

**SUBORDINATED TERM NOTE**

THE INDEBTEDNESS EVIDENCED BY, AND ALL AMOUNTS PAYABLE UNDER, THIS SUBORDINATED TERM NOTE TO WAYZATA RECOVERY FUND LLC, A DELAWARE CORPORATION (ITS SUCCESSORS AND ASSIGNS, “LENDER”) IS AND ARE SUBORDINATED IN RIGHT OF PAYMENT TO THE INDEFEASIBLE PAYMENT AND SATISFACTION IN FULL IN IMMEDIATELY AVAILABLE FUNDS OF ALL PRESENT AND FUTURE OBLIGATIONS, LIABILITIES AND INDEBTEDNESS OF THE BORROWERS (AS DEFINED BELOW) AND THE GUARANTORS (AS DEFINED BELOW) TO WACHOVIA CAPITAL FINANCE CORPORATION (CENTRAL) IN ITS CAPACITY AS AGENT (“AGENT”) AS PROVIDED BY AND AS OTHERWISE SUBJECT TO THE TERMS AND CONDITIONS OF THE SUBORDINATION AGREEMENT (AS DEFINED BELOW).

\$10,000,000

September 3, 2008

FOR VALUE RECEIVED, ORMET CORPORATION, a Delaware corporation (the “*Parent*”), ORMET PRIMARY ALUMINUM CORPORATION, a Delaware corporation (“*OPAC*”), and ORMET ALUMINUM MILL PRODUCTS CORPORATION, a Delaware corporation (“*Ormet Mill*”, jointly and severally with the Parent and OPAC, the “*Borrowers*”), hereby promise to pay to the Lender, in lawful money of the United States of America and in immediately available funds, the principal amount of TEN MILLION DOLLARS (\$10,000,000), at the location specified in or pursuant to Section 7.04 below, together with interest, all as set forth below.

**ARTICLE I**

**DEFINITIONS AND RELATED MATTERS**

**1.01 Definitions.** The following terms with initial capital letters have the following meanings:

“**Affiliate**” means, with respect to a specified Person, any other Person which directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with such Person, and without limiting the generality of the foregoing, includes (i) any Person which beneficially owns or holds ten (10%) percent or more of any class of Voting Stock of such Person or other equity interests in such Person, (ii) any Person of which such Person beneficially owns or holds ten (10%) percent or more of any class of Voting Stock or in which such Person beneficially owns or holds ten (10%) percent or more of the equity interests and (iii) any director or executive officer of such Person. For the purposes of this definition, the term “control” (including with correlative meanings, the terms “controlled by” and “under common control with”), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of Voting Stock, by agreement or otherwise.

**“Applicable Law”** means all applicable provisions of all (i) constitutions, treaties, statutes, laws, rules, regulations and ordinances of any Governmental Authority, (ii) Permits and (iii) orders, decisions, judgments, awards and decrees of any Governmental Authority (including common law and principles of public policy).

**“Business Day”** means any day other than a Saturday, Sunday, or other day on which commercial banks are authorized or required to close under the laws of the State of New York.

**“Capital Stock”** means with respect to any Person, any and all shares, interests, participations or other equivalents (however designated) of such Person’s capital stock or partnership, limited liability company or other equity interests at any time outstanding, and any and all rights, warrants or options exchangeable for or convertible into such capital stock or other interests (but excluding any debt security that is exchangeable for or convertible into such capital stock).

**“Change of Control”** means (i) the acquisition by any Person or group (as such term is used in Section 13(d)(3) of the Exchange Act) of beneficial ownership, directly or indirectly, of more than fifty percent (50%) of the voting power of the total outstanding Voting Stock of any Borrower or Guarantor or the Board of Directors of any Borrower or Guarantor; (ii) during any period of two (2) consecutive years, individuals who at the beginning of such period constituted the Board of Directors of any Borrower or Guarantor (together with any new directors who have been appointed by any Permitted Holder, or whose nomination for election by the stockholders of such Borrower or Guarantor, as the case may be, was approved by a vote of at least sixty-six and two-thirds (66 2/3%) percent of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of any Borrower or Guarantor then still in office; or (iii) the failure of Parent to own directly or indirectly one hundred (100%) percent of the voting power of the total outstanding Voting Stock of any other Borrower or Guarantor.

**“Code”** means the Internal Revenue Code of 1986, as the same now exists or may from time to time hereafter be amended, modified, recodified or supplemented, together with all rules, regulations and interpretations thereunder or related thereto.

**“Default”** means any condition or event that, with the giving of notice or lapse of time or both, would, unless cured or waived, become an Event of Default.

**“Encumbrance”** means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), preference, priority or other security agreement of any kind or nature whatsoever, including, without limitation, any conditional sale or other title retention agreement, any financing or similar statement or notice filed under the UCC or any other similar recording or notice statute, and any lease having substantially the same effect as any of the foregoing.

**“ERISA”** means the Employee Retirement Income Security Act of 1974, together with all rules, regulations and interpretations thereunder or related thereto.

**“ERISA Affiliate”** means any person required to be aggregated with any Issuer, any Guarantor or any of its or their respective Subsidiaries under Sections 414(b), 414(c), 414(m) or 414(o) of the Code.

**“ERISA Event”** means: (i) any “reportable event”, as defined in Section 4043(c) of ERISA or the regulations issued thereunder, with respect to a Pension Plan, other than events as to which the requirement of notice has been waived in regulations by the PBGC; (ii) the adoption of any amendment to a Pension Plan that would require the provision of security pursuant to Section 401(a)(29) of the Code or Section 307 of ERISA; (iii) a complete or partial withdrawal by any Borrower, Guarantor or any ERISA Affiliate from a Multiemployer Plan or a cessation of operations which is treated as such a withdrawal or notification that a Multiemployer Plan is in reorganization; (iv) the filing of a notice of intent to terminate, the treatment of a Pension Plan amendment as a termination under Section 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan; (v) an event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan; and (vi) the imposition of any liability under Title IV of ERISA, other than the PBGC premiums due but not delinquent under Section 4007 of ERISA, upon any Borrower, Guarantor or any ERISA Affiliate in excess of \$2,000,000.

**“Exchange Act”** means the Securities Exchange Act of 1934, as the same now exists or may from time to time hereafter be amended, modified, recodified or supplemented, together with all rules, regulations and interpretations thereunder or related thereto.

**“Financing Documents”** means, collectively, this Note, the Warrant, the Guaranty and any other agreement or instrument hereafter executed or delivered by any Borrower or Guarantor in connection with this Note, as any or all of the same may be amended, supplemented, amended and restated or otherwise modified from time to time.

**“GAAP”** means generally accepted accounting principles in the United States of America as in effect from time to time as set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and the statements and pronouncements of the Financial Accounting Standards Board which are applicable to the circumstances as of the date of determination consistently applied.

**“Governmental Authority”** means any nation or government, any state, province, or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

**“Guarantors”** means each of Specialty Blanks Holding Corporation, a Delaware corporation, and Ormet Railroad Corporation, a Delaware corporation, and any other Subsidiary of Parent that becomes a party to the Guaranty.

**“Guaranty”** means the Guaranty, dated as of the date hereof, made by each of the Guarantors in favor of the Lender, as the same may be amended, supplemented, amended and restated or otherwise modified from time to time.

**“Indebtedness”** means, with respect to any Person, (a) obligations in respect of borrowed money (whether or not the recourse of the lender is to the whole of the assets of such Person or only to a portion thereof) or evidenced by bonds, notes, debentures or similar instruments; (b) obligations representing the balance deferred and unpaid of the purchase price of any property or services (other than an account payable to a trade creditor (whether or not an affiliate) incurred in the ordinary course of business of such Person and payable in accordance with customary trade practices); (c) all obligations as lessee under leases which have been, or should be, in accordance with GAAP recorded as Capital Leases; (d) any contractual obligation, contingent or otherwise, of such Person to pay or be liable for the payment of any indebtedness described in this definition of another Person, including, without limitation, any such indebtedness, directly or indirectly guaranteed, or any agreement to purchase, repurchase, or otherwise acquire such indebtedness, obligation or liability or any security therefor, or to provide funds for the payment or discharge thereof, or to maintain solvency, assets, level of income, or other financial condition; (e) all obligations with respect to mandatorily redeemable stock and mandatory redemption or repurchase obligations under any Capital Stock or other equity securities issued by such Person, which redemption or repurchase would be required on or prior to the Maturity Date; (f) all reimbursement obligations and other liabilities of such Person with respect to surety bonds (whether bid, performance or otherwise), letters of credit, banker’s acceptances, drafts or similar documents or instruments issued for such Person’s account; (g) all indebtedness of such Person in respect of indebtedness of another Person for borrowed money or indebtedness of another Person otherwise described in this definition which is secured by any consensual lien, security interest, collateral assignment, conditional sale, mortgage, deed of trust, or other Encumbrance on any asset of such Person, whether or not such obligations, liabilities or indebtedness are assumed by or are a personal liability of such Person, all as of such time; (h) all obligations owed by such Person under license agreements with respect to non-refundable, advance or minimum guarantee royalty payments; (i) indebtedness of any partnership or joint venture in which such Person is a general partner or a joint venturer to the extent such Person is liable therefor as a result of such Person’s ownership interest in such entity, except to the extent that the terms of such indebtedness expressly provide that such Person is not liable therefor or such Person has no liability therefor as a matter of law and (j) the principal and interest portions of all rental obligations of such Person under any synthetic lease or similar off-balance sheet financing.

