

LOAN AND SECURITY AGREEMENT

by and between

NATIONAL BANK OF CANADA

and

CONTINENTAL GYPSUM COMPANY

and

LIBERTY SUPPLY INC d/b/a
LIBERTY SUPPLY INC. OF NEW JERSEY

Dated: March 31, 1999

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT is dated as of March 31, 1999, and is by and among CONTINENTAL GYPSUM COMPANY, a Delaware corporation ("Continental"), having its principal office located at 265 Distribution Street, Port Newark, New Jersey 07714 and LIBERTY SUPPLY INC., a Delaware corporation in New Jersey d/b/a "LIBERTY SUPPLY INC. OF NEW JERSEY" ("Liberty"), having its principal office located at 265 Distribution Street, Port Newark, New Jersey 07714 (hereinafter Continental and Liberty are individually referred to as a "Co-Borrower" and collectively referred to as the "Co-Borrowers"), and NATIONAL BANK OF CANADA, a chartered bank constituted under the Bank Act of Canada, having an office located at 125 West 55th Street, New York, New York 10019 (the "Bank").

W I T N E S E T H :

WHEREAS, Co-Borrowers have requested the Bank to extend certain credit and make certain loans to the Co-Borrowers in an amount not to exceed the aggregate principal amount of Seven Million (\$7,000,000.00) Dollars for the purposes of: (i) refinancing of a certain loan from First Union National Bank to Continental; (ii) to purchase certain Equipment (as hereinafter defined); and (iii) for general working capital purposes with a Five Hundred Thousand (\$500,000.00) Dollar sublimit for Letters of Credit; and

WHEREAS, the Bank is willing to extend such credit and make such loans upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises, the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

I. DEFINITIONS

1.1 Defined Terms. As used in this Agreement, the following words and terms shall have the following meanings:

(a) "Account Debtor" shall mean a Person obligated under or with respect to an Accounts Receivable.

(b) "Accounts Receivable" shall mean, in addition to the definition of the term "accounts" contained in the Code, any and all obligations of any kind at any time due and/or owing to a Co-Borrower (including any such obligation that might be characterized or classified under the Code as accounts, contract rights, chattel paper or otherwise), and all rights of a Co-Borrower to receive payment or any other consideration whether arising from goods sold or leased by a Co-Borrower or services rendered or otherwise, whether or not such right has been earned by performance, whether secured or unsecured, including, without limitation, invoices, contract rights, accounts receivable, notes, drafts, acceptances, instruments, refunds, including tax refunds, and all other debts, obligations and liabilities in whatever form owing to a Co-Borrower from any Person, firm, governmental authority, corporation or any other entity, all security and guaranties therefor, all of a Co-Borrower's rights in, to and under all purchase orders heretofore, now or hereafter received by a Co-Borrower for goods or services, and all of a Co-Borrower's rights to goods sold (whether delivered, undelivered, in transit or returned), which may be represented thereby, including all of a Co-Borrower's rights as an unpaid vendor or lienor, including stoppage in transit, replevin and reclamation, whether now existing or hereafter arising, and all books, records, ledger cards and other tangible and intangible property pertaining to same (including printed copies of all computerized data, electronic machine-readable media of such data, and software owned or licensed (to the extent it can be freely assigned) by a Co-Borrower).

(c) "Affiliate" shall mean as to any specific Person: (i) any Person that directly or indirectly through one or more intermediaries controls or is controlled by or is under common control with the specific Person; (ii) any Person that, directly or indirectly, is the beneficial owner of 10% or more of any class of equity securities of the specified Person or is the beneficial owner of a 10% or more interest in the capital profits of the specified Person; (iii) any Person of which the specified Person is directly or indirectly the beneficial owner of 10% or more of any class of equity securities or any Person of which the specified Person is the beneficial owner of 10% or more interest in the capital and profits; or (iv) any member of the immediate family of the specified Person.

(d) "Agreement" shall mean this Loan and Security Agreement together with any and all exhibits, schedules, amendments, modifications or supplements hereto.

(e) "Bank" shall mean National Bank of Canada, a chartered bank constituted under the Bank Act of Canada.

(f) "Bank Costs" shall mean all taxes and insurance premiums of every kind and nature of a Co-Borrower paid by the Bank; all filing, recording, publication, and search fees incurred in connection with and relating to a Co-Borrower paid by the Bank; all reasonable out-of-pocket costs incurred and sums expended by the Bank, with or without suit, to correct any default, to make advances of principal and interest or payments to prior secured parties, to enforce any right or remedy of the Bank, or in connection with any other provision of any Loan Document, including, without limitation, any reasonable out-of-pocket costs incurred by the Bank with respect to any other lender in connection with the Loan Documents and the transactions contemplated thereby; all reasonable out-of-pocket costs incurred and sums expended in gaining possession of, inspection of, maintaining, handling, preserving, repairing, renovating, storing, shipping, finishing, selling, preparing for sale, and advertising to sell the Collateral, whether or not a sale is consummated; all reasonable out-of-pocket costs of using, operating, controlling and managing the Collateral including but not limited to rental and licensing costs; all reasonable out-of-pocket costs of collecting and receiving rent, income, revenue, earnings, issues and profits of the Collateral; all reasonable out-of-pocket costs of suit incurred by the Bank in enforcing or defending this Agreement or any other Loan Document or any portion thereof; all reasonable out-of-pocket costs and expenses including appraisal, accounting, consulting and attorneys' fees and expenses incurred by the Bank in preparing, reviewing, enforcing, amending, modifying, administering, defending or otherwise concerning this Agreement or any other Loan Document or any portion hereof or thereof; and, whether or not suit is brought, all reasonable out-of-pocket costs of arbitration and insolvency proceedings.

(g) "Borrowing Base" shall mean at any time, an amount equal to the sum of:

- (i) eighty-five (85%) percent of Eligible Accounts Receivable; and

(ii) fifty (50%) percent of Eligible Finished Goods and twenty-five (25%) percent of Eligible Other Inventory, up to a collective maximum of Seven Hundred Thousand (\$700,000.00) Dollars.

(h) "Borrowing Base Certificate" shall mean a full and complete certificate in the form attached hereto as Exhibit 1.1(h), certified as true and correct by each Co-Borrower's President.

(i) "Business Day" shall mean any day other than a Saturday, Sunday or other day on which State of New Jersey chartered banks or federally chartered banks in the State of New Jersey are authorized to close.

(j) "Code" shall mean the Uniform Commercial Code as in effect in any applicable jurisdiction.

(k) "Collateral" shall have the meaning ascribed to such term in Section 3.1 hereof.

(l) "Contracts" shall mean all contracts, instruments, undertakings, documents or other agreements with respect to the Collateral in or under which a Co-Borrower may now or hereafter may have any right, title or interest (to the extent same can be freely assigned) specifically excluded however any real estate lease(s) for the Premises.

(m) "Default" shall mean any of the events specified in Article VII hereof which, with the passage of time, or giving of notice, or both, would constitute an Event of Default.

(n) "Eligible Account Receivable" shall mean an Account Receivable that meets all of the following requirements on its date of invoice or other origination date and continuing thereafter until collected:

(i) such Account Receivable represents a complete bona fide transaction which requires no further act under any circumstances on the part of a Co-Borrower to make such Account Receivable payable by the Account Debtor;

(ii) such Account Receivable shall not be unpaid more than sixty (60) days from its due date and not more than one hundred twenty (120) days from its original date of invoice;

(iii) if applicable, the goods, the sale of which gave rise to such Account Receivable, were shipped or delivered to the Account Debtor on an absolute sale basis and not on a bill and hold sale basis, a consignment sale basis, a progress basis, a guaranteed sale basis, a sale or return basis, or on the basis of any other similar understanding, and no part of such goods has been returned or rejected; provided, however, that in the event any credit is granted by a Co-Borrower, in the ordinary course of business, with respect to a portion of an Account Receivable, the amount of such Account Receivable which is not subject to such credit shall constitute an Eligible Account Receivable if the Account Receivable is otherwise an Eligible Account Receivable;

(iv) such Account Receivable is not evidenced by chattel paper or an instrument of any kind;

(v) the Account Debtor, with respect to such Account Receivable, is not, insolvent or the subject of any bankruptcy or insolvency proceedings of any kind or of any other proceeding or action (as debtor), which might have a materially adverse effect on the business of such Account Debtor;

(vi) if such Account Receivable arises from the performance of services, such services have been fully rendered;

(vii) such Account Receivable (or portion thereof determined under Article 1.1(n)(iii)) a valid, legally enforceable obligation of the Account Debtor with respect thereto and is not subject to any present, or contingent, and no facts exist which are the basis for any future, offset or counterclaim or other defense on the part of such Account Debtor, including, without limitation, any account payable owing by a Co-Borrower to such Account Debtor;

(viii) such Account Receivable shall be subject to a valid and perfected first priority security interest in favor of the Bank;

(ix) such Account Receivable is evidenced by an invoice or other documentation in a form acceptable to the Bank;

(x) such Account Receivable is not subject to any provision prohibiting its assignment or requiring notice of, or consent to, such assignment;

(xi) if applicable, the goods giving rise to such Account Receivable were not, at the time of the sale thereof, subject to any Lien, except Permitted Liens;

(xii) if the Account Debtor with respect thereto is the United States or any department, agency or instrumentality thereof, such Account Receivable shall have been assigned to the Bank in full compliance with all applicable laws and regulations, including the Assignment of Claims Act of 1940, as amended;

(xiii) the Account Debtor with respect thereto is domiciled within the United States of America or Canada except as provided in Article 1.1(n) (xiv);

(xiv) if the Account Debtor with respect thereto is located outside of the United States of America or Canada, the goods which gave rise to such Account Receivable were shipped after receipt by a Co-Borrower from the Account Debtor of an irrevocable letter of credit, which letter of credit has been confirmed by a financial institution acceptable to the Bank and is in form and substance acceptable to the Bank, payable in the full face amount of the face value of the Account Receivable in freely convertible United States dollars at a place of payment located within the United States;

(xv) such Account Receivable does not arise out of any transaction with any Affiliate of a Co-Borrower or any Person under common control of a Co-Borrower;

(xvi) such Accounts Receivable is not due from an Account Debtor where more than fifty (50%) percent of the total Accounts Receivable from such Account Debtor are not Eligible Accounts Receivable; and

(xvii) that portion of an otherwise Eligible Account Receivable that does not exceed twenty-five (25%) percent of the aggregate total of all of Co-Borrowers' Accounts Receivable.

(o) "Eligible Finished Goods" shall mean Inventory which is:

- (i) made up of finished wallboard goods;
 - (ii) located on the Premises;
 - (iii) owned by a Co-Borrower and not purchased or acquired on a consignment, approval or sale or return basis;
 - (iv) subject to a valid and perfected first priority security interest in favor of the Bank;
 - (v) fully and adequately insured, with the Bank named as an additional insured and loss payee as provided herein;
 - (vi) not unsalable, damaged or obsolete as the Bank shall determine;
 - (vii) not classified as work in progress;
 - (viii) not cartons or packaging materials;
 - (ix) not classified as Eligible Other Inventory;
- and
- (x) not manufacturing materials or supplies.

