to time prior to the Term Date, make advances to Borrower hereunder upon request therefor by Borrower, made in accordance with the requirements of the Loan Agreement, provided that upon giving effect to such advance no Event of Default (as hereinafter defined) and no event which with notice and/or the passage of time would become an Event of Default shall exist at the time the advance is to be made and that all representations and warranties of Borrower theretofore made are true and correct and that Standard Federal shall not have previously or concurrently declared all amounts owing hereunder to be immediately due and payable and that the amount requested shall not cause the total amount outstanding hereunder to exceed the First Credit Limit as defined in the Loan Agreement. The principal amount of indebtedness owing pursuant to this Note shall change from time to time, decreasing in an amount equal to any and all payments of principal made by the Borrower prior to the Due Date and increasing by an amount equal to any and all advances made by Standard Federal to the Borrower pursuant to the terms hereof, and the books and records of Standard Federal shall be conclusive evidence of the amount of principal and interest owing hereunder at any time. All payments made hereunder shall be applied first against costs and expenses required to be paid hereunder, then against accrued interest to the extent thereof and the balance shall be applied against the outstanding principal amount hereof.

Accrued interest shall be payable on the 1st day of each month beginning on February 1, 1996 through and including the Term Date. From and after the Term Date, Standard Federal shall make no further advances hereunder and the outstanding principal balance hereunder as of the Term Date, with interest, shall be repaid in consecutive monthly payments of principal, each in the amount determined by dividing the outstanding principal balance hereunder as of the Term Date by 78, plus interest accrued to the due date of each such payment, commencing on August 1, 1996 and continuing on the same day of each consecutive month thereafter and a final payment on the Due Date in an amount equal to the then unpaid principal and accrued interest.

Nothing herein contained, nor any transaction relating thereto, or hereto, shall be construed or so operate as to require the Borrower to pay, or charge, interest at a greater rate than the maximum allowed by the applicable law relating to this Note. Should any interest, or other charges, charged, paid or payable by the Borrower in connection with this Note, or any other document delivered in connection herewith, result in the charging, compensation, payment or earning of interest in excess of the maximum allowed by applicable law, then any and all such excess shall be and the same is hereby waived by Standard Federal, and any and all such excess paid shall be automatically credited against and in reduction of the principal due under this Note. If Standard Federal shall reasonably determine that the Effective Interest Rate (together with all other charges or payments related hereto that may be deemed interest) stipulated under this Note is, or may be, usurious or otherwise limited by law, the unpaid balance of this Note, with accrued interest at the highest rate permitted to be charged by stipulation in writing between Standard Federal and Borrower, at the option of Standard Federal, shall immediately become due and payable.

The Borrower represents and warrants that it is duly organized, validly existing and in good standing and is duly authorized to make and perform this Note, which constitutes its valid and binding legal obligation enforceable in accordance with its terms. All financial data furnished to Standard Federal in connection with this Note fairly present the financial condition of the Borrower and its subsidiaries, if any, as of the dates thereof and there has been no material adverse change in the condition (financial or otherwise) of the Borrower since such dates.

An Event of Default shall be deemed to have occurred hereunder if any indebtedness of the Borrower to Standard Federal hereunder is not paid when due, regardless of whether such indebtedness has arisen pursuant to the terms of this Note, the Loan Agreement or any mortgage, security agreement, guaranty, instrument or other agreement executed in conjunction herewith, or if an Event of Default shall otherwise occur under the Loan Agreement.

Upon the occurrence of any Event of Default, after the giving of any notice and the expiration of any grace, cure or notice period provided for in the Loan Agreement, if any, and if no such notice or grace, cure or notice period is so provided for in the Loan Agreement, then immediately, Standard Federal may declare the entire unpaid and outstanding principal balance hereunder and all accrued interest to be due and payable in full forthwith, without presentment, demand or notice of any kind and may exercise any one or more of the rights and remedies provided herein or in the Loan Agreement or in any mortgage, guaranty, security agreement or other document relating hereto or by applicable law. The remedies provided for hereunder are cumulative to the remedies for collection

the Loan Agreement, or by any mortgage, guaranty, security agreement or other document relating hereto. Nothing herein is intended, nor should it be construed, to preclude Standard Federal from pursuing any other remedy for the recovery of any other sum to which Standard Federal may be or become entitled for breach of the terms of this Note or the Loan Agreement, or any mortgage, guaranty, security agreement or other instrument relating hereto.

Borrower agrees, in case of an Event of Default under the terms of this Note or under any loan agreement, security or other agreement executed in connection herewith, to pay all costs of Standard Federal for collection of the Note and all other liabilities of Borrower to Standard Federal and enforcement of rights hereunder, including reasonable attorney fees and legal expenses including participation in Bankruptcy proceedings. During any period(s) this Note is in default, or after the Due Date, or after acceleration of maturity, the outstanding principal amount hereof shall bear interest at a rate equal to two percent (2.0%) per annum greater than the interest rate otherwise charged hereunder. If any required payment is not made within ten (10) days after the date it is due, then, at the option of Standard Federal, a late charge of not more than four cents (\$.04) for each dollar of the payment so overdue may be charged. In addition to any other security interests granted to Standard Federal, Borrower hereby grants Standard Federal a security interest in all of Borrower's bank deposits, instruments, negotiable documents, and chattel paper which at any time are in the possession or control of Standard Federal. After the occurrence of an Event of Default hereunder, Standard Federal may hold and apply at any time its own indebtedness or liability to Borrower in payment of any indebtedness hereunder.

Acceptance by Standard Federal of any payment in an amount less than the amount then due shall be deemed an acceptance on account only, and the failure to pay the entire amount then due shall be and continue to be an Event of Default. Upon any Event of Default, neither the failure of Standard Federal promptly to exercise its right to declare the outstanding principal and accrued unpaid interest hereunder to be immediately due and payable, nor the failure of Standard Federal to demand strict performance of any other obligation of the Borrower or any other person who may be liable hereunder shall constitute a waiver of any such rights, nor a waiver of such rights in connection with any future default on the part of the Borrower or any other person who may be liable hereunder.

Borrower and all endorsers and guarantors hereof, hereby jointly and severally waive presentment for payment, demand, notice of non-payment, notice

of protest or protest of this Note, diligence in collection or bringing suit, and hereby consent to any and all extensions of time, renewals, waivers, or modifications that may be granted by Standard Federal with respect to payment or

5

any other provisions of this Note, and to the release of any collateral or any part thereof, with or without substitution. The liability of the Borrower shall be absolute and unconditional, without regard to the liability of any other party hereto.

This Note is executed pursuant to the Loan Agreement and is secured by a Security Agreement, dated September 15, 1994, and by a Security Agreement of even date herewith. Reference is hereby made to such documents for additional terms relating to the transaction giving rise to this Note, the security given for this Note and additional terms and conditions under which this Note matures, may be accelerated or prepaid.

Advances hereunder may be requested by telephone, in writing or in any other manner acceptable to Standard Federal. Borrower understands and agrees that any telephone conversation with Standard Federal may be recorded for accuracy.

BORROWER:

MCCLAIN INDUSTRIES, INC., a Michigan corporation

By:

E. James Zabinski

Its: Treasurer

38-1867649

Taxpayer Identification Number

MCCLAIN OF GEORGIA, INC., a Georgia
corporation

By: _____

Carl L. Jaworski

Its: Secretary

58-1738825

Taxpayer Identification Number

-5-

6

SHELBY STEEL PROCESSING COMPANY, a
Michigan corporation

By: _____

Carl L. Jaworski

Its: Secretary

38-2205216

Taxpayer Identification Number

MCCLAIN TUBE COMPANY d/b/a QUALITY
TUBE, a Michigan corporation

By: _____

E. James Zabinski

Its: Treasurer

Taxpayer Identification Number

MCCLAIN INDUSTRIES OF OHIO, INC., a
Michigan corporation

By:

E. James Zabinski

Its: Treasurer

Taxpayer Identification Number

EPCO MANUFACTURING, INC., a New York
corporation

By:

E. James Zabinski

Its: Treasurer

Taxpayer Identification Number

Troy, Michigan 48084

-7-

Note No. 0250193863

STANDARD FEDERAL BANK

PROMISSORY NOTE

(Line of Credit with Term Provisions) New
 (First Line of Credit) Renewal

\$426,000.00

Troy, Michigan

Due Date: July 1, 2002

Dated: July 18, 1995

FOR VALUE RECEIVED, on the Due Date unless accelerated earlier as provided herein, the undersigned, jointly and severally (collectively, "Borrower"), promise to pay to the order of Standard Federal Bank, a federal savings bank ("Standard Federal"), at its office set forth below, or at such other place as Standard Federal may designate in writing, the principal sum of Four Hundred Twenty Six Thousand and 00/100 Dollars (\$426,000.00) or such lesser amount as may from time to time be outstanding by reason of having been advanced hereunder in accordance with the provisions of a Loan Agreement, dated September 15, 1994, as amended by a First Amendment to Loan Agreement, dated February 16, 1995 and by a Second Amendment to Loan Agreement of even date herewith (the "Loan Agreement"), plus interest as hereinafter provided on all amounts from time to time outstanding hereunder, all in lawful money of the United States of America.

The principal outstanding under this Note from time to time shall bear interest ("Effective Interest Rate"), on a basis of a year of 360 days for the actual number of days amounts are outstanding hereunder, at a rate per annum equal to the Wall Street Journal Prime Rate. As used herein the phrase "Wall Street Journal Prime Rate" shall mean the "Prime Rate" published by the Wall Street Journal as the base rate on corporate loans posted by at least 75% of the nation's 30 largest banks as the same may be changed from time to time. If more than one Prime Rate is published, the highest rate published shall be deemed the Wall Street Journal Prime Rate. If the publishing of the Wall Street Journal Prime Rate is discontinued during the term hereof, then the Effective Interest Rate shall be based upon the index which is published by The Wall Street Journal in replacement thereof based on similar base rates on corporate loans or, if no such replacement index is published, the index which, in Standard Federal's sole determination, most nearly corresponds to the Wall Street Journal Prime Rate. If, in such event, Standard Federal selects an index which, in the Borrower's opinion, does not correspond to the Wall Street Journal Prime Rate, Borrower's sole remedy shall be to prepay this Note in full without penalty or premium. Until such prepayment has been received by

Standard Federal, the index selected by Standard Federal shall apply for all purposes of this Note.

2

It is understood and agreed by Borrower that the Effective Interest Rate shall be determined by reference to the "Wall Street Journal Prime Rate" and not by reference to the actual rate of interest charged by any particular bank to any particular borrower or borrowers and shall automatically increase or decrease when and to the extent that the Wall Street Journal Prime Rate shall have been increased or decreased.

This Note is given as evidence of any and all indebtedness of the Borrower to Standard Federal arising as a result of advances or other credit which may be made under this Note from time to time to and until January 1, 1996 (the "Term Date"). Any and all indebtedness may be repaid by the Borrower in whole or in part from time to time prior to the Term Date. Standard Federal shall, from time to time prior to the Term Date, make advances to Borrower hereunder upon request therefor by Borrower, made in accordance with the requirements of the Loan Agreement, provided that upon giving effect to such advance no Event of Default (as hereinafter defined) and no event which with notice and/or the passage of time would become an Event of Default shall exist at the time the advance is to be made and that all representations and warranties of Borrower theretofore made are true and correct and that Standard Federal shall not have previously or concurrently declared all amounts owing hereunder to be immediately due and payable and that the amount requested shall not cause the total amount outstanding hereunder to exceed the First Credit Limit as defined in the Loan Agreement. The principal amount of indebtedness owing pursuant to this Note shall change from time to time, decreasing in an amount equal to any and all payments of principal made by the Borrower prior to the Due Date and increasing by an amount equal to any and all advances made by Standard Federal to the Borrower pursuant to the terms hereof, and the books and records of Standard Federal shall be conclusive evidence of the amount of principal and interest owing hereunder at any time. All payments made hereunder shall be applied first against costs and expenses required to be paid hereunder, then against accrued interest to the extent thereof and the balance shall be applied against the outstanding principal amount hereof.

Accrued interest shall be payable on the 1st day of each month beginning on August 1, 1995 through and including the Term Date. From and after the Term Date, Standard Federal shall make no further advances hereunder and the outstanding principal balance hereunder as of the Term Date, with interest, shall be repaid in consecutive monthly payments of principal, each in the amount determined by dividing the outstanding principal balance hereunder as of the Term Date by 78, plus interest accrued to the due date of each such payment, commencing on February 1, 1996 and continuing on the same day of each consecutive month thereafter and a final payment on the Due Date in an amount equal to the then unpaid

principal and accrued interest.

-2-

3

Nothing herein contained, nor any transaction relating thereto, or hereto, shall be construed or so operate as to require the Borrower to pay, or charge, interest at a greater rate than the maximum allowed by the applicable law relating to this Note. Should any interest, or other charges, charged, paid or payable by the Borrower in connection with this Note, or any other document delivered in connection herewith, result in the charging, compensation, payment or earning of interest in excess of the maximum allowed by applicable law, then any and all such excess shall be and the same is hereby waived by Standard Federal, and any and all such excess paid shall be automatically credited against and in reduction of the principal due under this Note. If Standard Federal shall reasonably determine that the Effective Interest Rate (together with all other charges or payments related hereto that may be deemed interest) stipulated under this Note is, or may be, usurious or otherwise limited by law, the unpaid balance of this Note, with accrued interest at the highest rate permitted to be charged by stipulation in writing between Standard Federal and Borrower, at the option of Standard Federal, shall immediately become due and payable.

The Borrower represents and warrants that it is duly organized, validly existing and in good standing and is duly authorized to make and perform this Note, which constitutes its valid and binding legal obligation enforceable in accordance with its terms. All financial data furnished to Standard Federal in connection with this Note fairly present the financial condition of the Borrower and its subsidiaries, if any, as of the dates thereof and there has been no material adverse change in the condition (financial or otherwise) of the Borrower since such dates.

An Event of Default shall be deemed to have occurred hereunder if any indebtedness of the Borrower to Standard Federal hereunder is not paid when due, regardless of whether such indebtedness has arisen pursuant to the terms of this Note, the Loan Agreement or any mortgage, security agreement, guaranty, instrument or other agreement executed in conjunction herewith, or if an Event of Default shall otherwise occur under the Loan Agreement.