**“Material Adverse Effect”** means a material adverse effect on (a) the financial condition, business, performance or operations of the Borrowers and Guarantors, taken as a whole; (b) the legality, validity or enforceability of this Note or the other Financing Documents; or (c) the ability of the Borrowers and Guarantors, taken as a whole, to repay the obligations evidenced by this Note or to perform their other obligations under the Financing Documents.

**“Maturity Date”** means November 30, 2010.

**“Multiemployer Plan”** means a “multi-employer plan” as defined in Section 4001(a)(3) of ERISA which is or was at any time during the current year or the immediately preceding six (6) years contributed to by any Borrower, Guarantor or any ERISA Affiliate or with respect to which any Borrower, Guarantor or any ERISA Affiliate may incur any liability.

“**PBGC**” means the Pension Benefit Guaranty Corporation, a United States government corporation created pursuant to Title IV of ERISA, and any successor or replacement administration, governmental agency or other entity having the same or similar authority.

“**Pension Plan**” means a pension plan (as defined in Section 3(2) of ERISA) subject to Title IV of ERISA which any Borrower or Guarantor sponsors, maintains, or to which any Borrower, Guarantor or ERISA Affiliate makes, is making, or is obligated to make contributions, other than a Multiemployer Plan.

“**Permits**” means with respect to any Person, all material permits, licenses, approvals, consents, certificates, orders or authorizations of any Governmental Authority required for the lawful conduct of such Person’s business.

“**Person**” means any individual, sole proprietorship, partnership, corporation, limited liability company, limited liability partnership, business trust, unincorporated association, joint stock corporation, trust, joint venture or other entity or any government or any agency or instrumentality or political subdivision thereof.

“**Plan**” means an employee benefit plan (as defined in Section 3(3) of ERISA) which any Borrower or Guarantor sponsors, maintains, or to which it makes, is making, or is obligated to make contributions, or in the case of a Multiemployer Plan has made contributions at any time during the immediately preceding six (6) plan years or with respect to which any Borrower or Guarantor may incur liability.

“**Securities Act**” means the Securities Act of 1933, together with all rules, regulations and interpretations thereunder or related thereto.

“**Securities Purchase Agreement**” means the Securities Purchase Agreement, dated as of November 1, 2007, among the Borrowers, the Guarantors, and each purchaser party thereto, as the same may be amended, supplemented, amended and restated or otherwise modified from time to time.

“**Senior Agent**” means Wachovia Capital Finance Corporation (Central), or any successor thereto, as agent for the Secured Parties (as such term is defined in the Senior Loan Agreement) under the Senior Loan Agreement and any successor or replacement agent appointed pursuant to the Senior Loan Agreement.

“**Senior Debt**” has the meaning assigned to such term in the Subordination Agreement.

“**Senior Loan Agreement**” means the Loan and Security Agreement, dated February 14, 2007, among the Borrowers, the Guarantors, the Senior Agent, and the lenders party thereto, as heretofore amended, modified and supplemented and as the same may hereafter be amended, supplemented and restated or otherwise modified from time to time, including, without limitation, any refinancing, replacement or restructuring in whole or in part and any

agreements with, to or in favor of any other lender or group of lenders that refinances, replaces or succeeds to all or any portion of the Senior Debt.

**“Senior Loan Documents”** shall mean, collectively, the Senior Loan Agreement and all agreements, documents and instruments at any time executed or delivered by any Debtor (as such term is defined in the Subordination Agreement) or any other person to, with or in favor of any Senior Creditor (as such term is defined in the Subordination Agreement) in connection therewith or related thereto, as all of the foregoing now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated, refinanced, replaced or restructured (in whole or in part and including any agreement with, to or in favor of any other lender or group of lenders that at any time refinances, replaces or succeeds to all or any portion of the Senior Debt.

**“Solvent”** means, at any time with respect to any Person, that at such time such Person (a) is able to pay its debts as they mature and has (and has a reasonable basis to believe it will continue to have) sufficient capital (and not unreasonably small capital) to carry on its business consistent with its practices as of the date hereof, and (b) the assets and properties of such Person at a fair valuation (and including as assets for this purpose at a fair valuation all rights of subrogation, contribution or indemnification arising pursuant to any guarantees given by such Person) are greater than the Indebtedness of such Person, and including subordinated and contingent liabilities computed at the amount which, such person has a reasonable basis to believe, represents an amount which can reasonably be expected to become an actual or matured liability (and including as to contingent liabilities arising pursuant to any guarantee the face amount of such liability as reduced to reflect the probability of it becoming a matured liability).

**“Subordination Agreement”** means the Subordination Agreement, dated as of the date hereof, between the Lender and the Senior Agent, as the same may be amended, supplemented, amended and restated or otherwise modified from time to time.

**“Subsidiary”** means, with respect to any Person, any corporation, limited liability company, limited liability partnership or other limited or general partnership, trust, association or other business entity of which an aggregate of at least a majority of the outstanding Capital Stock or other interests entitled to vote in the election of the board of directors of such corporation (irrespective of whether, at the time, Capital Stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency), managers, trustees or other controlling persons, or an equivalent controlling interest therein, of such Person is, at the time, directly or indirectly, owned by such Person and/or one or more Subsidiaries of such Person.

**“Voting Stock”** means with respect to any Person, (a) one (1) or more classes of Capital Stock of such Person having general voting powers to elect at least a majority of the board of directors, managers or trustees of such Person, irrespective of whether at the time Capital Stock of any other class or classes have or might have voting power by reason of the happening of any contingency, and (b) any Capital Stock of such Person convertible or exchangeable without restriction at the option of the holder thereof into Capital Stock of such Person described in clause (a) of this definition.

“**Warrant Shares**” means the shares of common stock of the Parent into which the Warrant are exercisable

“**Warrant**” means that certain Warrant to Purchase Shares of the Common Stock of Ormet Corporation, of even date with this Note, evidencing the right to subscribe for and purchase from the Parent an aggregate of 600,000 shares of its common stock, including any renewals, modifications, extensions, substitutions and replacements thereof.

“**Wayzata Party**” means Wayzata Investment Partners LLC and any Affiliate of Wayzata Investment Partners LLC that is organized primarily for the purpose of making equity or debt investments in one or more companies.

## 1.02 **Related Matters.**

(a) **Construction.** Unless the context of this Note clearly requires otherwise, “including” is not limiting. References in this Note to any law (or any part thereof) include any rules and regulations promulgated thereunder (or with respect to such part) by the relevant Governmental Authority, as amended from time to time.

(b) **Accounting Terms and Determinations.** Unless otherwise specified herein (and whether or not expressly stated), all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with GAAP.

(c) **Incorporation by Reference.** To the extent any word or phrase is defined in this Note, any such word or phrase appearing in provisions so incorporated by reference from the Senior Loan Agreement or the Securities Purchase Agreement shall have the meaning given to such word or phrase in this Note. Any incorporation by reference into this Note of representations and warranties or covenants of the Senior Loan Agreement or the Securities Purchase Agreement is for convenience only, and the liabilities, obligations and Indebtedness created under this Note and the other Financing Documents shall at all times be, and be deemed to be and treated as, separate and distinct from the liabilities, obligations and Indebtedness created under the Senior Loan Agreement or the Securities Purchase Agreement. Any incorporation by reference into this Note of the representations and warranties or covenants of the Senior Loan Agreement or the Securities Purchase Agreement shall not be affected or impaired by any subsequent expiration or termination of the Senior Loan Agreement or the Securities Purchase Agreement.

(d) **Further Modifications.** The Borrowers by executing this Note, hereby agree to amend, supplement, amend and restate or otherwise modify this Note at the request of the Lender to set forth in full any provisions incorporated by reference herein from the Senior Loan Agreement or the Securities Purchase Agreement and to make conforming modifications to the terms and provisions of this Note (i) in the event that the Lender, in its sole discretion, determines that such an amendment, supplement, amendment and restatement or modification is necessary to give the Lender the full benefit of such provisions incorporated herein by reference from the Senior Loan Agreement or the Securities Purchase Agreement or (ii) upon any assignment or proposed assignment by the Lender of its rights and obligations hereunder.

## ARTICLE II

### PAYMENTS ON THIS NOTE

#### **2.01 Interest.**

(a) **Interest Rate and Payment.** This Note shall bear interest on the unpaid principal balance until payment in full thereof the rate of 18% *per annum*. Accrued interest shall be due and payable in arrears on the Maturity Date. Any amount of principal of or interest on this Note that is not paid when due, whether at stated maturity or otherwise, shall bear interest at the rate *per annum* otherwise applicable hereunder plus 2% and shall be payable upon demand.

(b) **Computations.** Interest on this Note and the amounts payable hereunder shall be computed on the basis of a 360-day year and the actual number of days elapsed (including the first and excluding the last day of the period).

(c) **Maximum Lawful Rate of Interest.** The rate of interest payable on this Note shall in no event exceed the maximum rate permissible under Applicable Law. If the rate of interest payable is ever reduced as a result of this Section and at any time thereafter the maximum rate permitted by Applicable Law shall exceed the rate of interest provided for in this Note, then the rate provided for in this Note shall be increased to the maximum rate provided by Applicable Law for such period as is required so that the total amount of interest received by the Lender is that which would have been received by the Lender but for the operation of the first sentence of this Section.