(p) "Eligible Other Inventory" shall mean Inventory which is:

- (i) owned by a Co-Borrower and not purchased or acquired on a consignment, approval or sale or return basis;
- (ii) subject to a valid and perfected first priority security interest in favor of the Bank;
- (iii) fully and adequately insured, with the Bank named as an additional insured and loss payee as provided herein;
- (iv) not unsalable, damaged or obsolete as the Bank shall determine; and
- (v) made up of only raw material wallboard paper and gypsum ore.

(q) "Equipment" shall mean the "equipment", (as such term is defined in the Code), (i) as set forth on Exhibit 1.1(q) attached hereto and by this reference made a part hereof as fully as if set forth herein, and (ii) acquired with the proceeds of the Equipment Term Loan and Equipment Line of Credit Loan; owned by a Co-Borrower and any and all additions to, substitutions of and replacements of or accessions to any of the foregoing, wherever located, together with all attachments, components, parts (including spare parts), equipment and accessories thereto.

(r) "Equipment Line of Credit Loan" shall mean the loan described in Section 2.2 of this Agreement.

(s) "Equipment Line of Credit Loan Maximum" shall mean One Million Five Hundred Thousand (\$1,500,000.00) Dollars.

(t) "Equipment Line of Credit Note" shall mean the promissory note substantially in form of Exhibit 1.1(t) attached hereto and by this reference made a part hereof as fully as if set forth herein, and any promissory note in renewal thereof or substitution or replacement therefore.

(u) "Equipment Term Loan" shall mean the loan described in Section 2.3 of this Agreement.

(v) "Equipment Term Note" shall mean the promissory note substantially in the form of Exhibit 1.1(v) attached hereto and by this reference made a part hereof as fully as if set forth herein, and any promissory note in renewal thereof or substitution or replacement therefore.

(w) "Eurodollar Base Rate" shall mean, with respect to any Eurodollar Borrowing for any Eurodollar Term, the rate per annum determined by the Bank to be equal to the rate at which the Bank (or any other reference bank or banks selected by the Bank) is prepared to offer deposits in United States dollars to prime banks in the London interbank market, for a period having a term comparable to such Eurodollar Term, and in an amount comparable to the principal amount of the respective Eurodollar Borrowing to which such Eurodollar Term relates, as such rate appears at the display designated as page "LIBO" on the Reuter's monitor money rates service (as published daily on Dow Jones Telerate, page 3750) (or such other page as may replace the LIBO page on that

service for the purpose of displaying London interbank offered rates of major banks) as of 11:00 a.m. London time, on a day that is two (2) Business Days before the first day of the Eurodollar Term for which interest is being calculated. If there is no such "LIBO" rate or replacement rate displayed on the Reuter's monitor money rate service, the provisions of Section 2.6(c) shall apply.

(x) "Eurodollar Borrowing" shall mean any borrowing under the Notes; the interest on which is determined on the basis of rates referred to in the definition of Eurodollar Base Rate.

(y) "Eurodollar Term" shall mean either a fourteen (14), thirty (30), sixty (60) or ninety (90) day contract term.

(z) "Event of Default" shall mean any of the events specified in Article VII hereof, provided that any requirement for notice or lapse of time or any other condition has been satisfied.

(aa) "GAAP" shall mean generally accepted accounting principles in the United States of America as in effect from time to time.

(bb) "General Intangibles" shall mean any "general intangibles" and "intangibles", as such terms are defined in the Code, now or hereafter owned by a Co-Borrower as same relate solely and specifically to Collateral pledged by Co-Borrowers to the Bank hereunder.

(cc) "Goods" shall mean any "goods", as such term is defined in the Code.

(dd) "Indebtedness" shall mean: (i) all items (other than capital stock, capital surplus, retained earnings and general contingencies) which in accordance with GAAP would be included in determining total liabilities as shown on the liability side of a balance sheet as at the date on which Indebtedness is to be determined; and (ii) whether or not so reflected, all indebtedness, obligations and liabilities, whether unsecured or secured by any Lien, and all capitalized lease obligations.

(ee) "Inventory" shall mean "inventory", as such term is defined in the Code and shall include without limitation all goods and other personal property of a Co-Borrower, whether now owned or hereafter acquired or in which a Co-Borrower now has or hereafter

may acquire any right, title or interest, and wherever located, whether in transit or otherwise, held for sale or lease, or furnished or to be furnished under contracts for service, sale or lease, including all goods returned or reclaimed from customers, and all raw materials, work in process and materials owned by a Co-Borrower and used or consumed or to be used or consumed in its business, or in the processing, packaging or shipping of the same, and all finished goods and all assets of a type classified as inventory as reflected, in accordance with GAAP, on the financial statements of a Co-Borrower.

(ff) "Letters of Credit" shall mean a collective reference to all documentary and standby letters of credit issued by the Bank on account of a Co-Borrower under the terms of the Revolving Line of Credit Loan.

(gg) "Lien" shall mean (i) any lien, judicial lien, assignment, charge, conditional sale or other title retention agreement, lease constituting a capital lease, hypothecation, mortgage, pledge, or other security interest, encumbrance or title retention agreement of any kind, whether legal or equitable, in respect of any property of a Person, or upon the income, rents or profits therefrom; (ii) any arrangement, express or implied, under which any property of a Person is transferred, sequestered or otherwise identified for the purpose of subjecting the same to the payment of Indebtedness or performance of any other obligation in priority to the payment of the general unsecured creditors of such Person; (iii) any Indebtedness for wages or Indebtedness arising for any other reason which is unpaid more than thirty (30) days after the same shall have become due and payable and which, if unpaid, might, by Section 507 of the Bankruptcy Code or any other law (whether or not the events or conditions (other than the existence of such Indebtedness or the initiation of legal proceedings available generally to unsecured creditors) set forth in such law have occurred or been satisfied), be given any priority whatsoever over general unsecured creditors of such Person; and (iv) the filing of, or any agreement to give, any financing statement under the Code or its equivalent of any jurisdiction.

(hh) "Loans" shall mean a collective reference to the Revolving Line of Credit Loan, the Equipment Line of Credit Loan and the Equipment Term Loan.

(ii) "Loan Documents" shall collectively mean this Agreement, the Revolving Line of Credit Note, the Equipment Term Note, the Equipment Line of Credit Note, the UCC-1 financing statements and all other agreements, documents, instruments and certificates executed and delivered to the Bank in connection therewith.

(jj) "Notes" shall mean collectively the Revolving Line of Credit Note, the Equipment Term Note and the Equipment Line of Credit Note.

(kk) "Obligations" shall mean (i) any and all Indebtedness, obligations, letters of credit, including, liabilities and agreements of every kind and nature of a Co-Borrower to or with the Bank, or to or with any Affiliates of the Bank, or of any guarantor of a Co-Borrower's Indebtedness, obligations; letters of credit, liabilities and agreements to or with the Bank, or to or with any Affiliates of the Bank now existing or hereafter arising, and now or hereafter contemplated, pursuant to this Agreement, or otherwise, whether in the form of refinancing, loans, guarantees, bankers' acceptances, foreign exchange contracts, options and letters of credit, interest, charges, expenses, fees (including, without limitation attorneys' fees) or otherwise, direct or indirect, (including, without limitation, any participation or interest of the Bank in any obligation of a Co-Borrower to others) acquired outright, conditionally or as collateral security from another, absolute or contingent, joint and/or several, liquidated or unliquidated, due or not due, contractual or tortious, secured or unsecured, arising by operation of law or otherwise, including, but without limiting the generality of the foregoing, indebtedness, obligations or liabilities to the Bank by a Co-Borrower as a member of any partnership, syndicate, association or other group, and whether incurred by a Co-Borrower as principal, surety, endorser, guarantor, accommodation party or otherwise, together with any extensions, renewals or modifications thereof; (ii) all obligations of a Co-Borrower for any future advances made by the Bank to a Co-Borrower whether or not evidenced by a promissory note and all obligations under any renewals, extensions or changes in form of, or substitutions for, any of said indebtedness, obligations or liabilities; (iii) all sums and charges to be paid to the Bank pursuant to this Agreement including, but not limited to Bank Costs; (iv) all interest and late charges on any of the foregoing; and (v) all obligations of a Co-Borrower now or hereafter existing under this Agreement.

(11) "Permitted Indebtedness" shall mean:

(i) Indebtedness owing to the Bank;

(ii) Indebtedness incurred in favor of trade creditors in the ordinary course of business;

(iii) Indebtedness in respect of taxes, assessments, governmental charges, workers' compensation, levies and claims for labor, materials, supplies and rentals to the extent otherwise permitted under this Agreement to remain unpaid and undischarged;

(iv) Indebtedness incurred in the ordinary course of business with respect to the purchase of machinery or equipment (including capitalized lease obligations associated with the acquisition of any such assets), as well as trucks and vehicles of every description, provided that the amount of any such Indebtedness does not exceed the purchase price of the asset acquired; and

(mm) "Permitted Liens" shall mean:

(i) any Lien in favor of the Bank;

(ii) Liens for taxes, assessments or governmental charges or levies not yet due or which are delinquent and which are being contested in good faith and by appropriate proceedings, promptly initiated and diligently conducted, for which reserves have been established in accordance with GAAP with respect thereto and as to which foreclosure, distraint, sale or other similar proceedings shall not have been commenced or if commenced and such Lien or penalty is stayed or dismissed within forty-five (45) days;

(iii) carriers', warehousemen's, mechanics', material-men's, repairmen's or other like Liens arising in the ordinary course of business which are not overdue or which are being contested in good faith and by appropriate proceedings, promptly initiated and diligently conducted, for which reserves have been established in accordance with GAAP with respect thereto and as to which foreclosure, distraint, sale or other similar proceedings shall not have been commenced or if commenced and such Lien or penalty is stayed or dismissed within forty-five (45) days;

(iv) pledges or deposits in connection with workers' compensation, workers' compensation insurance, unemployment insurance and other social security legislation;

(v) deposits to secure the performance of bids, trade contracts (other than for borrowed money), statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(vi) Liens created by or existing from any litigation or legal proceeding; provided that the execution or other enforcement of such Liens is effectively stayed, the claims secured thereby are being actively contested in good faith by appropriate proceedings, adequate book reserves have been established in accordance with GAAP with respect thereto and no Default or Event of Default arises or is created as a result thereof; and

(vii) Liens arising in connection with the Indebtedness described in Section 1.1 (11)(iv), provided each such Lien only encumbers the asset so purchased with the proceeds of such Permitted Indebtedness.

(nn) "Person" shall mean any individual, corporation, partnership, association, joint stock company, trust, unincorporated organization, joint venture, court or government or political subdivision or agency thereof.

(oo) "Premises shall mean and refer to all of the lands, premises and improvements located at: (i) 265 Distribution Street, Port Newark, New Jersey; and (ii) 2680 Kellogg Street, Port Newark, New Jersey.

(pp) "Prime Rate" shall mean the rate of interest announced from time to time by the Bank as its United States "prime rate" or "prime lending rate". This rate of interest is determined from time to time by the Bank as a means of pricing some loans to its customers and is neither tied to any external rate of interest or index nor does it necessarily reflect the lowest rate of interest actually charged by the Bank to any particular class or category of customers of the Bank.

(qq) "Proceeds" and "Products" shall have the meaning ascribed to such terms in the Code and shall include in any event (i) whatever is received upon any collection, exchange, sale or

other disposition or refinancing of any of the Collateral and any property into which any of the Collateral is converted, whether cash or non-cash proceeds; (ii) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to a Co-Borrower from time to time with respect to any of the Collateral; (iii) any and all payments (in any form whatsoever) made or due and payable to a Co-Borrower from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any governmental body, authority, bureau or agency (or any Person acting under color of governmental authority); and (iv) any and all other amounts, from time to time, paid or payable under or in connection with any of the Collateral.