Upon the occurrence of any Event of Default, after the giving of any notice and the expiration of any grace, cure or notice period provided for in the Loan Agreement, if any, and if no such notice or grace, cure or notice period is so provided for in the Loan Agreement, then immediately, Standard Federal may declare the entire unpaid and outstanding principal balance hereunder and all accrued interest to be due and payable in full forthwith, without presentment, demand or notice of any kind and may exercise any one or more of the rights and

remedies provided herein or in the Loan Agreement or in any mortgage, guaranty, security agreement or other document relating hereto or by applicable law. The remedies provided for hereunder are cumulative to the remedies for collection of the amounts owing hereunder as provided by law or by

-3-

4

the Loan Agreement, or by any mortgage, guaranty, security agreement or other document relating hereto. Nothing herein is intended, nor should it be construed, to preclude Standard Federal from pursuing any other remedy for the recovery of any other sum to which Standard Federal may be or become entitled for breach of the terms of this Note or the Loan Agreement, or any mortgage, guaranty, security agreement or other instrument relating hereto.

Borrower agrees, in case of an Event of Default under the terms of this Note or under any loan agreement, security or other agreement executed in connection herewith, to pay all costs of Standard Federal for collection of the Note and all other liabilities of Borrower to Standard Federal and enforcement of rights hereunder, including reasonable attorney fees and legal expenses including participation in Bankruptcy proceedings. During any period(s) this Note is in default, or after the Due Date, or after acceleration of maturity, the outstanding principal amount hereof shall bear interest at a rate equal to two percent (2.0%) per annum greater than the interest rate otherwise charged hereunder. If any required payment is not made within ten (10) days after the date it is due, then, at the option of Standard Federal, a late charge of not more than four cents (\$.04) for each dollar of the payment so overdue may be charged. In addition to any other security interests granted to Standard Federal, Borrower hereby grants Standard Federal a security interest in all of Borrower's bank deposits, instruments, negotiable documents, and chattel paper which at any time are in the possession or control of Standard Federal. After the occurrence of an Event of Default hereunder, Standard Federal may hold and apply at any time its own indebtedness or liability to Borrower in payment of any indebtedness hereunder.

Acceptance by Standard Federal of any payment in an amount less than the amount then due shall be deemed an acceptance on account only, and the failure to pay the entire amount then due shall be and continue to be an Event of Default. Upon any Event of Default, neither the failure of Standard Federal promptly to exercise its right to declare the outstanding principal and accrued unpaid interest hereunder to be immediately due and payable, nor the failure of Standard Federal to demand strict performance of any other obligation of the Borrower or any other person who may be liable hereunder shall constitute a waiver of any such rights, nor a waiver of such rights in connection with any future default on the part of the Borrower or any other person who may be liable hereunder.

Borrower and all endorsers and guarantors hereof, hereby jointly and severally waive presentment for payment, demand, notice of non-payment, notice of protest or protest of this Note, diligence in collection or bringing suit, and hereby consent to any and all extensions of time, renewals, waivers, or modifications that may be granted by Standard Federal with respect to payment or

-4-

5

any other provisions of this Note, and to the release of any collateral or any part thereof, with or without substitution. The liability of the Borrower shall be absolute and unconditional, without regard to the liability of any other party hereto.

This Note is executed pursuant to the Loan Agreement and is secured by a Security Agreement, dated September 15, 1994, and by a Security Agreement of even date herewith. Reference is hereby made to such documents for additional terms relating to the transaction giving rise to this Note, the security given for this Note and additional terms and conditions under which this Note matures, may be accelerated or prepaid.

Advances hereunder may be requested by telephone, in writing or in any other manner acceptable to Standard Federal. Borrower understands and agrees that any telephone conversation with Standard Federal may be recorded for accuracy.

BORROWER:

MCCLAIN INDUSTRIES, INC., a Michigan corporation

By:

E. James Zabinski

Its: Treasurer

38-1867649

Taxpayer Identification Number

MCCLAIN OF GEORGIA, INC., a Georgia
corporation

By:

Carl L. Jaworski

Its: Secretary

58-1738825

Taxpayer Identification Number

-5-

6

SHELBY STEEL PROCESSING COMPANY, a
Michigan corporation

By:

Carl L. Jaworski

Its: Secretary

38-2205216

Taxpayer Identification Number

MCCLAIN TUBE COMPANY d/b/a QUALITY TUBE,
a Michigan corporation

By:

E. James Zabinski

Its: Treasurer

Taxpayer Identification Number

MCCLAIN INDUSTRIES OF OHIO, INC.,
a Michigan corporation

By:

E. James Zabinski

Its: Treasurer

Taxpayer Identification Number

EPCO MANUFACTURING, INC., a New York
corporation

By:

E. James Zabinski

Its: Treasurer

Taxpayer Identification Number

Standard Federal Bank, a
federal savings bank
2600 West Big Beaver Road
Troy, Michigan 48084

-7-

Note No. 0250193855

STANDARD FEDERAL BANK

PROMISSORY NOTE
(Term Loan)

\$240,000.00

Troy, Michigan

Due Date: July 1, 2002

Dated: July 18, 1995

FOR VALUE RECEIVED, the undersigned, jointly and severally (collectively, "Borrower"), promise to pay to the order of Standard Federal Bank, a federal savings bank ("Standard Federal"), at its office set forth below, or at such other place as Standard Federal may designate in writing, the principal sum of Two Hundred Forty Thousand and 00/100 Dollars (\$240,000.00), plus interest on all amounts from time to time outstanding hereunder, as hereinafter provided, all in lawful money of the United States of America.

The principal outstanding under this Note from time to time shall bear interest ("Effective Interest Rate"), on a basis of a year of 360 days for the actual number of days amounts are outstanding hereunder, at a rate per annum equal to the Wall Street Journal Prime Rate. As used herein the phrase "Wall Street Journal Prime Rate" shall mean the "Prime Rate" published by the Wall Street Journal as the base rate on corporate loans posted by at least 75% of the nation's 30 largest banks as the same may be changed from time to time. If more than one Prime Rate is published, the highest rate published shall be deemed the Wall Street Journal Prime Rate. If the publishing of the Wall Street Journal Prime Rate is discontinued during the term hereof, then the Effective Interest Rate shall be based upon the index which is published by The Wall Street Journal in replacement thereof based on similar base rates on corporate loans or, if no such replacement index is published, the index which, in Standard Federal's sole determination, most nearly corresponds to the Wall Street Journal Prime Rate. If, in such event, Standard Federal selects an index which, in the Borrower's opinion, does not correspond to the Wall Street Journal Prime Rate, Borrower's sole remedy shall be to prepay this Note in full without penalty or premium. Until such prepayment has been received by Standard Federal, the index selected by Standard Federal shall apply for all purposes of this Note.

It is understood and agreed by Borrower that the Effective Interest Rate shall be determined by reference to the "Wall Street Journal Prime Rate" and not by reference to the actual rate of interest charged by any particular bank to any particular borrower or borrowers and shall automatically increase

or decrease when and to the extent that the Wall Street Journal Prime Rate shall have been increased or decreased.

2

Principal and interest shall be paid in consecutive monthly payments of principal in the amount of \$ 2,857.00 each, plus interest accrued to the due date of each payment, commencing on August 1, 1995, and continuing on the same day of each consecutive month thereafter and a final payment on the Due Date in an amount equal to the then unpaid principal and accrued interest.

All payments required to be paid hereunder shall first be applied to costs and expenses required to be paid hereunder, then to accrued interest hereunder and the balance shall be applied against the principal. This Note may be prepaid, in full or in part, at any time, without the payment of any prepayment fee or penalty. All partial prepayments shall be applied against the last accruing installment or amount due under this Note; and no prepayments shall affect the obligation of the undersigned to continue the regular installments hereinbefore mentioned, until the entire unpaid principal and accrued interest has been paid in full. Borrower understands that the installment payments of principal provided for herein are not sufficient to fully amortize the outstanding principal balance of this Note by the Due Date and that the final payment due on the Due Date will be a balloon payment of all then outstanding principal and accrued interest.

Nothing herein contained, nor any transaction relating thereto, or hereto, shall be construed or so operate as to require the Borrower to pay, or charge, interest at a greater rate than the maximum allowed by the applicable law relating to this Note. Should any interest, or other charges, charged, paid or payable by the Borrower in connection with this Note, or any other document delivered in connection herewith, result in the charging, compensation, payment or earning of interest in excess of the maximum allowed by applicable law, then any and all such excess shall be and the same is hereby waived by Standard Federal, and any and all such excess paid shall be automatically credited against and in reduction of the principal due under this Note. If Standard Federal shall reasonably determine that the Effective Interest Rate (together with all other charges or payments related hereto that may be deemed interest) stipulated under this Note is, or may be, usurious or otherwise limited by law, the unpaid balance of this Note, with accrued interest at the highest rate permitted to be charged by stipulation in writing between Standard Federal and Borrower, at the option of Standard Federal, shall immediately become due and payable.

The Borrower represents and warrants that it is duly organized, validly existing and in good standing and is duly authorized to make and perform this Note, which constitutes its valid and binding legal obligation enforceable in accordance with its terms. All financial data furnished to Standard Federal in connection with this Note fairly present the financial condition of the Borrower and its subsidiaries, if any, as of the dates thereof

and there has been no material adverse change in the condition (financial or otherwise) of the Borrower since such dates.

An Event of Default shall be deemed to have occurred hereunder if any indebtedness of the Borrower to Standard Federal hereunder is not paid when due, regardless of whether such indebtedness has arisen pursuant to the terms of this Note, the Loan Agreement or any mortgage, security agreement, guaranty, instrument or other agreement executed in conjunction herewith, or if an Event of Default shall otherwise occur under the Loan Agreement.

Upon the occurrence of any Event of Default, after the giving of any notice and the expiration of any grace, cure or notice period provided for in the Loan Agreement, if any, and if no such notice or grace, cure or notice period is so provided for in the Loan Agreement, then immediately, Standard Federal may declare the entire unpaid and outstanding principal balance hereunder and all accrued interest to be due and payable in full forthwith, without presentment, demand or notice of any kind and may exercise any one or more of the rights and remedies provided herein or in the Loan Agreement or in any mortgage, guaranty, security agreement or other document relating hereto or by applicable law. The remedies provided for hereunder are cumulative to the remedies for collection of the amounts owing hereunder as provided by law or by the Loan Agreement, or by any mortgage, guaranty, security agreement or other document relating hereto. Nothing herein is intended, nor should it be construed, to preclude Standard Federal from pursuing any other remedy for the recovery of any other sum to which Standard Federal may be or become entitled for breach of the terms of this Note or the Loan Agreement, or any mortgage, guaranty, security agreement or other instrument relating hereto.

Borrower agrees, in case of an Event of Default under the terms of this Note or under any loan agreement, security or other agreement executed in connection herewith, to pay all costs of Standard Federal for collection of the Note and all other liabilities of Borrower to Standard Federal and enforcement of rights hereunder, including reasonable attorney fees and legal expenses including participation in Bankruptcy proceedings. During any period(s) this Note is in default, or after the Due Date, or after acceleration of maturity, the outstanding principal amount hereof shall bear interest at a rate equal to two percent (2.0%) per annum greater than the interest rate otherwise charged hereunder. If any required payment is not made within ten (10) days after the date it is due, then, at the option of Standard Federal, a late charge of not more than four cents (\$.04) for each dollar of the payment so overdue may be charged. In addition to any other security interests granted to Standard Federal, Borrower hereby grants Standard Federal a security interest in all of

Borrower's bank deposits, instruments, negotiable documents, and chattel paper which at any time are in the possession or control of Standard Federal. After the occurrence of an Event of Default

-3-

4

hereunder, Standard Federal may hold and apply at any time its own indebtedness or liability to Borrower in payment of any indebtedness hereunder.

Acceptance by Standard Federal of any payment in an amount less than the amount then due shall be deemed an acceptance on account only, and the failure to pay the entire amount then due shall be and continue to be an Event of Default. Upon any Event of Default, neither the failure of Standard Federal promptly to exercise its right to declare the outstanding principal and accrued unpaid interest hereunder to be immediately due and payable, nor the failure of Standard Federal to demand strict performance of any other obligation of the Borrower or any other person who may be liable hereunder shall constitute a waiver of any such rights, nor a waiver of such rights in connection with any future default on the part of the Borrower or any other person who may be liable hereunder.

Borrower and all endorsers and guarantors hereof, hereby jointly and severally waive presentment for payment, demand, notice of non-payment, notice of protest or protest of this Note, diligence in collection or bringing suit, and hereby consent to any and all extensions of time, renewals, waivers, or modifications that may be granted by Standard Federal with respect to payment or any other provisions of this Note, and to the release of any collateral or any part thereof, with or without substitution. The liability of the Borrower shall be absolute and unconditional, without regard to the liability of any other party hereto.

This Note is executed pursuant to a Loan Agreement, dated September 15, 1994, as amended by a First Amendment to Loan Agreement, dated February 16, 1995 and by a Second Amendment to Loan Agreement of even date herewith (the "Loan Agreement"), and is secured by a Security Agreement, dated September 15, 1994, and by a Security Agreement of even date herewith. Reference is hereby made to such documents for additional terms relating to the transaction giving rise to this Note, the security given for this Note and additional terms and conditions under which this Note matures, may be accelerated or prepaid.

Advances hereunder may be requested by telephone, in writing or in any other manner acceptable to Standard Federal. Borrower understands and agrees that any telephone conversation with Standard Federal may be recorded for accuracy.

BORROWER:

MCCLAIN INDUSTRIES, INC., a Michigan corporation

By:

E. James Zabinski

Its: Treasurer

38-1867649

Taxpayer Identification Number

MCCLAIN OF GEORGIA, INC., a Georgia corporation

By:

Carl L. Jaworski

Its: Secretary

58-1738825

Taxpayer Identification Number

SHELBY STEEL PROCESSING COMPANY, a Michigan corporation

By:

Carl L. Jaworski

Its: Secretary

38-2205216

Taxpayer Identification Number

MCCLAIN TUBE COMPANY d/b/a QUALITY
TUBE, a Michigan corporation

By:

E. James Zabinski

Its: Treasurer

Taxpayer Identification Number

-5-

6

MCCLAIN INDUSTRIES OF OHIO, INC., a
Michigan corporation

By:

E. James Zabinski

Its: Treasurer

Taxpayer Identification Number

EPCO MANUFACTURING, INC., a New York
corporation

By:

E. James Zabinski

Its: Treasurer

Standard Federal Bank, a
federal savings bank
2600 West Big Beaver Road
Troy, Michigan 48084

SECURITY AGREEMENT

THIS AGREEMENT made and delivered this 18th day of July, 1995, by and between Epco Manufacturing, Inc., a New York corporation, whose address/principal office is 6200 Elmridge, Sterling Heights, Michigan 48310 (collectively, "Borrower") and Standard Federal Bank, a federal savings bank ("Standard Federal").

WITNESSETH:

WHEREAS, the Borrower may from time to time request loans, advances or other financial accommodations from Standard Federal and Standard Federal may, in its discretion, honor such requests in whole or part;

NOW, THEREFORE, in consideration of the premises and the mutual promises herein contained, the Borrower and Standard Federal hereby agree as follows:

SECTION 1. GRANT OF SECURITY INTEREST.