#### **2.02 Repayments and Prepayments of Principal.**

(a) **Repayment.** The principal of and all accrued and unpaid interest on this Note shall be payable in full on the Maturity Date.

(b) **Optional Prepayments.** The Borrower may, at its option, at any time or from time to time, prepay this Note in whole or in part, without premium or penalty except as set forth in clause (ii) below, upon not less than three Business Days' prior notice. Any notice of optional prepayment shall be irrevocable (provided that such notice may expressly be made contingent upon the closing of a change of control, refinancing transaction, asset sale transaction or other event), and the payment amount specified in such notice shall be due and payable on the date specified in such notice, together with interest accrued thereon to such date.

(ii) Any prepayment of this Note made pursuant to this Section 2.02(b) shall be paid together with a premium of (A) in the case of any such prepayment made on or prior to the date six months after the date hereof, 9% of the principal amount prepaid; (B) in the case of any such prepayment made after the date referred to in subclause (A) but on or prior to the first anniversary of the date hereof, 8% of the principal amount prepaid; and (C) in the case of any such prepayment made after the first anniversary of the date hereof but prior to the Maturity Date, 5% of the principal amount prepaid.

**(c) Payments Set Aside.** To the extent the Lender receives payment of any amount under this Note, whether by way of payment by the Borrowers, setoff, or otherwise, which payment is subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, other law or equitable cause, in whole or in part, then, to the extent of such payment received, this Note or the part hereof intended to be satisfied thereby shall be revived and continue in full force and effect as if such payment had not been received by the Lender.

**2.03 Manner of Payment.** The Borrowers shall make each payment under this Note to the Lender without any deduction whatsoever, including any deduction for any setoff, recoupment, counterclaim or taxes, not later than 2:00 P.M. (New York time) on the due date thereof, in accordance with the payment instructions set forth on Schedule 2.03 except as otherwise subsequently notified by Lender to the Borrowers after the date hereof. Whenever any payment to be made hereunder shall be due on a day that is not a Business Day, such payment shall instead be made on the next succeeding Business Day, together with interest accrued during the period of such extension. The funding of the loan under this Note to the Borrowers shall be made in accordance with the Borrower payment instructions set forth on Schedule 2.03.

### ARTICLE III

#### REPRESENTATIONS AND WARRANTIES

Each Borrower represents and warrants to the Lender as of the date hereof as follows:

**3.01 Corporate Existence; Power and Authority.** Each Borrower and Guarantor is a corporation or limited liability company duly organized and in good standing under the laws of its jurisdiction of organization and is duly qualified as a foreign corporation or foreign limited liability company and in good standing in all states or other jurisdictions where the nature and extent of the business transacted by it or the ownership of assets makes such qualification necessary, except for those jurisdictions in which the failure to so qualify could not reasonably be expected to have a Material Adverse Effect. The execution, delivery and performance of this Note, the other Financing Documents and the transactions contemplated hereunder and thereunder (a) are all within each Borrower's and Guarantor's corporate or limited liability company powers, (b) have been duly authorized, (c) are not in contravention of law or the terms of any Borrower's or Guarantor's certificate of incorporation, by laws, certificate of formation, operating agreements or other organizational documentation, or any material indenture, agreement or undertaking to which any Borrower or Guarantor is a party or by which any Borrower or Guarantor or its property are bound and (d) will not result in the creation or imposition of, or require or give rise to any obligation to grant, any lien, security interest, charge or other encumbrance upon any property of any Borrower or Guarantor. Without limiting the generality of the foregoing, the Parent has all requisite corporate power and authority to execute and deliver this Note, to issue the Warrant and to issue the Warrant Shares upon exercise of the Warrant in accordance with the terms thereof. No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority, any party to the Senior Loan Agreement or any party to the Securities Purchase Agreement is necessary or required in connection with the execution and delivery by any Borrower or any Guarantor of, or the performance by any Borrower or any Guarantor of its obligations under, any Financing

Document to which it is a party other than such as have been obtained or made and are in full force and effect. This Note and the other Financing Documents to which any Borrower or Guarantor is a party constitute legal, valid and binding obligations of such Borrower and Guarantor enforceable in accordance with their respective terms, except as enforcement may be limited by equitable principles and by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to creditors' rights generally.

**3.02 Financial Statements.** Each of (i) the audited consolidated balance sheet of the Parent as of December 31, 2007 and the audited consolidated statements of income, stockholders' equity and cash flow of the Parent for the fiscal year then ended, and (ii) the unaudited consolidated balance sheet of the Parent as of June 30, 2008 and the related consolidated statements of income, stockholders' equity and cash flow for the period then ended, have been prepared in accordance with GAAP (except as the financial statements referred to in clause (ii), to the extent such statements are subject to normal year-end adjustments and do not include any notes) and fairly present in all material respects the financial condition and the results of operation of such Borrower and Guarantor as at the dates and for the periods set forth therein. Except as disclosed in the Parent's 15c2-11 report for the quarter ended June 30, 2008, since December 31, 2007, there has been no event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect.

**3.03 Tax Returns.** Each Borrower and Guarantor has filed, or caused to be filed, in a timely manner all material tax returns, reports and declarations which are required to be filed by it. All information in such tax returns, reports and declarations is complete and accurate in all material respects. Each Borrower and Guarantor has paid or caused to be paid all material taxes due and payable or claimed due and payable in any assessment received by it, except taxes the validity of which are being contested in good faith by appropriate proceedings diligently pursued and available to such Borrower or Guarantor and with respect to which adequate reserves have been set aside on its books. Adequate provision has been made for the payment of all accrued and unpaid Federal, State, county, local, foreign and other taxes whether or not yet due and payable and whether or not disputed.

**3.04 Litigation.** Except as disclosed in the Parent's 15c2-11 report for the quarter ended June 30, 2008, and except as would not reasonably be expected to have a Material Adverse Effect, (a) there is no investigation by any Governmental Authority pending, or to the best of any Borrower's knowledge threatened, against or affecting any Borrower or Guarantor, its or their assets or business and (b) there is no action, suit, proceeding or claim by any Person pending, or to the best of any Borrower's or Guarantor's knowledge threatened, against any Borrower or Guarantor or its or their assets or goodwill, or against or affecting any transactions contemplated by this Note.

**3.05 Compliance with Other Agreements and Applicable Laws.**

(a) The Borrowers and the Guarantors are not in default under, or in violation of the terms of, any agreement, contract, instrument, lease or other commitment to which it is a party or by which it or any of its assets are bound, except for any such default or violation which would not reasonably be expected to have a Material Adverse Effect. Borrowers and Guarantors are in compliance with the requirements of all applicable laws, rules, regulations and orders of

any Governmental Authority relating to their respective businesses, except where the failure to so comply would not reasonably be expected to have a Material Adverse Effect.

(b) The Borrowers and the Guarantors have obtained all material Permits required for the lawful conduct of its business. All of such Permits are valid and subsisting and in full force and effect. There are no actions, claims or proceedings pending or to the best of any Borrower's knowledge, threatened that seek the revocation, cancellation, suspension or modification of any of such Permits.

**3.06 Subsidiaries.** All of the outstanding Capital Stock of each of Parent's Subsidiaries is owned of record and beneficially by Parent or by another Subsidiary of Parent. No Borrower or Guarantor has any Subsidiary other than another Borrower or Guarantor.

**3.07 Solvency.** The Borrowers and Guarantors are Solvent on a consolidated basis, prior to and after giving effect to the borrowing of the loan evidenced by this Note.

**3.08 Accuracy and Completeness of Information.** All information furnished by or on behalf of any Borrower or Guarantor in writing to Lender in connection with this Note or any of the other Financing Documents or any transaction contemplated hereby or thereby, when taken as a whole, is true and correct in all material respects on the date as of which such information is dated or certified and does not omit any material fact necessary in order to make such information not misleading as of such date.

**3.09 ERISA Matters.**

(a) Except as set forth on Schedule 3.09, each Plan is in compliance with the applicable provisions of ERISA, the Code and other federal or state law except to the extent to which the failure to so comply could not reasonably be expected to have a Material Adverse Effect. Each Plan which is intended to qualify under subsection 401(a) of the Code has received a favorable determination letter from the Internal Revenue Service (or has been established under a prototype plan for which an Revenue Service opinion letter has been obtained by the plan sponsor) and, to the best knowledge of each Borrower, nothing has occurred that would cause the loss of such qualification. Except as set forth on Schedule 3.09, each Borrower and each ERISA Affiliate have made all required contributions to any Plan subject to Section 412 of the Code, and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code has been made with respect to any Plan.

(b) Except as set forth on Schedule 3.09, (i) there are no pending or, to the best knowledge of each Borrower, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan that has resulted or could reasonably be expected to result in a Material Adverse Effect; and (ii) there has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has resulted or could reasonably be expected to result in a Material Adverse Effect.

(c) Except as set forth on Schedule 3.09, no ERISA Event has occurred or is reasonably expected to occur.

