

AMENDMENT NO. 2 TO LOAN AND SECURITY AGREEMENT

THIS AMENDMENT NO. 2 TO LOAN AND SECURITY AGREEMENT (this "Amendment No. 2"), dated as of April ~~24~~ 2007, is entered into by and among Wachovia Capital Finance Corporation (Central), as agent (in such capacity, "Agent"), for itself and the parties from time to time to the Loan Agreement (as hereinafter defined), as lenders (collectively, together with Agent, "Lenders"), Ormet Corporation ("Parent"), Ormet Primary Aluminum Corporation ("OPAC"), Ormet Aluminum Mill Products Corporation ("Ormet Mill", and together with Parent and OPAC, each individually a "Borrower" and collectively, "Borrowers"), Specialty Blanks Holding Corporation ("Specialty Holding"), Ormet Railroad Corporation ("Ormet Railroad"), Specialty Blanks, Inc. ("Specialty", and together with Specialty Holding and Ormet Railroad, each individually a "Guarantor" and collectively, "Guarantors").

WITNESSETH:

WHEREAS, Agent, Lenders, Borrowers and Guarantors have entered into financing arrangements as set forth in the Loan and Security Agreement, dated February 14, 2007, by and among Agent, Lenders, Borrowers and Guarantors, as amended by Amendment No. 1 to Loan and Security Agreement, dated March 16, 2007 (as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, the "Loan Agreement") and other agreements, documents and instruments referred to therein or at any time executed or delivered in connection therewith or related thereto, including this Amendment No. 2 (all of the foregoing, including the Loan Agreement and this Amendment No. 2, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, being collectively referred to herein as the "Financing Agreements");

WHEREAS, the parties hereto desire to enter into this Amendment No. 2 to evidence and effectuate such amendments to the Loan Agreement in each case subject to the terms and conditions and to the extent set forth herein;

NOW, THEREFORE, in consideration of the premises and covenants set forth herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions.

1.1 Additional Definitions. As used herein, the following terms shall have the respective meanings given below and the Loan Agreement and the other Financing Agreements are hereby amended to include, in addition and not in limitation, the following definitions:

(a) "Amendment No. 2" shall mean Amendment No. 2 to Loan and Security Agreement, dated as of April ~~24~~ 2007, by and among Borrowers, Guarantors, Lenders and Agent, as the same now exists and may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

(b) "Burnside Inventory Loan Limit" shall mean (i) as to Burnside Inventory of Borrowers consisting of alumina and bauxite, the amount equal to \$9,000,000 until February 28, 2007 and (ii) as to Burnside Inventory consisting of alumina, the amount equal to \$6,000,000 on and at all times after March 1, 2007.

(c) "Reduction Molten Pad Inventory" shall mean the category of Inventory of Borrowers consisting of reduction molten pad.

(d) "Reduction Molten Pad Inventory Loan Limit" shall mean, as to Reduction Molten Pad Inventory of Borrowers, at any time, the amount equal to \$6,000,000.

## 1.2 Amendments to Definitions.

(a) The definition of "Borrowing Base" in Section 1.14 of the Loan Agreement is hereby replaced with the following:

"Borrowing Base" shall mean, at any time, the amount equal to:

(a) the sum of :

(i) eighty-five (85%) percent of the Eligible Accounts of Borrowers, plus

(ii) with respect to all categories Eligible Inventory of Borrowers, other than Burnside Inventory and Reduction Molten Pad Inventory, the least of: (A) the aggregate for all applicable categories of eighty-five (85%) percent of the Net Recovery Percentage of each such category of Eligible Inventory multiplied by the Value of the Eligible Inventory in such category, or (B) the aggregate for all applicable categories of ninety-five (95%) percent of the Cost of each such category of Eligible Inventory, or (C) the aggregate for all applicable categories of eighty (80%) percent of the Market Value of each such category of Eligible Inventory, or (D) the lesser of (1) the Inventory Loan Limit or (2) the product of seventy-five (75%) percent multiplied by the aggregate Value of the Eligible Inventory other than Burnside Inventory, plus