1.1 Borrower hereby grants to Standard Federal a continuing security interest in the property and interests in property described in Section 2.1 below (hereinafter referred to as the "Collateral") to secure the payment of all loans and advances including any renewals or extensions thereof from Standard Federal to Borrower and all obligations of any and every kind and nature heretofore, now or hereafter owing from Borrower to Standard Federal, however incurred or evidenced, whether primary, secondary, contingent or otherwise, whether arising under this Agreement, under any other security agreement(s), promissory note(s), guarantee(s), mortgage(s), lease(s), instrument(s), document(s), contract(s), letter(s) of credit or similar agreement(s) heretofore, now or hereafter executed by Borrower and delivered to Standard Federal, or by oral agreement or by operation of law plus all interest, costs, expenses and reasonable attorney fees which may be made or incurred by Standard Federal in the disbursement, administration or collection of such obligations and in the protection, maintenance and liquidation of the Collateral (hereinafter collectively called "Liabilities").

1.2 All statements of account rendered by Standard Federal to Borrower relating to Borrower's Liabilities, including all statements of principal, interest, expenses and costs owing by Borrower to Standard Federal, shall be presumed correct and accurate and shall constitute an account stated between Borrower and Standard Federal unless within thirty (30) days after mailing thereof to Borrower, Borrower shall deliver to Standard Federal by registered or certified mail addressed to Standard Federal at its principal place of business, written objection thereto specifying the error or errors, if any, contained in any such statement.

1.3 This Agreement shall be and become effective when, and continue in effect as long as, any Liabilities of Borrower to Standard Federal are outstanding and unpaid. Borrower will not sell, assign, transfer, pledge, alienate or otherwise dispose of or encumber any Collateral to any third party while this Agreement is in effect without the written consent of Standard Federal.

SECTION 2. COLLATERAL.

2.1 The Collateral covered by this Agreement is all the Borrower's property described below, which it now owns or shall hereafter acquire or create immediately upon the acquisition or creation thereof, and includes, but is not limited to, any items listed on any schedule or list attached hereto:

Accounts, etc. All Accounts, Chattel Paper, Documents, Instruments, General Intangibles, including any right to any refund of taxes paid before or after the date of this Agreement to any governmental entity.

Equipment . All Equipment including without limitation all machinery, furnishings, furniture and vehicles, together with all accessions, parts, attachments, accessories, tools, dies or appurtenances thereto or intended for use in connection therewith and all substitutions, betterments and replacements thereof and additions thereto.

Inventory, etc. All Inventory and Goods (other than Equipment), including without limitation raw materials, work in process, finished goods, tangible property, stock in trade, wares and merchandise held for sale or lease or furnished or to be furnished under contracts of service or used or consumed in a business, including goods whose sale, lease or other disposition has given rise to any Accounts and any Goods which may have been returned to or repossessed or stopped in transit by the Borrower.

Proceeds. Proceeds (whether Cash Proceeds or Noncash Proceeds) of the Collateral, including without limitation proceeds of insurance payable by reason of loss or damage to the Collateral and of eminent domain or condemnation awards and all products of and accessions to the Collateral and all Deposit Accounts or other sums at any time credited by or due from Standard Federal to Borrower and all policies and certificates of insurance, Accounts, Chattel Paper, Documents, Instruments, General Intangibles, Goods, Deposit Accounts, Money, Checks, Cash Proceeds and Noncash Proceeds (whether or not the same are Collateral or Proceeds thereof hereunder) in which Borrower has an interest which are now or are at any time hereafter in the possession or under the control of Standard Federal or in transit by mail or carrier to or from Standard Federal or in possession of or under the control of

3

any third party acting on Standard Federal's behalf without regard to whether Standard Federal received the same in pledge, for safekeeping, as agent for collection or transmission or otherwise or whether Standard Federal has conditionally released the same (excluding, nevertheless, any of the foregoing assets of the Borrower which are now or any time hereafter in possession or control of Standard Federal under any written trust agreement wherein Standard Federal is trustee and Borrower is trustor).

2.2 The Collateral is kept and maintained at the Borrower's address above and at the following addresses:

2.3 All records pertaining to Accounts are kept and maintained at the Borrower's address above and at the following addresses:

2.4 Borrower will give to Standard Federal prompt written notice of any new address at which the Collateral is kept or maintained upon any change in location of the Collateral or records pertaining to Accounts.

SECTION 3. PERFECTON OF SECURITY INTEREST.

3.1 Borrower shall execute and deliver to Standard Federal concurrently with Borrower's execution of this Agreement and at any time or times hereafter at the request of Standard Federal and pay the cost of filing or recording same in all public offices deemed necessary by Standard Federal, all financing statements, continuation financing statements, assignments, certificates of title, applications for vehicle titles, affidavits, reports, notices, schedules of Accounts, designations of Inventory, letters of authority and all other documents that Standard Federal may reasonably request in form satisfactory to Standard Federal to perfect and maintain Standard Federal's security interests in the Collateral. In order to fully consummate all of the

transactions contemplated hereunder, Borrower shall make appropriate entries on its books and records disclosing Standard Federal's security interests in the Collateral.

-3-

4

SECTION 4. WARRANTIES.

4.1 Borrower warrants and agrees that while any of the Liabilities remain unperformed and unpaid:

4.1(a) Borrower is the owner of the Collateral free and clear of all liens or security interests, except Standard Federal's security interest, and all Chattel Paper constituting Collateral evidences a perfected security interest in the goods covered by it free from all other liens and security interests, and no financing statements, other than that of Standard Federal, are on file covering the Collateral or any of it, and if Inventory is represented or covered by documents of title, Borrower is the owner of the documents free of all liens and security interests other than Standard Federal's security interest and warehousemen's charges, if any, not delinquent;

4.1(b) The address of Borrower's principal office is as set forth above; the addresses of Borrower's other places of business where Collateral and account records are now or may in the future be located, if any, are set forth in Sections 2.2 and 2.3 above and Borrower's business locations shall not be changed without the prior written consent of Standard Federal; Borrower further warrants that the Collateral, wherever located, is covered by this Agreement;

4.1(c) The Collateral will not be used, nor will Borrower permit the Collateral to be used, for any unlawful purpose, whatever;

4.1(d) Borrower will neither change its name, form of business entity nor address of its principal office or the office where account records are maintained without giving written notice to Standard Federal thereof at least ten (10) days prior to the effective date of such change, and Borrower agrees that all documents, instruments, and agreements demanded by Standard Federal in response to such change shall be prepared, filed, and recorded at Borrower's expense prior to the effective date of such change;

4.1(e) Each Account, Chattel Paper and General Intangible constituting Collateral is genuine and enforceable against the account debtor according to its terms, and it, and the transaction out of which it arose, comply with all applicable laws and regulations, the amount represented by Borrower to Standard Federal as owing by each account debtor is the amount actually owing and is not subject to setoff, credit, allowance or adjustment except any discount for

prompt payment, nor has any account debtor returned the goods or disputed his liability, there has been no default according to the terms of any such Collateral, and no step has been taken to foreclose the security interest it evidences or to otherwise enforce its payment;

-4-

5

4.1(f) Borrower shall at all times maintain the Collateral in first-class condition and repair;

4.1(g) The execution and delivery of this Agreement and any instruments evidencing Liabilities will not violate nor constitute a breach of Borrower's Articles of Incorporation, By-Laws, Partnership Agreement, or any agreement or restriction of any type whatsoever to which Borrower is a party or is subject;

4.1(h) All financial statements and information relating to Borrower delivered or to be delivered by Borrower to Standard Federal are true and correct and prepared in accordance with generally accepted accounting principles, and there has been no material adverse change in the financial condition of Borrower since the submission of any such financial information to Standard Federal;

4.1(i) There are no actions or proceedings which are threatened or pending against Borrower which might result in any material adverse change in Borrower's financial condition or which might materially affect any of Borrower's assets;

4.1(j) Borrower has duly filed all federal, state, and other governmental tax returns which Borrower is required by law to file, and will continue to file same during such time as any of the Liabilities hereunder remain owing to Standard Federal, and all such taxes required to be paid have been paid, in full; and

4.1(k) Borrower will indemnify and hold Standard Federal harmless against claims of any persons or entities not a party to this Agreement concerning disputes arising over the Collateral.

SECTION 5. INSURANCE, TAXES, ETC.

5.1 Borrower shall:

5.1(a) Pay promptly all taxes, levies, assessments, judgments, and charges of any kind upon or relating to the Collateral, to Borrower's business, and to Borrower's ownership or use of any of its assets, income, or gross receipts;

5.1(b) At its own expense, keep and maintain all of the Collateral fully insured against loss or damage by fire, theft, explosion and other risks in such amounts, with such companies, under such policies and in such form as shall be satisfactory to Standard Federal, which policies shall expressly provide that loss thereunder shall be payable to Standard Federal as its interest may appear. Standard Federal shall have a security interest in the proceeds of such insurance. Prior to the occurrence of an Event of Default, any proceeds of insurance may be used, at Borrower's option, to repair or replace the property damaged or applied upon the Liabilities. After the occurrence of an Event of Default, all

-5-

6

insurance proceeds shall be delivered to Standard Federal, who may apply any such proceeds which may be received by it toward payment of Borrower's Liabilities, whether or not due, in such order of application as Standard Federal may determine; and

5.1(c) Maintain at its own expense public liability and property damage insurance in such amounts, with such companies, under such policies and in such form as shall be satisfactory to Standard Federal, and, upon Standard Federal's request, shall furnish Standard Federal with such policies and evidence of payment of premiums thereon.

5.2 If Borrower at any time hereafter should fail to obtain or maintain any of the policies required above or pay any premium in whole or in part relating thereto, or shall fail to pay any such tax, assessment, levy, or charge or to discharge any such lien, claim, or encumbrance, then Standard Federal, without waiving or releasing any obligation or default of Borrower hereunder, may at any time hereafter (but shall be under no obligation to do so) make such payment or obtain such discharge or obtain and maintain such policies of insurance and pay such premiums, and take such action with respect thereto as Standard Federal deems advisable. All sums so disbursed by Standard Federal, including reasonable attorney fees, court costs, expenses, and other charges relating thereto, shall be part of Borrower's Liabilities, secured hereby, and payable upon demand together with interest at the highest rate payable in connection with any of the Liabilities from the date when advanced until paid.

SECTION 6. SALE, COLLECTIONS, ETC.

6.1 If Accounts are Collateral hereunder, Standard Federal authorizes and permits Borrower to collect Accounts from debtors. This privilege may be terminated by Standard Federal at any time after the occurrence of an Event of Default hereunder, whereupon Standard Federal shall be vested with full title

to the Accounts, and Standard Federal thereupon shall be entitled to and have all of the ownership, title, rights, securities and guarantees of Borrower in respect thereto, and in respect to the property evidenced thereby, including the right of stoppage in transit, and Standard Federal may notify any debtor or debtors of the assignment of Accounts and collect the same. All Account debtors of the Borrower shall be entitled to rely upon notice from Standard Federal that an Event of Default has occurred hereunder and shall have no duty of inquiry as to the accuracy thereof or any other obligation with respect thereto. The Borrower hereby fully and forever releases all such Account debtors from any and all claims or liabilities which the Borrower may claim to arise as a result of an Account debtor relying upon and honoring a notice from Standard Federal that an Event of Default has occurred and that all payments on Accounts are thereafter to be collected by Standard Federal. Thereafter Borrower will receive all payments on Account as agent

-6-

7

of and for Standard Federal and will transmit to Standard Federal, on the day of receipt thereof, all original checks, drafts, acceptances, notes and other evidence of payment received in payment of or on account of Accounts, including all cash moneys similarly received by Borrower. Until such delivery, Borrower shall keep all such remittances separate and apart from Borrower's own funds, capable of identification as the property of Standard Federal, and shall hold the same in trust for Standard Federal. All items or accounts which are delivered by Borrower to Standard Federal on account of partial or full payment or otherwise as proceeds of any of the Collateral shall be deposited to the credit of a deposit account (herein called the "Collateral Deposit Account") of Borrower with Standard Federal, as security for payment of the Liabilities. Borrower shall have no right to withdraw any funds deposited in the Collateral Deposit Account. Standard Federal may from time to time, at its discretion, and shall upon request of Borrower made not more than once in a week, apply all or any of the then balance, representing collected funds in the Collateral Deposit Account, toward payment of the Liabilities, whether or not then due, in such order of application as Standard Federal may determine, and Standard Federal may, from time to time, in its discretion, release all or any of such balance to Borrower. Borrower, if in default in the performance of any of the provisions of this Agreement, upon demand, will open all mail only in the presence of a representative of Standard Federal, who may take therefrom any remittance on Accounts in which Standard Federal shall have a security interest. Standard Federal or its representatives is authorized to endorse, in the name of Borrower, any item howsoever received by Standard Federal, representing any payment on or other proceeds of any of the Collateral, and may endorse or sign the name of Borrower to Accounts, invoices, assignments, financing statements, notices to debtors, bills of lading, storage receipts, or other instruments or documents in respect to Accounts or the property covered

thereby requested by Standard Federal. Borrower will promptly give Standard Federal copies of all Accounts, to be accompanied by such information and by such documents or copies thereof as Standard Federal may require. Borrower will maintain such records with respect to Accounts and the conduct and operation of its business as Standard Federal may request, and will furnish Standard Federal all information with respect to Accounts and the conduct and operation of its business, including balance sheets, operating statements and other financial information, as Standard Federal may request.

6.2 If Inventory is Collateral hereunder, until such time as Standard Federal shall notify Borrower of the revocation of such power and authority, which notice may not be given unless and until an Event of Default shall have occurred hereunder, Borrower (a) may only in the ordinary course of its business, at its own expense, sell, lease or furnish under contracts of service any of the inventory normally held by Borrower for such purpose; (b) may use and consume any raw materials, work in process or materials, the

-7-

8

use and consumption of which is necessary in order to carry on Borrower's business; and (c) will at its own expense, endeavor to collect, as and when due, all accounts due with respect to any of the Collateral, including the taking of such action with respect to such collection as Standard Federal may reasonably request or, in the absence of such request, as Borrower may deem advisable. A sale in the ordinary course of business does not include a transfer in partial or total satisfaction of a debt.

SECTION 7. INFORMATION.

7.1 Borrower shall permit Standard Federal or its agents upon reasonable request to have access to, and to inspect, all the Collateral (and Borrower's other assets, if any) and may from time to time verify Accounts, inspect, check, make copies of, or extracts from the books, records, and files of Borrower, and Borrower will make same available at any time for such purposes. In addition, Borrower shall promptly supply Standard Federal with financial and such other information concerning its affairs and assets as Standard Federal may request from time to time.

SECTION 8. DEFAULT AND REMEDIES UPON DEFAULT.

