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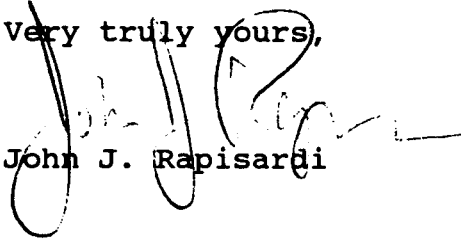
September 13, 1993

Re: Metallurg, Inc. and Shieldalloy  
Metallurgical Corporation  
Chapter 11 Case Nos. 93 B 44468-9 (JLG)

To: The Persons on the Attached Service List

Attached hereto please find a copy of the proposed final order that will be presented to the Honorable James L. Garrity, for his signature in connection with the September 21, 1993 hearing in respect of the Debtor in Possession financing agreement between Metallurg, Inc. and Shieldalloy Metallurgical Corporation (collectively, the "Debtors") and First National Bank of Boston. Please note that the Debtors reserve their right to make changes or modifications to the proposed final order prior to the hearing on September 21, 1993.

Very truly yours,

  
John J. Rapisardi

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PDR ADOCK 04007102  
C PDR

NKID /

## METALLURG/SHIELDALLOY SERVICE LIST

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**Morgan Guaranty**  
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**Shieldalloy's UAW Employees**  
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**State of Jersey**  
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Safety Division of Law  
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Trenton, NJ 08625  
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WEIL, GOTSHAL & MANGES  
Attorneys for Debtors  
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(212) 310-8000  
John J. Rapisardi (JR-7781)

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK  
-----x

In re :  
METALLURG, INC., and : Chapter 11 Case Nos.  
SHIELDALLOY METALLURGICAL : 93 B 44468 (JLG)  
CORPORATION : 93 B 44469 (JLG)  
Debtors. : (Jointly Administered)  
: :  
-----x

ORDER TO SHOW CAUSE WHY AN ORDER SHOULD NOT BE  
ENTERED AUTHORIZING METALLURG, INC. TO  
(i) MAKE DEPOSITS OR MARGIN PAYMENTS IN CONNECTION WITH  
POSTPETITION COMMODITY FORWARD CONTRACTS AND  
(ii) UNWIND CERTAIN PREPETITION COMMODITY FORWARD CONTRACTS

Upon the annexed motion of Metallurg, Inc.  
("Metallurg") and Shieldalloy Metallurgical Corporation  
("Shieldalloy"), as debtors and debtors in possession in the  
above captioned cases (collectively, the "Debtors"), dated  
September 13, 1993 (the "Motion"), for entry of an order  
authorizing Metallurg to (i) make deposits or margin payments of  
up to \$1,000,000 in connection with postpetition commodity  
forward contracts, and (ii) effect the orderly unwinding of  
certain prepetition commodity forward contracts; and upon the  
certificate of Jeffrey L. Tanenbaum, Esq. pursuant to 28 U.S.C.

§ 1746 and Local Bankruptcy Rule 13(d); and sufficient cause appearing therefor, it is

ORDERED that the creditors and other parties in interest set forth below be, and each of them hereby is, directed to show cause, before the Honorable James L. Garrity, Jr., United States Bankruptcy Judge, at a hearing to be held on September 21, 1993 at 2:00 p.m. at the United States Bankruptcy Court, 101 East Post Road, Room 25, White Plains, New York, or as soon thereafter as counsel can be heard, why an order should not be entered authorizing Metallurg to (i) make deposits or margin payments in connection with postpetition commodity forward contracts, and (ii) effect the orderly unwinding of certain prepetition commodity forward contracts and granting such other and further relief as is just; and it is further

JLG  
ORDERED that service of a copy of this Order to Show Cause and the Motion, by overnight ~~or first class mail~~, on or before September 13, 1993, upon (i) the twenty largest creditors of Shieldalloy, (ii) the thirty largest creditors of Metallurg, (iii) the United States Trustee, (iv) those entities that have filed notices of appearance in the Debtors' chapter 11 cases and (v) any other entity listed on the attached service list, shall constitute good and sufficient notice of this Order to Show Cause and the Motion upon which it is made and notice of the proceedings to be held thereon; and it is further

ORDERED that objections, if any, to the relief requested in the Motion shall be in writing, shall state the name of the objecting party and the nature of the claim or interest of such party, shall state with particularity the reasons for the objection to the relief requested, and shall be served upon so as to be received by Weil, Gotshal & Manges, Attorneys for the Debtors, 767 Fifth Avenue, New York, New York 10153, Attn: John J. Rapisardi, Esq., and filed with the Court, with two copies to chambers, and the United States Trustee, no later than September 17, 1993, at <sup>5:00</sup>~~12:00~~ p.m. (noon) Eastern Standard Time.

