

This instrument prepared /  
by and after recording /  
return to: /  
T. Wood /  
American National Bank /  
One N. Dunton Avenue /  
Arlington Hts., IL 60005 /

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1 of 2 7414838W

CROSS-COLLATERALIZATION AND CROSS-DEFAULT AGREEMENT

This Cross-Collateralization and Cross-Default Agreement is made this 11th day of December, 1997, by and among Peerless Industries, Inc., an Illinois corporation ("Peerless") and American National Bank and Trust Company of Chicago, as Trustee Under Trust Agreement Dated November 3, 1989 and Known as Trust Number 109592-03 ("ANB Trust") (sometimes collectively referred to as "Borrowers"), and American National Bank and Trust Company of Chicago ("Bank").

WHEREAS, on December 11, 1997, ANB Trust executed in favor of Bank that certain Installment Note (Secured) in the principal sum of ONE MILLION SIX HUNDRED THOUSAND AND 00/100 DOLLARS (\$1,600,000.00) (including any and all amendments, modifications, renewals, replacements and substitutions therefor). Such Note is secured by Real Estate located at 1950-1980 Hawthorne Avenue, Melrose Park as evidenced by that certain Mortgage and Assignment of Rents and Leases ("Assignment"), dated April 5, 1993; recorded on April 12, 1993 in Cook County, Illinois as Document Numbers 93263721 and 93263722, respectively; and

WHEREAS, on July 31, 1997, Peerless executed in favor of Bank that certain Promissory Note (Secured) in the principal sum of SEVEN HUNDRED THOUSAND AND 00/100 DOLLARS (\$700,000.00) (including any and all amendments, modifications, renewals, replacements and substitutions therefor). Such Note is secured by All Business Assets of Peerless, as evidenced by that certain Loan and Security Agreement dated May 31, 1994, as modified from time to time; and

WHEREAS, on March 31, 1996, Peerless executed in favor of Bank that certain Installment Note (Secured) in the principal sum of ONE MILLION TWO HUNDRED THOUSAND AND 00/100 DOLLARS (\$1,200,000.00) (including any and all amendments, modifications, renewals, replacements and substitutions therefor). Such Note is secured by All Business Assets of Peerless, as evidenced by that certain Loan and Security Agreement dated May 31, 1994, as modified from time to time; and

BOX 333-CTI

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WHEREAS, on August 3, 1994, Peerless executed in favor of Bank that certain Installment Note (Secured) in the principal sum of FIVE HUNDRED FIFTY-THREE THOUSAND AND 00/100 DOLLARS (\$553,000.00) (including any and all amendments, modifications, renewals, replacements and substitutions therefor). Such Note is secured by All Business Assets of Peerless, as evidenced by that certain Loan and Security Agreement dated May 31, 1994, as modified from time to time; and

WHEREAS, each Borrower desires to induce Bank to extend financial accommodation to the other Borrower named herein, and each Borrower represents to Bank that it is engaged in the business as a corporate affiliate or subsidiary of the other Borrower and/or is engaged in selling, marketing, using or otherwise dealing goods supplied to by the other Borrower, or supplies the other Borrower goods sold, marketed, used or otherwise disposed of by the other Borrower, and/or expects to derive advantage to assist the other Borrower in procuring financial assistance from the Bank; or is an individual or partnership desiring to induce Bank at its option to extend financial accommodation to the other Borrower; and

WHEREAS, it is and has been the intention of ANB Trust and Peerless and Bank to cross-collateralize and cross-default the loans and obligations of ANB Trust and Peerless owing to the Bank; and

NOW, THEREFORE, in consideration of the foregoing premises and the promises contained herein and for other good and valuable consideration, receipt of which is hereby acknowledged, the parties mutually agree as follows:

1. All of the collateral granted to Bank by ANB Trust, pursuant to that certain Mortgage and Assignment dated April 5, 1993, (and any modifications thereto) is hereby pledged to secure all past, present and future obligations of Peerless to Bank.
2. All of the collateral granted to Bank by Peerless, pursuant to that certain Loan and Security Agreement dated May 31, 1994, (and any amendments thereto) is hereby pledged to secure all past, present and future obligations of ANB Trust to Bank.
3. Any default under the past, present and future obligations of ANB Trust owed to Bank shall constitute an Event of Default under all past, present and future obligations of Peerless owed to Bank; and any default under the past, present and future obligations of Peerless owed to Bank shall constitute an Event of Default under all past, present and future obligations of ANB Trust owed to Bank.
4. The Borrowers agree that all provisions, stipulations powers and covenants in the Notes and other agreements referenced above shall remain in full force and effect.
5. This Agreement shall be construed in accordance with the internal laws of the State of Illinois.
6. This Agreement shall inure to the benefit of the Bank's successors and assigns, and shall be binding upon the Borrowers' successors and assigns.