8.1 The occurrence of any of the following shall constitute an Event of Default hereunder: (a) If the Borrower shall fail to pay when due any of the Liabilities; (b) If any warranty or representation made by or for the Borrower or if any financial data or any other information now or hereafter furnished to Standard Federal by or on behalf of the Borrower shall prove to be

false, inaccurate or misleading in any material respect; (c) If an event of default shall occur under any promissory note secured hereby or if the Borrower shall fail to perform any obligation or covenant hereunder, or shall fail to comply with any of the provisions of any loan agreement or other agreement with Standard Federal, (d) If the Borrower or any other party liable on any of the Liabilities: (i) shall voluntarily suspend transaction of its business, (ii) shall make a general assignment for the benefit of creditors, (iii) shall file a voluntary petition in bankruptcy or for a reorganization to effect a plan or other arrangement with creditors, or shall file an answer to a creditor's petition or other petition for relief in bankruptcy or for a reorganization which answer admits the material allegations thereof, or if any order for relief shall be entered by any court of bankruptcy jurisdiction with respect to it or shall have instituted against it bankruptcy, reorganization or liquidation proceedings which remain undismissed for 60 days, (iv) shall have entered against it any order by any court approving a plan of reorganization or any other plan or arrangement with creditors, (v) shall apply for or permit the appointment of a receiver, trustee or custodian for any substantial portion of its assets, or (vi) shall become unable to meet its debts as they mature or insolvent; (e) If a judgment shall be entered against the Borrower which is not insured against

-8-

9

or satisfied or appealed from and bonded within the time or times limited by applicable rules of procedure for appeal as of right or if a writ of attachment or garnishment shall be issued and levied on any of the Deposit Account(s); (f) If the Borrower shall dissolve or shall merge or consolidate with any other entity.

8.2 Upon the occurrence of any Event of Default, any and all of the Liabilities may (notwithstanding any provisions thereof and unless otherwise provided in any loan agreement executed in conjunction herewith), at the option of Standard Federal, and without demand or notice of any kind, be declared and thereupon shall immediately become due and payable and Standard Federal may exercise from time to time any rights and remedies including the right to immediate possession of the Collateral available to it under applicable law. Standard Federal may directly contact third parties and enforce against them all rights which arise with respect to the Collateral and to which Borrower or Standard Federal would be entitled. Standard Federal shall have the right to hold any property then in, upon or in any way affiliated to said Collateral at the time of repossession even though not covered by this Security Agreement until return is demanded in writing by the Borrower. Borrower agrees, in case of Default, to assemble at its expense all the Collateral at a convenient place acceptable to Standard Federal and to pay all costs of Standard Federal of collection of the Liabilities, and enforcement

of rights hereunder, including reasonable attorney fees and legal expenses, including participation in Bankruptcy proceedings, and expense of locating the Collateral and expenses of any repairs to any realty or other property to which any of the Collateral may be affixed or be a part. If any notification of intended disposition of any of the Collateral is required by law, such notification, if mailed, shall be deemed reasonably and properly given if sent at least seven (7) days before such disposition, postage pre-paid, addressed to the Borrower either at the address shown above or at any other address of the Borrower appearing on the records of Standard Federal. Borrower acknowledges that Standard Federal may be unable to effect a public sale of all or any portion of the Collateral because of certain legal and/or practical restrictions and provisions which may be applicable to the Collateral and, therefore, may be compelled to resort to one or more private sales to a restricted group of offerees and purchasers. Borrower consents to any such private sale so made even though at places and upon terms less favorable than if the Collateral were sold at public sale. Borrower waives the right to jury trial in any proceeding instituted with respect to the Collateral. Out of the net proceeds from sale or disposition of the Collateral, Standard Federal shall retain all Indebtedness then owing to it and the actual cost of collection (including reasonable attorney fees) and shall tender any excess to Borrower or its successors or assigns. If the Collateral shall be insufficient to pay the entire Indebtedness, Borrower shall pay to Standard Federal the resulting deficiency upon demand. Borrower expressly waives any and all claims of any

-9-

10

nature, kind or description which it has or may hereafter have against Standard Federal or its representatives, by reason of taking, selling or collecting any portion of the Collateral. Borrower consents to releases of the Collateral at any time (including prior to default) and to sales of the Collateral in groups, parcels or portions, or as an entirety, as Standard Federal shall deem appropriate. Borrower expressly absolves Standard Federal from any loss or decline in market value of any Collateral by reason of delay in the enforcement or assertion or nonenforcement of any rights or remedies under this Agreement.

8.3 Borrower agrees that Standard Federal shall, in the event of any default, have the right to peacefully retake any of the collateral. Borrower waives any right it may have in such instance to a judicial hearing prior to such retaking.

SECTION 9. GENERAL.

9.1 Time shall be deemed of the very essence of this Agreement. Except as otherwise defined in this Agreement, all terms in this Agreement shall have the meanings provided by the Michigan Uniform Commercial Code.

Standard Federal shall be deemed to have exercised reasonable care in the custody and preservation of any Collateral in its possession if it takes such action for that purpose as Borrower requests in writing, but failure of Standard Federal to comply with any such request shall not of itself be deemed a failure to exercise reasonable care, and failure of Standard Federal to preserve or protect any rights with respect to such Collateral against any prior parties or to do any act with respect to the preservation of such Collateral not so requested by Borrower shall not be deemed a failure to exercise reasonable care in the custody and preservation of such Collateral.

9.2 Any delay on the part of Standard Federal in exercising any power, privilege or right hereunder, or under any other instrument executed by Borrower to Standard Federal in connection herewith shall not operate as a waiver thereof, and no single or partial exercise thereof, or the exercise of any other power, privilege or right shall preclude other or further exercise thereof, or the exercise of any other power, privilege or right. The waiver of Standard Federal of any default by Borrower shall not constitute a waiver of any subsequent defaults, but shall be restricted to the default so waived. All rights, remedies and powers of Standard Federal hereunder are irrevocable and cumulative, and not alternative or exclusive, and shall be in addition to all rights, remedies, and powers given hereunder or in or by any other instruments, or by the Michigan Uniform Commercial Code, or any laws now existing or hereafter enacted.

9.3 This Agreement has been delivered in Michigan and shall be construed in accordance with the laws of the State of Michigan. Whenever possible, each provision of this Agreement shall be

-10-

11

interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. The rights and privileges of Standard Federal hereunder shall inure to the benefit of its successors and assigns, and this Agreement shall be binding on all heirs, personal representatives, assigns and successors of Borrower. Borrower hereby expressly authorizes and appoints Standard Federal to act as its attorney-in-fact for the sole purpose of executing any and all financing statements or other documents deemed necessary to perfect the security interest herein contemplated.

9.4 The Borrower acknowledges that this is the entire Agreement between the parties except to the extent that writings signed by the party to be charged are specifically incorporated herein by reference either in this

Agreement or in such writings, and acknowledges receipt of a true and complete copy of this Agreement.

IN WITNESS WHEREOF, the Borrower and Standard Federal have caused this Security Agreement to be executed as of the day and year first written above.

STANDARD FEDERAL BANK, a federal
savings bank
2600 West Big Beaver Road
Troy, Michigan 48084

BORROWER:

EPCO MANUFACTURING, INC., a
New York corporation

By: _____

By: _____

Its: Vice President

E. James Zabinski

Its: Treasurer

Loan No. 0250012691

AMENDMENT AGREEMENT
Promissory Note
(Line of Credit)

THIS AGREEMENT made this 25th day of September, 1995 by and among Standard Federal Bank, a federal savings bank ("Standard Federal"), Galion Holding Company, a Michigan corporation, Galion Solid Waste Equipment, Inc., a Michigan corporation, Galion Dump Bodies, Inc., a Michigan corporation, and M.E.G. Equipment Sales of Florida, Inc., a Florida corporation (collectively, "Borrower"), and McClain Industries, Inc. ("Guarantor").

RECITALS:

A. Borrower executed and delivered to Standard Federal a Third Amended and Restated Promissory Note (Line of Credit) dated June 22, 1995, in the principal amount of \$10,000,000.00 (the "Note"), executed pursuant to a Loan Agreement, dated September 15, 1994, as amended February 16, 1995, May 5, 1995 and June 22, 1995 (the "Loan Agreement"), secured by a Security Agreement dated September 15, 1994 and a Security Agreement dated June 22, 1995 (the "Security Agreements"), and Two Open-End Commercial Mortgages and Assignments of Lease and Rentals dated June 29, 1993, as amended (the "Mortgages"), and guaranteed by the Guarantor pursuant to a Guaranty dated May 5, 1995 (the "Guaranty").

B. The Borrower has requested a decrease in the effective interest rate under the Note and Standard Federal and the Guarantor are agreeable thereto.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and of other good and valuable consideration the receipt and sufficiency whereof are hereby acknowledged, the parties hereto hereby warrant, represent and agree as follows:

1. The Borrower is a Michigan or Florida corporation, as the case may be, in good standing. All corporate resolutions heretofore delivered to Standard Federal relative to borrowing money and granting security interests remain in full force and effect. Borrower has duly authorized and validly executed and delivered this Amendment Agreement and such Agreement and the Note (as hereby amended) are valid and enforceable according to their terms and do not conflict with or violate Borrower's corporate charter or by-laws or any agreement or covenants to which Borrower is a party.

2. The first sentence of the second paragraph of the Note is hereby deleted in its entirety and replaced by the following new sentence, effective as of September 25, 1995:

The principal outstanding under this Note from time to time shall bear interest ("Effective Interest Rate"), on a basis of a year of 360 days for the actual number of

2

days amounts are outstanding hereunder, at a rate per annum equal to the Wall Street Journal Prime Rate.

3. Except as herein amended, the Note, Security Agreements, Mortgages and Guaranty shall remain in full force and effect. This Amendment Agreement may be attached to the Note as a rider, but such attachment shall not be necessary to the validity thereof.

4. Guarantor acknowledges and consents to the amendment to the Note herein provided and agrees that the Guaranty shall continue and remain in full force and effect with respect to the Note as herein amended.

IN WITNESS WHEREOF the parties hereto have executed this agreement the day and date first above written.

Witness:

BORROWER:

GALION HOLDING COMPANY, a Michigan corporation

By:

E. James Zabinski
Vice President/Treasurer

Taxpayer Identification Number:
38-3060196

GALION SOLID WASTE EQUIPMENT, INC.,
a Michigan corporation

By:

E. James Zabinski
Treasurer

Taxpayer Identification Number:

GALION DUMP BODIES, INC., a Michigan corporation

By:

Carl Jaworski
Treasurer

Taxpayer Identification Number:

-2-

3

M.E.G. EQUIPMENT SALES OF FLORIDA,
INC., a Florida corporation

By:

E. James Zabinski
Treasurer

Taxpayer Identification Number:
59-3241829

Address: 6200 Elmridge
Sterling Heights, MI 48318

GUARANTOR:

McClain Industries, Inc., a
Michigan corporation

By:

E. James Zabinski

Its: Treasurer

Standard Federal Bank, a federal
savings bank

By:

Its:

-3-

Loan No. 0250017732

SECOND AMENDMENT AGREEMENT
Promissory Note
(Line of Credit with Term Provisions)
(First Line of Credit)

THIS AGREEMENT made this 25th day of September ____, 1995 by and among Standard Federal Bank, a federal savings bank ("Standard Federal"), Galion Holding Company, a Michigan corporation, Galion Solid Waste Equipment, Inc., a Michigan corporation, and Galion Dump Bodies, Inc., a Michigan corporation (collectively, "Borrower"), and McClain Industries, Inc. ("Guarantor").

RECITALS:

A. Borrower executed and delivered to Standard Federal a Promissory Note (Line of Credit with Term Provisions) (First Line of Credit) dated February 6, 1995, as amended March 20, 1995, in the principal amount of \$800,000.00 (the "Note"), secured by a Security Agreement dated September 15, 1994 (the "Security Agreement"), and Two Open-End Commercial Mortgages and Assignments of Lease and Rentals dated June 29, 1993, as amended February 6, 1995 (the "Mortgages") and guaranteed by the Guarantor pursuant to a Guaranty dated February 6, 1995 (the "Guaranty").

B. The Borrower has requested a decrease in the effective interest rate under the Note and Standard Federal and the Guarantor are agreeable thereto.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and of other good and valuable consideration the receipt and sufficiency whereof are hereby acknowledged, the parties hereto hereby warrant, represent and agree as follows:

1. The Borrower is a Michigan corporation in good standing. All corporate resolutions heretofore delivered to Standard Federal relative to borrowing money and granting security interests remain in full force and effect. Borrower has duly authorized and validly executed and delivered this Amendment Agreement and such Agreement and the Note (as hereby amended) are valid and enforceable according to their terms and do not conflict with or violate Borrower's corporate charter or by-laws or any agreement or covenants to which Borrower is a party.

2. The first sentence of the second paragraph of the Note is hereby deleted in its entirety and replaced by the following new sentence, effective as of September 25, 1995:

The principal outstanding under this Note from time to time shall

bear interest ("Effective Interest Rate"), on a basis of a year of 360 days for the actual number of days amounts are outstanding hereunder, at a rate per annum equal to the Wall Street Journal Prime Rate.

2

3. Except as herein amended, the Note, Security Agreement, Mortgages and Guaranty shall remain in full force and effect. This Amendment Agreement may be attached to the Note as a rider, but such attachment shall not be necessary to the validity thereof.

4. Guarantor acknowledges and consents to the amendment to the Note herein provided and agrees that the Guaranty shall continue and remain in full force and effect with respect to the Note as herein amended.

IN WITNESS WHEREOF the parties hereto have executed this agreement the day and date first above written.

Witness:

BORROWER:

GALION HOLDING COMPANY, a Michigan corporation

By:

E. James Zabinski
Vice President/Treasurer

Taxpayer Identification Number:
38-3060196

GALION SOLID WASTE EQUIPMENT, INC.,
a Michigan corporation

By:

E. James Zabinski
Treasurer

Taxpayer Identification Number:

GALION DUMP BODIES, INC., a Michigan corporation

By:

Carl Jaworski
Treasurer

Taxpayer Identification Number:

Address: 6200 Elmridge
Sterling Heights, MI 48318

-2-

3

GUARANTOR:

McClain Industries, Inc., a
Michigan corporation

By:

E. James Zabinski

Its: Treasurer

Standard Federal Bank, a federal
savings bank

By:

Its:

Loan No. 0250017683

THIRD AMENDMENT AGREEMENT
Promissory Note
(Line of Credit with Term Provisions)
(Second Line of Credit)

THIS AGREEMENT made this 25th day of September, 1995 by and among Standard Federal Bank, a federal savings bank ("Standard Federal"), Galion Holding Company, a Michigan corporation, Galion Solid Waste Equipment, Inc., a Michigan corporation, and Galion Dump Bodies, Inc., a Michigan corporation (collectively, "Borrower"), and McClain Industries, Inc. ("Guarantor").