JLG

Dated: New York, New York  
September 13, 1993

*/s/ James J. Garrity, Jr.*  
United States Bankruptcy Judge

Jeffrey L. Tanenbaum, Esq.  
(JT 9797)

WEIL, GOTSHAL & MANGES  
767 Fifth Avenue  
New York, New York 10153  
(212) 310-8000

Attorneys for Debtors and  
Debtors in Possession

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

-----x  
In re : Chapter 11 Case Nos.  
93 B 44468 (JLG)  
93 B 44469 (JLG)  
METALLURG, INC., and : (Jointly Administered)  
SHIELDALLOY METALLURGICAL  
CORPORATION :  
Debtors.  
-----x

CERTIFICATE OF JEFFREY L. TANENBAUM PURSUANT TO  
LOCAL BANKRUPTCY RULE 13(d) AND 28 U.S.C. § 1746

JEFFREY L. TANENBAUM, under penalty of perjury,  
certifies as follows:

1. I am an attorney at law admitted to practice before this Court and a member of the law firm of Weil, Gotshal & Manges, attorneys for Metallurg, Inc. ("Metallurg") and Shieldalloy Metallurgical Corporation ("Shieldalloy"), as debtors and debtors in possession in the above captioned cases (collectively, the "Debtors").

2. I submit this certificate in support of the Debtors' motion dated September 13, 1993, for entry of an order

authorizing Metallurg to (i) make deposits or margin payments in connection with postpetition commodity forward contracts and (ii) effect the orderly unwinding of certain prepetition commodity forward contracts (the "Motion"). Unless otherwise stated, I have been advised by the Debtors of the facts hereinafter set forth.

3. The Debtors are proceeding by order to show cause rather than by notice of motion because of immediate and irreparable harm the Debtors will suffer if the relief requested is not granted. The requested authorization is necessary to immediately eliminate the risks of drastic losses that could arise without Metallurg having the immediate ability to hedge certain open metals positions.

4. Specifically, Metallurg, through its trading division Metallurg International Resources (MIR), currently has large positions in tin, aluminum and nickel and, without the ability to execute hedging transactions on the London Metals Exchange, MIR has no mechanism to protect against the risks presented by a fluctuating market. In fact, given the potential price fluctuations for aluminum, tin and nickel, MIR currently may be exposed to losses of as much as \$200,000 per day, depending on the actual price fluctuations. Accordingly, it is critical to the preservation of the value of the Debtors' estate

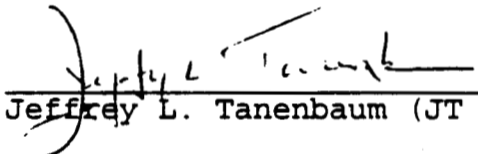


that Metallurg be enabled to hedge or reduce its exposure to its open positions.

5. For the reasons set forth in the Motion, the Debtors believe that the relief requested herein is immediately necessary and essential in order to maintain the value of the assets in, and minimize the claims against, the Debtors' estate. Thus, I believe that ample cause exists for proceeding by way of an order to show cause rather than a notice of motion in order that the Court may grant the Debtors the authority to (i) make deposits or margin payments of up to \$1,000,000 in the aggregate to begin to hedge its open metals positions, as well as resume its normal trading activities, and (ii) effect the orderly unwinding of its prepetition commodity contracts on an expedited basis.

6. No previous application for the relief sought herein has been made to this or any other court.

Dated: New York, New York  
September 13, 1993

  
Jeffrey L. Tanenbaum (JT 9797)

Sworn to before me this  
13<sup>th</sup> day of September, 1993.

