

AMENDMENT NO. 2

to

LOAN AND SECURITY AGREEMENT

AMENDMENT NO. 2 (this "Amendment"), dated as of January 1, 2005, by and among **FLEET CAPITAL CORPORATION** ("Fleet"), a Rhode Island corporation with an office at 1633 Broadway, New York, New York 10019, individually as a lender and as agent ("Agent") for itself and any other financial institution which is or becomes a party to the Loan Agreement (as defined below) (collectively, the "Lenders"), the Lenders and **BAYOU STEEL CORPORATION**, a Delaware corporation with its chief executive office and principal place of business at 138 Highway 3217, La Place, Louisiana 70069 ("Borrower").

BACKGROUND

Borrower, Lenders and Agent are parties to a Loan and Security Agreement dated as of February 18, 2004 (as amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement") pursuant to which Agent and Lenders provide Borrower with certain financial accommodations.

Borrower has requested that Agent and Lenders accelerate the implementation of the pricing grid with respect to the Applicable Margin, and Agent and Lenders are willing to do so on the terms and conditions hereafter set forth.

NOW, THEREFORE, in consideration of any loan or advance or grant of credit heretofore or hereafter made to or for the account of Borrower by Agent and Lenders, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Definitions.

All capitalized terms not otherwise defined herein shall have the meanings given to them in the Loan Agreement.

2. Amendment.

Subject to satisfaction of the conditions precedent set forth in Section 3 below, the Loan Agreement is hereby amended as follows:

(a) Section 8.1.3(ii) of the Loan Agreement is amended by deleting the number "30" contained therein and inserting in place thereof the number "45".

(b) The definition of Applicable Margin contained in Appendix A of the Loan Agreement is amended and restated in its entirety as follows:

Applicable Margin - from the Closing Date to, but not including, the first Adjustment Date (as hereinafter defined) the percentages set forth below with respect to the Base Rate Portion, the LIBOR Portion and the Unused Line Fee:

Base Rate Portion	0.50%
LIBOR Portion	2.50%
Unused Line Fee	0.25%

The percentages set forth above will be adjusted (i) on January 1, 2005 based upon Agent's receipt of the Borrower's financial statements for the fiscal quarter ended on December 31, 2004, and (ii) thereafter, on the first day of the month following delivery by Borrower to Agent of the financial statements required to be delivered pursuant to subsection 8.1.3(ii) of the Agreement for each fiscal quarter (commencing with the fiscal quarter ending on March 31, 2005) of each fiscal year of the Borrower during the Term (each such date an "Adjustment Date"), effective prospectively, by reference to average Excess Availability for the two fiscal quarters most recently ended, in accordance with the following:

<u>Average Excess Availability</u>	<u>Base Rate Portion</u>	<u>LIBOR Portion</u>	<u>Unused Line Fee</u>
Greater than or equal to \$23,000,000	0.00%	2.00%	0.25%
Greater than or equal to \$19,000,000 but less than \$23,000,000	0.25%	2.25%	0.25%
Greater than or equal to \$15,000,000 but less than \$19,000,000	0.50%	2.50%	0.25%
Greater than or equal to \$11,000,000 but less than \$15,000,000	0.75%	2.75%	0.375%
Less than \$11,000,000	1.00%	3.00%	0.375%

provided that if Borrower fails to deliver the financial statements required to be delivered pursuant to subsection 8.1.3(i) or subsection 8.1.3(ii) of the Agreement on or before the due date thereof, the interest rate shall automatically adjust to the highest interest rate set forth above, effective prospectively from such due date until the next Adjustment Date.

3. Conditions of Effectiveness.

This Amendment shall become effective upon satisfaction of the following conditions precedent: Agent shall have received (i) four (4) copies of this Amendment executed by Borrower, and (ii) such other certificates, instruments, documents and agreements as may be required by Agent or its counsel, each of which shall be in form and substance satisfactory to Agent and its counsel.

4. Representations and Warranties.

Borrower hereby represents and warrants as follows:

(a) This Amendment constitutes, and the Loan Agreement continues to constitute, the legal, valid and binding obligations of Borrower and are enforceable against Borrower in accordance with their respective terms.

(b) Upon the effectiveness of this Amendment, Borrower hereby reaffirms all covenants, representations and warranties made in the Loan Agreement and agrees that all such covenants, representations and warranties shall be deemed to have been remade as of the effective date of this Amendment (except where such representation or warranty, by its terms, is given as of a certain date).

(c) No Event of Default or Default has occurred and is continuing or would exist after giving effect to this Amendment.

(d) Borrower has no defense, counterclaim or offset with respect to the Loan Agreement.

5. Effect on the Loan Agreement.

(a) Each reference in the (x) Loan Agreement to “this Agreement”, “hereunder”, “hereof”, “herein” or words of like import shall mean and be a reference to the Loan Agreement as amended hereby and/or (y) and other Loan Document to the “Loan and Security Agreement” or otherwise to the Loan Agreement shall mean and be a reference to the Loan Agreement as amended hereby.

(b) The Loan Agreement and all other documents, instruments and agreements executed and/or delivered in connection therewith, shall remain in full force and effect, and are hereby ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of Agent or Lenders, nor constitute a waiver of any provision of the Loan Agreement, or any other documents, instruments or agreements executed and/or delivered under or in connection therewith.

6. Governing Law.

This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns and shall be governed by and construed in accordance with the laws of the State of New York.

7. Headings.

Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

8. Counterparts; Facsimile.

This Amendment may be executed by the parties hereto in one or more counterparts, each of which shall be deemed an original and all of which when taken together shall constitute one and the same agreement. Any signature delivered by a party by facsimile transmission shall be deemed to be an original signature hereto.

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IN WITNESS WHEREOF, this Amendment No. 2 has been duly executed as of the date first written above.

BAYOU STEEL CORPORATION

By: /s/ Richard J. Gonzalez
Richard J. Gonzalez,
Vice President and Chief Financial Officer

FLEET CAPITAL CORPORATION,
as Agent and as a Lender

By: /s/ Suzanne Cozine
Suzanne Cozine,
Vice President