RECITALS:

A. Borrower executed and delivered to Standard Federal a Promissory Note (Line of Credit with Term Provisions) (Second Line of Credit) dated February 6, 1995, as amended February 27, 1995 and March 20, 1995, in the principal amount of \$800,000.00 (the "Note"), secured by a Security Agreement dated September 15, 1994 (the "Security Agreement"), and Two Open-End Commercial Mortgages and Assignments of Lease and Rentals dated June 29, 1993, as amended February 6, 1995 (the "Mortgages") and guaranteed by the Guarantor pursuant to a Guaranty dated February 6, 1995 (the "Guaranty").

B. The Borrower has requested a decrease in the effective interest rate under the Note and Standard Federal and the Guarantor are agreeable thereto.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and of other good and valuable consideration the receipt and sufficiency whereof are hereby acknowledged, the parties hereto hereby warrant, represent and agree as follows:

1. The Borrower is a Michigan corporation in good standing. All corporate resolutions heretofore delivered to Standard Federal relative to borrowing money and granting security interests remain in full force and effect. Borrower has duly authorized and validly executed and delivered this Amendment Agreement and such Agreement and the Note (as hereby amended) are valid and enforceable according to their terms and do not conflict with or violate Borrower's corporate charter or by-laws or any agreement or covenants to which Borrower is a party.

2. The first sentence of the second paragraph of the Note is hereby deleted in its entirety and replaced by the following new sentence, effective as of September 25, 1995:

The principal outstanding under this Note from time to time shall

bear interest ("Effective Interest Rate"), on a basis of a year of 360 days for the actual number of

2

days amounts are outstanding hereunder, at a rate per annum equal to the Wall Street Journal Prime Rate.

3. Except as herein amended, the Note, Security Agreement, Mortgages and Guaranty shall remain in full force and effect. This Amendment Agreement may be attached to the Note as a rider, but such attachment shall not be necessary to the validity thereof.

4. Guarantor acknowledges and consents to the amendment to the Note herein provided and agrees that the Guaranty shall continue and remain in full force and effect with respect to the Note as herein amended.

IN WITNESS WHEREOF the parties hereto have executed this agreement the day and date first above written.

Witness:

BORROWER:

GALION HOLDING COMPANY, a Michigan corporation

By:

E. James Zabinski
Vice President/Treasurer

Taxpayer Identification Number:
38-3060196

GALION SOLID WASTE EQUIPMENT, INC.,
a Michigan corporation

By:

E. James Zabinski
Treasurer

Taxpayer Identification Number:

GALION DUMP BODIES, INC., a Michigan corporation

By:

Carl Jaworski
Treasurer

Taxpayer Identification Number:

-2-

3

Address: 6200 Elmridge
Sterling Heights, MI 48318

GUARANTOR:

McClain Industries, Inc., a
Michigan corporation

By:

E. James Zabinski

Its: Treasurer

Standard Federal Bank, a federal
savings bank

By:

Its:

-3-

Loan No. 0250016750

AMENDMENT AGREEMENT
Promissory Note
(Term Loan)

THIS AGREEMENT made this 25th day of September, 1995 by and among Standard Federal Bank, a federal savings bank ("Standard Federal"), Galion Holding Company, a Michigan corporation, Galion Solid Waste Equipment, Inc., a Michigan corporation, Galion Dump Bodies, Inc., a Michigan corporation, and M.E.G. Equipment Sales of Florida, Inc., a Florida corporation (collectively, "Borrower"), and McClain Industries, Inc. ("Guarantor").

RECITALS:

A. Borrower executed and delivered to Standard Federal a Promissory Note (Term Loan) dated September 15, 1994, in the original principal amount of \$2,000,000.00 (the "Note"), executed pursuant to a Loan Agreement, dated September 15, 1994, as amended February 16, 1995, May 5, 1995 and June 22, 1995 (the "Loan Agreement"), secured by a Security Agreement dated September 15, 1994 and a Security Agreement dated June 22, 1995 (the "Security Agreements"), and Two Open-End Commercial Mortgages and Assignments of Lease and Rentals dated June 29, 1993, as amended (the "Mortgages"), and guaranteed by the Guarantor pursuant to a Guaranty dated May 5, 1995 (the "Guaranty").

B. The Borrower has requested a decrease in the effective interest rate under the Note and Standard Federal and the Guarantor are agreeable thereto.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and of other good and valuable consideration the receipt and sufficiency whereof are hereby acknowledged, the parties hereto hereby warrant, represent and agree as follows:

1. The Borrower is a Michigan or Florida corporation, as the case may be, in good standing. All corporate resolutions heretofore delivered to Standard Federal relative to borrowing money and granting security interests remain in full force and effect. Borrower has duly authorized and validly executed and delivered this Amendment Agreement and such Agreement and the Note (as hereby amended) are valid and enforceable according to their terms and do not conflict with or violate Borrower's corporate charter or by-laws or any agreement or covenants to which Borrower is a party.

2. The first sentence of the second paragraph of the Note is hereby deleted in its entirety and replaced by the following new sentence, effective as of _____, 1995:

The principal outstanding under this Note from time to time shall bear interest ("Effective Interest Rate"), on a basis of a year of 360 days for the actual number of

2

days amounts are outstanding hereunder, at a rate per annum equal to the Wall Street Journal Prime Rate.

3. Except as herein amended, the Note, Security Agreements, Mortgages and Guaranty shall remain in full force and effect. This Amendment Agreement may be attached to the Note as a rider, but such attachment shall not be necessary to the validity thereof.

4. Guarantor acknowledges and consents to the amendment to the Note herein provided and agrees that the Guaranty shall continue and remain in full force and effect with respect to the Note as herein amended.

IN WITNESS WHEREOF the parties hereto have executed this agreement the day and date first above written.

Witness:

BORROWER:

GALION HOLDING COMPANY, a Michigan corporation

By:

E. James Zabinski
Vice President/Treasurer

Taxpayer Identification Number:
38-3060196

GALION SOLID WASTE EQUIPMENT, INC.,
a Michigan corporation

By:

E. James Zabinski
Treasurer

Taxpayer Identification Number:

GALION DUMP BODIES, INC., a Michigan corporation

By:

Carl Jaworski
Treasurer

Taxpayer Identification Number:

-2-

3

M.E.G. EQUIPMENT SALES OF FLORIDA,
INC., a Florida corporation

By:

E. James Zabinski
Treasurer

Taxpayer Identification Number:
59-3241829

Address: 6200 Elmridge
Sterling Heights, MI 48318

GUARANTOR:

McClain Industries, Inc., a
Michigan corporation

By:

E. James Zabinski

Its: Treasurer

Standard Federal Bank, a federal
savings bank

By:

Its:

-3-

FIRST AMENDED AND RESTATED LOAN AGREEMENT

BETWEEN

STANDARD FEDERAL BANK

AND

GALION HOLDING COMPANY,
MCCLAIN E-Z PACK, INC. (FORMERLY KNOWN AS
GALION SOLID WASTE EQUIPMENT, INC.),
GALION DUMP BODIES, INC.,
MCCLAIN GROUP SALES OF FLORIDA, INC., (FORMERLY KNOWN
AS M.E.G. EQUIPMENT SALES OF FLORIDA, INC.) AND
MCCLAIN INDUSTRIES, INC.

THIS AGREEMENT made and delivered this 2nd day of October, 1995, by and among Galion Holding Company, a Michigan corporation, McClain E-Z Pack Inc., a Michigan corporation, formerly known as Galion Solid Waste Equipment, Inc., Galion Dump Bodies, Inc., a Michigan corporation, and McClain Group Sales of Florida, Inc., a Florida corporation, formerly known as M.E.G. Equipment Sales of Florida, Inc., a Florida corporation (collectively, "Borrower"), whose address/principal office is 6200 Elmridge, Sterling Heights, Michigan 48310, Standard Federal Bank, a federal savings bank ("Standard Federal"), whose address is 2600 West Big Beaver Road, Troy, Michigan 48084, and McClain Industries, Inc., a Michigan corporation (the "Guarantor").

RECITALS:

A. On September 15, 1994, the Borrower and Standard Federal entered into a Loan Agreement, as amended by a First Amendment to Loan Agreement, dated February 16, 1995, a Second Amendment to Loan Agreement, dated May 5, 1995, and a Third Amendment to Loan Agreement, dated June 22, 1995 (the "Loan Agreement"), pursuant to which the Borrower opened a revolving line of credit facility with Standard Federal, Loan No. 0250012691, with a credit limit of up to \$10,000,000.00, as evidenced by a Third Amended and Restated Promissory Note (Line of Credit), dated June 22, 1995, in the principal amount of \$10,000,000.00, and Standard Federal made a term loan to the Borrower, Loan No. 0250016750, as evidenced by a Promissory Note (Term Loan), dated September 15, 1994, secured by a Security Agreement, dated September 15, 1994, and a Security Agreement, dated June 22, 1995 (collectively, the "Security Agreement"), and two Open-End Commercial Mortgages and Assignments of Lease and Rentals, dated June 29, 1993, as amended September 15, 1994, February 6, 1995, February 16, 1995, May 5, 1995 and June 22, 1995 (the "Mortgages"), and supported by a Guaranty, dated May 5, 1995 (the "Guaranty"), executed by the Guarantor.

B. The Borrower has requested an additional line of credit to provide additional working capital required to carry additional

2

inventory of demonstrators and Standard Federal is willing to supply such financing subject to the terms and conditions set forth in this Agreement.

C. Standard Federal and the Borrower therefore wish to restate the Loan Agreement in its entirety as herein provided.

NOW, THEREFORE, in reliance upon the representations herein provided and in consideration of the premises and the mutual promises herein contained, the Borrower and Standard Federal hereby agree and the Loan Agreement is hereby amended and restated in its entirety as follows:

SECTION 1. REVOLVING LINE OF CREDIT

1.1 Standard Federal hereby extends to the Borrower a revolving line of credit (the "Revolving Line of Credit") which shall not exceed at any one time outstanding the Revolving Credit Limit as hereafter defined. The term "Revolving Credit Limit" shall mean the lesser of: (a) Ten Million and 00/100 Dollars (\$10,000,000.00), or (b) an amount equal to the sum of: (i) an amount equal to 80% of Eligible Accounts Receivable, plus (ii) an amount equal to the lesser of: (1) Five Million and 00/100 Dollars (\$5,000,000.00), or (2) an amount equal to 50% of Qualified Inventory. As used herein, the term "Eligible Accounts Receivable" shall mean accounts receivable of the Borrower less than 90 days old, not doubtful as to collectibility or disputed as to existence or amount or subject to offset, contra-indebtedness or return and not intra-company or owing from any affiliated or related company or other entity, exclusive of any account receivable arising under a government contract, the assignment of which is subject to the Assignment of Claims Act of 1940, as amended, or any other similar federal or state statute or regulation governing the assignment of contracts with a governmental agency. The term "Qualified Inventory" shall mean the inventory of Borrower in which Standard Federal holds a perfected first security interest exclusive of any returned or damaged items and work-in-process.

1.2 The Revolving Line of Credit herein extended shall be subject to the terms and conditions of a Third Amended and Restated Promissory Note (Line of Credit), dated June 22, 1995, and all renewals and amendments thereof (the "Revolving Line of Credit Note"). The Revolving Line of Credit shall be payable and shall bear interest as set forth in the Revolving Line of Credit Note. This Loan Agreement and the Revolving Line of Credit Note are of equal materiality and shall each be construed in such manner as to give full force and effect to all provisions of both documents.

1.3 Standard Federal shall, from time to time during the term hereof, make advances to Borrower under the Revolving Line of Credit upon request therefor by Borrower, provided that upon giving effect to such advance

Revolving Line of Credit Note or this Agreement) and no event which with notice and/or the passage of time would become an Event of Default shall exist at the time the advance is to be made; and provided further that upon giving effect to such advance and at the time the advance is to be made all of the representations and warranties of Borrower contained in this Agreement and all other documents executed in connection with the Revolving Line of Credit are true and correct in all material respects; and provided further that at the time the advance is to be made Standard Federal shall not have previously or concurrently declared all amounts owing under the Revolving Line of Credit Note to be immediately due and payable; and provided further the amount requested shall not cause the total amount outstanding under the Revolving Line of Credit to exceed the Revolving Credit Limit.

1.4 If at any time the amount outstanding under the Revolving Line of Credit shall exceed the Revolving Credit Limit, Borrower shall, on demand, forthwith pay to Standard Federal such sums as are necessary to reduce the amount outstanding to an amount not greater than the Revolving Credit Limit.

1.5 Borrower shall pay to Standard Federal, on the first day of each month, commencing on October 1, 1995 and continuing on the same day of each consecutive month thereafter until the termination of the Revolving Line of Credit and all sums owing for principal and interest with respect to the Revolving Line of Credit are paid in full, an Unused Line Fee in the amount of 0.25% per annum of the amount available for draw but not advanced from time to time on the Revolving Line of Credit ("Unused Line"). The amount of the Unused Line Fee payable on the first day of each month will be determined by multiplying the average daily balance of the Unused Line for the calendar month which ends one month prior to the due date of such Unused Line Fee by .020833%.

1.6 In all events, unless earlier terminated, the Revolving Line of Credit shall terminate March 31, 1997. Upon termination, Borrower shall forthwith pay to Standard Federal all sums owing for principal and interest with respect to the Revolving Line of Credit.

SECTION 1A. DEMONSTRATOR LINE OF CREDIT

1A.1 Standard Federal hereby extends to the Borrower a revolving line of credit (the "Demonstrator Line of Credit") (the Demonstrator Line of Credit and the Revolving Line of Credit are hereinafter collectively referred to as the "Line of Credit") which shall not exceed at any one time outstanding the principal amount of One Million Five Hundred Thousand and 00/100 Dollars

(\$1,500,000.00) (the "Demonstrator Credit Limit").

1A.2 The Demonstrator Line of Credit herein extended shall be subject to the terms and conditions of a Promissory Note (Line of

3

4

Credit) of even date herewith, and all renewals and amendments thereof (the "Demonstrator Line of Credit Note") (the Demonstrator Line of Credit Note and the Revolving Line of Credit Note are hereinafter collectively referred to as the "Line of Credit Note"). The Demonstrator Line of Credit shall be payable and shall bear interest as set forth in the Demonstrator Line of Credit Note. This Loan Agreement and the Demonstrator Line of Credit Note are of equal materiality and shall each be construed in such manner as to give full force and effect to all provisions of both documents.