  
Notary Public

ELLEN MAE CHUDNOFF  
NOTARY PUBLIC State of New York  
No. 31-510340  
Qualified in New York County  
Commission Expires February 16, 1995

WEIL, GOTSHAL & MANGES  
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John J. Rapisardi (JR-7781)

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

-----x  
In re : Chapter 11 Case Nos.  
: 93 B 44468 (JLG)  
: 93 B 44469 (JLG)  
METALLURG, INC., and : (Jointly Administered)  
SHIELDALLOY METALLURGICAL :  
CORPORATION : Hearing Date & Time  
Debtors. : Date: September 21, 1993  
: Time: 2:00 p.m.  
-----x

MOTION FOR ENTRY OF AN ORDER AUTHORIZING METALLURG, INC. TO  
(i) MAKE DEPOSITS OR MARGIN PAYMENTS IN CONNECTION WITH  
POSTPETITION COMMODITY FORWARD CONTRACTS AND (ii) UNWIND  
CERTAIN PREPETITION COMMODITY FORWARD CONTRACTS

TO THE HONORABLE JAMES L. GARRITY  
UNITED STATES BANKRUPTCY JUDGE:

Metallurg, Inc. ("Metallurg") and Shieldalloy  
Metallurgical Corporation ("Shieldalloy"), as debtors and  
debtors in possession in the above captioned cases  
(collectively, the "Debtors"), move this Court for entry of  
an order authorizing Metallurg to (i) make deposits or  
margin payments of up to \$1,000,000 in connection with  
postpetition commodity forward contracts, and (ii) effect  
the orderly unwinding or termination of certain prepetition  
commodity forward contracts, and respectfully submit:

### Background

1. On September 2, 1993, each of the Debtors filed with this Court a voluntary petition for relief under chapter 11, title 11, United States Code (the "Bankruptcy Code"). Pursuant to an order of the Court, the Debtors' chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered.

2. Each of the Debtors continues to operate its business and manage its properties as a debtor in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

### Description of the Debtor's Businesses

3. Metallurg is a privately owned holding corporation headquartered in New York City, the assets of which are (i) its equity interests in a number of operating companies (collectively, the "Metallurg Group") that, taken as a group, are leading global producers of high quality metals and metal alloys used by manufacturers of steel, aluminum, super alloys, hard metals, hard facing, electronics and fiber optics and other metal consuming industries, and (ii) the accounts receivable and inventory from the trading operations of Metallurg's trading division, Metallurg International Resources (MIR).

4. The largest products of the companies in the Metallurg Group are vanadium-based alloys and chemicals, the production of which is concentrated in two plants located in Nürnberg, Germany and Cambridge, Ohio. The Metallurg Group manufactures three major classes of alloys: specialty ferroalloys, aluminum master alloys, and specialty metals and alloys. The Metallurg Group's two principal ferroalloy products are ferrovanadium and low carbon ferrochrome, which are both specialty ferroalloys.

5. The Metallurg Group employs approximately 2,200 people worldwide and operates smelting and refining facilities located in the United States, the United Kingdom, Germany and Brazil in addition to sales offices in all major worldwide metal markets. The Metallurg Group also owns or operates mines in Turkey, Brazil and Zaire which produce chrome, tin, tantalum, and columbium ores for the Metallurg Group's production facilities.

#### Nature of Metallurg's Metals Trading

6. Metallurg, the parent holding company, employs approximately 39 people in its New York office. Through its MIR division, Metallurg was, prior to the commencement of Metallurg's chapter 11 case, an active participant in the trading markets for aluminum, tin and nickel. Specifically, in the ordinary course of its

business, MIR entered into forward contracts with various counterparties pursuant to which it agreed to sell, and purchase, aluminum, tin and nickel for future delivery. This trading activity encompassed both (i) forward contracts for future delivery entered into with merchants, traders, producers and end-users of the subject metals, which typically settle through delivery of the physical metal at agreed upon destinations and (ii) standardized forward metals contracts traded with London Metals Exchange ("LME") brokers, and similar off-exchange forward contracts entered into with non-LME brokers, (so-called "standardized contracts").