(rr) "Revolving Line of Credit Loan" shall mean the loan described in Section 2.1 of this Agreement.

(ss) "Revolving Line of Credit Loan Maximum" shall mean Four Million (\$4,000,000.00) Dollars.

(tt) "Revolving Line of Credit Loan Termination Date" shall mean March 31, 2001.

(uu) "Revolving Line of Credit Note" shall mean the promissory note substantially in the form of Exhibit 1.1(uu) attached hereto and by this reference made a part hereof as fully as if set forth herein, and any promissory note in renewal thereof or substitution or replacement therefore.

(vv) "Subordinated Indebtedness" shall mean Indebtedness owed by either or both of the Co-Borrowers to a Person which is fully subordinated to the Co-Borrowers' Obligations to the Bank pursuant to a duly executed subordination agreement in form and substance satisfactory to the Bank.

(ww) "Trademarks" shall mean all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos, other source of business identifiers, prints and labels on which any of the foregoing have appeared or appear, designs and General Intangibles of like nature that are owned by a Co-Borrower, including but not limited to the registered trademarks referenced on Exhibit 1.1(ww) attached hereto and by this reference made a part hereof as fully as if set forth herein, now existing or hereafter adopted or

acquired, all registrations and recordings thereof, and all applications in connection therewith, including, without limitation, registrations, recordings and applications in the United States Patent and Trademark office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof and all reissues, extensions or renewals thereof, whether now owned or hereafter acquired.

(xx) "Environmental Laws" and "Environmental Laws" shall mean all current and future federal, state and local environmental laws, statutes, rules, regulations and ordinances, as the same shall be amended and modified from time to time.

(yy) "Hazardous Substances" shall mean any and all "hazardous substances" as defined in Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. §9601, et. seq. and the New Jersey Spill Compensation and Control Act, N.J.S.A. 52:10-23.11, et seq., and the New Jersey Industrial Site Recovery Act, N.J.S.A. 13:1K-6, et seq. any and all "hazardous waste" as defined in the Resource Conservation and Recovery Act, 42 U.S.C. §6901, et seq., and under New Jersey regulations at N.J.A.C. 7:26-8.1, any and all "extraordinarily hazardous substances" as defined in the New Jersey Toxic Catastrophe Prevention Act, N.J.S.A. 13:1K-19, et. seq., any and all "toxic substances" as defined in the Toxic Substances Control Act, 15 U.S.C. §2601, et seq., petroleum products, asbestos or asbestos-containing materials, polychlorinated biphenyls ("PCBs"), radon gas, flammable explosives, urea formaldehyde foam insulation, radioactive materials, chemicals known to cause cancer or reproductive toxicity, pollutants, effluents, contaminants, emissions and all other hazardous substances, materials and waste regulated or controlled by any of the Environmental Laws.

1.2 Accounting Terms. Any accounting terms used in this Agreement which are not specifically defined herein shall have the meaning customarily given thereto in accordance with GAAP.

1.3 Other Terms. Terms such as "accounts", "contract rights", "advices", "confirmations", "instruments", "chattel paper", "documents of title", and the like, shall, unless otherwise specifically defined herein, have the meanings applicable to them for the purposes of Article 9 (Secured

Transactions) of the Uniform Commercial Code in force and effect in the State of New Jersey at the date of this Agreement.

1.4 Entire Agreement. The words "hereof", "herein", and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and section, subsection, schedule and exhibit references are to this Agreement, unless otherwise specified.

II. LOANS

2.1 Revolving Line of Credit Loan.

From time to time, during the period from the date hereof until the Revolving Line of Credit Loan Termination Date, in the manner hereinafter set forth, the Co-Borrowers may borrow, repay and reborrow from the Bank and, upon request of the Co-Borrowers and upon the terms and conditions contained herein, the Bank shall lend and relend to the Co-Borrowers a sum or sums or, subject to the limitations set forth below, issue Letters of Credit (the "Revolving Line of Credit Advances"); provided, however, that, when added to the outstanding principal amount of the Revolving Line of Credit Advances theretofore made pursuant to this Agreement, the aggregate Revolving Line of Credit Advances shall not, at any time, exceed the lesser of: (i) the Revolving Line of Credit Loan Maximum; or (ii) the Borrowing Base. The proceeds of each Revolving Line of Credit Advance hereunder shall only be used by the Co-Borrowers for the purposes of refinancing the Indebtedness with First Union National Bank and for general working capital. In addition, upon written request of the Co-Borrowers to the Bank, the Co-Borrowers may request Revolving Line of Credit Advances, within the limits set forth above, in the form of Letters of Credit; provided, however, that: (x) the Co-Borrowers shall not be permitted to request Letters of Credit if the aggregate undrawn amount of Letters of Credit outstanding shall exceed Five Hundred Thousand (\$500,000) Dollars; and (y) such Letters of Credit must be applied for and issued in accordance with the Bank's standard terms and conditions.

2.2 Equipment Line of Credit Loan. From time to time during the period from the date hereof until the Revolving Line of Credit Loan Termination Date, in the manner hereinafter set forth, the Continental may borrow (but not reborrow) from the Bank and, upon

written request of Continental and upon the terms and conditions contained herein, the Bank shall lend (but not re-lend) to Continental a sum or sums (the "Equipment Line of Credit Advances") which when added to the initial principal amount of any Equipment Line of Credit Advances theretofore made pursuant to this Agreement will not exceed in the aggregate, at any time, the lesser of: (i) eighty (80%) percent of the actual costs incurred by Continental in connection with the purchase of new Equipment (including any and all installation and delivery costs, charges and expenses, architectural and engineering design costs, commissions, charges and expenses, whether such costs, charges and expenses were incurred with third parties or internally with Continental resources, determined in accordance with GAAP) or (ii) the Equipment Line of Credit Loan Maximum. All such Equipment Line of Credit Advances shall be subject to the approval of the Bank. The proceeds of the Equipment Line of Credit Loan shall only be used by Continental to (i) reimburse Continental for the cost of new Equipment previously acquired by Continental for its operations at the Premises and (ii) to purchase new Equipment to be used in Continental's business for its operations at the Premises.

2.3 Equipment Term Loan. As of the date hereof, Continental shall borrow from the Bank and the Bank shall lend to Continental the principal amount of One Million Five Hundred Thousand (\$1,500,000.00) Dollars in connection with Continental's acquisition of certain Equipment from the Port Authority of New York and New Jersey to be used in Continental's business for its operations at the Premises.

2.4 Procedure for Advances.

(a) Revolving Line of Credit Advances. Each Revolving Line of Credit Advance shall be made upon prior written notice (the "Revolving Line of Credit Borrowing Request") from the Co-Borrowers to the Bank specifying: (i) the proposed date of such borrowing; (ii) the principal amount thereof (which notice shall be received by the Bank prior to 11:00 a.m. with respect to any Revolving Line of Credit Advance to be made on the same date); (iii) the type of the Revolving Line of Credit Advance; (iv) in the case of Letters of Credit, a completed and fully executed application for Letters of Credit in the form prescribed by the Bank from time to time to customers of the Bank; and (v) fulfillment of the conditions precedent set forth in Article VI.

Provided all of the terms, conditions and provisions of this Agreement and the other Loan Documents are satisfied by the Co-Borrowers, the Bank shall make the requested Revolving Line of Credit Advance to the Co-Borrowers, in the case of a Revolving Line of Credit Advance which is not a Letter of Credit, in immediately available funds, by depositing said funds in the Co-Borrowers' demand deposit account maintained with the Bank.

(b) Equipment Line of Credit Advances. Each Equipment Line of Credit Advance shall be made upon prior written notice (the "Equipment Line of Credit Borrowing Request") from Continental to the Bank specifying the proposed date of such borrowing and the principal amount thereof which notice shall be received by the Bank prior to 11:00 a.m. with respect to any Equipment Line of Credit Advance to be made on the same date. The Equipment Line of Credit Borrowing Request shall include: (i) the principal amount of the Equipment Line of Credit Advance requested; (ii) the requested borrowing date; and (iii) the Equipment invoice or purchase order setting forth a breakdown of all costs associated with the acquisition of such Equipment and/or an internally prepared schedule of Continental setting forth the cost of such Equipment consistent with Section 2.2 hereof. On the date of each such Equipment Line of Credit Advance, upon fulfillment of the conditions precedent set forth in Article VI, the Bank shall make available to Continental the amount of such Equipment Line of Credit Advance by depositing said funds in Continental's demand deposit account maintained with the Bank.

2.5 Revolving Line of Credit Note, Equipment Line of Credit Note and Equipment Term Note.

(a) The Indebtedness of the Co-Borrowers to the Bank with respect to the Revolving Line of Credit Advances shall be evidenced by the Revolving Line of Credit Note made payable to the Bank, dated the date hereof, signed by Co-Borrowers and delivered to the Bank. The Indebtedness of Continental to the Bank with respect to the Equipment Line of Credit Advances shall be evidenced by the Equipment Line of Credit Note made payable to the Bank dated the date hereof signed by Continental and delivered to the Bank. The Indebtedness of Continental to the Bank with respect to the Equipment Term Loan shall be evidenced by the Equipment Term Note made payable to the Bank, dated the date hereof signed by Continental and delivered to the Bank.

2.6 Interest Rates.

(a) The Notes shall bear interest from the date hereof on the outstanding daily principal amount thereof, which interest shall be payable in arrears on May 1, 1999 and on the first day of each month thereafter and upon payment of the Notes in full, at a fluctuating rate per annum equal to either: (i) the Prime Rate minus one quarter of one (.25%) percent; or (ii) the Eurodollar Base Rate based upon the Eurodollar Term plus one and one half of one (1.50%) percent. Interest shall be calculated on the basis of a 360-day year for the actual number of days elapsed. The rate of interest on the Notes which is based upon the Prime Rate shall be adjusted automatically as of the start of each Business Day on which any change in the Prime Rate is announced by the Bank at its principal office.

(b) Notices to the Bank of borrowings and conversions of interest rates and of the duration of Eurodollar Terms shall be irrevocable and shall be effective only if received by the Bank not later than 12:00 noon New York time and received within the number of Business Days prior to the date of the relevant termination, reduction, borrowing, conversion and/or prepayment specified below:

Notice

Number of Business
Days Prior

Borrowing using Prime Rate
Of Interest

same day

Borrowing or prepayment of,
Conversion of or into, or
Duration of Eurodollar Term
For, Eurodollar Borrowings

2

Each such notice shall specify: (i) the amount to be borrowed or converted; (ii) the interest rate at which the amount is to be borrowed or to which the amount will be converted or at which the amount will be prepaid (subject to Section 2.6(d)); (iii) the date of borrowing or conversion (which shall be a Business Day); and (iv) in the case of Eurodollar Borrowings, the duration of the Eurodollar Term therefor. Each such notice of duration of a Eurodollar Term shall specify the borrowings to which such Eurodollar Term is to relate. In the event that the Co-Borrowers fail to select the duration of any Eurodollar Term for any Eurodollar Borrowing within the time period and otherwise as provided in this Section 2.6(b), such borrowings will, if outstanding as Eurodollar Borrowings, be automatically converted into Prime Rate borrowings on the last day of the then current Eurodollar Term for such borrowing. If outstanding as a Prime Rate borrowing, such borrowings will remain as, or if not then outstanding, will be made as, a Prime Rate borrowing.