1A.3 Standard Federal shall, from time to time during the term hereof, make advances to Borrower under the Demonstrator Line of Credit upon request therefor by Borrower, provided that upon giving effect to such advance no Event of Default (as defined in the Demonstrator Line of Credit Note or this Agreement) and no event which with notice and/or the passage of time would become an Event of Default shall exist at the time the advance is to be made; and provided further that upon giving effect to such advance and at the time the advance is to be made all of the representations and warranties of Borrower contained in this Agreement and all other documents executed in connection with the Demonstrator Line of Credit are true and correct in all material respects; and provided further that at the time the advance is to be made Standard Federal shall not have previously or concurrently declared all amounts owing under the Demonstrator Line of Credit Note to be immediately due and payable; and provided further the amount requested shall not cause the total amount outstanding under the Demonstrator Line of Credit to exceed the Demonstrator Credit Limit.

1A.4 Each advance under the Demonstrator Line of Credit shall be used solely for the purchase of inventory of the Borrower for demonstrator purposes, as determined in a manner acceptable to Standard Federal. Each advance shall be in an amount not in excess of Eighty Five percent 85.0% of the inventory at cost of the Borrower's demonstrator inventory as reflected in the demonstrator inventory reports properly furnished by the Borrower as required under Section 3.2(e) hereof.

1A.5 If at any time the amount outstanding under the Demonstrator Line of Credit shall exceed the Demonstrator Credit Limit, Borrower shall, on demand, forthwith pay to Standard Federal such sums as are necessary to reduce the amount outstanding to an amount not greater than the Demonstrator Credit

Limit.

1A.6 In all events, unless earlier terminated, the Demonstrator Line of Credit shall terminate March 31, 1997. Upon termination, Borrower shall forthwith pay to Standard Federal all sums owing for principal and interest with respect to the Demonstrator Line of Credit.

4

5

SECTION 1B. TERM LOAN

1B.1 Standard Federal has extended to the Borrower a term loan (the "Term Loan") in the principal amount of Two Million and 00/100 Dollars (\$2,000,000.00).

1B.2 The Term Loan herein extended shall be subject to the terms and conditions of a Promissory Note (Term Loan), dated September 15, 1994, and all renewals and amendments thereof (the "Term Note"). The Term Loan shall be payable and shall bear interest as set forth in the Term Note. This Loan Agreement and the Term Note are of equal materiality and shall each be construed in such manner as to give full force and effect to all provisions of both documents.

SECTION 1C. CONDITIONS TO MAKING LOANS

1C.1 The following are conditions precedent to the obligation of Standard to make the Line of Credit and the Term Loan hereunder:

1C.1(a) The Borrower shall have delivered or shall have had delivered to Standard Federal, in form and substance satisfactory to Standard Federal and its counsel, each of the following:

- a. A duly executed copy of this Loan Agreement;
- b. A duly executed copy of the Line of Credit Note, the Term Note, a security agreement and such other loan documents as Standard Federal shall require to evidence and document the Line of Credit and the Term Loan;
- c. Such credit applications, financial statements, authorizations, and such information concerning the Borrower and its business, operations, and condition (financial and otherwise) as Standard Federal may reasonably request;
- d. Certified copies of resolutions of the Boards of Directors of the Borrower approving the execution and delivery of the loan documents required hereunder;
- e. A certificate of the Secretary or an Assistant Secretary of

the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign the loan documents required hereunder;

- f. Copies of each of the Articles of Incorporation of the Borrower, certified by the Secretary of State of Michigan as of a recent date;
- g. Copies of each of the Articles of Incorporation and Bylaws of the Borrower, certified by the Secretary or an Assistant Secretary of the Borrower as of the date of this Agreement as being accurate and complete;
- h. Certificate of good standing of the Borrower from the Secretary of State of Michigan as of a recent date;

5

6

- i. Certificates of authority and good standing of the Borrower for each state in which the Borrower is qualified to do business;
- j. A certificate of compliance of the chief financial officer or treasurer of the Borrower in form satisfactory to Standard Federal dated as of the date of this Agreement;
- k. Such certificates, binders or other evidence of all insurance required of the Borrower under this Loan Agreement as Standard Federal may reasonably require; and
- l. Acknowledgement copies of all UCC-1 financing statements filed with respect to the Collateral accompanied by a search report showing such financing statements as duly filed and evidencing that the security interest of Standard Federal in the Collateral is prior to all other security interests of record.

1C.1(b) All acts and conditions (including, without limitation, the obtaining of any necessary regulatory approvals and the making of any required filings, recordings, or registrations) required to be done and performed and to have happened precedent to the execution, delivery, and performance of the loan documents required hereunder and to constitute the same legal, valid, and binding obligations, enforceable in accordance with their respective terms, shall have been done and performed and shall have happened in due and strict compliance with all applicable laws.

1C.1(c) All documentation, including, without limitation, documentation for corporate and legal proceedings in connection with the transactions contemplated by the Loan Documents shall be satisfactory in form and substance to Standard Federal and its counsel and all fees and charges, including recording and filing fees, shall have been paid as required hereunder.

1C.2 As conditions precedent to Standard Federal's obligation to

make the Term Loan and to fund any request for an advance under the Line of Credit, at and as of the date of the funding thereof;

- a. The representations and warranties of the Borrower contained in the Loan Documents shall be accurate and complete in all respects as if made on and as of such date;
- b. The Borrower shall have paid all fees and expenses, including any recording fees and charges, required hereunder;
- c. There shall not have occurred an Event of Default or any event which with the passage of time of the giving of notice or both would constitute an Event of Default;
- d. The Borrower shall have delivered a Borrowing Base Certificate in form satisfactory to Standard Federal; and

6

7

- e. Following the making of such loan or advance, the aggregate principal amount outstanding will not exceed the limitations described in Sections 1, 1A and 1B.

SECTION 2. REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to Standard Federal that as of the date of acceptance of this Agreement, as of the time any advance is to be made hereunder and, unless expressly provided otherwise herein or agreed to by a writing signed by Standard Federal, at all times any amounts are outstanding hereunder:

2.1 The Borrower and each of its subsidiaries, if any, are corporations duly organized, validly existing and in good standing under the laws of the state of their incorporation; the Borrower and each of its subsidiaries (if any) have the legal power and authority to own their properties and assets and to carry out their business as now being conducted and each is qualified to do business in the State of Ohio, the State of Michigan and in every jurisdiction where the nature of its business or the property owned or operated by it makes such qualification necessary and is otherwise in compliance with all applicable laws, statutes, regulations, rules and requirements of any federal, state, judicial, regulatory or administrative body having jurisdiction of the Borrower or any of its assets; the Borrower has the legal power and authority to execute and perform this Agreement, to borrow money in accordance with its terms, to execute and deliver the Line of Credit Note and the Term Note and other documents contemplated hereby, to grant to Standard Federal mortgages and security interests in the Collateral, as hereby contemplated, and to do any and all other things required of it hereunder; and this Agreement, the Line of Credit Note, the Term Note and all other documents

contemplated hereby, when executed by the Borrower's duly authorized officers will constitute its valid and binding legal obligations enforceable in accordance with their terms.

2.2 The execution, delivery and performance of this Agreement, the borrowings hereunder and the execution and delivery of the Line of Credit Note and the Term Note and other documents contemplated hereby (a) have been duly authorized by all requisite corporate action, (b) do not require governmental approval or the approval of any person not a party to this Agreement, (c) will not result (with or without notice and/or the passage of time) in any conflict with or breach or violation of or default under, any provision of law, the Articles of Incorporation or Bylaws of the Borrower or any indenture, agreement or other instrument to which the Borrower is a party, or by which it or any of its properties or assets are bound, and (d) will not result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Borrower other than in favor of Standard Federal and as contemplated hereby.

7

8

2.3 There is not pending or, to the best of the knowledge of the Borrower, threatened, any litigation, proceeding or governmental investigation which could materially and adversely affect the business of the Borrower or its subsidiaries, if any, or its ability to perform its covenants hereunder.

2.4 Borrower has good and marketable title to its properties given as security as herein described, and, except for liens in favor of Standard Federal, liens for taxes not delinquent or being contested in good faith and liens created in connection with worker's compensation, unemployment insurance and social security, or to secure the performance of bids, tenders or contracts (other than for the repayment of borrowed money), leases, statutory obligations, surety and appeal bonds, and other obligations of like nature made in the ordinary course of business, none of the Borrower's or any of its subsidiaries' (if any) assets are subject to any mortgage, pledge, lien, security interest, or other encumbrance of any kind or character except as have been disclosed to Standard Federal in writing. The Borrower owns all material patents, trademarks, service marks, trade names, copyrights, licenses and other rights, free from any material restrictions, that are necessary for the operation of its business as presently conducted.

2.5 All financial data which has been or shall hereafter be furnished to Standard Federal for the purposes of, or in connection with, this Agreement, including particularly, but without limitation, the audited consolidated financial statements of McClain Industries, Inc. as of September 30, 1994, prepared by Rehmann Robson & Co., and the Form 10-Q's filed with the

Securities and Exchange Commission by McClain industries, Inc. pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly periods ended December 31, 1994, March 31, 1995 and June 30, 1995, and the transactions contemplated hereby has been and/or shall be prepared in accordance with generally accepted accounting principles consistently applied, and does or will fairly present the financial condition of the Borrower as of the dates, and the results of its operations for the periods, for which the same is furnished to Standard Federal.

2.6 There has been no material adverse change in the business, properties or condition (financial or otherwise) of the Borrower or its subsidiaries (if any) since the date of the latest financial statements provided to Standard Federal and there are no material debts, liabilities or obligations (absolute or contingent) of the Borrower except as reflected in such financial statements (or in the notes thereto).

2.7 The Borrower is not in default in the repayment of any indebtedness for money borrowed by it nor has there occurred any event which, with or without notice or the passage of time or both,

8

9

would constitute a default by the Borrower under any agreement or instrument pertaining to any indebtedness for money borrowed by it.

2.8 Borrower has filed all reports and tax returns required by governmental authority to be filed by it prior to the date hereof and Borrower has received no notice that such reports or returns have been rejected, declared insufficient, or otherwise challenged by such governmental authority.

2.9 The principal officers of the Borrower ("Principal Officers") are as follows:

Galion Holding Company:

Chairman of the Board	Kenneth D. McClain
Vice President	E. James Zabinski
Treasurer	E. James Zabinski
Secretary	Carl L. Jaworski

McClain E-Z Pack, Inc.:

Chairman of the Board	Kenneth D. McClain
Vice President	E. James Zabinski
Treasurer	E. James Zabinski
Secretary	Carl L. Jaworski

Galion Dump Bodies, Inc.:

Chairman of the Board	Kenneth D. McClain
Vice President	E. James Zabinski
Treasurer	Carl L. Jaworski
Secretary	Carl L. Jaworski

McClain Group Sales of Florida, Inc.:

Chairman of the Board	Kenneth D. McClain
Vice President	E. James Zabinski
Treasurer	E. James Zabinski
Secretary	Carl L. Jaworski

2.10 McClain E-Z Pack, Inc., a Michigan corporation, and Galion Dump Bodies, Inc., a Michigan corporation, are each wholly-owned subsidiaries of Galion Holding Company, a Michigan corporation, which is a wholly-owned subsidiary of McClain Industries, Inc., a Michigan corporation. McClain Industries, Inc., McClain E-Z Pack Inc. and Galion Dump Bodies, Inc. each hold one-third of the outstanding capital stock of McClain Group Sales, Inc., Michigan corporation, of which McClain Group Sales of Florida, Inc., a Florida corporation, is a wholly-owned subsidiary. Galion Holding Company, as of the date of this Loan Agreement, owns no other subsidiaries.

2.11 None of the proceeds of the Line of Credit or Term Loan will be used for the purpose of purchasing or carrying any "margin stock" as defined in Regulation U or G of the Board of Governors of the Federal Reserve System (12 C.F.R. Part 221 and 207), or for the purpose of reducing or retiring any

indebtedness which was originally incurred to purchase or carry a margin stock or for any other purpose which might constitute this transaction a "purpose credit" within the meaning of such Regulation U or G. Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stocks. Neither Borrower nor any person acting on behalf of Borrower has taken or will take any action which might cause the Line of Credit Note and the Term Note or any of the other documents executed in conjunction therewith, including this Agreement, to violate Regulations U or G or any other regulations of the Board of Governors of the Federal Reserve System or to violate Section 7 of the Securities Exchange Act of 1934 or any rule or regulation thereunder, in each case as now in effect or as the same may hereinafter be in effect. Borrower and its subsidiaries, if any, own no "margin stock" except for that described in the financial statements provided to Standard Federal and, as of the date hereof, the aggregate value of all "margin stock" owned by Borrower and its subsidiaries, if any, does not exceed 25% of all of the value of all of Borrower's and its subsidiaries', if any, assets.

2.12 Except as disclosed in the environmental reports listed in attached Schedule 2.12, copies of which the Borrower has furnished to Standard Federal, neither the Borrower nor, to the best of Borrower's knowledge after due inquiry, any other person or entity, has caused or permitted any waste, oil, pesticides, or any substance or material of any kind which is currently known or suspected to be toxic or hazardous, including but not limited to any substance defined as a "Hazardous Waste" in Title 40, Part 261 of the Code of Federal Regulations, (hereinafter referred to as "Hazardous Material") to be discharged, dispersed, released, disposed of, or allowed to escape on, under or at any property owned, occupied or operated by any Borrower in violation of any Hazardous Materials Laws (as hereinafter defined), nor has any property owned, occupied or operated by any Borrower, or any part thereof, ever been used by the Borrower or, to the best of Bor-

rower's knowledge after due inquiry, any prior owner or any other person, as a dump, storage or disposal site for any Hazardous Material, nor has there occurred any other violation of the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. Section 9601 et seq., or any other federal, state or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to or imposing liability or standards of conduct concerning, any Hazardous Material ("Hazardous Materials Laws") with respect to any property owned, occupied or operated by any Borrower. No asbestos or asbestos-containing materials have been installed, used, incorporated into, or disposed of on any property owned, occupied or operated by any Borrower. No polychlorinated biphenyls ("PCBs") are located on

or in any property owned, occupied or operated by any Borrower, in the form of electrical transformers, fluorescent light fixtures with ballasts, cooling oils, or any other device or form. All underground storage tanks located on any property owned, occupied or operated by any Borrower have been installed and are being operated in full compliance with all applicable Hazardous Materials Laws. The Borrower: (a) has not received any notice of any release, threatened release, escape, seepage, leakage, spillage, discharge or emission of any Hazardous Materials in, under or upon any property owned, occupied or operated by any Borrower or of any violation of any Hazardous Materials Law, and (2) does not know of any basis for any such notice or violation.