(iii) with respect to the category of Eligible Inventory of Borrowers consisting of Burnside Inventory, the least of: (A) eighty-five (85%) percent of the Net Recovery Percentage of such category of Eligible Inventory multiplied by the Value of Eligible Inventory in such category, or (B) ninety-five (95%) percent of the Cost of such category of Eligible Inventory, or (C) eighty (80%) percent of the Market Value of such category of Eligible Inventory, or (D) the lesser of (1) the Burnside Inventory Loan Limit or (2) the product of seventy-five (75%) percent multiplied by the aggregate Value of the Eligible Inventory consisting of Burnside Inventory, plus

(iv) with respect to the category of Eligible Inventory of Borrowers consisting of Molten Reduction Molten Pad Inventory, the least of: (A) eighty-five (85%) percent of the Net Recovery Percentage of such category of Eligible Inventory multiplied by the Value of the Eligible Inventory in such category, or (B)

ninety-five (95%) percent of the Cost of such category of Eligible Inventory, or (C) eighty (80%) percent of the Market Value of such category of Eligible Inventory, or (D) the lesser of (1) the Molten Reduction Molten Pad Inventory Loan Limit or (2) the product of seventy-five (75%) percent multiplied by the aggregate Value of the Eligible Inventory consisting of Molten Reduction Molten Pad Inventory, minus

(b) Reserves.

In no event shall the amount of all Revolving Loans based upon all categories of Eligible Inventory in clauses (a)(ii), (iii) and (iv) exceed the Inventory Loan Limit. For purposes only of applying the Inventory Loan Limit, Agent may treat the then undrawn amounts of outstanding Letters of Credit for the purpose of purchasing Eligible Inventory as Revolving Loans to the extent Agent is in effect basing the issuance of the Letter of Credit on the Value of the Eligible Inventory being purchased with such Letter of Credit. In determining the actual amounts of such Letter of Credit to be so treated for purposes of the sublimit, the outstanding Revolving Loans and Reserves shall be attributed first to any components of the lending formulas set forth above that are not subject to such sublimit, before being attributed to the components of the lending formulas subject to such sublimit. The amounts of Eligible Inventory of Borrowers consisting of finished goods shall, at Agent's option, be determined based on the lesser of the amount of Inventory set forth in the general ledger of Borrowers or the perpetual inventory record maintained by Borrowers. The amounts of Eligible Inventory of Borrowers consisting of Inventory other than finished goods shall, at Agent's option, be determined based on the lesser of the amount of Inventory set forth in the general ledger of Borrowers or the physical count of such Inventory conducted by Borrowers."

(b) The definition of "Consolidated Net Income" in Section 1.33 of the Loan Agreement is hereby replaced with the following:

"Consolidated Net Income" shall mean, with respect to any Person for any period, the aggregate of the net income (loss) of such Person, for such period (excluding to the extent included therein any extraordinary and/or one time or unusual and non-recurring gains or any non-cash losses) after deducting all charges which should be deducted before arriving at the net income (loss) for such period and, without duplication, after deducting the Provision for Taxes for such period, all as determined in accordance with GAAP. For the purposes of this definition, net income excludes: (a) any gain or non-cash loss, together with any related Provision for Taxes for such gain or non-cash loss, realized upon the sale or other disposition of any assets that are not sold in the ordinary course of business (including, without limitation, dispositions pursuant to sale and leaseback transactions), of any Capital Stock of such Person, (b) any net income realized or loss incurred as a result of changes in accounting principles or the application thereof

to such Person, and (c) expenses consisting of any compensation, severance, bonus and stock options by Parent to the Chief Executive Officer of Parent in an amount not to exceed \$5,000,000 for the fiscal year of Parent ending December 31, 2007 in accordance with the employment agreements between Parent and the Chief Executive Officer of the Parent as in effect on February 14, 2007.”