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This instrument is executed by the undersigned Land Trustee, not personally but solely as Trustee in the exercise of the power and authority conferred upon and vested in it as such Trustee. It is expressly understood and agreed that all of the warranties, indemnities, representations, covenants, undertakings and agreements herein made on the part of the Trustee are undertaken by it solely in its capacity as Trustee and not personally. It is further understood and agreed that the Trustee merely holds title to the property herein described and has no agents, employees or control over the management of the property and no knowledge of other factual matters except as represented to it by the beneficiary(ies) of the Trust. No personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against the Trustee on account of any warranty, indemnity, representation, covenant, undertaking or agreement of the Trustee in this instrument, all such liability being expressly waived by every person now or hereafter claiming any right or security hereunder; and the owner of any indebtedness or cause of action for breach of any warranty, indemnity, representation, covenant, undertaking or agreement accruing hereunder shall look solely to the Trust estate for the payment thereof.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date and year first written above.

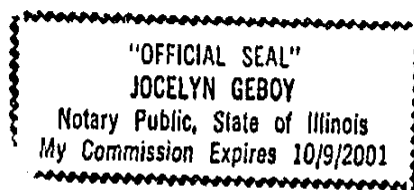
AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO, solely as trustee as aforesaid

BY: [Signature] ITS: [Signature]

STATE OF ILLINOIS ) )SS. COUNTY OF COOK )

This instrument was acknowledged before me on 12-12-97 (date) by Gregory Kasprzyk (name of person) as VP (type of authority) of American National Bank and Trust Company of Chicago land trust department.

[Signature] Notary Public



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PEERLESS INDUSTRIES, INC.,  
an Illinois corporation

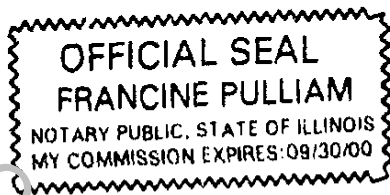
BY: W. Snodell

ITS: President

STATE OF ILLINOIS            )  
  )SS.  
COUNTY OF \_\_\_\_\_)

This instrument was acknowledged before me on December 11, 1997 (date) by  
Walt Snodell (name of person) as President (type of  
authority) of Peerless Industries, Inc.

Francine Pulliam  
Notary Public



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"BANK":

AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO

BY: Richard A. Eck

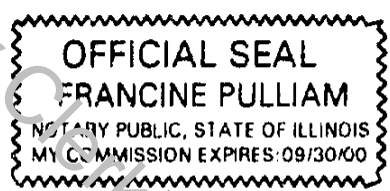
ITS: V.P.

STATE OF ILLINOIS )  
 )SS.  
COUNTY OF \_\_\_\_\_ )

This instrument was acknowledged before me on December 11, 1997 (date) by Richard A. Eck (name of person) as vice President (type of authority) of American National Bank and Trust Company of Chicago.

Francine Pulliam  
Notary Public

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EXHIBIT "A"  
TO  
CROSS-COLLATERALIZATION AND CROSS-DEFAULT AGREEMENT  
DATED DECEMBER 11, 1997

LEGAL DESCRIPTION:

PARCEL 1:

THAT PART OF THE EAST 230 FEET OF THE WEST 414.10 FEET OF THE SOUTHEAST FRACTIONAL 1/4 NORTH OF THE INDIAN BOUNDARY LINE OF SECTION 33, TOWNSHIP 40 NORTH, RANGE 12, EAST OF THE THIRD PRINCIPAL MERIDIAN, BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE EAST LINE OF THE WEST 414.10 FEET OF THE AFORESAID SOUTHEAST FRACTIONAL 1/4 OF SECTION 33 WHICH IS 765.20 FEET NORTH OF THE NORTH LINE OF NORTH AVENUE AS DEDICATED; THENCE WEST AT RIGHT ANGLES TO SAID EAST LINE OF THE WEST 414.10 FEET, A DISTANCE OF 212 FEET; THENCE NORTH AT RIGHT ANGLES TO THE LAST DESCRIBED LINE 30 FEET; THENCE NORTHWESTERLY 170.95 FEET TO A POINT ON THE EAST LINE OF THE WEST 184.10 FEET OF THE AFORESAID SOUTHEAST FRACTIONAL 1/4 OF SECTION 33 WHICH IS 200 FEET NORTH OF THE SOUTH LINE OF THE LAND HERewith DESCRIBED EXTENDED WEST, THENCE NORTH ALONG THE EAST LINE OF THE AFORESAID WEST 184.10 FEET A DISTANCE OF 161.45 FEET; THENCE SOUTHEASTERLY A DISTANCE OF 202.38 FEET TO A POINT 205.41 FEET EAST OF THE WEST LINE OF THE SOUTHEAST FRACTIONAL QUARTER OF SECTION 33 AFORESAID WHICH IS 160.20 FEET NORTH OF THE SOUTH LINE OF THE LAND HERewith DESCRIBED; THENCE EAST PARALLEL TO SAID SOUTH LINE 208.69 FEET; THENCE SOUTH 160.20 FEET TO THE POINT OF BEGINNING, IN COOK COUNTY, ILLINOIS.

PARCEL 2:

THAT PART OF THE EAST 230 FEET OF THE WEST 414.10 FEET OF THE SOUTHEAST FRACTIONAL 1/4 NORTH OF THE INDIAN BOUNDARY LINE OF SECTION 33, TOWNSHIP 40 NORTH, RANGE 12, EAST OF THE THIRD PRINCIPAL MERIDIAN, BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE EAST LINE OF THE WEST 414.10 FEET OF THE AFORESAID SOUTHEAST FRACTIONAL 1/4 OF SECTION 33, WHICH IS 925.40 FEET NORTH OF THE NORTH LINE OF NORTH AVENUE AS DEDICATED; THENCE WEST AT RIGHT ANGLES TO SAID EAST LINE OF SAID WEST 414.10 FEET, A DISTANCE OF 208.69 FEET; THENCE NORTHWESTERLY 202.38 FEET TO A POINT ON THE EAST LINE OF THE WEST 184.10 FEET OF THE AFORESAID SOUTHEAST

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FRACTIONAL 1/4 OF SECTION 33 WHICH IS 201.25 FEET NORTH OF THE SOUTH LINE OF THE LAND HEREWITH DESCRIBED EXTENDED WEST; THENCE NORTH ALONG THE EAST LINE OF THE AFORESAID WEST 184.10 FEET A DISTANCE OF 248.35 FEET; THENCE SOUTHEASTERLY 170.95 FEET TO A POINT ON THE EAST LINE OF THE WEST 202.10 FEET OF THE AFORESAID SOUTHEAST FRACTIONAL 1/4 OF SECTION 33 WHICH IS 279.60 FEET NORTH OF THE SOUTH LINE OF LAND HEREWITH DESCRIBED; THENCE SOUTH ALONG THE EAST LINE OF THE AFORESAID WEST 202.10 FEET A DISTANCE OF 30 FEET; THENCE EAST PARALLEL WITH THE SOUTH LINE OF THE LAND DESCRIBED 212 FEET; THENCE SOUTH 249.60 FEET TO THE POINT OF BEGINNING, IN COOK COUNTY, ILLINOIS.

PARCEL 3:

THAT PART OF THE EAST 230 FEET OF THE WEST 414.10 FEET OF THE SOUTHEAST FRACTIONAL 1/4 NORTH OF THE INDIAN BOUNDARY LINE OF SECTION 33, TOWNSHIP 40 NORTH, RANGE 12, EAST OF THE THIRD PRINCIPAL MERIDIAN, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE EAST LINE OF THE WEST 414.10 FEET OF THE AFORESAID SOUTHEAST FRACTIONAL 1/4 OF SECTION 33 WHICH IS 795.20 FEET NORTH OF THE NORTH LINE OF NORTH AVENUE AS DEDICATED; THENCE WEST AT RIGHT ANGLES TO SAID EAST LINE OF THE WEST 414.10 FEET, A DISTANCE OF 212 FEET; THENCE NORTHWESTERLY 170.95 FEET TO A POINT ON THE EAST LINE OF THE WEST 184.10 FEET OF THE AFORESAID SOUTHEAST FRACTIONAL 1/4 OF SECTION 33, WHICH IS 170 FEET NORTH OF THE LAST DESCRIBED COURSE, FOR THE POINT OF BEGINNING OF THE TRACT OF LAND TO BE CONVEYED; THENCE SOUTHEASTERLY ON THE LAST DESCRIBED COURSE FOR A DISTANCE OF 113.7 FEET; THENCE WEST .7 FEET; THENCE NORTHWESTERLY PARALLEL TO THE FIRST DESCRIBED COURSE, TO ITS INTERSECTION WITH THE EAST LINE OF THE WEST 184.10 FEET OF THE AFORESAID SOUTHEAST FRACTIONAL 1/4 OF SECTION 33; THENCE NORTH ALONG THE EAST LINE OF SAID WEST 184.10 FEET TO THE POINT OF BEGINNING, ALL IN COOK COUNTY, ILLINOIS.