2.13 No "reportable event," as defined in the Employee Retirement Income Security Act of 1974 and any amendments thereto ("ERISA"), has occurred and is continuing with respect to any employee pension and/or profit sharing benefit plan maintained by or on behalf of the Borrower for the benefit of any of its employees. The Pension Benefit Guaranty Corporation ("PBGC") has not instituted proceedings to terminate any such employee pension and/or profit sharing plan or to appoint a trustee to administer such plan. The Borrower has maintained and funded and caused each of its subsidiaries, if any, to maintain and fund all employee pension and/or profit sharing plans in accordance with their terms and with all applicable provisions of ERISA. Neither the Borrower nor any duly appointed administrator of any employee pension and/or profit sharing plan: (a) has incurred any liability to PBGC with respect to any such plan other than for premiums not yet due or payable, (b) has instituted or intends to institute proceedings to terminate any such plan under Section 4042 or 4041A of Erisa, or (c) has withdrawn from any Multi-Employer Pension Plan (as that term is defined in Section 3(37) of ERISA).

2.14 There is no material fact that the Borrower has not disclosed to Standard Federal which could have a material adverse effect on the properties, business, prospects or condition (financial or otherwise) of the Borrower or any of its subsidiaries. For purposes of this Section 2.14, a "material adverse effect" means any circumstance or event which (a) could

have any adverse effect whatsoever upon the validity, performance or enforceability of any material provision of the Loan Documents, (b) is or might be material and adverse to the financial condition or business operations of the Borrower or any subsidiary, (c) could impair the ability of the Borrower to fulfill its obligations under the Loan Documents, or (d) causes an Event of Default or any event which, with notice or lapse of time or both, could become an Event of Default. Neither the financial statements referred to in Section 2.5 hereof, nor any certificate or statement delivered herewith or heretofore

by Borrower in connection with the negotiations of this Loan Agreement, contains any untrue statement of a material fact or omits to state any material fact necessary to keep the statements contained herein or therein, under the circumstances in which they were made, from being misleading.

2.15 Each request for an advance under the Line of Credit shall constitute, without the necessity of specifically containing a written statement, a representation and warranty by Borrower that no Event of Default exists and that all representations and warranties contained in this Section 2 or in any mortgage, guaranty, security agreement or other document given to secure or relating to the Line of Credit Note or this Agreement are true and correct at and as of the time the advance is to be made.

SECTION 3. AFFIRMATIVE COVENANTS OF BORROWER

3.1 Prior to Standard Federal's disbursement of any advances under the Line of Credit, or closing of the Term Loan, the Borrower shall; (a) furnish to Standard Federal, if Standard Federal so requires, certified copies of its Articles of Incorporation, Bylaws and Certificate of Good Standing, which Articles of Incorporation and Good Standing Certificate are to be certified by the appropriate official of the Borrower's state of incorporation; (b) furnish to Standard Federal if Standard Federal so requires a statement of the Borrower and the chief financial officer of Borrower certifying that they are unaware of the occurrence of an Event of Default or of any event which with notice and/or the passage of time could become an Event of Default; and (c) furnish Standard Federal such other instruments, documents, opinions or certificates as Standard Federal or its counsel shall reasonably require. All actions, proceedings, instruments and documents required or requested hereunder shall be satisfactory to and approved by Standard Federal and/or its counsel prior to the disbursement of advances under the Line of Credit or closing of the Term Loan.

3.2 From the date hereof until all amounts owing under the Line of Credit and the Term Loan are paid in full and all obligations under the Line of Credit Note and the Term Note, this Agreement and all other documents executed in connection with the Line of Credit and the Term Loan are fully paid, performed and

satisfied and so long as Standard Federal has any commitment to make advances hereunder, the Borrower covenants and agrees it will:

3.2(a) Furnish to Standard Federal as soon as available and, in any event, within 90 days after the close of each fiscal year of the parent corporation of

the Borrower, McClain Industries, Inc. ("McClain"), or, in the event McClain obtains an extension of the filing date from the Securities Exchange Commission, by such extended date, detailed financial statements of McClain as of the close of such fiscal year, containing a consolidated balance sheet of McClain and its subsidiaries and statements of income and cash flows of McClain and its subsidiaries for such fiscal year prepared in accordance with generally accepted accounting principles and in a manner consistent with prior such statements containing an analysis of sources and uses of funds and such other comments and financial details as are usually included in similar reports. Such statements shall be accompanied by an opinion thereon (which shall not be qualified by reason of any limitation imposed by Borrower or McClain) of independent certified public accountants selected by McClain and acceptable to Standard Federal as to the fairness of the statements included in the report and to the effect that the examination of such accounts in connection with such financial statements has been made in accordance with generally accepted auditing standards and, accordingly, includes such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances.

3.2(b) Furnish to Standard Federal, as soon as available and in any event within 45 days after the close of each quarter of each fiscal year of McClain, or, in the event McClain obtains an extension of the filing date from the Securities Exchange Commission, by such extended date, detailed financial statements of McClain as of the close of such fiscal period containing a consolidated balance sheet of McClain and its subsidiaries and statements of income and cash flows of the McClain and its subsidiaries for such fiscal period and for the portion of the fiscal year ending with such period in reasonable detail and form acceptable to Standard Federal and certified by the chief financial officer of McClain as being true and correct and as having been prepared in accordance with generally accepted accounting principles consistently applied, subject to year-end adjustments, if any.

3.2(c) Furnish to Standard Federal in a form acceptable to Standard Federal within a reasonable time not to exceed 20 days after the end of each calendar month during the term hereof a statement of accounts receivable of Borrower certified as correct by Borrower or a Principal Officer showing the agings thereof and the payment, write-off or other disposition of former accounts receivable the disposition of which has not previously been reported to Standard Federal, and such other information and data as Standard Federal may reasonably require. Borrower will further

specifically disclose any facts known to Borrower which facts would tend to render doubtful the collectibility of any account receivable disclosed in such

statements, or which would indicate that the existence or amount of such account is disputed by the debtor thereon or which would preclude any account from being included in the computation of Eligible Accounts Receivable herein defined.

3.2(d) Furnish to Standard Federal in a form acceptable to Standard Federal within a reasonable time not to exceed 20 days after the end of each calendar month during the term hereof a statement of inventory of the Borrower certified as correct by Borrower or a Principal Officer showing the method of reporting and all additions to and dispositions of inventory since the previous inventory report and such other information and data as Standard Federal may reasonably require.

3.2(e) Furnish to Standard Federal in a form acceptable to Standard Federal within a reasonable time not to exceed 20 days after the end of each calendar month during the term hereof a statement of the Borrower's demonstrator inventory, as determined in a manner acceptable to Standard Federal, certified as correct by Borrower or a Principal Officer showing the method of reporting and all additions to and dispositions of demonstrator inventory since the previous Demonstrator report and such other information and data as Standard Federal may reasonably require.

3.2(f) Furnish to Standard Federal, promptly after McClain sends, files or publishes the same, copies of all proxy statements, financial statements and reports that McClain sends to its public shareholders and copies of all regular, periodic and special reports and all registration statements and amendments thereto that McClain files with the Securities and Exchange Commission or any other governmental authority and any Exchange, and copies of all press releases issued by McClain.

3.2(g) Promptly inform Standard Federal of the occurrence of any Event of Default or of any event (including without limitation any pending or threatened litigation or other proceedings before any governmental body or agency) which could have a materially adverse effect upon the Borrower's business, properties, financial condition or ability to comply with its obligations hereunder or under the Line of Credit Note or the Term Note.

3.2(h) Furnish such other information as Standard Federal may reasonably request and permit Standard Federal and its agents, attorneys and employees to inspect all of the books, records and properties of the Borrower at any reasonable time.

3.2(i) Maintain adequate insurance with responsible companies in such amounts and against such risks and hazards as are normally insured against by similar businesses, and provide Standard Federal

evidence of such insurance upon request; policies of casualty insurance shall contain a customary mortgagee clause requiring payment of proceeds to Borrower and to Standard Federal as their interests may appear and all other insurance shall contain a customary loss payable clause requiring payment of proceeds to Borrower and to Standard Federal as their interests may appear and all insurance policies shall provide that no cancellation, reduction in amount, change in coverage or expiration thereof shall be effective until at least 30 days prior written notice has been given by the insurer to Standard Federal; and pay when due all taxes, assessments, fees and similar charges of every kind and nature lawfully assessed upon the Borrower and/or its property, except to the extent being contested in good faith; and in the event the Borrower fails to maintain such insurance or to pay promptly any taxes or charges when due, then and in such event Standard Federal, in its sole discretion, may, but shall not be required to, pay the same and any amounts expended by Standard Federal for such purpose shall become a part of the Line of Credit and shall bear interest at the rate applicable to the outstanding principal balance owing under the Line of Credit Note.

3.2(j) Preserve and keep in full force and effect its own and its material, operating subsidiaries' (if any) corporate existence in good standing and maintain voting control in its present controlling shareholder(s); keep current all filings of assumed name certificates for each name under which and each county in which the Borrower does business and promptly inform Standard Federal of any assumed names under which it does business which were not used by the Borrower on the date of this Agreement; continue to conduct and operate its business substantially as presently conducted and operated in accordance with all applicable laws and regulations; maintain and protect all franchises and trade names and preserve all the remainder of its property used or useful in the conduct of its business and keep the same in good repair and condition; pay its indebtedness and obligations when due under normal terms and maintain proper books of record and account, and; otherwise remain in compliance with all applicable laws, statutes, regulations, rules and requirements of any federal, state, judicial, regulatory or administrative body having jurisdiction of the Borrower or any of its assets, except to the extent noncompliance is immaterial and would not have a material adverse effect on Borrower.

3.2(k) Cause McClain to maintain on a consolidated statement basis "Tangible Net Worth" of not less than the amounts specified below as of the end of each fiscal quarter during the fiscal years ending on the dates specified below:

<TABLE>

<CAPTION>

Fiscal Year-End -----	Minimum "Tangible Net Worth" -----
<S>	<C>
09/30/94	\$16,500,000

</TABLE>

<TABLE>

<S>	<C>
09/30/95	\$18,000,000
09/30/96	\$19,000,000

</TABLE>

"Tangible Net Worth" shall mean total assets less trademarks, franchises, copyrights, licenses, goodwill, similar intangible assets and all liabilities (excluding debt subordinated to Standard Federal upon terms and conditions acceptable to Standard Federal) of the Borrower.

3.2(1) Cause McClain to maintain on a consolidated statement basis the ratio of "Current Assets" to "Current Liabilities" of not less than the ratios specified below as of the end of each fiscal quarter during the fiscal years ending on the dates specified below:

<TABLE>

<CAPTION>

Fiscal Year-End -----	Minimum Current Ratio -----
<S>	<C>
09/30/94	2.25 to 1.00
09/30/95	2.30 to 1.00
09/30/96	2.35 to 1.00

</TABLE>

"Current Assets" shall include all assets considered current in accordance with generally accepted accounting principles as in effect as of the date of this Agreement, consistently applied, less all amounts due Borrower from any of its directors, officers, employees, its shareholders, or any company controlled by any of its shareholders. "Current Liabilities" shall include all liabilities considered current in accordance with generally accepted accounting principles as in effect as of the date of this Agreement, consistently applied, except that portion of McClain's \$5,000,000.00 line of credit with Standard Federal which is payable within a twelve-month period.

3.2(m) Cause McClain, on a consolidated statement basis, to maintain the ratio of "Liabilities" to "Tangible Net Worth" of not more than the ratios specified below as of the end of each fiscal quarter during the fiscal years

ending on the dates specified below:

<TABLE>

<CAPTION>

Fiscal Year-End -----	Maximum Liabilities-to-Worth Ratio -----
<S>	<C>
09/30/94	2.75 to 1.00
09/30/95	2.65 to 1.00
09/30/96	2.55 to 1.00

</TABLE>

"Liabilities" shall mean all liabilities of McClain and its consolidated subsidiaries as defined in accordance with generally

accepted accounting principles as in effect as of the date of this Agreement, consistently applied.

"Tangible Net Worth" shall mean total assets less trademarks, franchises, copyrights, licenses, goodwill, similar intangible assets and all liabilities (excluding debt subordinated to Standard Federal upon terms and conditions acceptable to Standard Federal) of McClain.

3.2(n) Cause McClain, on a consolidated statement basis, to maintain an Interest Coverage Ratio of not less than 2.00 to 1.00 for each fiscal year. The "Interest Coverage Ratio" shall be defined as the ratio of McClain's net income, plus interest charges, income and other taxes and amortization and depreciation for the fiscal year to all interest expense of the Borrower for such fiscal year, as determined in accordance with generally accepted accounting principles.

3.2(o) Cause McClain, on a consolidated statement basis, to maintain a Fixed Charge Coverage Ratio of not less than 1.75 to 1.00 for each fiscal year. The "Fixed Charge Coverage Ratio" for each fiscal year shall be defined as the ratio of McClain's net income, plus amortization and depreciation for the fiscal year, to current maturities of long term debt, as determined in accordance with generally accepted accounting principles.

3.2(p) At all times meet and cause each of its subsidiaries, if any, to meet the minimum funding requirements of ERISA with respect to all employee pension and/or profit sharing plans subject to ERISA and, with respect to any such

employee benefit plan, promptly notify Standard Federal in writing of any reportable event, as defined in ERISA, or any proposed termination (voluntary or otherwise) which could give rise to material termination liability within the meaning of ERISA Section 4062.

3.3 The Borrower will not make any change in its accounting policies or financial reporting practices and procedures, except changes in accounting policies which are required or permitted by generally accepted accounting principles and changes in financial reporting practices and procedures which are required or permitted by generally accepted accounting principles.

3.4 The Borrower shall use the monies loaned hereunder only for the purpose(s) set forth in the preamble hereto.

3.5 The Borrower shall allow Standard Federal's participant in the Line of Credit and Term Loan and staff or independent accountants or auditors selected by Standard Federal's participant to conduct a full audit of the Borrower's financial statements and its books and records twice during the first year of the term of the Line of Credit and Term Loan and once in each of the second and third years of the term of the Line of Credit and Term Loan.

17

18

Standard Federal's participant shall schedule such audits during normal business hours of the Borrower and shall provide Borrower not less than two (2) business days notice of the commencement of each audit. The Borrower shall make adequate facilities available on its premises at Borrower's expense to enable Standard Federal's participant to conduct the audits herein described and shall make available all of its books, records and other documents and information as may be reasonably requested to facilitate the audits. The Borrower agrees to pay to Standard Federal's participant an audit fee of \$3,000.00 plus travel expenses for each audit so conducted by the participant.

SECTION 4. NEGATIVE COVENANTS

4.1 From the date hereof until all amounts owing under the Line of Credit are paid in full and all obligations under the Line of Credit Note and the Term Note, this Agreement and all other documents executed in connection with the Line of Credit and the Term Loan are fully paid, performed and satisfied and so long as Standard Federal has any commitment to make advances hereunder, the Borrower covenants and agrees that it will not do and will not permit any subsidiary, if any, to do any of the following without the prior written approval of Standard Federal:

4.1(a) Create, incur, assume or permit to exist (a) any mortgage, pledge, security interest, lien or charge of any kind upon any of its property or assets whether now owned or hereafter acquired other than in favor of Standard Federal, except as required or permitted by Standard Federal, or (b) any indebtedness or liability for borrowed money, except indebtedness to Standard Federal or indebtedness subordinated to the prior payment in full of the Borrower's indebtedness to Standard Federal which is approved in writing by Standard Federal, except as otherwise required or permitted in writing by Standard Federal.