(c) The definition of “Eligible Inventory” in Section 1.43 of the Loan Agreement is hereby amended replaced with the following sentence:

“Eligible Inventory” shall mean, as to each Borrower, Inventory of such Borrower (including Burnside Inventory) consisting of finished goods held for resale in the ordinary course of the business of such Borrower and raw materials for such finished goods, that in each case satisfy the criteria set forth below as determined by Agent. In general, Eligible Inventory shall not include: (a) work-in-process, except for molten aluminum and billet products; (b) components which are not part of finished goods; (c) spare parts for equipment; (d) packaging and shipping materials; (e) supplies used or consumed in such Borrower's business; (f) Inventory at premises other than those owned or leased and controlled by any Borrower, except for Eligible In-Transit Inventory; (g) Inventory subject to a security interest or lien in favor of any Person other than Agent except those permitted in this Agreement that are subject to an intercreditor agreement in form and substance satisfactory to Agent between the holder of such security interest or lien and Agent; (h) bill and hold goods; (i) unserviceable, obsolete or slow moving Inventory; (j) stores inventory; (j) Inventory that is not subject to the first priority, valid and perfected security interest of Agent; (k) returned, damaged or defective Inventory; (l) Inventory purchased or sold on consignment and Inventory located outside the United States of America, except for Eligible In-Transit Inventory. The criteria for Eligible Inventory set forth above may only be changed and any new criteria for Eligible Inventory may only be established by Agent in good faith based on either: (i) an event, condition or other circumstance arising after the date hereof, or (ii) an event, condition or other circumstance existing on the date hereof to the extent Agent has no written notice thereof from a Borrower prior to the date hereof, in either case under clause (i) or (ii) which adversely affects or could reasonably be expected to adversely affect the Inventory in the good faith determination of Agent. Any Inventory that is not Eligible Inventory shall nevertheless be part of the Collateral. On and after March 1, 2007, Burnside Inventory consisting of bauxite will no longer be deemed Eligible Inventory.”

1.3 Interpretation. Capitalized terms used herein which are not otherwise defined herein shall have the respective meanings ascribed to them in the Loan Agreement.

Section 2. Mandatory Prepayment of Term Loans. Section 2.3(c) of the Loan Agreement is amended by replacing the reference to "May 15, 2007" with the reference to "July 15, 2007".

Section 3. Deposit Accounts.

3.1 Section 6.3(a) of the Loan Agreement is hereby amended by replacing the reference to "within forty-five (45) days after the date hereof" with the reference to "by April 2, 2007".

3.2 Section 4.1(j) of the Loan Agreement is hereby amended by replacing the reference "up to forty-five (45) days after the date hereof" with the reference "until April 2, 2007".

Section 4. Minimum EBITDA. Section 9.18 of the Loan Agreement is hereby amended by amending Schedule 9.18 to the Loan Agreement with a new Schedule 9.18 attached hereto as Exhibit A.

Section 5. Potline Restart Plan and Production of Molten Aluminum.

5.1 Section 9.20(b) of the Loan Agreement is hereby amended by replacing the Restart Date of August 31, 2007 for Potline No. 6 with "October 31, 2007".

5.2 Section 9.20(c)(i) of the Loan Agreement is hereby amended by replacing the chart in clause (i) with the following:

(i) Production Months through <u>December 2007</u>	Minimum Amount <u>in Metric Tonnes</u>
February 2007	5,600
March 2007	8,300
April 2007	9,200
May 2007	11,700
June 2007	12,700
July 2007	14,800
August 2007	14,900
September 2007	15,900
October 2007	17,600
November 2007	17,200
December 2007	17,800

Section 6. Amendment Fee. In addition to all other fees, charges, interest and expenses payable by Borrowers to Agent and Lenders under the Loan Agreement and the other Financing Agreements, Borrowers shall pay to Agent for the benefit of Burdale Financial Limited as a Lender to the extent that it consents to this Amendment No. 2, an amendment fee in the amount of \$18,750, which fee is fully earned as of the date hereof and may be charged into the loan account(s) of any Borrower.