(d) (i) The Borrowers have satisfied (or caused to be satisfied) any and all conditions that were required to be satisfied on or prior to the date hereof under the minimum funding waiver conditionally granted by the Internal Revenue Service to Parent for the Ormet Pension Plan for the plan year ending December 31, 2006, pursuant to the letter agreement, dated August 23, 2007 (the “Waiver”), (ii) the Waiver has not been withdrawn or rendered null and void by the Internal Revenue Service and is still in full force and effect, and (iii) the Borrowers are not aware (after reasonable investigation and due inquiry) of any attempt or threat by either the Internal Revenue Service or the PBGC to withdraw or render null and void the Waiver.

**3.10 Intellectual Property.** Each Borrower and each Guarantor owns or is licensed or otherwise has the right to use all of the patents, trademarks, service marks, trade names, copyrights, contractual franchises, authorizations and other rights that are reasonably necessary for the operation of their respective businesses, except for those the failure of which to own or license could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The use of such intellectual property by each Borrower and each Guarantor and the operation of their respective businesses do not infringe any valid and enforceable intellectual property rights of any other Person, except to the extent any such infringement could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. No slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by any Borrower or any Guarantor thereof infringes upon any rights held by any other Person, except to the extent any such infringement could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. No claim or litigation regarding any of the foregoing is pending or, to any Borrower’s knowledge, threatened, and no patent, invention, device, application, principle or any statute, law, rule, regulation, standard or code is pending or, to Borrower’s knowledge, proposed, which could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

**3.11 Title to Properties.** Each Borrower and each Guarantor have good record and marketable title in fee simple to, or valid leasehold interests in, or valid rights to use (including easements) all real property necessary to the ordinary conduct of their respective businesses, except for such defects in title as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. As of the date hereof, the properties of each Borrower and each Guarantor are subject to no Encumbrance other than Encumbrances permitted under Section 5.01 hereof.

**3.12 Certain Regulatory Matters.** No Borrower or any Guarantor is engaged or will engage, principally or as one of its important activities, in the business of purchasing or carrying margin stock (within the meaning of Regulation U issued by the Federal Reserve Board), or extending credit for the purpose of purchasing or carrying margin stock. No Borrower, any Guarantor or any Person controlling any Borrower is an “investment company” within the meaning of the Investment Company Act of 1940.

**3.13 Financing Agreements, Supplemental Loan LC Documents and Senior Debt Documents.** The Borrowers have provided to the Lender true, complete and correct copies of the Senior Loan Agreement, the Securities Purchase Agreement and all material

agreements and instruments related thereto (collectively, the “Existing Debt Documents”). There is no term, provision or other agreement included in any of the Existing Debt Documents that prohibits or otherwise restricts the right or the ability of the Borrowers to execute and deliver this Note, borrow the loan hereunder or issue and deliver the Warrant or to issue and deliver the Warrant Shares upon exercise of the Warrant. On date hereof, immediately after giving effect to the transactions contemplated by the Financing Documents, (i) the total principal amount of Indebtedness outstanding under the Existing Debt Documents and this Note does not exceed \$85,000,000 and (ii) the aggregate commitments under the Senior Loan Agreement are \$65,000,000.

**3.14 Undisclosed Liabilities.** There are no material liabilities, obligations or Indebtedness of the Borrowers or the Guarantors of any kind, whether accrued, contingent, absolute, determinable, known or unknown or otherwise, other than (i) liabilities, obligations and Indebtedness reflected or disclosed in the Parent’s Rule 15c2-11 Information and Disclosure Statement for the fiscal quarter ended June 30, 2008, including the unaudited consolidated balance sheet of Parent and its Subsidiaries dated as of June 30, 2008, and the related consolidated statements of operations, stockholders’ equity and cash flows for the six (6) months then ended, but excluding the “Risk Factors” section of such Rule 15c2-11 Information and Disclosure Statement (other than the information set forth in the “Risk Factors” section under the following headings: “The Company has substantial retiree pension obligations,” “The Company has substantial contractual obligations for payments to the VEBA Benefit Trusts,” “The Company continues to incur costs associated with the idled Burnside, Louisiana aluminum plant and the idled Marine Terminal which is held for sale” and “The Company purchases 100% of its anodes from third parties, most of whom are located offshore, and pricing is subject escalation and currency fluctuations”, (ii) liabilities, obligations or Indebtedness evidenced by this Note and the other Financing Documents and the transactions contemplated hereby and thereby, (iii) liabilities or obligations incurred in the ordinary course of business consistent with past practice since June 30, 2008 and (iv) environmental liabilities and obligations which are described on Schedules to the Securities Purchase Agreement or the Senior Loan Agreement or which are not known, to the best of the Borrowers’ and Guarantors’ knowledge after all appropriate inquiry, by the Borrowers or the Guarantors on the date hereof.

**3.15 No Registration.** Assuming the accuracy of the representations and warranties of the Lender set forth in the Warrant, it is not necessary, in connection with the issuance of the Warrant or the sale of the stock to be issued pursuant to the Warrant upon the exercise of the Warrant, in each case in the manner contemplated by the Warrant, to the Warrant or stock to be issued pursuant to the Warrant upon the exercise of the Warrant, under the Securities Act.

**3.16 No Integration.** Neither Parent nor any of its Subsidiaries has, directly or through any agent, sold, offered for sale, solicited offers to buy or otherwise negotiated in respect of any “security” (as defined in the Securities Act) that is or will be integrated with the sale of the Warrant Shares in a manner that would require registration under the Securities Act of the Warrant Shares.

**3.17 Representations and Warranties in Senior Loan Agreement.** The representations and warranties set forth in Section 8 of the Senior Loan Agreement are true and correct in all material respects as of the date hereof, except to the extent that such representations

and warranties expressly relate solely to an earlier date (in which case such representations and warranties were true and correct in all material respects as of such earlier date).

## ARTICLE IV

### AFFIRMATIVE COVENANTS OF THE BORROWERS

So long as any portion of this Note remains unpaid:

**4.01 Information and Notice.** The Borrowers shall deliver, or cause to be delivered, to the Lender:

(a) within three days after any executive officer of a Borrower becomes aware of the occurrence and continuance of any Default or Event of Default, a certificate of a executive officer of such Borrower setting forth the details thereof and the action that the Borrowers are taking or propose to take with respect thereto, provided that, in the case of any such Event of Default, or any Default under Section 6.01(a), (c) or (f), if the Lender so requests, within three days after such request, the Parent will issue a press release with respect thereto if such Default or Event of Default has not been cured or waived on or prior to such latter date (provided that, in the event that such Borrower has become subject to the provisions of the Exchange Act, such Borrower shall comply with the notification requirements of the Exchange Act in such circumstances, including by filing a form 8-K or comparable filing as required under the Exchange Act); and

(b) from time to time such additional information regarding any Borrower or any Subsidiary as the Lender may reasonably request.

**4.02 Corporate Existence, Etc.** Each Borrower shall, and shall cause each Guarantor to, at all times (A) preserve, renew and keep in full force and effect its corporate existence and rights and franchises with respect thereto and (B) maintain in full force and effect all licenses, trademarks, tradenames, approvals, authorizations, leases, contracts and Permits necessary to carry on the business as presently or proposed to be conducted, except as to any Borrower or Guarantor other than Parent as permitted in Section 5.05(b) hereof and except where the failure to so maintain does not or would not reasonably be expected to have a Material Adverse Effect.

**4.03 Compliance with Laws.** Each Borrower shall, and shall cause each Guarantor and other Subsidiary of Parent to, at all times, comply in all material respects with all laws, rules, regulations, licenses, approvals, orders and other Permits applicable to it and duly observe all requirements of any foreign, Federal, State or local Governmental Authority, except where the failure to so comply does not or would not reasonably be expected to have a Material Adverse Effect.

**4.04 Payment of Taxes and Claims.** Each Borrower shall, and shall cause each Guarantor and other Subsidiary of Parent to, duly pay and discharge all taxes, assessments, contributions and governmental charges upon or against it or its properties or assets, except for (a) such failure to pay or discharge which would not reasonably be expected to have a Material Adverse Effect (b) taxes the validity of which are being contested in good faith by appropriate

proceedings diligently pursued and available to such Borrower, Guarantor or other Subsidiary, as the case may be, and with respect to which adequate reserves have been set aside on its books to the extent required by GAAP.

**4.05 Maintenance of Properties.** Each Borrower shall, and shall cause each Guarantor to, maintain or cause to be maintained in good repair, working order and condition (ordinary wear and tear excepted) in all material respects all properties and other assets useful or necessary to its business, and from time to time the Borrowers shall, and shall cause the Guarantors to, make or cause to be made all appropriate repairs, renewals and replacements thereto.

**4.06 Maintenance of Insurance.** Each Borrower shall, and shall cause each Guarantor to, maintain with financially sound and reputable insurance companies insurance in at least such amounts, of such character and against at least such risks as is usually maintained by companies of established repute engaged in the same or a similar business in the same general area.

**4.07 Lines of Business.** Each Borrower shall, and shall cause each Guarantor, to engage only in the businesses engaged in by the Borrowers and Guarantors on the date hereof and any business reasonably related, ancillary or complementary to the business in which the Borrowers and Guarantors are engaged on the date hereof.