(c) Anything herein to the contrary notwithstanding, the Bank shall promptly notify the Co-Borrowers if it reasonably determines, with respect to any Eurodollar Borrowing, that:

(i) quotations of interest rates for the relevant deposits referred to in the definition of "Eurodollar Base Rate" are not being provided in the relevant amounts or for the relevant maturities for purposes of determining the rate of interest for such borrowing for Eurodollar Terms therefor as provided in this Agreement; or

(ii) the relevant rates of interest referred to in the definition of "Eurodollar Base Rate" upon the basis of which the rates of interest for such borrowings are to be determined do not

accurately reflect the cost to Bank of making or maintaining such Eurodollar Borrowing for the Eurodollar Terms applicable thereto.

So long as either of the above conditions remains in effect, and provided the Bank and Co-Borrowers are unable to reasonably agree on a substitute interest rate for Eurodollar Borrowings which will compensate Bank for its cost of funds consistent with prior Eurodollar Base Rates which were in effect and utilized hereunder, the Bank shall be under no obligation to make Eurodollar Borrowings or to convert Prime Rate borrowings into Eurodollar Borrowings. Instead, such Eurodollar Borrowings shall, on the last day(s) of the then current Eurodollar Term for the outstanding Eurodollar Borrowings, convert into Prime Rate borrowings.

(d) Each Eurodollar Borrowing and Eurodollar Borrowing conversion made at the same time by any Co-Borrower shall be in an initial aggregate principal amount equal to at least Five Hundred Thousand (\$500,000) Dollars and, if over Five Hundred Thousand (\$500,000) Dollars, in multiples of One Hundred Thousand (\$100,000) Dollars. Notwithstanding anything to the contrary set forth in this Agreement, there shall not be, taking into account all of the Notes, more than four (4) Eurodollar Borrowings in effect at any one time.

2.7 Letter of Credit Fees. Each Co-Borrower shall pay to the Bank, on or before the issuance date of each Letter of Credit the customary fees and charges as are required by the Bank in accordance with its general practice relating to the issuance, maintenance, transfer and payment of Letters of Credit.

2.8 Optional Prepayment of Notes. Subject to the provisions set forth in the Notes, the Co-Borrowers shall have the right to prepay, in whole or in part and without premium or penalty, the Notes at any time and from time to time. Any prepayment shall be accompanied by a payment of all accrued and unpaid interest on the principal so prepaid. Prepayments of principal under the Equipment Term Note shall be applied in the inverse order of maturity. Prepayments of principal under the Equipment Line of Credit Note after the Revolving Line of Credit Loan Termination Date shall be applied in inverse order of maturity.

2.9 Mandatory Prepayment of Revolving Line of Credit Note. If at any time and for whatever reason the sum of the aggregate

outstanding principal amount of Revolving Line of Credit Advances hereunder exceeds either the Revolving Line of Credit Loan Maximum or the Borrowing Base, then such excess, together with accrued interest thereon, shall be immediately due and payable.

2.10 Business Day. Whenever any payment hereunder or under the Notes shall be stated as due on any day other than a Business Day, the maturity of such payment shall be extended to the next succeeding Business Day and interest and all other fees shall accrue during such extension.

2.11 Automatic Charge. Without in any way limiting any right of offset, counterclaim or banker's lien which the Bank may otherwise have at law, each Co-Borrower hereby irrevocably authorizes the Bank, in its discretion, to either (i) charge against any of a Co-Borrower's account or accounts at the Bank, or (ii) make one or more Revolving Line of Credit Advances, pursuant to Section 2.4(a) above, in an amount or amounts equal in the aggregate to such aforesaid sums as are due and payable from time to time to the Bank.

2.12 Termination. The obligation of the Bank to make any Revolving Line of Credit Advance or Equipment Line of Credit Advance hereunder may be terminated:

(a) by the Bank at any time after the occurrence of an Event of Default;

(b) in the case of the Revolving Line of Credit Loans, by the Bank on the Revolving Line of Credit Loan Termination Date; or

(c) by the Co-Borrowers at any time upon ninety (90) days' prior written notice to the Bank.

Each Co-Borrower acknowledges that the Bank has no obligation to renew the Revolving Line of Credit Loan beyond the Revolving Line of Credit Loan Termination Date regardless of the financial condition of each of the Co-Borrowers at such time.

2.13 Field Examination Fees. Each Co-Borrower agrees to reimburse the Bank for all Bank Costs associated with the Bank's examination of a Co-Borrower's books and records as more fully set forth, required and permitted pursuant to this Agreement. Provided no Default or Event of Default has occurred, the Bank

agrees to limit the Bank Costs associated with the Bank's field exams of the Co-Borrowers' books and records as more fully set forth, required and permitted pursuant to Section 5.7 of this Agreement, to Five Hundred (\$500.00) Dollars per man per day but not to exceed One Thousand (\$1,000.00) Dollars per field exam, plus expenses, (excluding the Bank Costs associated with the initial filed exam previously conducted by the Bank).

2.14 Late Charge. In the event that any payment, including, without limitation, interest and/or principal, required to be made by the Co-Borrowers under this Agreement, or the Notes shall not be received by the Bank within ten (10) days after the same shall become due and payable, the Co-Borrowers shall, to the extent permitted by law, pay Bank a late charge equal to five (5%) percent of the overdue payment (but in no event less than \$25.00 nor more than \$2,500.00). Any such late charge assessed is immediately due and payable.

2.15 Reimbursement Obligation. Each Co-Borrower jointly and severally, absolutely, irrevocably and unconditionally agrees to pay to the Bank an amount equal to, and in reimbursement for, each amount which the Bank pays under any Letters of Credit on or before the earlier of (a) the date specified for payment, if any, of such amount by the Bank in the Letters of Credit or (b) the actual date of payment by the Bank of such amount. Each Co-Borrower hereby authorizes the Bank to make from time to time, pursuant to Section 2.4(a) above, one or more Revolving Line of Credit Advances in an amount equal to the Co-Borrowers' reimbursement obligation as set forth herein and to distribute such Revolving Line of Credit Advance to the Bank to be applied as payment of such reimbursement obligation.

2.16 Indemnification. Each Co-Borrower agrees to indemnify and save harmless the Bank from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including without limitation reasonable attorneys' fees) which the Bank may incur or be subject to as a consequence, directly or indirectly, of the issuance of any Letters of Credit or any action or proceeding relating to a court order, injunction, or other process or decree restraining or seeking to restrain the Bank from paying any amount under any Letters of Credit. In furtherance and not in limitation of the foregoing, the obligations of the Co-Borrowers hereunder shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms hereof under

all circumstances, including, without limitation, any of the following circumstances:

(a) any lack of validity or enforceability of any Letters of Credit or any agreement or instrument relating thereto;

(b) the existence of any claim, setoff, defense or other right which a Co-Borrower may have at any time against the beneficiary or any transferee of any Letters of Credit;

(c) any draft, certificate, or other document presented under any Letters of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(d) any lack of validity, effectiveness, or sufficiency or any instrument transferring or assigning or purporting to transfer or assign any Letters of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part;

(e) any loss or delay in the transmission or otherwise of any documents required in order to make a drawing under any Letters of Credit or of the proceeds thereof;

(f) any failure of the beneficiary of a Letter of Credit to strictly comply with the conditions required in order to draw upon any Letters of Credit; or

(g) any misapplication by the beneficiary of any Letters of Credit of the proceeds of any drawing under such Letters of Credit.

Provided, however, that notwithstanding the foregoing, the Bank shall not be relieved of any liability it may otherwise have as a result of its gross negligence, willful misconduct or wrongful refusal to honor any Letters of Credit.

2.17 Closing Fees. Simultaneous with the execution of the Loan Documents, the Co-Borrowers shall pay to the Bank a closing fee in the amount of Eight Thousand Seven Hundred Fifty (\$8,750.00) Dollars (the "Closing Fee").

2.18 Uniform Customs and Practice. The Uniform Customs and Practice for Documentary Credits, as most recently published by

the International Chamber of Commerce, shall in all respects be deemed a part of this Agreement as if set forth at length herein and shall apply to the Letters of Credit.

III. SECURITY INTEREST

3.1 Grant of Security Interest.

(a) As general and continuing collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of all Obligations and in order to induce the Bank to enter into this Agreement and, among other things, make the Loans as provided herein, each Co-Borrower hereby assigns, conveys, mortgages, pledges, hypothecates, transfers and grants to the Bank a security interest in and first lien (except for Permitted Liens) on all of each Co-Borrower's right, title and interest in and to all of such Co-Borrower's assets, whether now owned or hereafter acquired, including without limitation, the following (all of which being hereinafter collectively called the "Collateral"):

- (i) Accounts Receivable;
- (ii) Contracts;
- (iii) Inventory;
- (iv) Equipment;
- (v) General Intangibles;
- (vi) Goods;
- (vii) Trademarks;

(viii) any and all moneys, securities, drafts, notes, and other property of any kind of a Co-Borrower, now or hereafter held or received by or in transit to the Bank from or for a Co-Borrower (including, without limitation, all moneys held or deposited in any lock box maintained at any office of the Bank), or which may now or hereafter be in the possession of the Bank, or as to which the Bank may now or hereafter be in the control or possession of, by documents of title or otherwise, whether for safekeeping, custody, pledge, transmission, collection or otherwise, and any

and all deposits, general or special, balances, sums, proceeds and credits of a Co-Borrower, and all rights and remedies which a Co-Borrower might exercise with respect to any of the foregoing but for this Agreement;

(ix) the Collateral Proceeds Account and all monies on deposit in the Collateral Proceeds Account; and

(x) all Proceeds and Products of the foregoing.

(b) All Collateral heretofore, herein or hereafter given or granted to the Bank by a Co-Borrower shall secure payment of all of the Obligations. The Bank shall be under no obligation to proceed against any or all of the Collateral before proceeding directly against any of the Co-Borrowers.

3.2 Rights of the Bank; Limitations on Bank's Obligations.

(a) It is expressly agreed by each Co-Borrower that, anything herein to the contrary notwithstanding, each Co-Borrower shall remain liable under all Contracts to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with and pursuant to the terms and provisions of all such Contracts. The Bank shall not have any obligation or liability under any Contracts by reason of or arising out of this Agreement or the receipt by the Bank of any payment relating to any Contracts pursuant hereto, nor shall the Bank be required or obligated in any manner to perform or fulfill any of the obligations of a Co-Borrower under or pursuant to any Contract, or to make any payment, or to make any inquiry as to the nature or the sufficiency of any payment received by it or the sufficiency of any performance by any party under any Contract, or to present or file any claim, or to take any action to collect or enforce any performance or the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

(b) Each Co-Borrower is authorized to collect amounts owing to such Co-Borrower with respect to the Collateral, provided that the Bank may, at any time following the occurrence and during the continuance of an Event of Default curtail or terminate said authority upon prior written notice. Any Proceeds, when collected by the Co-Borrowers, whether consisting of checks, notes, drafts, bills of exchange, money orders, commercial paper of any kind

whatsoever, or other documents, received as payment in respect of any Collateral, shall, at the option of the Bank upon serving written notice to each Co-Borrower, be promptly deposited by each Co-Borrower in precisely the form received, except for their endorsement when required, in a special bank account maintained by the Bank (the "Collateral Proceeds Account"), subject to withdrawal as hereinafter provided, and until so turned over, shall be deemed to be held in trust by each Co-Borrower for and as the Bank's property and shall not be commingled with any of a Co-Borrower's other funds. Such Proceeds, when deposited, shall continue to be Collateral for all of the Obligations and shall not constitute payment thereof until applied as hereinafter provided. In the event the Bank elects to require a Collateral Proceeds Account, on every Business Day, the Bank shall apply all or any part of the funds on deposit in the Collateral Proceeds Account on account of the principal of and/or interest on the Revolving Line of Credit Note. For purposes of the preceding sentence, funds shall be deemed on deposit in the Collateral Proceeds Account on the third Business Day after the actual date of deposit of said funds in the Collateral Proceeds Account.