7. Metallurg's metals trading, through MIR, was engaged in as an independent business for profit. As of the petition date, Metallurg was party to forward contracts involving 137,927 metric tons ("m.t.") long positions in aluminum, 138,141 m.t. short positions in aluminum, 4,897 m.t. long positions in tin, 4,895 m.t. short positions in tin, 750 m.t. long positions in nickel, and 330 m.t. short positions in nickel.<sup>1</sup> The trading activity has been conducted in a manner largely to shield MIR from the risks of fluctuations in prices of the underlying metals. For

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1. The closing spot prices of aluminum, tin and nickel on September 2, 1993 was \$1,146 per m.t., \$4,635 per m.t. and \$4,535 per m.t., respectively.

example, contracts to sell metals have been typically hedged with contracts to purchase. Often, a physical contract has been hedged by entering into offsetting standardized contracts to lock-in profitable trading positions. This trading activity has been largely successful, producing gross profits of approximately \$650,000 for the period beginning January 1, 1993 and August 1, 1993.

Effect of Bankruptcy Filing on Trading Positions

8. The financial difficulties recently experienced by Metallurg, culminating in the commencement of its chapter 11 case, has had an adverse impact on the metals trading business of MIR in several respects. First, the LME brokers liquidated outstanding aluminum and tin positions pursuant to contractual rights of termination immediately following the commencement of the chapter 11 cases, resulting in the termination of 42,825 m.t. long positions in aluminum, 49,725 m.t. short positions in aluminum, 4,534 m.t. long positions in tin, 4,405 m.t. short positions in tin, 744 m.t. long positions in nickel and 234 m.t. short positions in nickel. In addition, certain trading counterparties have unilaterally repudiated outstanding contracts, resulting in the termination of 4,750 m.t. long positions in aluminum.

9. The result of the foregoing has been to leave the trading portfolio of MIR in a precariously unbalanced position, exposed to adverse fluctuations in market prices. The net outstanding trading positions of MIR as of September 3, 1993 was approximately 7,117 m.t. short positions in aluminum, 127 m.t. short positions in tin and 90 m.t. short positions and nickel. Since it is not uncommon for the price of a spot or forward contract for the purchase or sale of aluminum, tin or nickel to change on a daily basis by up to \$25 per ton, \$100 per ton and \$100 per ton, respectively, MIR currently may be exposed to losses of as much as \$200,000 per day depending on the actual price fluctuations. Accordingly, it is critical to the preservation of the value of the Debtors' estate that Metallurg be enabled to hedge or otherwise reduce its exposure to such open positions.

10. Another significant consequence of the Debtors' chapter 11 filings has been the inability of Metallurg to settle maturing forward contract obligations and to enter into new forward positions to hedge its outstanding exposures. The ordinary delivery and settlement process with respect to maturing forward contracts has been impeded due to (i) Metallurg's inability to receive or make deliveries through LME-broker intermediaries, who refused to conduct further business with Metallurg without a deposit or

margin payment and (ii) the reluctance of Metallurg and its counterparties to make delivery and settle physical contracts due to the risk that a party would accept a delivery but not pay for it by exercising rights of offset or otherwise.

The Ability of Metallurg to Enter into  
Postpetition Commodity Forward Contracts  
is in the Best Interests of the Estate

11. In order to hedge open metals positions and engage in normal metals trading activity and to be able to settle maturing standardized contracts through LME-broker intermediaries, Metallurg seeks this Court's authorization to reestablish a trading arrangement with one or more LME brokers.

12. Metallurg has been advised by one or more LME brokers that such a trading arrangement could be reestablished provided that Metallurg furnishes a cash, or cash equivalent, deposit or standby letter of credit, against margin calls on postpetition forward contracts. Such LME brokers would be required to agree that any such deposit or margin could not be applied against prepetition obligations of Metallurg.

13. Metallurg seeks the relief requested herein in order to make deposits of up to \$1,000,000, in the



aggregate, for the purpose of entering into postpetition commodity forward contracts.

The Orderly Unwinding of Commodity Forward Positions in the Best Interests of the Estate

14. As noted above, Metallurg currently has net "uncovered" positions in aluminum, tin and nickel due to the recent liquidation of its LME positions. Further, Metallurg is unable to utilize normal settlement mechanisms to settle its maturing forward contract obligations. In order to eliminate unhedged positions, and because normal settlement processes at maturity may be unavailable, it is in the best interest of the Debtors' estates, its creditors and equityholders that Metallurg terminate or "unwind" certain of its outstanding forward contracts at prevailing market prices, thereby converting such open positions to fixed payment obligations.