**4.08 Foreign Assets Control Regulations, Etc.** None of the execution and delivery of this Note or the other Financing Documents or the incurrence of the loan evidenced by this Note will violate the Trading With the Enemy Act (50 U.S.C. §1 et seq., as amended) (the “*Trading With the Enemy Act*”) or any of the foreign assets control regulations of the United States Treasury Department (31 C.F.R., Subtitle B, Chapter V, as amended) (the “*Foreign Assets Control Regulations*”) or any enabling legislation or executive order relating thereto (including, but not limited to (i) Executive order 13224 of September 21, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (66 Fed. Reg. 49079 (2001)) (the “*Executive Order*”) and (ii) the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Public Law 107-56). None of the Borrowers or any of their Subsidiaries is or will become a “blocked person” as described in the Executive Order, the Trading with the Enemy Act or the Foreign Assets Control Regulations.

**4.09 Access to Premises.** The Borrowers shall, and shall cause the Guarantors to, permit representatives of the Lender upon reasonable prior notice (and no more frequently than quarterly unless a Default or Event of Default shall have occurred and be continuing) to visit and inspect any of their properties and examine and make abstracts from any of their books and records at any reasonable time, and to discuss the business, operations, assets and financial and other condition of the Borrowers and Guarantors with officers and (in the presence of officers) other employees thereof and with their independent certified public accountants with prior reasonable notice to, and coordination with, the chief financial officer or the treasurer of the Parent.

**4.10 Further Assurances.** At the reasonable request of the Lender, at any time and from time to time, the Borrowers shall, and shall cause the Guarantors to, at their expense, duly execute and deliver, or cause to be duly executed and delivered, such further agreements, documents and instruments, and do or cause to be done such further acts as may be necessary or proper to otherwise effectuate the provisions or purposes of this Note and the other Financing Documents.

**4.11 Compliance with ERISA.** Each Borrower shall, and shall cause each of the Guarantors and each of its or their ERISA Affiliates to: (a) maintain each Plan in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal and State law; (b) cause each Plan which is qualified under Section 401(a) of the Code to maintain such qualification; (c) not terminate any Pension Plan so as to incur any material liability to the PBGC; (d) not allow or suffer to exist any prohibited transaction involving any Plan or any trust created thereunder which would subject such Borrower, Guarantor or such ERISA Affiliate to a material tax or other liability on prohibited transactions imposed under Section 4975 of the Code or ERISA; (e) make all required contributions to any Plan which it is obligated to pay under Section 302 of ERISA, Section 412 of the Code or the terms of such Plan; (f) not allow or suffer to exist any accumulated funding deficiency, unless waived, with respect to any such Pension Plan; (g) not engage in a transaction that would be subject to Section 4069 or 4212(c) of ERISA; and (h) not allow or suffer to exist any occurrence of a reportable event or any other event or condition which presents a material risk of termination by the PBGC of any Plan that is a single employer plan, which termination would result in any material liability to the PBGC.

## ARTICLE V

### **NEGATIVE COVENANTS OF THE BORROWERS**

So long as any portion of this Note remains unpaid:

**5.01 Encumbrances.** The Parent shall not create, incur, assume or suffer to exist any Encumbrance on any of its assets or properties except Encumbrances permitted pursuant to Section 8(q) of the Securities Purchase Agreement as in effect on the date hereof.

**5.02 Indebtedness.** Each Borrower shall not, and shall not permit any Guarantor or other Subsidiary of Parent to, incur, create, assume, become or be liable in any manner with respect to, or permit to exist, any Indebtedness, or guarantee, assume, endorse, or otherwise become responsible for (directly or indirectly), the Indebtedness of any other Person, except:

- (a) Indebtedness outstanding under the Financing Documents;
- (b) other Indebtedness permitted by Section 8(r) of the Securities Purchase Agreement as in effect on the date hereof (it being understood, for the avoidance of doubt, that the Indebtedness outstanding under the Financing Documents as of the date hereof utilizes the full amount of the Indebtedness permitted under clause (v) of such Section 8(r));
- (c) Indebtedness in respect of loans or advances permitted by Section 5.04(b)(i);

(d) capital leases and other purchase-money Indebtedness of any Borrower or Guarantor with respect to mobile equipment, in an aggregate principal amount not exceeding the purchase price of such equipment and in any event not exceeding \$1,000,000 outstanding at any time in addition to capital leases and purchase-money Indebtedness otherwise permitted under this Section 5.02; and

(e) Indebtedness of any Borrower or Guarantor or any other Subsidiary formed in compliance with 5.04(c) incurred to finance the construction or acquisition of production facilities for carbon anodes, in an aggregate principal amount not exceeding the purchase price or construction costs of such facilities.

**5.03 Dividends and Redemptions.** Each Borrower shall not, and shall not permit any Guarantor to, directly or indirectly, declare or pay any dividends on account of any shares of class of any Capital Stock of such Borrower or Guarantor now or hereafter outstanding, or set aside or otherwise deposit or invest any sums for such purpose, or redeem, retire, defease, purchase or otherwise acquire any shares of any class of Capital Stock (or set aside or otherwise deposit or invest any sums for such purpose) for any consideration or apply or set apart any sum, or make any other distribution (by reduction of capital or otherwise) in respect of any such shares, except:

(a) as permitted by Section 8(t) of the Securities Purchase Agreement; and

(b) dividends or other distributions made by any Subsidiary of any Borrower or Guarantor to such Borrower or Guarantor or any other Subsidiary of such Borrower or Guarantor.

**5.04 Loans, Investments, Etc.** Each Borrower shall not, and shall not permit any Guarantor or other Subsidiary of Parent to, directly or indirectly, make any loans or advance money or property to any Person, or invest in (by capital contribution, dividend or otherwise) or purchase or repurchase the Capital Stock or Indebtedness or all or a substantial part of the assets or property of any Person, or form or acquire any Subsidiaries (any such investment or other activity, an “*Investment*”), except:

(a) as permitted by Section 8(s) of the Securities Purchase Agreement;

(b) any Investment constituting (i) a loan or advance by any Subsidiary of any Borrower or Guarantor to such Borrower or Guarantor or any other Subsidiary of such Borrower or Guarantor and (ii) a transfer by any Subsidiary of any Borrower or Guarantor of any of its properties or assets to such Borrower or Guarantor or any other Subsidiary of such Borrower or Guarantor;

(c) the formation of, and Investment in, wholly-owned domestic Subsidiaries, provided that if any such newly-formed Subsidiary becomes a guarantor of any Senior Debt, it shall also become a Guarantor in respect of this Note on terms reasonably satisfactory to the Lender; and

(d) Investments relating to production facilities for carbon anodes which Investments are in an aggregate amount not exceeding \$25,000,000 at any time outstanding.

**5.05 Restriction on Fundamental Changes.** Each Borrower shall not, and shall not permit any Guarantor or other Subsidiary of the Parent to, directly or indirectly,

(a) merge into or with or consolidate with any other Person or permit any other Person to merge into or with or consolidate with it except that any Borrower (other than the Parent), Guarantor or other Subsidiary of the Parent may be merged or consolidated with or into the Parent (provided that the Parent shall be the continuing or surviving corporation) or with or into any other Borrower or Guarantor (provided that the continuing or surviving corporation shall be a Borrower or Guarantor), unless such merger or consolidation is effected in accordance with the terms and conditions of the Senior Loan Agreement; or

(b) wind up, liquidate or dissolve except that any Guarantor or other Subsidiary of the Parent may wind up, liquidate and dissolve; provided, that effective upon such winding up, liquidation or dissolution, all of the assets and properties of such Guarantor or other Subsidiary shall be duly and validly transferred and assigned to a Guarantor or to a Borrower.

**5.06 Transactions with Affiliates.** Each Borrower shall not, and shall not permit any Guarantor to, directly or indirectly, purchase, acquire or lease any property from, or sell, transfer or lease any property to, any Affiliate of such Borrower or Guarantor (other than Parent and its Subsidiaries), except (a) in the ordinary course of and pursuant to the reasonable requirements of such Borrower's or Guarantor's business (as the case may be) and upon fair and reasonable terms no less favorable to such Borrower or Guarantor than such Borrower or Guarantor would obtain in a comparable arm's length transaction with an unaffiliated Person or (b) as permitted by Section 9.12 of the Senior Loan Agreement.

**5.07 Asset Sales.** On each date on or after the date hereof upon which the Borrowers, the Guarantors or any of their respective Subsidiaries receive any net proceeds from any sale, transfer or other disposition of assets or properties, the Borrowers shall, and shall cause the Guarantors to, comply with Section 8(f) of the Securities Purchase Agreement with respect thereto, and if all Indebtedness to which such net proceeds are required to be applied pursuant to Section 8(f) of the Securities Purchase Agreement has been paid in full, then any remaining net proceeds of any such sale, transfer or other disposition covered by such section of the Securities Purchase Agreement shall be used to prepay the loan made under this Note.

**5.08 Modifications of Senior Debt Documents.** The Borrowers shall not, and shall not permit the Guarantors or any of the Subsidiaries of Parent to, (a) amend, supplement, waive or otherwise modify any of the Securities Purchase Agreement or the instruments, agreements and documents delivered in connection therewith, (b) refund, refinance, renew, replace or restructure any of the obligations owed under the the Securities Purchase Agreement or such other instruments, agreements and documents, if the effect of the foregoing is to (i) increase the principal amount of Indebtedness thereunder (it being agreed that payment-in-kind of interest by addition to principal shall not constitute an increase prohibited by this Section), or (ii) expressly limit the Borrowers' ability to pay this Note or restrict the Borrowers or the Guarantors from making amendments or modifications to this Note or any of the other Financing Documents, in

each case in a way that is more restrictive in any material respect than is provided for in the Securities Purchase Agreement being amended, supplemented, waived or modified or (c) amend, modify or supplement the Senior Loan Agreement or the other Senior Loan Documents such that the aggregate amount of the Senior Debt would exceed the Maximum Senior Debt (as defined in the Subordination Agreement).