(c) The Bank may at any time following the occurrence of an Event of Default, notify Account Debtors to the effect that the Accounts Receivable have been assigned to the Bank and that payments shall be made directly to the Bank or as the Bank shall otherwise direct. Upon the request of the Bank at any time following the occurrence of an Event of Default, each Co-Borrower will so notify such Account Debtors and will indicate on all bills that payments shall be made directly to the Bank or as the Bank shall otherwise direct. The Bank may, in its own name or in the name of others, communicate with Account Debtors in order to verify with them, to the Bank's satisfaction, the existence, amount and terms of any Accounts Receivable.

(d) The Bank shall have the right to make test verifications of the Accounts Receivable in any reasonable manner and through any medium that it considers reasonably advisable, and each Co-Borrower agrees to furnish all such assistance and information as the Bank may reasonably require in connection therewith.

(e) The Bank agrees to release the Collateral promptly upon satisfaction of each of the following: (i) the receipt by the Bank of a written request therefor from each Co-Borrower; (ii) payment in full of all Obligations; (iii) the termination of the Bank's

obligation to make any Revolving Line of Credit Advance and Equipment Line of Credit Advance hereunder as provided in Section 2.1 and 2.2 of this Agreement; and (iv) the payment by the Co-Borrowers of all reasonable costs and expenses incurred by the Bank in connection with such release of the Collateral.

IV. REPRESENTATIONS AND WARRANTIES.

In order to induce the Bank to enter into this Agreement and, among other things, make the Loans as provided herein, each Co-Borrower hereby represents, warrants and agrees that:

4.1 Organization: Power: Qualification. Each Co-Borrower: (i) is a corporation duly organized, validly existing and in good standing under the laws of the state or jurisdiction of its incorporation; (ii) has the full power and authority to own and operate its properties and assets and to carry on the business now conducted by it; and (iii) is qualified or authorized to do business and is in good standing not only in the state or jurisdiction of its incorporation but also in all other jurisdictions wherein the failure to make such qualification or authorization might have a material adverse effect on its business, assets, liabilities, financial condition, results of operation or business prospects.

4.2 Authorization of Agreement. Each Co-Borrower has full power and authority to execute, deliver and perform any action which may be necessary or advisable to carry out the terms of the Loan Documents; and each Loan Document to which a Co-Borrower is a party has been duly authorized, executed and delivered by each Co-Borrower and is the legal, valid and binding obligation of each Co-Borrower enforceable in accordance with its terms.

4.3 No Legal Bar. The execution, delivery and performance of the Loan Documents will not: (a) violate any provision of any existing law, statute, rule, regulation or ordinance; (b) conflict with, result in a breach of or constitute a default under (i) the certificate of incorporation or by-laws of a Co-Borrower, (ii) any order, judgment, award or decree of any court, governmental authority, bureau or agency, or (iii) any mortgage, lease, material contract or other material agreement or undertaking to which a Co-Borrower is a party or by which a Co-Borrower or any of its properties or assets may be bound; and (c) result in the creation or imposition of any Lien upon or with respect to any

property or asset now or hereafter acquired by a Co-Borrower, other than the Liens created by the Loan Documents.

4.4 Consent. No consent, license, permit, approval or authorization of, exemption by, notice to, report to, or registration, filing or declaration with any Person is required in connection with the execution, delivery, performance or validity of the Loan Documents or the transactions contemplated thereby, other than filing or recordation of financing statements and like documents in connection with the Liens being granted in favor of the Bank.

4.5 Compliance With Law. Each Co-Borrower is not in violation of any applicable law, rule, regulation, statute, ordinance, including without limitation, all Environmental Laws, or any order, judgment, award or decree of any court, governmental authority, bureau or agency, the violation of which might have a materially adverse effect on its respective business, assets, liabilities, financial condition, results of operation or business prospects.

4.6 Title to Properties and Assets; Liens. The Co-Borrowers have good, marketable and legal title to the properties and assets as reflected on the balance sheet of the Co-Borrowers as of September 30, 1998, delivered to the Bank, except such properties or assets as have been disposed of by a Co-Borrower subsequent to the date thereof in the ordinary course of business. All of said properties and assets are in good working order. Except as set forth on Exhibit 4.6, the Co-Borrowers do not own, or have any interest in, any real property other than a leaseholder interest in the office locations set forth in Exhibit 4.15 attached hereto. Except for: (i) financing statements naming the Bank as secured party; and (ii) those financing statements set forth on Exhibit 4.6 attached hereto and made a part hereof, no financing statement under the Code is in effect in any jurisdiction that names a Co-Borrower as debtor, and the Co-Borrowers have not signed any such financing statement or any security agreement authorizing any secured party thereunder to file any such financing statement in any jurisdiction.

4.7 No Default. Each Co-Borrower is not in default in the payment or performance of any of its obligations or in the performance of any mortgage, indenture, lease, contract or other agreement or undertaking to which it is a party or by which it or

any of its properties or assets may be bound, which default may materially affect its business, assets, liabilities, results of operations, financial condition or business prospects, and no Default or Event of Default has occurred and is continuing. Each Co-Borrower is not in default under any order, award or decree of any court, arbitrator, or governmental authority binding upon or affecting it or by which any of its properties or assets may be bound or affected, and no such order, award or decree, if any, materially and adversely affects the ability of the Co-Borrowers to carry on their respective business as presently conducted or to perform their Obligations under the Loan Documents.

4.8 No Litigation. Except as set forth on Exhibit 4.8, no litigation, investigation or proceeding of or before any court, arbitrator or governmental authority is currently pending, nor, to the knowledge of the Co-Borrowers, is threatened, against any of the Co-Borrowers or any of their properties and revenues, which, if adversely determined, would materially and adversely affect their business, operations, financial condition, results of operations or business prospects.

4.9 No Burdensome Restrictions. Each Co-Borrower is not a party to or are bound by any contract, agreement or instrument nor subject to any restriction, materially and adversely affecting its respective business, operations, properties, financial or other condition or business prospects.

4.10 Tax Returns and Payments. All federal, state and other tax returns of each Co-Borrower required by law to be filed have been duly filed or extensions obtained, and all federal, state and other taxes, assessments and governmental charges or levies upon the Co-Borrowers or any of their respective properties, income, profits or assets which are due and payable have been paid or provided for, except for such taxes and assessments which a Co-Borrower is disputing in good faith and for which a Co-Borrower has established adequate reserves on its books for the payment of such disputed taxes or assessments in accordance with GAAP.

4.11 Financial Statements. The Co-Borrowers have furnished to the Bank copies of the balance sheets of the Co-Borrowers as of December 31, 1997 and the related statements of income and retained earnings, as certified by Herman, Yula, Schwartz & Lagomarsino, P.A., along with interim financial statements prepared by the Co-Borrowers. Such financial statements are true,

correct and complete in all material respects and reflect all material direct and contingent liabilities of every kind required to be provided for on a balance sheet prepared in accordance with GAAP and fairly present the financial position and results of operations of the Co-Borrowers on the dates and for the periods then ended, in accordance with GAAP, consistently applied throughout the periods involved.

4.12 No Adverse Changes. Since September 30, 1998, no material adverse change has occurred in the business, assets, liabilities, financial condition, results of operations or business prospects of any of the Co-Borrowers, and no event has occurred or failed to occur which has had or is likely to have a material adverse effect on the business, assets, liabilities, financial condition, results of operations or business prospects of the Co-Borrowers.

4.13 ERISA.

(a) Each Co-Borrower is in compliance in all material respects with the applicable provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and all regulations issued thereunder; and

(b) No "employee benefit plan", as defined in Section 3 of ERISA, maintained and administered by a Co-Borrower (and including any multi-employer plan in which a Co-Borrower participates but does not administer), as from time to time in effect (the "Plans"), nor any trusts created thereunder, nor any trustee or administrator thereof, has engaged in a "prohibited transaction", as defined in Section 4975 of the Internal Revenue Code of 1986, as amended, which could subject a Co-Borrower, any Plan or any such trust, or any trustee or administrator thereof, or any party dealing with any Plan or any such trust to the tax or penalty on prohibited transactions imposed by said Section 4975. Neither any of the Plans nor any such trusts have been terminated, nor has there been any "reportable event", as defined in Section 4043 of ERISA (for which the thirty (30) day notice has not been waived), or "accumulated funding deficiency", as defined in Section 4971 of the Internal Revenue Code of 1986, as amended. Each Co-Borrower has not incurred any liability to the Pension Benefit Guaranty Corporation.

4.14 Federal Reserve Regulations. Each Co-Borrower has not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any margin stock (within the meaning of Regulations U and X of the Board of Governors of the Federal Reserve System). No part of any of the Loans hereunder shall be used to purchase or carry any such margin stock or to extend credit to others for the purpose of purchasing or carrying any such margin stock.

4.15 Collateral.

(a) Each Co-Borrower is (or, in the case of after acquired property, will be) the sole owner of each item of Collateral and has good and marketable title thereto, free and clear of any and all Liens except for Permitted Liens.

(b) No security agreement, financing statement, mortgage, deed of trust, equivalent security or instrument or continuation statement covering all or any part of the Collateral is on file or of record in any public office, except for Permitted Liens.

(c) This Agreement constitutes a valid and continuing first lien on, and upon filing the necessary UCC-1 financing statements with the appropriate governmental authorities a first perfected security interest in, the Collateral in which a security interest can be perfected by the filing of a financing statement under the Code, in favor of the Bank, prior to all other liens, encumbrances, security interests and rights of others (except for Permitted Liens), and is enforceable as such or against creditors of and purchasers from each Co-Borrower. Upon the filing of UCC-1 financing statements, all actions necessary or desirable to protect and perfect such security interest in each item of Collateral in which a security interest can be perfected by the filing of a financing statement under the Code has been duly taken.

(d) Exhibit 4.15 attached hereto and by this reference made a part hereof, sets forth the location of each Co-Borrower's places of business. Exhibit 4.15 also sets forth the place where records concerning each Co-Borrower's Collateral is kept. Exhibit 4.15 further sets forth the various locations at which any Collateral may be found (except for items in transit), including any Inventory which may be held on consignment or under any field warehousing arrangement. Exhibit 4.15 additionally sets forth

whether any of such locations are owned by a Co-Borrower or leased from any other Person, and if leased, the name and address of the lessor thereunder.

(e) Except as set forth on Exhibit 4.15, each Co-Borrower has not within the past six (6) months, and does not presently, conduct any business under or use any trade name, alternate name or fictitious name in any manner.