15. Specifically, if the current market value of Metallurg's obligations to a counterparty under a terminated contract exceeds the current market value of the counterparty's obligations to Metallurg, then the contract would be replaced by a prepetition fixed payment obligation of Metallurg to the counterparty. Accordingly, no actual payment would be made by Metallurg at this time. Conversely, if the current market value of the counterparty's performance obligations exceeds that of

Metallurg, then the contract would be replaced by a fixed payment obligation to Metallurg, which Metallurg would endeavor to collect for its estate.

16. The execution of such unwinding transactions will benefit Metallurg's estate by reducing Metallurg's exposure to potentially adverse fluctuations in market value and eliminating potential losses that could be incurred by Metallurg and its counterparties due to the inability to settle physically maturing forward purchase and sale obligations.

Relief Requested

17. By this Motion, the Debtors request that the Court enter an order authorizing Metallurg (i) to make deposits or margin payments of up to \$1,000,000 in the aggregate in connection with postpetition commodity forward contracts entered into, to hedge open metals positions and, as part of its normal trading activity and (ii) to effect the orderly unwinding or termination of its prepetition commodity contracts provided such unwinding or termination is effected at prevailing market prices and no present payment is made by Metallurg in connection therewith.

18. The denial of the relief requested herein would be extremely harmful to the Debtors' estate. The requested authorization is necessary to eliminate

potentially drastic losses that would arise without the ability to hedge certain positions and to permit Metallurg to continue to engage in its normal business activity.

19. Specifically, MIR currently has large positions in tin, aluminum and nickel and, without the ability to execute hedging transactions on the LME, MIR has no mechanism to protect against the risks presented by a fluctuating market. The immediate and irreparable harm that could result in the absence of approval to the relief requested is inimical to the interest of all concerned.

20. For the reasons set forth above, the Debtors believe that the relief requested herein is immediately necessary and essential in order to maximize the value of the assets in, and minimize the claims against, the Debtors' estate. The Debtors submit that the relief requested herein is appropriate and in the best interest of the Debtors, its estates, its creditors and equity holders.

#### Jurisdiction

21. This Court has jurisdiction over this proceeding pursuant to 28 U.S.C. §§ 157 and 1334. This proceeding constitutes a core proceeding pursuant to 28 U.S.C. § 157(b).

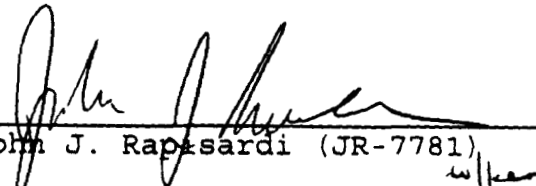
Waiver of Memorandum of Law

22. The Debtors request that the Court waive and dispense with the requirement set forth in Local Bankruptcy Rule 13(b) that any motion filed shall be accompanied by a memorandum of law. No novel issue of law is raised by this motion. Accordingly, the Debtors submit that waiver of the Rule 13(b) requirement is appropriate in these circumstances.

23. No previous application for the relief sought herein has been made to this or any other court.

WHEREFORE the Debtors respectfully request entry of an order authorizing Metallurg to (i) to make deposits or margin payments of up to \$1,000,000 in the aggregate in connection with postpetition commodity forward contracts entered into, to hedge open metals positions, and as part of Metallurg's normal trading activity, and (ii) to effect the orderly unwinding or termination of its prepetition commodity contracts provided such unwinding or termination is effected at prevailing market prices and no present payment is made by Metallurg in connection therewith.

Dated: New York, New York  
September 13, 1993

  
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Attorneys for Debtors in  
Possession

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

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In re :  
METALLURG, INC., and : Chapter 11 Case Nos.  
SHIELDALLOY METALLURGICAL : 93 B 44468 (JLG)  
CORPORATION, : 93 B 44469 (JLG)  
 : (Jointly Administered)  
Debtors. :  
-----x

FINAL ORDER PURSUANT TO SECTION 364(c)(1) AND (2)  
OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 4001(c)  
AUTHORIZING THE DEBTORS TO OBTAIN POSTPETITION FINANCING