**5.09 Limits on Layering.** No Borrower shall incur any Indebtedness after the date hereof that is subordinate or junior in right of payment to any other Indebtedness of any of the Borrowers unless such incurred Indebtedness is subordinated in the same manner and to the same extent to the obligations of the Borrowers under this Note, it being agreed that the continuation of the priorities of payment and subordination that currently exist as among the Indebtedness under the Senior Loan Documents, any Indebtedness that may be outstanding under the Reimbursement Agreement and the Indebtedness under the Securities Purchase Agreement shall be permitted without triggering the requirements of this Section.

**5.10 Change in Business.** Each Borrower shall not, and shall not permit any Guarantor or any other Subsidiary of the Parent to, engage in any business other than the business of such Borrower or Guarantor or other Subsidiary on the date hereof and any business reasonably related, ancillary or complementary to the business in which such Borrower or Guarantor or other Subsidiary is engaged on the date hereof.

**5.11 Use of Proceeds.** The Borrowers will not use the proceeds of the loan made under this Note, whether directly or indirectly, and whether immediately, incidentally or ultimately, to purchase or carry margin stock (within the meaning of Regulation U of the Federal Reserve Board) or to extend credit to others for the purpose of purchasing or carrying margin stock or to refund indebtedness originally incurred for such purpose.

**5.12 Limitation on Restrictions Affecting Subsidiaries.** Except as may be permitted by the Senior Loan Agreement and the other Senior Loan Documents, each Borrower shall not, and shall not permit any Guarantor to, directly or indirectly, create or otherwise cause or suffer to exist any Encumbrance or restriction which prohibits or limits the ability of any Subsidiary of such Borrower or Guarantor to (a) pay dividends or make other distributions or pay any Indebtedness owed to such Borrower or Guarantor or any Subsidiary of such Borrower or Guarantor; (b) make loans or advances to such Borrower or Guarantor or any Subsidiary of such Borrower or Guarantor, (c) transfer any of its properties or assets to such Borrower or Guarantor or any Subsidiary of such Borrower or Guarantor; or (d) create, incur, assume or suffer to exist any lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, other than Encumbrances and restrictions arising under (i) applicable law, (ii) this Note, (iii) customary provisions restricting subletting or assignment of any lease governing a leasehold interest of such Borrower or Guarantor or any Subsidiary of such Borrower or Guarantor, (iv) customary restrictions on dispositions of real property interests found in reciprocal easement agreements of such Borrower or Guarantor or any Subsidiary of such Borrower or Guarantor, (v) any agreement relating to permitted Indebtedness incurred by a Subsidiary of such Borrower or Guarantor prior to the date on which such Subsidiary was acquired by such Borrower or such Guarantor and outstanding on such acquisition date, and (vi) the extension or continuation of contractual obligations in existence on the date hereof; provided, that, any such Encumbrances or restrictions contained in such extension or continuation are no less favorable to the Lender than

those Encumbrances and restrictions under or pursuant to the contractual obligations so extended or continued.

**5.13 Restrictive Agreements.** Except as may be permitted by the Senior Loan Agreement and the other Senior Loan Documents, the Borrowers shall not, and shall not permit any of the Subsidiaries of Parent to, enter into any contract, agreement or other arrangement on or after the date hereof (other than the Subordination Agreement and except, with respect to the instruments, agreements and documents covered thereby, as permitted pursuant to Section 5.08), if the effect of the foregoing is to (a) restrict the Borrowers and/or the Guarantors from making amendments or modifications to this Note or any of the other Financing Documents other than amendments or modifications that (i) increase the maximum principal amount of the loan under this Note or rate of interest thereon, (ii) shorten the dates upon which payments of principal or interest under this Note is due, (iii) change in any manner adverse to the Borrowers any redemption or prepayment provisions of this Note, or (iv) change or add any covenant or event of default such that it would be more restrictive than the covenants or events of default, as applicable, set forth in this Note, or (b) expressly limit the Borrowers' ability to pay (w) interest as required hereby on the Maturity Date, (x) principal of the loan under this Note as required hereby on the Maturity Date, (y) payments of costs and expenses in accordance with Section 7.01 hereof, and (z) payments of indemnities in accordance with Section 7.14 hereof.

## ARTICLE VI

### EVENTS OF DEFAULT

**6.01 Events of Default.** The occurrence of any one or more of the following events, acts or occurrences shall constitute an event of default (each an "Event of Default"):

**(a) Failure to Make Payments.** The Borrowers (a) shall fail to pay as and when due (whether at stated maturity, upon acceleration, upon required prepayment or otherwise) any principal of this Note, or (b) shall fail to pay any interest or other amounts payable under this Note within three Business Days of the date when due under this Note; or

**(b) Default in Other Indebtedness.** Any default shall occur in respect of any Indebtedness of any Borrower or Guarantor (other than Indebtedness in respect of this Note), in any case in an amount in excess of \$250,000, which default continues for more than the applicable cure period, if any, with respect thereto, and which default (i) is a payment default or (ii) causes such Indebtedness to become or be declared due prior to its stated maturity; or

**(c) Negative Covenant Defaults.** Any Borrower shall fail to perform, comply with or observe any agreement, covenant or obligation under any provision of Article V of this Note and such failure shall not have been remedied within 15 days after the earlier of (i) knowledge thereof by any Borrower or (ii) notice to the Borrowers from the Lender of such failure; or

**(d) Other Defaults.** Any Borrower shall fail to perform, comply with or observe any agreement, covenant or obligation under any provision of this Note (other than those provisions referred to in Section 6.01(a) or 6.01(c)) or any other Financing Document and such

failure shall not have been remedied within 30 days after the earlier of (i) knowledge thereof by any Borrower or (ii) notice to the Borrowers from the Lender of such failure; or

**(e) Breach of Warranty.** Any representation or warranty or certification made or furnished by the Borrowers under this Note or any other Financing Document shall prove to have been false or incorrect in any material respect when made; or

**(f) Bankruptcy, Etc.**

(i) Any Borrower or Guarantor shall make an assignment for the benefit of creditors, makes or sends notice of a bulk transfer or calls a meeting of its creditors or principal creditors in connection with a moratorium or adjustment of the Indebtedness due to them;

(ii) A case or proceeding under the bankruptcy laws of the United States of America now or hereafter in effect or under any insolvency, reorganization, receivership, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction now or hereafter in effect (whether at law or in equity) shall be filed against any Borrower or Guarantor or all or any part of its properties and such petition or application is not dismissed within forty-five (45) days after the date of its filing or any Borrower or Guarantor shall file any answer admitting or not contesting such petition or application or indicates its consent to, acquiescence in or approval of, any such action or proceeding or the relief requested is granted sooner; or

(iii) A case or proceeding under the bankruptcy laws of the United States of America now or hereafter in effect or under any insolvency, reorganization, receivership, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction now or hereafter in effect (whether at law or equity) shall be filed by any Borrower or Guarantor or for all or any part of its property; or

**(g) Change of Control.** A Change of Control shall occur; or

**(h) Judgments and Attachments.** Any judgment for the payment of money shall be rendered against any Borrower or Guarantor (A) in any one case in excess of \$2,500,000 or (B) in the aggregate in excess of \$3,500,000 (in each case to the extent not covered by insurance where the insurer has assumed responsibility in writing for such judgment) and shall remain unstayed, undischarged or unvacated for a period in excess of thirty (30) days or execution shall at any time not be effectively stayed; or

**(i) Invalidity or Unenforceability.** Any material provision of any Financing Document shall for any reason cease to be valid, binding and enforceable with respect to any Borrower or Guarantor in accordance with its terms, or any such party shall challenge the enforceability hereof or thereof, or shall assert in writing, or take any action or fail to take any action based on the assertion that any such provision of such Financing Document has ceased to be or is otherwise not valid, binding or enforceable in accordance with its terms, or any Guarantor revokes or terminates or purports to revoke or terminate or fails to perform any of the terms, covenants, conditions or provisions of the Guaranty.

**6.02 Remedies.** Upon the occurrence of an Event of Default:

(a) If an Event of Default occurs under Section 6.01(f)(ii) or (iii) hereof with respect to any Borrower, then the unpaid principal amount of this Note and all other obligations of the Borrowers hereunder shall automatically become immediately due and payable, without presentment, demand, protest, notice or other requirements of any kind, all of which are hereby expressly waived by the Borrowers.

(b) If an Event of Default occurs, other than as described in paragraph (a) of this Section 6.02, the Lender may, by written notice to the Borrowers, declare the unpaid principal amount of this Note and all other obligations of the Borrowers hereunder to be, and the same shall thereupon become, due and payable, without presentment, demand, protest, any additional notice or other requirements of any kind, all of which are hereby expressly waived by the Borrowers.