(f) Each Accounts Receivable is a bona fide, valid and legally enforceable obligation of the Account Debtor in respect thereof and does not represent a sale on consignment, sale or return, or other similar understanding, and to the best of each Co-Borrower's knowledge, no facts exist which are the basis for any future, offset or counterclaim or other defense on the part of such Account Debtor, including, without limitation, any account payable owing by a Co-Borrower to such Account Debtor, nor will any of the foregoing, whether or not arising in the ordinary course of business, have a material and adverse effect on the business, financial condition, results of operations or business prospects of a Co-Borrower or the aggregate value of the Accounts Receivable. The amount represented by the Co-Borrowers to the Bank as owing by each Account Debtor in respect of the Accounts Receivable is the correct amount actually and unconditionally owing by such Account Debtor thereunder.

4.16 Accuracy and Completeness of Information. All information, reports and other papers and data furnished to the Bank were, at the time the same were so furnished, complete and correct in all material respects. No document furnished or statement made to the Bank in connection with the negotiation, preparation or execution of the Loan Documents contains or will contain any untrue statement of material fact or omits or will omit to state a material fact necessary in order to make the statements contained therein not misleading. No fact is known to a Co-Borrower which has had or may in the future have (so far as a Co-Borrower can reasonably foresee) a material adverse effect upon each Co-Borrower's business, assets, liabilities, condition, financial or otherwise, results of operations or business prospects that has not been set forth in the financial statements furnished to the Bank or in other reports, papers or data or otherwise disclosed in writing to the Bank.

V. COVENANTS

Each Co-Borrower covenants and agrees that until all the Obligations have been satisfied and paid in full, each Co-Borrower will comply with the following covenants:

5.1 Preservation of Existence. Each Co-Borrower will do or cause to be done all things necessary to preserve and maintain in full force and effect their corporate existence and all contracts, rights, licenses, permits, franchises and trade names, which are necessary or useful to the proper conduct of their business and shall qualify and remain qualified as a foreign corporation and authorized to do business in each jurisdiction in which the character of their properties or the nature of their business requires such qualification or authorization.

5.2 Nature of Business. The Co-Borrowers will continue to be engaged in the business of the manufacture and distribution of gypsum board and/or other building materials.

5.3 Compliance with Laws. Each Co-Borrower will comply in all material respects with all laws, ordinances, governmental rules and regulations to which they or their properties or assets are, or might become subject, including but not limited to all Environmental Laws, rules and regulations (unless the same shall be contested in good faith and by appropriate proceedings and such contest shall operate to stay any such noncompliance), the noncompliance with which might interfere with the performance of their respective Obligations under the Loan Documents or with the proper conduct of their business. The Co-Borrowers agree that neither of them shall use the Premises for the purpose of generating, treating, producing, storing, handling, transferring, processing, transporting, disposing or otherwise releasing Hazardous Substances either on, in, from or about the Premises which: (a) creates or causes contamination or a release on the Premises required by any governmental authority to be removed, remediated, or otherwise cleaned up under any applicable Environmental Law; (b) creates any form of liability, whether civil or criminal, direct or indirect, due to such actual or threatened contamination or release; or (c) is in contravention of any Environmental Law.

5.4 Maintenance of Properties. Each Co-Borrower will maintain or cause to be maintained in working order and good

condition, ordinary wear and tear excepted, all of their assets and properties which are material to the conduct of their business, and from time to time make or cause to be made all necessary repairs, replacements, additions, betterments and improvements thereto, so that the business carried on in connection therewith may be properly and advantageously conducted at all times.

5.5 Accounting Methods. Each Co-Borrower will maintain a system of accounting established and administered in accordance with GAAP, keep adequate records and books of account in which complete entries will be made in accordance with GAAP, make provision in their accounts in accordance with GAAP for reserves for depreciation, obsolescence and amortization and all other proper reserves and accruals which in accordance with GAAP should be established.

5.6 Payment of Taxes and Claims. Each Co-Borrower will pay and discharge promptly: (a) all taxes, assessments and governmental charges or levies imposed upon them or upon their income or profits or upon any of their properties or assets before the same shall become delinquent; (b) all lawful claims of materialmen, mechanics, carriers, warehousemen, landlords, and other similar persons for labor, materials, supplies and rentals which, if unpaid, might by law become a Lien or charge upon their property; and (c) all of their Indebtedness and other obligations of whatever nature when due (subject, where applicable, to grace periods, normal credit terms and to other forbearance in the ordinary course of business); provided, however, that none of the foregoing need be paid while being contested in good faith and by appropriate proceedings, so long as adequate book reserves have been established in accordance with GAAP with respect thereto.

5.7 Visits and Inspection; Field Examinations. Each Co-Borrower will permit the Bank and its agents and representatives during ordinary business hours to: (a) visit and inspect their properties; (b) inspect and make extracts from their books and records; (c) discuss with their principal officers and independent public accountants any and all matters with respect to their business, assets, liabilities, financial condition, results of operations and business prospects; and (d) examine all Accounts Receivable, general ledgers, Inventory, and corporate records of the Co-Borrowers.

5.8 Information Covenants. Each Co-Borrower will furnish the following information to the Bank (which shall be in such form and in such detail as shall be satisfactory to the Bank):

(a) As soon as practicable, and, in any case, within ninety (90) days after the end of each fiscal year of the Co-Borrowers a balance sheet for the Co-Borrowers as of the end of such fiscal year and the related statements of income, retained earnings and cash flows for the Co-Borrowers for such fiscal year, setting forth in comparative form on a consolidating basis the figures as at the end of and for the previous fiscal year, prepared on an audited basis by Herman, Yula, Schwartz & Lagomarsino, P.A., or other independent certified public accountants reasonably satisfactory to the Bank;

(b) As soon as practicable, and, in any case, within thirty (30) days after the last day of the third, sixth and ninth month of each fiscal year of the Co-Borrowers, a balance sheet of the Co-Borrowers as of the end of such month and the related statements of income, retained earnings and cash flows of the Co-Borrowers for the elapsed portion of the fiscal year ending on a consolidating basis with the last day of such month, setting forth in comparative form the elapsed portion of the fiscal figures for the corresponding periods of the previous fiscal year which shall be certified by the President of each Co-Borrower, on such form as is customarily required by the Bank, which shall set forth in their opinion, as presenting fairly in accordance with GAAP, the financial position for such period and for the elapsed portion of the fiscal year ended with the last day of such period, subject only to normal year-end auditing adjustments.

(c) At the time the financial statements and reports are furnished pursuant to Subsections 5.8 (a) and (b) above, the Co-Borrowers shall also furnish (i) a certificate of the President or Chief Financial Officer of each Co-Borrower setting forth each Co-Borrower's calculation of the covenants set forth in Sections 5.20, 5.21, 5.22 and 5.23 of the Agreement as of the last day of the period referenced, and (ii) a certificate of the President of each Co-Borrower stating that no event has occurred which constitutes a Default or an Event of Default under any of the Loan Documents or if such an event has occurred, disclosing each such event or failure and its nature, when it occurred, whether it is continuing and the steps being taken by the Co-Borrower with respect to such event or failure;

(d) As soon as practicable following the end of each month and, in any event, within fifteen (15) Business Days after the end of each month: (i) an accounts payable listing and aging report; (ii) an Accounts Receivable listing and aging report, which includes a reconciliation breaking out of all ineligible Accounts Receivable; and (iii) a Borrowing Base Certificate (all information and data necessary to complete the aforesaid reports shall be current as of the last day of the most recent month).

(e) As soon as practicable following the end of each month and, in any event, within fifteen (15) days after the end of each month, a summary of Inventory (all information and data necessary to complete the summary shall be current as of the last day of the most recent month);

(f) Within thirty (30) days of filing, originally executed complete copies of each Co-Borrower's federal income tax returns;

(g) From time to time and promptly upon each request, such existing reports and other information regarding the business, assets, liabilities, financial condition, results of operations or business prospects of the Co-Borrowers as the Bank may reasonably request including, but not limited to, machinery and equipment appraisals, personal property appraisals, environmental assessments and reports, invoices, bills of lading and shipping documents;

(h) Immediate notice of:

(i) the commencement of any proceeding or investigation by or before any governmental body and any action or proceeding in any court or before any arbitrator against or in any other way relating to a Co-Borrower or any of its respective properties, assets or business, which, if adversely determined, could singly or when aggregated with all other existing or reasonably foreseeable proceedings, investigations or actions, materially and adversely affect the business, results of operations, financial condition or business prospects of a Co-Borrower;

(ii) any notice received from any administrative official or agency relating to any order, ruling, statute or other

law or information which could materially and adversely affect the operations of a Co-Borrower;

(iii) any amendment of the certificate of incorporation or by-laws of a Co-Borrower;

(iv) any material adverse change with respect to the business, assets, liabilities, financial condition, business prospects or results of operations of a Co-Borrower; and

(v) any Default or Event of Default hereunder or any event of default under any other material agreement to which a Co-Borrower is a party or by which any of its properties may be bound;

(i) As soon as possible, and, in any event, within thirty (30) days after any executive officer of a Co-Borrower knows that any reportable event (as defined in Section 4043 of ERISA) with respect to any Plan has occurred, a statement of the chief financial officer of such Co-Borrower setting forth details as to such reportable event and the action that the Co-Borrower proposes to take with respect thereto, together with a copy of the notice of such reportable event given to the Pension Benefit Guaranty Corporation;

(j) Promptly after receipt thereof, a copy of any notice a Co-Borrower may receive from the Pension Benefit Guaranty Corporation relating to their intention to terminate any Plan or to appoint a trustee to administer any Plan;

(k) As soon as practicable, and, in any case, within thirty (30) days after the end of each fiscal year of the Co-Borrowers, projected, (i) retained earnings and cash flows, (ii) statements of income, and (iii) balance sheets for the Co-Borrowers for the then current fiscal year, certified by the President of each Co-Borrower.

5.9 Accuracy and Completeness of Information. Each Co-Borrower covenants that all information, reports, statements, and other papers and data furnished to the Bank pursuant to any provision or term of any of the Loan Documents shall be, at the time the same is so furnished, complete and correct in all material respects.

5.10 Insurance. (a) Each Co-Borrower will maintain with financially sound and reputable insurance companies, insurance policies: (i) insuring the Collateral against loss by fire, explosion, vandalism, malicious mischief, theft and such other casualties as are usually insured against by companies engaged in the same or similar businesses; (ii) insuring such Co-Borrower and the Bank against liability for personal injury and property damage relating to the Collateral; and (iii) providing for business interruption coverage. Such policies shall be in such form and in such amounts and coverage as may be reasonably satisfactory to the Bank, with losses payable to the Bank as additional insured and as bank loss payee, as its interest may appear under standard non-contributory "mortgagee", "bank loss payee" or "secured party" clauses. Each Co-Borrower shall, if so requested by the Bank, deliver to the Bank, as often as the Bank may reasonably request, a report of a reputable insurance broker with respect to the insurance on the Collateral. All insurance with respect to the Collateral shall: (i) provide that no cancellation, reduction in amount or change in coverage thereof shall be effective until at least thirty (30) days after receipt by the Bank of written notice thereof; and (ii) be reasonably satisfactory in all material respects to the Bank. In the event of a partial or total destruction of any of the Collateral by fire or other insured casualty, the Bank shall not unreasonably withhold any such insurance proceeds received by the Bank, provided that (i) no Default or Event of Default has occurred and is continuing under the Loan Documents and (ii) any such insurance proceeds released by the Bank to a Co-Borrower shall be used solely for the purchase, repair or replacement of Collateral. In the event of Default or Event of Default has occurred and is continuing under the Loan Documents, or if any of the insurance proceeds released to a Co-Borrower are used for any purpose other than as set forth above, then at the option of the Bank, the remaining insurance proceeds may be utilized by the Bank to reduce the Obligations.