A final hearing pursuant to Bankruptcy Rule 4001(c) having been held before this Court on September 21, 1993 (the "Final Hearing"), upon the motion dated September 2, 1993 (the "Motion"), of Metallurg, Inc. ("Metallurg") and Shieldalloy Metallurgical Corporation ("Shieldalloy") as debtors and debtors in possession (collectively, the "Debtors"), for entry of an order pursuant to section 364(c)(1) and (2) of title 11, United States Bankruptcy Code (the "Bankruptcy Code") and Bankruptcy Rule 4001, authorizing the Debtors to obtain post-petition financing, including the issuance of letters of credit and entry into foreign exchange contracts, up to the aggregate principal amount of \$30,000,000 (the "Post-Petition Loans"), pursuant to that certain post-petition credit agreement, dated as of

September 2, 1993 (the "Agreement"),<sup>1</sup> by and among the Debtors and First National Bank of Boston ("FNBB"), substantially in the form of Exhibit "A" annexed to the Motion, (a) with priority pursuant to Bankruptcy Code section 364(c)(1) over any and all administrative expenses of the kind specified in sections 503(b), 506(c) and 507(b) of the Bankruptcy Code, except for (x) certain fees and expenses of accountants, attorneys and other professionals retained by the Debtors or the official committee of unsecured creditors appointed in the Debtors' chapter 11 cases pursuant to sections 327 and 1103 of the Bankruptcy Code (the "Priority Professional Expenses") which may be rendered and remain unbilled or allowed but remain unpaid up to an aggregate amount (determined without regard to fees and expenses awarded and previously paid on an interim basis) not to exceed the Professional Expense Cap, and (y) amounts required to be paid to the Office of the United States Trustee pursuant to 28 U.S.C. § 1930(a)(6) (the "U.S. Trustee Fees" and, together with the Priority Professional Expenses the "Agreed Administrative Expense Priorities) and (b) secured by first priority security interests in and liens on all pre-petition and post-petition property of the

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1. Unless otherwise provided herein, all capitalized terms used herein shall have the meaning provided therefor in the Agreement.

Debtors pursuant to section 364(c)(2) of the Bankruptcy Code, excluding the Debtors' real property located in New Jersey and Ohio; and the Court having considered the Motion and the Exhibits attached thereto, including, without limitation, the Agreement; and due and proper notice of the Motion and the Final Hearing to consider the Motion having been given; and it appearing that the relief requested in the Motion is in the best interest of the Debtors, their respective creditors and estates, and necessary to ensure the continued operations and successful reorganization of the Debtors; and after due deliberation and good and sufficient cause appearing therefor,

IT IS HEREBY FOUND AND DETERMINED:

1. Consideration of the Motion constitutes a core proceeding as defined in 28 U.S.C. § 157(b)(2)(A), (D), (G), (K), (M) and (O).

2. The required notice of the Motion has been given in accordance with Bankruptcy Rule 4001, which notice is sufficient for all purposes under the Bankruptcy Code, including, without limitation, sections 102(1) and 364 of the Bankruptcy Code, and the applicable Bankruptcy Rules, including, without limitation, Bankruptcy Rule 4001(c)(1), (2) and (3), in respect of the relief requested in the Motion.



3. The Debtors do not have sufficient available sources of working capital and financing needed to carry on their respective businesses in the ordinary course and have been unsuccessful in their attempts to obtain financing from sources other than FNBB on terms more favorable than under the Agreement. The Debtors have been unable to obtain cash financing as unsecured credit allowable under section 503(b)(1) of the Bankruptcy Code. Credit is unavailable to the Debtors without their (a) granting to FNBB claims having priority over that of administrative expenses of the kind specified in sections 503(b) and 507(b) of the Bankruptcy Code and (b) securing such loans and indebtedness with first-priority security interests in and liens on all the pre-petition and post-petition property of the Debtors and Guarantors excluding the Debtors' real property located in New Jersey and Ohio.

4. The ability of the Debtors to finance their respective operations and the availability to them of sufficient working capital through the incurrence of new indebtedness for borrowed money and other financial accommodations is in the best interests of the Debtors and their respective creditors and estates.

5. The Agreement has been negotiated in good faith and at arm's length between the Debtors and FNBB and

any credit extended and loans made to, and letters of credit issued for the benefit of the Debtors by FNBB, and foreign exchange contracts entered into between the Debtors and FNBB shall be deemed to have been extended and made in good faith, within the meaning of section 364(e) of the Bankruptcy Code.