4.1(b) Make loans, advances or extensions of credit to any Entity (which in this Agreement means any individual, partnership, corporation or other legal entity), other than a parent or subsidiary of the Borrower, in excess of \$100,000.00 in principal amount, except for sales on open account and in ordinary course of business; or guarantee or in any way become responsible for obligations of any other Entity except by endorsement of negotiable instruments for deposit or collection in the ordinary course of business; or subordinate any indebtedness due it from an Entity to indebtedness of any other creditor of such Entity.

4.1(c) Sell, lease or transfer, during any fiscal year, except inventory in the ordinary course of business, any substantial portion of its assets; or consolidate with or merge into any other Entity, or permit another to merge into it; or acquire by lease or purchase all or substantially all the business or assets of any Entity; or enter into any lease-back arrangement with any Entity.

4.1(d) Allow McClain to acquire or expend for, by lease, purchase or otherwise, during any fiscal year, fixed assets in excess of \$4,500,000.

SECTION 5. SECURITY

5.1 In order to secure: (1) the full and timely performance of the Borrower's covenants set forth herein and in the Line of Credit Note and the Term Note, (2) the repayment of any and all indebtedness of the Borrower to Standard Federal arising pursuant to the Line of Credit Note, the Term Note (including any renewals or substitutions thereof), this Agreement and any mortgage, guaranty, security agreement or other document given to secure or relating to the Line of Credit Note, the Term Note or this Agreement, and (3) all other indebtedness and liabilities of the Borrower to Standard Federal arising under this Agreement, the Line of Credit Note or the Term Note, whether direct or indirect, absolute or contingent, due or to become due, now existing

or hereafter arising:

5.1(a) The Borrower hereby grants unto Standard Federal a security interest in the following property and the proceeds thereof: (i) any and all securities or other property received by the Borrower with respect to, on account of or in exchange for any item of Collateral; (ii) all stock and/or liquidating dividends (whether the same be in the form of cash or other property) paid upon, on account of or with respect to any item of Collateral; and (iii) all bank deposits, instruments, negotiable documents, chattel paper and any and all other property of the Borrower of any kind whatsoever which shall at any time be in the possession or under the control of Standard Federal; and

5.1(b) The Borrower has executed and delivered to Standard Federal the Mortgages and the Security Agreement, the provisions of which are hereby incorporated herein by reference (herein, together with the property described in Sections 5.1(a) (i), (ii) and (iii) above, referred to as the "Collateral" or "item(s) of Collateral").

5.2 The Borrower shall execute and deliver to Standard Federal any and all documents (including financing statements) as Standard Federal may require to insure the perfection and priority of its liens and security interests in the Collateral and furnish, if Standard Federal so requires, proof of hazard insurance policies, in accordance with Section 3.2(i) above, relating to the Collateral. Borrower shall also furnish a standard ALTA mortgage title insurance policy without exceptions (provided that the policy may contain exceptions approved in writing by Standard Federal) insuring Standard Federal mortgage interest in the properties described in the Mortgages.

SECTION 6. EVENTS OF DEFAULT

The occurrence of any of the events enumerated in Sections 6.1 to 6.11 below shall constitute an Event of Default for purposes of this Agreement:

6.1 FAILURE TO PAY MONIES DUE. If any indebtedness of the Borrower to Standard Federal on the Line of Credit or the Term Loan is not paid when due, regardless of whether such indebtedness has arisen pursuant to the terms of the Line of Credit Note, the Term Note, this Agreement or any mortgage, security agreement, guaranty, instrument or other agreement executed in conjunction herewith.

6.2 MISREPRESENTATION. If any warranty or representation made by or for the Borrower and/or any endorser or guarantor of the Line of Credit Note

or the Term Note in connection with the loan(s) evidenced thereby, or if any financial data or any other information now or hereafter furnished to Standard Federal by or on behalf of the Borrower and/or any endorser or guarantor of the Line of Credit Note or the Term Note shall prove to be false, inaccurate or misleading in any material respect.

6.3 NONCOMPLIANCE WITH AFFIRMATIVE COVENANTS AND OTHER AGREEMENTS.

If the Borrower shall fail to perform any of its obligations and covenants under Section 3 of this Agreement, or shall fail to comply with any of the other provisions of this Agreement, other than under Section 4 hereof, or the Line of Credit Note, the Term Note, or any other agreement with Standard Federal to which it may be a party, other than the payment of principal and interest.

6.4 NONCOMPLIANCE WITH NEGATIVE COVENANTS. If the Borrower shall fail to perform any of its obligations and covenants described in Section 4 of this Agreement.

6.5 BUSINESS SUSPENSION. If the Borrower and/or any endorser or guarantor of the Line of Credit Note or the Term Note shall voluntarily suspend transaction of its business.

6.6 BANKRUPTCY, ETC. If the Borrower and/or any endorser or guarantor of the Line of Credit Note or the Term Note: (a) makes a general assignment for the benefit of creditors; (b) shall file a voluntary petition in bankruptcy or for a reorganization to effect a plan or other arrangement with creditors; or shall file an answer to a creditor's petition or other petition against Borrower and/or any endorser or guarantor of the Line of Credit Note or the Term Note for relief in bankruptcy or for a reorganization which answer admits the material allegations thereof; or if any order for relief shall be entered by any court of bankruptcy jurisdiction with respect to the Borrower and/or any endorser or guarantor of the Line of Credit Note or the Term Note, or if bankruptcy, reorganization or liquidation proceedings are instituted against

Borrower and/or any endorser or guarantor of the Line of Credit Note or the Term Note and remain undismissed for 60 days; (c) has entered against it any order by any court approving a plan for the reorganization of the Borrower or any endorser or guarantor of the Line of Credit Note or the Term Note or any other plan or arrangement with creditors of the Borrower or any endorser or guarantor of the Line of Credit Note or the Term Note; (d) shall apply for or permit the appointment of a receiver, trustee or custodian for any substantial portion of the Borrower's and/or any endorser's or guarantor's properties or

assets; or (e) becomes unable to meet its debts as they mature or becomes insolvent.

6.7 JUDGMENTS AND WRITS. If there shall be entered against the Borrower and/or any endorser or guarantor of the Line of Credit Note or the Term Note one or more judgments or decrees which are not insured against or satisfied or appealed from and bonded within the time or times limited by applicable rules of procedure for appeal as of right or if a writ of attachment or garnishment against the Borrower and/or any endorser or guarantor of the Line of Credit Note or the Term Note shall be issued and levied in an action claiming \$100,000.00 or more and not released, bonded or appealed from within 30 days after the levy thereof.

6.8 MERGER. If the Borrower shall merge or consolidate with another entity.

6.9 CHANGE OF CONTROL OR MANAGEMENT. If the Borrower or a controlling portion of its voting stock or a substantial portion of its assets comes under the practical, beneficial or effective control of any person or persons other than those having such control as of the date of execution of the Line of Credit Note and the Term Note, whether by reason of merger, consolidation, sale or purchase of stock or assets or otherwise, if any such change of control, in the sole and absolute discretion of Standard Federal, adversely impacts upon the ability of the Borrower to carry on its business as theretofore conducted.

6.10 OTHER DEFAULTS. If the Borrower and/or any endorser or guarantor of the Line of Credit Note or the Term Note shall default in the due payment of any material indebtedness to whomsoever owed, or shall default in the observance or performance of any material term, covenant or condition in any mortgage, security agreement, guaranty, instrument, lease or agreement to which the Borrower and/or any endorser or guarantor of the Line of Credit Note or the Term Note is a party.

6.11 REPORTABLE EVENT. If there shall occur any "reportable event", as defined in the Employee Retirement Income Security Act of 1974 and any amendments thereto, which is determined to constitute grounds for termination by the Pension Benefit Guaranty Corporation of any employee pension benefit plan maintained by or on behalf of the Borrower for the benefit of any of its employees

or for the appointment by the appropriate United States District Court of a trustee to administer such plan and such reportable event is not corrected and

such determination is not revoked within 30 days after notice thereof has been given to the plan administrator or the Borrower; or the institution of proceedings by the Pension Benefit Guaranty Corporation to terminate any such employee benefit pension plan or to appoint a trustee to administer such plan; or the appointment of a trustee by the appropriate United States District Court to administer any such employee benefit pension plan.

SECTION 7. REMEDIES UPON EVENT OF DEFAULT

7.1 Upon the occurrence of any Event of Default described in Sections 6.2, 6.3 or 6.10 hereof which is not cured or waived in writing by Standard Federal within 15 days after written notice to the Borrower of such default; or upon the occurrence of any Event of Default described in Section 6.1 which continues unremedied for 10 days, or upon the occurrence of any Event of Default described in Sections 6.4, 6.5, 6.6, 6.7, 6.8, 6.9 or 6.11, Standard Federal's commitment to lend hereunder, if any, shall terminate and Standard Federal may, without notice, declare the entire unpaid and outstanding principal balance of the Line of Credit and the Term Loan and all accrued interest to be due and payable in full forthwith, without presentment, demand or notice of any kind, all of which are hereby expressly waived by Borrower, and thereupon Standard Federal shall have and may exercise any one or more of the rights and remedies provided herein or in the Line of Credit Note or the Term Note or in any mortgage, guaranty, security agreement or other document relating hereto or granted secured parties under the Michigan Uniform Commercial Code, including the right to take possession of and dispose of the Collateral, or otherwise provided by applicable law, and to offset against the Line of Credit and the Term Loan any amount owing by Standard Federal to the Borrower.

SECTION 8. MISCELLANEOUS.

8.1 No default shall be waived by Standard Federal except in writing and a waiver of any default shall not be a waiver of any other default or of the same default on a future occasion. No single or partial exercise of any right, power or privilege hereunder, or any delay in the exercise hereof, shall preclude other or further exercise of the rights of the parties to this Agreement.

8.2 No forbearance on the part of Standard Federal in enforcing any of its rights under this Agreement, nor any renewal, extension or rearrangement of any payment or covenant to be made or performed by the Borrower hereunder shall constitute a waiver of any of the terms of this Agreement or of any such right.

8.3 This Agreement shall be construed in accordance with the law of the State of Michigan.

8.4 All covenants, agreements, representations and warranties made in connection with this Agreement and any document contemplated hereby shall survive the borrowing hereunder and shall be deemed to have been relied upon by Standard Federal. All statements contained in any certificate or other document delivered to Standard Federal at any time by or on behalf of the Borrower pursuant hereto shall constitute representations and warranties by the Borrower.

8.5 The Borrower agrees that it will pay all costs and expenses incurred by Standard Federal in enforcing Standard Federal's rights under this Agreement and the documents contemplated hereby, including without limitation any and all reasonable fees and disbursements of legal counsel to Standard Federal.

8.6 This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective heirs, personal representatives, successors and assigns; provided, however, that the Borrower shall not assign or transfer its rights or obligations hereunder without the prior written consent of Standard Federal.

8.7 If any provision of this Agreement shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any or all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever. The invalidity of any one or more phrases, sentences, clauses or sections contained in this Agreement, shall not affect the remaining portions of this Agreement, or any part thereof.

SECTION 9. ADDITIONAL PROVISION

9.1 In addition to the terms, covenants and conditions set forth above, Borrower has caused the Guarantor to execute and deliver to Standard Federal the Guaranty, which is an unlimited and continuing guaranty of payment of the obligations of Borrower under the Line of Credit and the Term Loan. Guarantor acknowledges and agrees that the Guaranty supports all obligations and liabilities of the Borrower to Standard Federal as herein described.

IN WITNESS WHEREOF, the Borrower and Standard Federal have caused this Line of Credit Loan Agreement to be executed as of the day and year first written above.

Witnesses:

BORROWER:

GALION HOLDING COMPANY, a Michigan corporation

By:

E. James Zabinski
Vice President/Treasurer

Taxpayer Identification Number:
38-3060196

McCLAIN E-Z PACK, INC., a Michigan corporation

By:

E. James Zabinski
Treasurer

Taxpayer Identification Number:

GALION DUMP BODIES, INC., a Michigan corporation

By:

Carl Jaworski
Treasurer

Taxpayer Identification Number:

McCLAIN GROUP SALES OF FLORIDA,
INC., a Florida corporation

By:

E. James Zabinski
Treasurer

Taxpayer Identification Number:
59-3241829

GUARANTOR:

McCLAIN INDUSTRIES, INC., a Michigan
corporation

By:

E. James Zabinski

Its: Treasurer

38-1867649
Taxpayer Identification Number

STANDARD FEDERAL:

STANDARD FEDERAL BANK, a
federal savings bank

By:

Its:

Schedule 2.12

1. Final Report Phase I Environmental Assessment Peabody-Galion Corporation, Winesburg, Holmes County, Ohio, prepared by Stearns & Wheler, Environmental Engineers and Scientists, dated February, 1993, Project No. 2471.
2. Final Report Phase II Site Investigation, Galion Site, Winesburg, Ohio, prepared by Stearns & Wheler, Environmental Engineers and Scientists, dated September, 1993, Project No. 2471.
3. Phase II Site Investigation Peabody-Galion Site, Galion, Ohio, prepared by Stearns & Wheler, Environmental Engineers and Scientists, dated January, 1993, Project No. 2429.

<TABLE> <S> <C>

<ARTICLE> 5

<S>	<C>
<PERIOD-TYPE>	YEAR
<FISCAL-YEAR-END>	SEP-30-1995
<PERIOD-START>	OCT-01-1994
<PERIOD-END>	SEP-30-1995
<CASH>	1,173,370
<SECURITIES>	0
<RECEIVABLES>	14,284,478
<ALLOWANCES>	0
<INVENTORY>	31,229,399
<CURRENT-ASSETS>	48,169,122
<PP&E>	33,078,135
<DEPRECIATION>	11,894,922
<TOTAL-ASSETS>	73,974,197
<CURRENT-LIABILITIES>	13,931,585
<BONDS>	0
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	5,572,846
<OTHER-SE>	17,821,428
<TOTAL-LIABILITY-AND-EQUITY>	73,974,197
<SALES>	82,263,202
<TOTAL-REVENUES>	82,263,202
<CGS>	63,901,196
<TOTAL-COSTS>	63,901,196
<OTHER-EXPENSES>	0
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	2,478,350
<INCOME-PRETAX>	3,811,755
<INCOME-TAX>	1,300,000
<INCOME-CONTINUING>	2,511,755
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	2,511,755
<EPS-PRIMARY>	.54
<EPS-DILUTED>	0

</TABLE>