Section 7. Representations, Warranties and Covenants. Each Borrower and Guarantor represents, warrants and covenants with, to and in favor of Agent as follows, which representations, warranties and covenants are continuing and shall survive the execution and delivery hereof, the truth and accuracy of, or compliance with each, together with the representations, warranties and covenants in the other Financing Agreements, being a condition of the effectiveness of this Amendment No. 2:

7.1 This Amendment No. 2 has been duly authorized, executed and delivered by all necessary action on the part of Borrowers and Guarantors which is a party hereto and is in full force and effect as of the date hereof, as the case may be, and the obligations of Borrowers or Guarantors contained herein constitute legal, valid and binding obligations of Borrowers and Guarantors, as the case may be, enforceable against them in accordance with their terms.

7.2 All of the representations and warranties set forth in the Loan Agreement as amended hereby, and the other Financing Agreements, are true and correct in all material respects after giving effect to the provisions of this Amendment No. 2, except to the extent any such representation or warranty is made as of a specified date, in which case such representation or warranty shall have been true and correct as of such date.

7.3 After giving effect to the provisions of this Amendment No. 2, no Event of Default exists or has occurred and is continuing.

Section 8. Conditions Precedent. Concurrently with the execution and delivery hereof, and as a further condition to the effectiveness of this Amendment No. 2 and the agreement of Agent to the modifications and amendments set forth in this Amendment No. 2:

8.1 Agent shall have received, in form and substance satisfactory to Agent, an executed copy of an original or executed original counterparts of this Amendment No. 2 by electronic mail or facsimile (with the originals to be delivered within five (5) Business Days after the date hereof), duly authorized, executed and delivered by each Borrower and Guarantor;

8.2 each Borrower and Guarantor shall deliver, or cause to be delivered, to Agent a true and correct copy of any consent, waiver or approval to or of this Amendment No. 2, which any Borrower or Guarantor is required to obtain from any other Person, and such consent, approval or waiver shall be in a form and substance satisfactory to Agent;

8.3 Agent shall have received such approvals of Lenders, in form and substance satisfactory to Agent, to the terms and conditions of this Amendment No. 2 as are required under the terms of the Loan Agreement; and

8.4 after giving effect to the waivers, consents and amendments contemplated by this Amendment No. 2, no Default or Event of Default shall exist or have occurred and be continuing.

Section 9. Effect of this Amendment No. 2. This Amendment No. 2 constitutes the entire agreement of the parties with respect to the subject matter hereof, and supersedes all prior oral or written communications, memoranda, proposals, negotiations, discussions, term sheets and commitments with respect to the subject matter hereof. Except as expressly provided herein, no other changes or modifications to the Loan Agreement or any of the other Financing Agreements, or waivers of or consents under any provisions of any of the foregoing, are intended or implied by this Amendment No. 2, and in all other respects the Financing Agreements are hereby specifically ratified, restated and confirmed by all parties hereto as of the effective date of this Amendment No. 2. The applicable provisions of this Amendment No. 2 and the Loan Agreement shall be read and interpreted as one agreement. To the extent that any provision of the Loan Agreement or any of the other Financing Agreements conflicts with any provision of this Amendment No. 2, the provision of this Amendment No. 2 shall control.

Section 10. Amendment Fee. In consideration of the amendments set forth herein, Borrowers shall on the date hereof pay to Agent or Agent, at its option, may charge the loan account of Borrowers maintained by Agent, an amendment fee in the amount of the \$18,750, payable to the account of Burdale Financial Limited, which amendment fee is fully earned as of the date hereof and shall constitute part of the Obligations.

Section 11. Further Assurances. Borrowers and Guarantors shall execute and deliver such additional documents and take such additional action as may be reasonably requested by Agent to effectuate the provisions and purposes of this Amendment No. 2.