ACCORDINGLY, IT IS HEREBY

ORDERED that the Motion be, and it hereby is, granted in all respects; and it is further

ORDERED that the Debtors be, and they hereby are, authorized to borrow, obtain letters of credit from FNBB and enter into foreign exchange contracts with FNBB under the Agreement up to an aggregate of \$30,000,000 outstanding at any one time with a sublimit for Letters of Credit not greater than \$15,000,000 and with a sublimit for foreign exchange contracts with a Foreign Exchange Exposure not greater than \$3,000,000, subject to the terms and conditions set forth in the Agreement, with all such amounts to be available for the purposes set forth in the Agreement and for no other purposes; and it is further

ORDERED that each of the Debtors is authorized and directed to do and perform all acts, to make, execute and deliver all instruments and documents and to pay all principal and interest, as well as, all present and future

fees, costs, expenses and taxes which may be required or necessary for its performance under the Agreement and each of the other Loan Documents, including, without limitation, the execution of the Agreement, the Note and the Security Agreements, all in substantially the form attached as Exhibits to the Agreement, the execution and delivery of any other Security Documents to which it is a party, and the performance of all of its obligations thereunder; and it is further

ORDERED that, with respect to all of the Debtors' obligations and indebtedness arising under the Agreement and each of the other Loan Documents, FNBB, pursuant to section 364(c)(1) of the Bankruptcy Code, be, and it hereby is, granted priority over any and all administrative expenses of the kind specified in sections 503(b), 506(c) and 507(b) of the Bankruptcy Code, other than the Agreed Administrative Expense Priorities, and it is further

ORDERED that, as security for the payment and satisfaction of the Debtors' Obligations arising under the Agreement and each of the other Loan Documents, FNBB, pursuant to section 364(c)(2) of the Bankruptcy Code, is hereby granted (effective immediately and without the necessity of the execution by the Debtors or the filing or recording in appropriate offices of financing statements,

mortgages, security agreements, or otherwise) a first priority security interest in and mortgages lien upon all the Debtors' right, title and interest in and to any and all property, assets and things of value of every kind or type, tangible, intangible, real, personal and fixed, whether now owned or hereafter acquired or created and wherever located and including, without limitation, all property of the estate as that term is defined in section 541 of the Bankruptcy Code and all rights under sections 506, 544, 547, 548 and 549 of the Bankruptcy Code of each of the Debtors, and all proceeds and products thereof, including, without limitation, all Collateral, excluding the Debtors' real property located in New Jersey and Ohio, subject, however, to (i) any validly existing and enforceable pre-petition liens actually of record and existing and in effect immediately prior to the filing of the Debtors' chapter 11 petitions, and (ii) Agreed Administrative Expense Priorities. The liens, security interests and mortgages granted to FNBB hereunder shall not be subject to any lien, security interest or mortgage which is avoided and preserved for the benefit of the Debtors' estates under section 551 of the Bankruptcy Code. Such liens, security interests and mortgages granted to FNBB hereunder shall not be

subordinated to any other lien under section 364(d) of the Bankruptcy Code or otherwise; and it is further

ORDERED that FNBB shall not be required to file financing statements, mortgages, notices of lien or similar instruments in any jurisdiction or take any other action in order to validate and perfect the liens, security interests and mortgages granted to it pursuant to this Order and the Loan Documents. FNBB may, in its sole discretion, choose to file such financing statements, mortgages, notices of lien or similar instruments or otherwise confirm perfection of such liens, security interests and mortgages without seeking modification of the automatic stay pursuant to section 362 of the Bankruptcy Code, in which event the Debtors are authorized and directed to execute such documents as FNBB shall reasonably request and all such documents shall be deemed to have been filed or recorded at the time and on the date of entry of this Order; and it is further

ORDERED that the liens and security interests created by the Loan Documents shall secure all advances made, reimbursement obligations under letters of credit issued, and foreign exchange contracts entered into, under the Agreement and all other Obligations of the Debtors under the Loan Documents; and it is further

