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# Morgan, Weinstein & Co.

3 Hutton Centre, Suite 900  
Santa Ana, California 92707  
(714) 434-6561 FAX (714) 434-0631

October 25, 1996\*

Robert A. Cord  
Saber Industries  
4001 NASA Road 1  
Building A Suite 211  
Seabrook, TX 77586  
Fax: 713 291-9094

**Re: \$200,000,000 USD Funding - Saber Industries**

Mr. Cord,

Please forgive us for delays in getting this proposal to you. I appreciate the prompt manner in which you responded to our request for information. As a rule, our process for pre approval takes a minimum of thirty days. This period allows our Companies to get better acquainted, as a result our staff can ascertain the extent of information your company is capable of providing. This element alone is vital to planning an accurate time-line. It is also our practice, prior to presenting a proposal to a client, to secure soft commitments from our participating lender/investors in Europe to the effect that they will participate in the funding when they are presented with the Offering Memorandum and loan documents.

As you probably know, the months of July and August are the preferred annual holiday months for most European Bankers. Now that the "Annual Banking Standstill" has past, their availability has doubled in the last month or so. As a result, we have managed to contact a representative group of the lenders which assures us of participation adequate to fund this project.

Morgan, Weinstein & Company provides project funding through two primary methods, i.e.

- a) Privately placed bond issues in Europe with investor/lenders where our credibility is already firmly established, and
- b) Negotiated loans with Banks, Trusts, Insurance Companies, individually as well as consortia of these entities. A loan of the size needed to fund this project, may or may not, call for a consortium of participants.



We prepare the paperwork for both of these methods simultaneously and proceed on both paths so that we can select the best terms and conditions available under each without having to completely retrace our steps in the event that, down the road, it appears advantageous to select one method over another.

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We are not involved in the so-called "Roll" programs that offer tremendous profits by trading bank instruments. We are not sure that those programs actually exist. We achieve relatively high yields by leveraging the capital and earning slightly above normal returns on the leveraged block which translates to large returns on the base invested capital.

A funding of this size will take approximately 120 to 180 days to complete because of the number of moving parts involved, however, we feel confident that we can provide this funding under the following approximate terms and conditions:

**Total Amount of Funding** - \$200,000,000.<sup>00</sup> USD

**Funding Schedule** - Total proceeds of the loan will be placed in a "High Yield Investment" program in a major European Bank. The project will be funded at the rate of \$16,700,000.<sup>00</sup> USD per month for twelve (12) months by way of irrevocable pay-orders lodged with the Trading Account Bank. Morgan, Weinstein & Company will provide collateral to the lending institutions.

**Interest** - The Trading Account will pay all interest obligations for the first twelve (12) months. Interest Rate 8% - 9%. Thereafter, for twenty (20) years, the Project will be obligated to pay Interest Quarterly at a rate equal to LIBOR.

**Disbursement** - At the lenders discretion, a "Fund Control" to insure progress and payment as agreed, may be required. In this event, the lender will appoint a trustee, possibly Morgan, Weinstein & Co. or perhaps your bank, to administer funds on progress.

**Repayment of Principal** - Principal amount of loan (\$200,000,000.<sup>00</sup> USD) will be all due and payable at the end of twenty (20) years or can be paid at any time during the twenty (20) year period without penalty. In the fourth year of operations a Sinking Fund must be established the annual deposits to which must be adequate to liquidate the principal by the end of the twenty (20) year period. The Sinking Fund can be established in a Bank of your choice under the joint administration of Saber Industries and Morgan, Weinstein & Company Inc..

**Collateral** - Morgan, Weinstein & Company Inc. will provide collateral for the opening twelve (12) months or until Saber Industries no longer has an active Loan Trading Program. Collateral will be extended as a result of subsequent loan approvals. Upon the return of collateral to Morgan, Weinstein & Co. the collateral will consist of the Mills, Mines, Ore

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(processed, or otherwise), Leases, Contracts and all other Assets of Saber Industries - The Project Corporation.

As you know from Donna Shelton, Morgan, Weinstein & Company Inc. undertakes the funding of projects only when retained to do so. Our retainer is merely an estimate of out-of-pocket costs that we will incur during the funding process. Through long experience we have found that these costs amount to approximately one tenth of one percent of the amount to be funded. In the case of this project the funding costs will be approximately \$200,000 USD.