(b) The Co-Borrowers shall give the Bank prompt notice of any and all insurance claims made by a Co-Borrower with respect to the Collateral which are in excess of twenty-five thousand (\$25,000.00) dollars and are in dispute or unpaid, unless such dispute is resolved or such claim is paid within thirty (30) days of the date of the claim.

5.11 Indebtedness. Except in connection with the guaranty by Continental of certain trade Indebtedness of Liberty (not to

exceed two hundred fifty thousand (\$250,000) dollars to any Person nor five hundred thousand (500,000) dollars in the aggregate), each Co-Borrower will not create, assume, incur, guarantee or in any manner become liable, contingently or otherwise, in respect of any Indebtedness except for Permitted Indebtedness; provided, however, that the foregoing provision shall not apply if, concurrently with the incurrence of such Indebtedness, the proceeds thereof are applied to the complete satisfaction and payment in full of all Obligations.

5.12 Liens. Each Co-Borrower will not create, assume or incur or cause to be created, assumed or incurred, or permit to exist, any Liens on their respective properties or assets except for Permitted Liens, and each Co-Borrower will defend the right, title and interest of the Bank in and to a Co-Borrower's rights to the Collateral and in and to the Proceeds and Products thereof against the claims and demands of all Persons whatsoever.

5.13 Sale of Assets; Merger. Each Co-Borrower shall not, without the prior written consent of the Bank: (a) sell, transfer, assign, lease or otherwise dispose of (whether in one transaction or a series of transactions) all or substantially all of their respective assets (whether now owned or hereafter acquired); or (b) consolidate with or merge into any other corporation or permit any corporation to merge into it.

5.14 Guaranties. Except in connection with the guaranty by Continental of certain trade Indebtedness of Liberty (not to exceed two hundred fifty thousand (\$250,000) dollars to any Person nor five hundred thousand (\$500,000) dollars in the aggregate), each Co-Borrower shall not guaranty, endorse, become surety for, or otherwise in any way become or be responsible for, the obligations of any other Person, whether by agreement to purchase the Indebtedness of any other Person, or agreement for the furnishing of funds, directly or indirectly, for the purpose of payment of Indebtedness of any other Person, other than in connection with Permitted Indebtedness and endorsements of negotiable instruments for deposit or collection in the ordinary course of its business.

5.15 Collateral.

(a) Each Co-Borrower will keep and maintain at its own cost and expense satisfactory and complete records of the Collateral,

including, without limitation, a record of all payments received and all credits granted with respect to the Collateral and all other dealings with the Collateral. Each Co-Borrower will mark its respective books and records pertaining to the Collateral to evidence the security interest therein granted hereby as the Bank may reasonably request. For the Bank's further security, each Co-Borrower agrees that the Bank shall have a security interest in and a Lien upon all of a Co-Borrower's books and records (including all computer programs, software, discs, drives, printouts and similar items) pertaining to the Collateral, and if any Event of Default shall have occurred and be continuing, each Co-Borrower shall promptly deliver and turn over any such books and records to the Bank or its representatives at any time upon demand.

(b) Except as otherwise expressly permitted herein, each Co-Borrower will not sell, transfer, lease or otherwise dispose of any or all of the Collateral, or attempt, offer or contract to do so, without the express prior written consent of the Bank, except for: (i) sales or other dispositions or use of Inventory in the ordinary course of business; and (ii) sales or other dispositions of Equipment which is obsolete.

(c) Each Co-Borrower will perform and comply in all material respects with all obligations under all Contracts and all other material agreements to which they are a party or by which they are bound.

(d) The Co-Borrowers will not amend, modify, terminate or waive any provision of any Contracts in any manner which might adversely affect the value of the Collateral in a material respect.

(e) Except in the ordinary course of a Co-Borrower's business consistent with their past business practice, each Co-Borrower will not grant any extension of the time of payment of any of the Accounts Receivable, or compromise, compound or settle the same for less than the full amount thereof, or release, wholly or partly, any Person liable for the payment thereof, or allow any credit or discount whatsoever thereon.

(f) Each Co-Borrower will furnish to the Bank, from time to time, statements and schedules further identifying and describing the Collateral and such other reports in connection with the

Collateral as the Bank may reasonably request, all in reasonable detail.

(g) Each Co-Borrower will immediately advise the Bank, in complete detail of any: (i) Lien asserted or claim made against any of the Collateral; (ii) material change in the composition of the Collateral; and (iii) occurrence of any other event which would have a material adverse effect on the aggregate value of the Collateral or on the security interest created hereunder.

(h) Each Co-Borrower will not change their respective names, identity or corporate structure in any manner which might make any financing or continuation statement filed hereunder misleading, nor will a Co-Borrower change its respective principal place of business, record-keeping location or remove any of their books and records or the Inventory to any location other than the Premises (except as otherwise permitted in Subsection 5.15(b) hereof) unless, in each case with respect to the Inventory, a Co-Borrower shall have given the Bank at least thirty (30) days' prior written notice thereof or shall have delivered to the Bank acknowledgment copies of financing statements recording such change, duly executed and duly filed in each jurisdiction in which financing statements on form UCC-1 are required to be filed in order to perfect the security interest granted by a Co-Borrower in favor of the Bank as set forth in this Agreement in the Collateral, and shall have taken all action necessary or reasonably requested by the Bank to amend such financing statement or continuation statement so that it is not misleading.

5.16 Sale and Leaseback. Each Co-Borrower shall not directly or indirectly enter into any arrangement with any Person providing for the leasing by a Co-Borrower of any asset (real or personal) which has been or is to be sold or transferred by a Co-Borrower to such Person or to any other Person to whom funds have been or are to be advanced by such Person on the security of such asset or rental obligations of a Co-Borrower.

5.17 Transactions with Affiliates. Each Co-Borrower shall not enter into any transaction with any Affiliate of a Co-Borrower (excepting however transactions between Co-Borrowers) on terms which are less favorable than if such transaction were a bona-fide arms-length transaction between unaffiliated parties.

5.18 Operating Accounts. The Co-Borrowers shall establish and maintain an operating account with the Bank.

5.19 Capital Structure. Each Co-Borrower shall not alter its respective existing capital stock structure by the issuance of new shares of existing classes of stock or by the creation of new classes of stock, or otherwise. The legal and beneficial ownership of all classes of stock issued by Liberty shall be held by Continental.

5.20 Tangible Net Worth. The Co-Borrowers shall not cause, suffer or permit their consolidated Tangible Net Worth (as hereinafter defined) to be less than Four Million (\$4,000,000.00) Dollars as of the date of closing and as of the end of each fiscal quarter thereafter. The term "Tangible Net Worth" shall mean as of the time of any determination thereof, total shareholders' equity plus Subordinated Indebtedness less (i) intangible assets and (ii) Indebtedness owing to a Co-Borrower from any employee, subsidiary or Affiliate excluding normal Accounts Receivable sold in the ordinary course of a Co-Borrower's business. Shareholders' equity and intangible assets shall be determined in accordance with GAAP.

5.21 Total Indebtedness to Tangible Net Worth Ratio. The Co-Borrowers shall not cause, suffer or permit the ratio of the Co-Borrower's consolidated Total Indebtedness less Subordinated Indebtedness to Tangible Net Worth to exceed 3.0:1 as of the date of closing and as of the end of each fiscal quarter thereafter. The term "Total Indebtedness" shall be determined in accordance with GAAP.

5.22 Capital Expenditures. The Co-Borrowers shall not enter into any agreement to purchase or pay for, or become otherwise obligated to pay for capital expenditures, as determined in accordance with GAAP, in an amount in excess of One Million Five Hundred Thousand (\$1,500,000) Dollars in the aggregate for any fiscal year of the Co-Borrowers without the prior written consent of the Bank, such consent not to be unreasonably withheld. The balance of any capital expenditures not expended in one fiscal year may not be carried forward to the next fiscal year. For the purposes of this provision, the Equipment purchased by the Co-Borrowers from the Port Authority of New York and New Jersey using the proceeds of the Equipment Term Loan shall not be included in the calculation of aggregate capital expenditures.

5.23 Minimum Net Income.

(a) The Co-Borrowers shall not cause, suffer or permit their consolidated net income, before income taxes but before any extraordinary gains, as determined in accordance with GAAP, to be less than One Million (\$1,000,000) Dollars for any rolling twelve (12) month period ending March 31, June 30, September 30 and December 31.

(b) The Co-Borrowers shall not cause, suffer or permit their consolidated net operating losses, before taxes but before any extraordinary gains as determined in accordance with GAAP to be greater than One Million (\$1,000,000) Dollars for any fiscal quarter ending March 31, June 30, September 30 or December 31.

5.24 Dividends. Provided no Default or Event of Default has occurred and is continuing or would be caused thereby, the Co-Borrowers may declare or pay dividends or distributions, in cash or otherwise, on any shares of stock of a Co-Borrower and may redeem, return, purchase or otherwise acquire directly or indirectly any of its shares of stock now or hereafter outstanding. Notwithstanding the foregoing, Continental shall at all times (including during periods of a Default or Event of Default) be permitted to declare and pay dividends and distributions solely to the extent necessary for shareholders of Continental to pay income taxes due on the earnings of Continental relating to its Subchapter S corporation status under the Internal Revenue Code of 1986, as amended.

5.25 Further Documentation. At any time, and from time to time, upon the Bank's written request and at the Co-Borrowers' sole expense, each Co-Borrower will promptly and duly execute and deliver such further documents and instruments and do such further acts and things as the Bank may reasonably request in order to obtain the full benefits of this Agreement and the Loan Documents and the rights and powers herein and therein granted, including the filing of any financing or continuation statements and amendments thereto under the Code in effect in any jurisdiction and any and all other recording documents with respect to the Liens and security interests granted to the Bank pursuant to the Loan Documents. Each Co-Borrower also hereby authorizes the Bank to file any such financing or continuation statement without the signature of a Co-Borrower to the extent permitted by applicable law. If any amount payable under or in connection with any of the

Collateral shall be or become evidenced by any promissory note or other instrument, such note or other instrument shall be immediately pledged to the Bank hereunder, duly endorsed in a manner satisfactory to the Bank and delivered to the Bank.