## ARTICLE VII

### MISCELLANEOUS

**7.01 Expenses.** The Borrowers shall pay promptly after demand any and all out-of-pocket costs and expenses (including fees and disbursements of attorneys) incurred by the Lender in connection with the preparation, negotiation and execution of the Financing Documents (up to a cap of \$40,000), or any amendment, workout, restructuring or similar arrangements with respect thereto and, after a Default, in connection with the protection, preservation, exercise or enforcement of any of the terms of the Financing Documents or in connection with any foreclosure, collection or bankruptcy proceedings.

**7.02 Waivers; Amendments in Writing.** No amendment of any provision of this Note (including a waiver thereof or consent relating thereto) shall be effective unless the same shall be in writing and signed or consented to by the Lender. Any waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No notice to or demand on the Borrowers in any case shall entitle the Borrowers to any other or further notice or demand in similar or other circumstances.

**7.03 Cumulative Remedies; Failure or Delay.** The rights and remedies provided for under this Note are cumulative and are not exclusive of any rights and remedies that may be available to the Lender under Applicable Law or otherwise. No failure or delay on the part of the Lender in the exercise of any power, right or remedy under this Note shall impair such power, right or remedy or operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or remedy preclude other or further exercise thereof or of any other power, right or remedy.

**7.04 Notices, Etc.** All notices and other communications under this Note shall be in writing and (except for financial statements, other related informational documents and routine communications, which may be sent by first-class mail, postage prepaid) shall be personally delivered or sent by prepaid courier, by overnight, registered or certified mail (postage prepaid), or by prepaid telex or telecopy, and shall be deemed given when received by the intended

recipient thereof. Notices delivered through electronic communications shall be effective to the extent set forth below in this Section. Unless otherwise specified in a notice sent or delivered in accordance with this Section 7.04, all notices and other communications shall be given to the parties hereto as follows:

If to any Borrower or Guarantor:

Ormet Corporation  
43840 State Route 7  
Hannibal, Ohio 43931  
Attention: Chief Financial Officer  
Telephone No.: 740-483-2602  
Facsimile No.: 740-483-2622  
Email Address: james.riley@ormet.com

with a copy to:

Gibson, Dunn & Crutcher LLP  
200 Park Avenue  
New York, New York 10166  
Attention: Janet Vance  
Telephone No.: 212-351-3854  
Facsimile No.: 212-351-5288  
Email Address: jvance@gibsondunn.com

If to the Lender:

Wayzata Recovery Fund, LLC  
701 E. Lake Street, Suite 300  
Wayzata, MN 55391  
Attention: Ray Wallander  
Telephone No.: (952) 345-0727  
Facsimile No.: (952) 345-8901  
Email Address: [rwallander@wayzpartners.com](mailto:rwallander@wayzpartners.com)  
With a copy to (in the case of email correspondence): [LGans@wayzpartners.com](mailto:LGans@wayzpartners.com) and [SPeterson@wayzpartners.com](mailto:SPeterson@wayzpartners.com)

Unless the Lender otherwise requires, (i) notices and other communications sent to the e-mail address provided above or otherwise notified to the Borrowers shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement); provided, that, if such notice or other communication is not given during the normal business hours of the recipient, such notice shall be deemed to have been sent at the opening of business on the next Business Day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

**7.05 Successors and Assigns.** This Note shall be binding upon and inure to the benefit of the parties hereto and their respective successors and transferees. No Borrower may

assign or transfer any interest hereunder without the prior written consent of the Lender. The Lender may not assign or transfer any interest in this Note at any time without the prior written consent of the Borrowers, except that the Lender may transfer this Note in whole or in part to any Wayzata Party.

**7.06 Governing Law. THIS NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH, AND THIS NOTE AND ALL CLAIMS AND CAUSES OF ACTION ARISING OUT OF THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE GOVERNED BY, THE LAWS (OF THE STATE OF NEW YORK (OTHER THAN CHOICE OF LAW RULES THAT WOULD REQUIRE THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION)).**

**7.07 Choice of Forum.** Pursuant to Section 5-1402 of the New York General Obligations Law, all actions or proceedings arising in connection with this Note shall be tried and litigated in state or Federal courts located in the Borough of Manhattan, New York City, State of New York. **EACH OF THE MAKER AND (BY ACCEPTANCE HEREOF) THE LENDER WAIVES ANY RIGHT IT MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS, TO ASSERT THAT IT IS NOT SUBJECT TO THE JURISDICTION OF SUCH COURTS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION.** Nothing contained in this Section shall preclude the Lender from bringing any action or proceeding arising out of or relating to this Note in the courts of any place where a Borrower or any of its assets may be found or located.

**7.08 Setoff.** In addition to any rights now or hereafter granted under Applicable Law, during the existence of any Event of Default, the Lender is hereby irrevocably authorized by the Borrowers, at any time or from time to time, without notice to the Borrowers or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all deposits (general or special, including certificates of deposit, whether matured or unmatured, but not including trust accounts) and any other indebtedness, in each case whether direct or indirect or contingent or matured or unmatured at any time held or owing by the Lender to or for the credit or the account of a Borrower, against and on account of the obligations of the Borrowers to the Lender under this Note, irrespective of whether or not the Lender shall have made any demand for payment and although such obligations may be contingent and unmatured.

**7.09 Complete Agreement.** This Note is intended by Borrowers as a final expression of its agreement regarding the subject matter hereof and contains a complete and exclusive statement of the terms and conditions of such agreement.

**7.10 Headings.** The Article and Section headings used in this Note are for convenience of reference only and shall not affect the construction hereof.

**7.11 Severability.** If any provision of this Note shall be held to be invalid, illegal or unenforceable under Applicable Law in any jurisdiction, such provision shall be ineffective only to the extent of such invalidity, illegality or unenforceability, which shall not affect any other provisions hereof or the validity, legality or enforceability of such provision in any other jurisdiction.

**7.12 Limitation of Liability, Etc; Certain Waivers.** No claim shall be made by any Borrower against the Lender or the Affiliates, directors, officers, employees or agents of the Lender for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or under any other theory of liability arising out of or related to the transactions contemplated by this Note, or any act, omission or event occurring in connection therewith; and the Borrowers, on behalf of themselves and their Subsidiaries, waive, release and agree not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor. Each Borrower expressly waives any presentment, demand, protest, notice of dishonor or any other notice of any kind in connection with this Note now or hereafter required by Applicable Law.

**7.13 WAIVER OF TRIAL BY JURY. EACH BORROWER AND THE LENDER (BY ACCEPTANCE HEREOF) WAIVE THE RIGHT TO A TRIAL BY JURY IN ANY ACTION UNDER THIS NOTE OR ANY ACTION ARISING OUT OF THE TRANSACTIONS CONTEMPLATED HEREBY, REGARDLESS OF WHICH PARTY INITIATES SUCH ACTION OR ACTIONS.**

**7.14 Indemnification.** The Borrowers hereby agree to indemnify and hold harmless the Lender, and the officers, directors, employees and counsel of the Lender (collectively, the “Indemnitees”) from and against any and all claims, damages, losses, liabilities, reasonable costs or expenses whatsoever (including reasonable attorneys’ fees and expenses) imposed on, incurred by or asserted against any of them by, on behalf of, or in favor of, any third party (including any Governmental Authority) in connection with any litigation, investigation, claim or proceeding commenced or threatened related to the negotiation, preparation, execution, delivery, enforcement, performance or administration of this Note, any other Financing Document, or any undertaking or proceeding related to any of the transactions contemplated hereby or thereby, or any act, omission, event or transaction related or attendant thereto, including amounts paid in settlement, court costs, and the reasonable fees and expenses of counsel, except that the Borrowers and the Guarantors shall not have any obligation under this Section to indemnify an Indemnitee with respect to a matter covered hereby resulting from the gross negligence or willful misconduct of such Indemnitee as determined pursuant to a final, non-appealable order of a court of competent jurisdiction (but without limiting the obligations of the Borrowers as to any other Indemnitee). To the extent that the undertaking to indemnify, pay and hold harmless set forth in this Section may be unenforceable because it violates any law or public policy, the Borrowers shall pay the maximum portion which they are permitted to pay under applicable law to the Indemnitee in satisfaction of indemnified matters under this Section. To the extent permitted by applicable law, no Borrower shall assert, and each Borrower hereby waives, any claim against any Indemnitee, on any theory of liability for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Note, any of the other Financing Documents or any undertaking or transaction contemplated hereby. No Indemnitee referred to above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Note or any of the other Financing Documents or the transactions contemplated hereby or thereby. All amounts due under this Section shall be payable upon demand. The foregoing indemnity shall survive the payment of the obligations under this Note.

### **Relationship Among Borrowers.**

**(a) Joint and Several Liability.** BY SIGNING THIS NOTE, EACH BORROWER AGREES THAT IT IS LIABLE, JOINTLY AND SEVERALLY WITH EACH OTHER BORROWER, FOR THE PAYMENT OF THE LOAN MADE UNDER THIS NOTE AND ALL OBLIGATIONS OF THE BORROWERS UNDER THIS NOTE AND THE OTHER FINANCING DOCUMENTS, AND THAT THE LENDER CAN ENFORCE SUCH OBLIGATIONS AGAINST ANY BORROWER, IN THE LENDER'S SOLE AND UNLIMITED DISCRETION. THIS LIABILITY SHALL BE IN FULL FORCE AND EFFECT AGAINST EACH BORROWER, WHETHER OR NOT SUCH BORROWER RECEIVES ANY PROCEEDS OF THIS NOTE.