Some of these are as follows:

1. Legal - Preparation of offering documents, contracts, loan documents, guarantees, collateral leasing documents, etc. Conforming all documents to the laws of the countries in which funds are being raised.
2. Accounting - We generally will have Price Waterhouse or Ernst & Young validate projections and other material included in the offering memorandum. This alone can run \$30,000.<sup>00</sup> to \$40,000.<sup>00</sup>
3. Negotiations and preparation of contracts pursuant to the high yield investment program.
4. Negotiations with Standard & Poor's to secure a rating on the bonds. This is a complex negotiation involving the Bank where the High Yield Investment Program is lodged, the Program Manager and S & P.
5. Commitment Fees
6. Trustee Fees

We are aware, through our discussions with Mrs. Shelton and yourself, the overall funding needs of Saber Industries are estimated at or about \$800,000,000.<sup>00</sup> USD. However, since a great deal of Saber's liquidity is currently invested for an undisclosed period of time, the result of terminating this investment prior to maturity is extremely harsh and not a consideration. Therefore, we proceeded under the direction of Mrs. Shelton that the initial funding amount was to be \$100,000,000.<sup>00</sup> USD and that upon receiving our proposal Saber Industries would return our signed Proposal accompanied by the retainer check from Saber Industries for \$100,000.<sup>00</sup> USD. We received, via Fed Ex, a project profile from Robert Cord, CEO of Saber Industries. The letter which covered the profile clearly stated the start-up requirements for funding the initial phase shall be \$200,000,000.<sup>00</sup> USD. The amount was reconfirmed by telephone by Robert Cord of

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Saber Industries and Richard A. Parker II of Morgan, Weinstein & Co. Inc. on September 24, 1996. Furthermore, Morgan, Weinstein & Co. Inc. hereby acknowledges receipt of a wire transfer of funds from Robert Cord, on behalf of Saber Industries as a partial payment of the retainer/expense fee, as described in the preceding paragraph. Amount wire transferred is \$100,000.<sup>00</sup> USD. Balance due: \$100,000.<sup>00</sup> USD. Due with accepted Proposal.

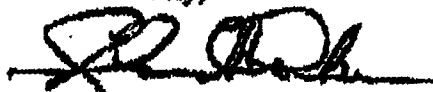
This retainer is refundable if we should fail to produce the funding under the approximate terms and conditions that we have set forth above.

Our fees, as Donna has probably already informed you, will be two percent (2.0%) of the amount funded to your project. Payable as you receive the funds i.e. if you are funded at the rate of \$16,700,000.<sup>00</sup> USD per month, Morgan, Weinstein & Company Inc. will receive two percent (2.0%) of the \$16,700,000.<sup>00</sup> USD and two percent (2.0%) of each increment funded thereafter. If the project is phased and the first phase of your project calls for greater amounts than anticipated we can arrange "Bridge Loans" against this flow to accommodate those special circumstances as long as we stay within the total funding commitment of phase 1.

If we are retained to provide this funding we will expect your complete cooperation in providing us with information to be included in the offering documents or loan documents. Several days delay on the preparation side can result in several weeks delay on the funding side. We will expect a proper introduction to all personnel in your organization, who, may be helpful by providing answers or documentation needed to achieve our mutual goal.

If you wish for us to proceed with this funding under the terms and conditions as set forth above, please sign where indicated and return one (1) original to us.

Sincerely,



Richard A. Parker  
Chairman of the Board

Agreed to and accepted this 24 day  
of \_\_\_\_\_ 1996

By:   
Saber Industries

**ADDENDUM**

October 25, 1996\*

The document this addendum is attached to i.e. Robert A Cord  
Saber Industries  
Re: \$200,000,000 USD Funding  
was originally dated, addressed and sent, via Fed Ex, as follows:

**September 24, 1996**

**Robert A. Cord**  
**Saber Industries**  
**P. O. Box 1147**  
**Beaumont, TX 77704**  
**Fax: 409 769-2420**  
**Re: \$200,000,000 USD Funding - Saber Industries**

**Mr. Cord,**


*Please forgive us for delays in getting this proposal to you. I appreciate the prompt manner in which you responded to our request for information. As a rule, our process for .....*

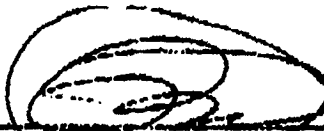
Today, 10/25/96 I am fixing this entire document to Saber Industries 713 291-9094 and sending, via Fed Ex, two (2) originals of this document w/addendum to the new offices of Saber Industries, as follows:

Robert A. Cord  
Saber Industries  
4001 NASA Road 1  
Building A Suite 211  
Seabrook, TX 77586  
Fnx: 713 291-9094

Upon receipt, please sign and return one (1) original as requested in the Funding Proposal. The retainer has been received by this office, in the form of two (2) wire transfers in the amounts of \$100,000 US each.

Signatories hereby acknowledge receipt.

  
Richard A. Parker - M.W & CO. Inc.  
Date:

  
Robert A. Cord - Saber Industries  
Date: 10-27-96