PARCEL 4:

THAT PART OF THE EAST 230 FEET OF THE WEST 414.10 FEET OF THE SOUTHEAST FRACTIONAL QUARTER NORTH OF INDIAN BOUNDARY LINE OF SECTION 33, TOWNSHIP 40 NORTH, RANGE 12 EAST OF THE THIRD PRINCIPAL MERIDIAN, BOUNDED AND DESCRIBED AS FOLLOWS: BEGINNING AT A POINT ON THE EAST LINE OF THE WEST 414.10 FEET OF AFORESAID SOUTHEAST FRACTIONAL QUARTER OF SECTION 33 WHICH IS 435 FEET NORTH OF NORTH LINE OF NORTH AVENUE AS DEDICATED; THENCE WEST AT RIGHT ANGLES TO SAID EAST LINE OF SAID WEST 414.10 FEET A DISTANCE OF 230 FEET; THENCE NORTH AT RIGHT ANGLES 530.20 FEET; THENCE SOUTHEASTERLY 170.95 FEET

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TO A POINT ON THE EAST LINE OF THE WEST 202.10 FEET OF AFORESAID SOUTHEAST FRACTIONAL QUARTER OF SECTION 33 WHICH IS 360.20 FEET NORTH OF SOUTH LINE OF PREMISES HEREWITH DESCRIBED; THENCE SOUTH ALONG SAID LINE 30 FEET; THENCE EAST AT RIGHT ANGLES 212 FEET; THENCE SOUTH 330.20 FEET TO A POINT OF BEGINNING (EXCEPT THAT PART OF THE EAST 230 FEET OF THE WEST 414.10 FEET OF THE SOUTHEAST FRACTIONAL QUARTER NORTH OF THE INDIAN BOUNDARY LINE OF SECTION 33, TOWNSHIP 40 NORTH, RANGE 12 EAST OF THE THIRD PRINCIPAL MERIDIAN, DESCRIBED AS FOLLOWS: BEGINNING AT A POINT ON THE EAST LINE OF THE WEST 414.10 FEET OF THE AFORESAID SOUTHEAST FRACTIONAL QUARTER OF SECTION 33, WHICH IS 795.20 FEET NORTH OF THE NORTH LINE OF NORTH AVENUE AS DEDICATED; THENCE WEST AT RIGHT ANGLES TO SAID EAST LINE OF THE WEST 414.10 FEET A DISTANCE OF 212 FEET; THENCE NORTHWESTERLY 170.95 FEET TO A POINT ON THE EAST LINE OF THE WEST 184.10 FEET OF THE AFORESAID SOUTHEAST FRACTIONAL QUARTER OF SECTION 33, WHICH IS 170 FEET NORTH OF THE LAST DESCRIBED COURSE, FOR THE POINT OF BEGINNING OF THE TRACT LAND TO BE EXCEPTED; THENCE SOUTHEASTERLY ON THE LAST DESCRIBED COURSE FOR A DISTANCE OF 113.7 FEET; THENCE WEST 0.7 FEET; THENCE NORTHWESTERLY PARALLEL TO THE FIRST DESCRIBED COURSE, TO THE INTERSECTION WITH THE EAST LINE OF THE WEST 184.10 FEET OF THE AFORESAID SOUTHEAST FRACTIONAL QUARTER OF SECTION 33; THENCE NORTH ALONG THE EAST LINE OF SAID WEST 184.10 FEET TO THE POINT OF BEGINNING, ALL IN COOK COUNTY, ILLINOIS

COMMONLY KNOWN AS: 1950-1980 Hawthorne Avenue, Melrose Park, Illinois 60160

PIN NUMBER(S): 12-33-400-017-0000  
12-33-400-031-0000  
12-33-400-032-0000

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