**(b) Lender's Rights to Administer Credit.** Each Borrower agrees that the Lender and any other Borrower may at any time and from time to time, without the consent of, or notice to, such Borrower, without incurring responsibility to such Borrower, and without affecting, impairing or releasing any of the obligations of such Borrower hereunder:

(i) alter, change, modify, extend, release, renew, cancel, supplement or amend in any manner the Financing Documents with respect to any other Borrower, and such Borrower's joint and several liability shall continue to apply after giving effect to any such alteration, change, modification, extension, release, renewal, cancellation, supplement or amendment;

(ii) exercise or refrain from exercising any rights against any other Borrower or others with respect to the Borrowers' joint and several liability, or otherwise act or refrain from acting;

(iii) settle or compromise any other Borrower's joint and several liability or subordinate the payment or performance of all or any part thereof to the payment of any liability (whether due or not) of any other Borrower to any creditor of any other Borrower, including without limitation, the Lender and any Borrower;

(iv) apply any sums received by the Lender from any source in respect of any liabilities of any other Borrower to the Lender to any of such liabilities;

(v) fail to set off and/or release, in whole or in part, any balance of any account or any credit on its books in favor of any other Borrower, or of any other Person, and extend credit in any manner whatsoever to any other Borrower, and generally deal with any other Borrower as the Lender may see fit;

(vi) have the claim of the Lender for the repayment of the obligations of any other Borrower disallowed under Section 502 of the Bankruptcy Code, or (g) any other circumstances which might constitute a legal or equitable discharge or defense of a Guarantor or of any other Borrower; or

(vii) consent to or waive any breach of, or any act, omission or default under, this Note or any other Financing Document with respect to any other Borrower.

(c) **Primary Obligation.** No invalidity, irregularity or unenforceability of all or any part of any Borrower's joint and several liability or any other circumstances which might constitute a legal or equitable discharge or defense of a Guarantor or of any other Borrower shall affect, impair or be a defense to any other Borrower's joint and several liability, and all obligations under this Note and the other Financing Documents are primary obligations of each Borrower.

(d) **Payments Recovered From the Lender.** If any payment received by the Lender and applied to obligations under this Note is subsequently set aside, recovered, rescinded or required to be returned for any reason (including, without limitation, the bankruptcy, insolvency or reorganization of a Borrower or any other obligor), the obligations to which such payment was applied shall be deemed to have continued in existence, notwithstanding such application, and each Borrower shall be jointly and severally liable for such obligations as fully as if such application had never been made. References in this Note to amounts "irrevocably paid" or to "irrevocable payment" refer to payments that cannot be set aside, recovered, rescinded or required to be returned for any reason.

(e) **No Release.** Until the loan made under this Note and all other obligations under the other Financing Documents have been paid in full and each and every one of the covenants and agreements of this Note are fully performed, the obligations of each Borrower hereunder shall not be released, in whole or in part, by any action or thing (other than irrevocable payment in full) which might, but for this provision of this Note, be deemed a legal or equitable discharge of a surety or guarantor, and each Borrower hereby expressly waives and surrenders any defense to its liability hereunder based upon any of the foregoing acts, omissions, things, agreements or waivers of any of them. No Borrower shall be exonerated with respect to its liabilities under this Note by any act or thing except irrevocable payment and performance of the obligations under this Note, it being the purpose and intent of this Note that it constitutes the direct and primary obligation of each Borrower and that the covenants, agreements and all obligations of each Borrower hereunder be absolute, unconditional and irrevocable.

(f) **Actions Not Required.** Each Borrower hereby waives any and all right to cause a marshalling of any other Borrower's assets or any other action by any court or other governmental body with respect thereto insofar as the rights of the Lender hereunder are concerned or any other recourse which the Lender may have with respect thereto, and further waives any and all requirements that the Lender institute any action or proceeding at law or in equity against any other Borrower or any other Person, or with respect to this Note or the other Financing Documents, as a condition precedent to making demand on, or bringing an action or obtaining and/or enforcing a judgment against, such Borrower. Each Borrower further waives any requirement that the Lender seek performance by any other Borrower or any other person, of any obligation under this Note or the other Financing Documents as a condition precedent to making a demand on, or bringing any action or obtaining and/or enforcing a judgment against, such Borrower. No Borrower shall have any right of setoff against the Lender with respect to any of its obligations hereunder, except as expressly provided in the Warrant and subject to the Subordination Agreement. Any remedy or right hereby granted which shall be found to be unenforceable as to any person or under any circumstance, for any reason, shall in no way limit or prevent the enforcement of such remedy or right as to any other person or circumstance, nor

shall such unenforceability limit or prevent enforcement of any other remedy or right hereby granted.

**(g) Borrower Bankruptcy.** Each Borrower expressly agrees that its liability and obligations under this Note and the other Financing Documents shall not in any way be affected by the institution by or against any other Borrower or any other person or entity of any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or any other similar proceedings for relief under any bankruptcy law or similar law for the relief of debtors, or any action taken or not taken by the Lender in connection therewith, and that any discharge of any Borrower's joint and several liability pursuant to any such bankruptcy or similar law or other law shall not discharge or otherwise affect in any way the obligations of any other Borrower under this Note or any other Financing Document, and that upon or at any time after the institution of any of the above actions, at the Lender's sole discretion, the Borrowers' joint and several obligations shall be enforceable against any Borrower that is not itself the subject of such proceedings. Each Borrower expressly waives any right to argue that the Lender's enforcement of any remedies against that Borrower is stayed by reason of the pendency of any such proceedings against any other Borrower.

**(h) Limited Subrogation.** Notwithstanding any payment or payments made by any Borrower hereunder or any setoff or application of funds of any Borrower by the Lender, until 367 days after the obligations under this Note have been irrevocably paid in full, such Borrower shall not be entitled to be subrogated to any of the rights of the Lender against any other Borrower or any other Person or guaranty or right of offset held by Lender for the payment of the obligations under this Note, nor shall such Borrower seek or be entitled to seek any contribution or reimbursement from any other Borrower or any other Person in respect of payments made by such Borrower hereunder. If any amount shall be paid to a Borrower on account of such subrogation rights at any time when the obligations under this Note shall not have been irrevocably paid in full, such amount shall be held by such Borrower in trust for the Lender, segregated from other funds of such Borrower and shall, forthwith upon receipt by such Borrower, be turned over to the Lender in the exact form received by such Borrower (duly indorsed by such Borrower to the Lender, if required), to be applied against the obligations under this Note, whether matured or unmatured, in such order as the Lender may determine.

**(i) Borrowers' Financial Condition.** Each Borrower is familiar with the financial condition of the other Borrowers, and each Borrower has executed and delivered this Note and the other Financing Documents to which it is a party based on that Borrower's own judgment and not in reliance upon any statement or representation of the Lender. The Lender shall not have any obligation to provide any Borrower with any advice whatsoever or to inform any Borrower at any time of the Lender's actions, evaluations or conclusions on the financial condition or any other matter concerning the Borrowers.

**(j) Consideration to Borrowers.** Each Borrower represents that it expects to derive benefits from the extension of credit accommodations to the other Borrowers by the Lender and finds it advantageous, desirable and in its best interests to execute and deliver this Note to the Lender.

{Space intentionally left blank.}

ORMET CORPORATION

By: James B. Riley  
Name: James B. Riley  
Title: Chief Financial Officer, Secretary and  
Treasurer

ORMET PRIMARY ALUMINUM  
CORPORATION

By: James B. Riley  
Name: James B. Riley  
Title: Chief Financial Officer and Secretary

ORMET ALUMINUM MILL PRODUCTS  
CORPORATION

By: James B. Riley  
Name: James B. Riley  
Title: Chief Financial Officer and Secretary

SCHEDULE 2.03  
WIRING INSTRUCTIONS

Payments to Lender:

Account Name: Wayzata Recovery Fund, LLC  
Account Number: 304-264970  
Bank: JPMorgan Chase Bank, New York, NY  
ABA#: 021000021

Loan to Borrowers:

Account Name: Ormet Primary Aluminum Corporation  
Account Number: 2000035308542  
Bank: Wachovia Bank, Charlotte, NC  
ABA#: 053-000-219

SCHEDULE 3.09  
CERTAIN EMPLOYEE BENEFIT MATTERS

1. As a result of Ormet's withdrawal from the New Orleans Employers – ILA Pension Plan (the "ILA Multiemployer Plan"), the ILA Multiemployer Plan's actuary has determined that Ormet incurred withdrawal liability in the amount of \$1,799,078 under Section 4211 of ERISA. The Board of Trustees of the ILA Multiemployer Plan has demanded that Ormet satisfy the withdrawal liability by making payments of \$150,945 per quarter for 12 quarters, plus a final payment of \$149,403. Ormet has made all such payments required to be made to date.

2. As referred to in Section 3.09(d) of the Note, Ormet failed to satisfy the minimum funding requirements for the Ormet Pension Plan for the plan year ended December 31, 2006 and has obtained the Waiver from the IRS with respect thereto, and, in order to fulfill certain conditions in the Waiver, Ormet has entered into the agreements and arrangements contemplated by the Settlement and Security Agreement dated as of January 23, 2008 among the Borrowers, the Guarantors and the PBGC. The liabilities that were the subject of the Waiver that remain outstanding as of the date hereof do not exceed \$24 million.

[Subordinated Term Note.DOC](#)