Section 12. Governing Law. The validity, interpretation and enforcement of this Amendment No. 2 in any dispute arising out of the relationship between the parties hereto, whether in contract, tort, equity or otherwise shall be governed by the internal laws of the State of New York, without regard to any principle of conflict of laws or other rule of law that would result in the application of the law of any jurisdiction other than the State of New York. Without in any way limiting the foregoing, the parties elect to be governed by New York law in accordance with, and relying on (at least in part), Sections 5-1401 and 5-1402 of the General Obligations Law of the State of New York.

Section 13. Binding Effect. This Amendment No. 2 shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and assigns.

Section 14. Counterparts. This Amendment No. 2 may be executed in one or more counterparts, each of which when so executed shall be deemed to be an original but all of which when taken together shall constitute one and the same instrument. In making proof of this Amendment No. 2, it shall not be necessary to produce or account for more than one counterpart hereof signed by each of the parties hereto. This Amendment No. 2 may be executed and delivered by telecopier (or other electronic transmission of a manually executed counterpart) with the same force and effect as if it were a manually executed and delivered counterpart. Any party delivering an executed counterpart of this Amendment No. 2 by telecopier (or other electronic transmission of a manually executed counterpart) shall also deliver an original

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executed counterpart of this Amendment No. 2, but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Amendment No. 2 as to such party or any other party.

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IN WITNESS WHEREOF, the parties hereto have executed and delivered this Amendment No. 2 as of the date first written above.

WACHOVIA CAPITAL FINANCE CORPORATION (CENTRAL), as Agent and a Lender

By: *Laura Dip*

Title: VP

ORMET CORPORATION

By: *J. W. [Signature]*

Title: EUP/CEO

ORMET PRIMARY ALUMINUM CORPORATION

By: *J. W. [Signature]*

Title: EUP/CEO

ORMET ALUMINUM MILL PRODUCTS CORPORATION

By: *J. W. [Signature]*

Title: EUP/CEO

SPECIALTY BLANKS HOLDING CORPORATION

By: *J. W. [Signature]*

Title: EUP/CEO

ORMET RAILROAD CORPORATION

By: *J. W. [Signature]*

Title: EUP/CEO

[SIGNATURES CONTINUE ON NEXT PAGE]

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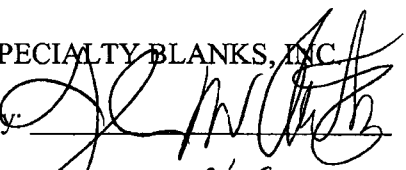
SPECIALTY BLANKS, INC.  
By:   
Title: VP/COO

EXHIBIT A  
TO  
AMENDMENT NO. 2 TO  
LOAN AND SECURITY AGREEMENT

Replacement Schedule 9.18 to Loan and Security Agreement

(a) Minimum EBITDA

(i) The EBITDA of Parent and its Subsidiaries (on a consolidated basis) shall not, for the applicable measurement periods set forth below, be less than the respective amount set forth below:

<u>Measurement Period</u>	<u>Minimum EBITDA</u>
February 1, 2007 to February 28, 2007	(\$4,208,001)
March 1, 2007 to March 31, 2007	(\$3,124,160)

(ii) The EBITDA of Parent and its Subsidiaries (on a consolidated basis) shall not, as to any fiscal month commencing on April 1, 2007 for the applicable three (3) month period commencing on the first day of each applicable three (3) month period and ending on the last day of the applicable third (3<sup>rd</sup>) month of such measurement period set forth below on a cumulative basis, to be less than the amount set forth below:

<u>Measurement Period</u>	<u>Minimum EBITDA</u>
February 1, 2007 through and including April 30, 2007	(\$10,106,693)
March 1, 2007 through and including May 31, 2007	(\$5,559,055)
April 1, 2007 through and including June 30, 2007	\$1,509,239
May 1, 2007 through and including July 31, 2007	\$9,013,421
June 1, 2007 through and including August 31, 2007	\$16,090,408
July 1, 2007 through and including September 30, 2007	\$19,476,504

(iii) The EBITDA of Parent and its Subsidiaries (on a consolidated basis) shall not, as to any fiscal month commencing on October 1, 2007 for the applicable period