ORDERED that upon the occurrence and during the continuance of an Event of Default which has resulted in any of the Obligations having been declared due and payable prior their stated maturity (an "Acceleration"), the automatic stay of section 362 of the Bankruptcy Code shall be deemed waived and modified, without further order of this Court, to permit FNBB to exercise any and all rights and remedies under this Order and the Loan Documents, provided that FNBB has followed the notice procedure described below, unless, in the case of an application having been filed by the parties entitled to such notice, this Court has determined within the Extended Period (as defined below) that no such Event of Default has occurred and was continuing at the time of such Acceleration. Before exercising any of FNBB rights or remedies comprising the enforcement of its Liens against Collateral or the exercise of its rights of set-off pursuant to Agreement, FNBB shall provide at least three (3) Business Days' prior written notice to Debtors, their bankruptcy counsel, counsel to the Official Committee of Unsecured Creditors in the Cases and the office of the United States Trustee, setting set forth the Event of Default or Events of Default which FNBB believes in good faith to have occurred and to have been continuing at the time of such Acceleration and that FNBB

intends to enforce its Liens against Collateral and/or to exercise its rights of set-off. During such three (3) Business Day period, any of such parties may file an application with this Court, with a copy to FNBB and its counsel, stating that such party believes in good faith that no Event of Default specified in such notice has occurred and was continuing at the time of such Acceleration and requesting that a hearing be held promptly to determine whether such is the case. During such (3) Business Day period and, if any such application is filed with the Court, during such additional period (an "Extended Period") expiring on the earlier to occur of (i) the conclusion of any such hearing requested and (ii) five (5) Business Days following the filing of such application, FNBB shall refrain from proceeding to exercise such rights or remedies or rights of set-off, and during such three (3) Business Day period and, if any such application is filed, such Extended Period, the Debtors may use funds to make payments in the ordinary course of business consistent with past practices, subject to the limitations set forth in § 10 of the Agreement. At any such hearing so held upon such application the sole issue before the Court shall be to determine whether any such Event of Default has occurred and was continuing at the time of such Acceleration. In the

event that the Court does determine that no such Event of Default has occurred and was continuing at the time of such Acceleration, the scheduled maturity of the Obligations which had been the subject of such Acceleration, together with the automatic stay of Section 362(a) of the Bankruptcy Code, shall be reinstated, all with the same effect as if no such Event of Default had been declared or Acceleration occurred.

ORDERED that nothing contained herein shall limit the rights of FNBB to seek adequate protection under section 362, 363 or 364 of the Bankruptcy Code or further relief from the automatic stay of section 362 of the Bankruptcy Code at any future time; and it is further

ORDERED that the provisions of this Order shall be binding upon and inure to the benefit of FNBB, the Debtors, and their respective successors and assigns, including, without limitation, any trustee hereinafter appointed for either or both of the Debtors' chapter 11 estates; and it is further

ORDERED that in making its decisions to extend credit to the Debtors under the Agreement, FNBB shall not be deemed to be in control of the operations of the Debtors or to be acting as a "responsible person" or "owner or



operator" with respect to the operation or management of the Debtors; and it is further

ORDERED that if any or all of the provisions of this Order or the Agreement or any other Loan Document are hereafter modified, vacated or stayed by subsequent order of this Court or any other Court, such stay, modification or vacation shall not affect the validity of any debt or other Obligation to FNBB that is or was incurred pursuant to this Order and that is or was incurred prior to the effective date of such stay, modification or vacation, or the validity and enforceability of any lien, security interest or priority authorized or created by this Order, the Agreement or any other Loan Document, and notwithstanding such stay, modification or vacation; any obligations of the Debtors pursuant to this Order, the Agreement or any other Loan Document arising prior to the effective date of such stay, modification or vacation shall be governed in all respects by the original provisions of this Order, the Agreement and the other Loan Documents, and the validity of any such credit extended or lien granted pursuant to this Order, the Agreement and the other Loan Documents is subject to the protection afforded under section 364(e) of the Bankruptcy Code; and it is further

ORDERED that the requirement of Local Bankruptcy Rule 13(b) requiring the filing of a memorandum of law in support of the Motion be, and hereby is, waived; and it is further

ORDERED that on or before September 23, 1993, the Debtors shall serve a copy of this Order and/or notice of its entry upon all parties who received service of the Motion; and it is further

ORDERED that the provisions of this Order shall survive the conversion of either or both of the Debtors' chapter 11 cases to cases under chapter 7 of the Bankruptcy Code and, with the exception of the provisions requiring FNBB to give notice before exercising its remedies under the Agreement, the dismissal of either or both cases.

New York, New York  
Dated: September \_\_, 1993

UNITED STATES BANKRUPTCY JUDGE