5.26 Bank's Appointment as Attorney-in-Fact.

(a) Each Co-Borrower hereby irrevocably constitutes and appoints the Bank, and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of a Co-Borrower and in the name of the Co-Borrowers or in its own name, from time to time in the Bank's discretion for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement and, without limiting the generality of the foregoing, hereby gives the Bank the power and right, on behalf of each Co-Borrower, without notice to or assent by the Co-Borrowers, to do the following:

(i) upon the occurrence of an Event of Default, to ask, demand, collect, receive and give acquittances and receipts for any and all monies due and to become due under or in connection with any Collateral and, in the name of a Co-Borrower or its own name or otherwise, to take possession of and endorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under any Collateral and to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Bank for the purpose of collecting any and all such monies due under any Collateral whenever payable; and

(ii) upon the occurrence of any Event of Default:

(A) to direct any party liable for any payment under any of the Collateral to make payment of any and all monies due and to become due thereunder directly to the Bank or as the Bank shall direct;

(B) to receive, open and dispose of all mail addressed to a Co-Borrower and to notify postal authorities to change the address for delivery thereof to such address as may be designated by the Bank;

(C) to receive payment of and receipt for any and all monies, claims and other amounts due and to become due at any time in respect of or arising out of any Collateral;

(D) to sign and endorse any invoices, freight or express bills, bills of lading,

storage or warehouse receipts, drafts against debtors, assignments, verifications and notices in connection with accounts and other documents relating to the Collateral; (E) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any part thereof and to enforce any other right in respect of any Collateral; (F) to defend any suit, action or proceeding brought against a Co-Borrower with respect to any Collateral; (G) to settle, compromise or adjust any suit, action or proceeding described above and, in connection therewith, to give such discharges or releases as the Bank may deem appropriate; (H) to assign any copyright or Trademark (along with the goodwill of the business to which such Trademark pertains) for such term or terms, on such conditions, and in such manner as the Bank shall determine in its sole discretion; and (I) generally, to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Bank were the absolute owner thereof for all purposes, and to do, at the Bank's option and the Co-Borrowers' expense, at any time or from time to time, all acts and things which the Bank deems necessary to protect, preserve or realize upon the Collateral and the Bank's security interest therein, in order to effect the intent of this Agreement.

(b) Each Co-Borrower hereby ratifies all that said attorney-in-fact shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable.

(c) The powers conferred on the Bank hereunder are solely to protect the interests of the Bank in the Collateral and shall not impose any duty upon it to exercise any such powers. The Bank shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither it nor any of its officers, employees or agents shall be responsible to the Co-Borrowers for any act or failure to act.

(d) Each Co-Borrower also authorizes the Bank at any time, and from time to time, following an Event of Default: (i) to communicate with Account Debtors and any party to any Contract with regard to the assignment of Accounts Receivable hereunder and other matters relating thereto; and (ii) to execute any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral.

5.27 Performance by Bank of a Co-Borrower's Obligations. If a Co-Borrower fails to perform or comply with any of its Obligations following written demand therefor by the Bank, and the Bank, as provided for by the terms of this Agreement, shall perform or comply, or otherwise cause performance or compliance, with such Obligation, the reasonable expenses of the Bank incurred in connection with such performance or compliance (together with interest thereon at the Prime Rate of interest set forth in the Revolving Line of Credit Note plus five (5%) percent) shall be payable by the Co-Borrowers to the Bank on demand and shall constitute Obligations secured hereby.

VI. CONDITIONS PRECEDENT

6.1 Conditions Precedent to Initial Revolving Line of Credit Advance and Equipment Term Loan. The obligations of the Bank to make the initial Revolving Line of Credit Advance and Equipment Term Loan hereunder are subject to the condition precedent that the Bank shall have received each and every one of the following in form and substance satisfactory to the Bank:

(a) An originally executed copy of this Agreement and each of the other Loan Documents;

(b) A copy of the certificate of incorporation and by-laws of each Co-Borrower, certified as a true copy by the Secretary of each Co-Borrower;

(c) A good standing certificate with respect to each Co-Borrower issued as of a recent date by the Secretary of State of any state in which a Co-Borrower is required to be authorized to do business;

(d) A certificate of the Secretary of each Co-Borrower certifying the names and true signatures of the officers of each Co-Borrower authorized to sign each of the Loan Documents to which each Co-Borrower is a party;

(e) A copy of the resolutions approved by the Board of Directors of each Co-Borrower authorizing the execution, delivery and performance by each Co-Borrower of each of the Loan Documents to which each Co-Borrower is a party, certified as a true copy by the Secretary of each Co-Borrower;

(f) A written opinion of counsel to the Co-Borrowers with respect to such matters as the Bank shall request;

(g) An originally executed copy of a Borrowing Base Certificate dated as of a date not more than three (3) days prior to the date of the initial Revolving Line of Credit Advance;

(h) Evidence reasonably satisfactory to the Bank that the Collateral is properly insured in accordance with the provisions of this Agreement and that the Collateral is not subject to any Lien other than Permitted Liens;

(i) Evidence reasonably satisfactory to the Bank that all filings, recordings and other actions that are necessary or desirable in order to establish and perfect the Bank's security interest in the Collateral as a valid perfected first priority security interest shall have been duly effected, including, without limitation, the filing of UCC-1 financing statements, the filing of all UCC-3 termination statements, and the filing or recordation of such other documents as the Bank shall deem necessary or desirable, all in form and substance satisfactory to the Bank, and all fees, taxes and other charges relating to such filings and recordings, shall have been paid by the Co-Borrowers;

(j) The Bank shall have performed, to its satisfaction, a field exam of all Accounts Receivable, general ledgers, Inventory, Equipment, Contracts, and corporate records of each of the Co-Borrowers;

(k) In connection with the Equipment Term Loan, the Bank shall have received a current appraisal of the Co-Borrowers existing Equipment, all in form and substance satisfactory to the Bank from an appraiser of recognized standing approved by the Bank, indicating an orderly liquidation value of said Equipment of at least One Million Eight Hundred Seventy Five Thousand (\$1,875,000) Dollars;

(l) The Bank shall have received documentation including bills of sale, in form and substance satisfactory to the Bank, evidencing the acquisition by Continental of the Equipment to be purchased from the Port Authority of New York and New Jersey in accordance with the Supplemental Agreement and Agreement to Sell Personal Property dated December 10, 1998.

(m) Payment of the Closing Fee; and

(n) Such other documents and information as the Bank shall reasonably request, in form and substance reasonably satisfactory to the Bank, and all legal matters and documents with respect to the transactions contemplated by this Agreement shall be satisfactory to counsel for the Bank.

6.2 Conditions Precedent to Additional Revolving Line of Credit Advances and Equipment Line of Credit Advances. The Bank shall have no obligation to make either any additional Revolving Line of Credit Advances or any Equipment Line of Credit Advances unless each of the following conditions precedent has been either satisfied or waived prior to or concurrently with the making of such advance:

(i) Each of the Loan Documents shall be in full force and effect;

(ii) The representations and warranties of each of the Co-Borrowers set forth herein shall be true and correct as of the date of each Line of Credit Advance or Equipment Line of Credit Advance, as the case may be, as if made on and as of such date, and each request for a Revolving Line of Credit Advance or Equipment Line of Credit Advance by a Co-Borrower shall be deemed a representation and warranty by the Co-Borrowers to such effect;

(iii) No Default or Event of Default has occurred and is continuing as of the date of each Revolving Line of Credit Advance or Equipment Line of Credit Advance, as the case may be.

(iv) There is and has been no material adverse change in each Co-Borrower's financial condition, results of operations, business prospects or otherwise which would, in the reasonable judgment of the Bank, impair a Co-Borrower's ability to repay all or any portion of the Notes;

(v) No further action, including any filing or recording of any agreement, document or instrument, is necessary to establish and perfect the Bank's lien and priority in the Collateral; and

(vi) In connection with a request for an Equipment Line of Credit Advance, copies of all purchase orders and invoices with respect to the Equipment to be purchased by a Co-Borrower and such other documentation with respect to such Equipment acquisition as the Bank shall reasonably request.

VII. EVENTS OF DEFAULT

Each of the following shall constitute an Event of Default, whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment or order of any court or any order, rule or regulation of any governmental body:

7.1 Failure to Pay. The Co-Borrowers fail to make any payment of principal, interest or any other fee or amount payable under the Notes or hereunder within five (5) days of the date when due;

7.2 False Representation or Warranty. Any warranty or representation made by or on behalf of a Co-Borrower contained herein or in any of the Loan Documents or in any document furnished in compliance or connection with the Loan Documents is false or incorrect in any material respect when made;

7.3 Failure to Perform. A Co-Borrower shall default in the performance or observance of any covenant or agreement contained in this Agreement and the Loan Documents and the Co-Borrowers shall not have cured such Default within a period of thirty (30) days after the earlier of (i) receipt by the Co-Borrowers of written notice from the Bank of such Default, or (ii) actual notice by a Co-Borrower of such Default;

7.4 Cross Default. Any Event of Default shall occur under any of the other Loan Documents;

7.5 Default on other Indebtedness. A Co-Borrower shall:

(a) default in any payment of the principal of or interest on any Indebtedness (other than the Notes) owing to the Bank that continues beyond any applicable grace or cure period, if any;

(b) default in any payment of the principal of or interest on any other Indebtedness in excess of fifty thousand (\$50,000)

dollars, beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness was created; or

(c) default in the observance or performance of any other agreement or condition relating to any such Indebtedness in excess of fifty thousand (\$50,000) dollars or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur, the effect of which default or other event is to cause, or to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause, with the giving of notice if required, such Indebtedness to become due prior to its stated maturity and as the result of such default or event such Indebtedness has been accelerated and become due and payable prior to its stated maturity;

7.6 Petition; Appointment of Receiver. (a) A Co-Borrower shall commence any case, proceeding or other action (i) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or the relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition or other relief with respect to it or its debts or (ii) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or a Co-Borrower shall make a general assignment for the benefit of its creditors;

(b) there shall be commenced against a Co-Borrower any case, proceeding or other action of a nature referred to in Subsection 7.6(a) above which: (i) results in the entry of an order for relief or any such adjudication or appointment; and (ii) which shall not have been dismissed, discharged or bonded for a period of thirty (30) days from the commencement thereof;

(c) there shall be commenced against a Co-Borrower any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or other similar process against all or any substantial part of its assets, which results in the entry of an order for any such relief which shall not have been vacated, discharged, stayed or bonded pending appeal within sixty (60) days from the entry thereof; or

(d) a Co-Borrower shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in this Section 7.6;

7.7 Judgments; Levys; Liens. A final judgment shall be entered against a Co-Borrower by any court or arbitration panel for the payment of money which shall not have been bonded or fully covered by insurance and together with all other outstanding judgments against such Co-Borrower, exceeds two hundred fifty thousand (\$250,000.00) dollars in the aggregate, which judgment is not fully covered by insurance, or a warrant of attachment or execution or similar process shall be issued or levied against property a Co-Borrower which warrant of attachment, execution or similar process exceeds in value two hundred fifty thousand (\$250,000.00) dollars in the aggregate and, if within sixty (60) days after the entry, issue or levy thereof, such judgment, warrant or process shall not have been discharged or stayed pending appeal, or, if within sixty (60) days after the expiration of any such stay, such judgment, warrant or process shall not have been discharged;

7.8 ERISA.

(a) A reportable event (as defined in Section 4043 of Title IV of ERISA) shall have occurred with respect to any Plans or any Plans of a Co-Borrower shall have been voluntarily terminated as provided in Section 4041(a) of ERISA;

(b) A trustee shall be appointed by a United States District Court to administer any Plan; or

(c) the Pension Benefit Guaranty Corporation shall institute proceedings to terminate any Plan;

7.9 Liquidation or Dissolution. If a Co-Borrower shall commence any action or step with respect to, or shall approve any plan of, any winding up, liquidation or dissolution of a Co-Borrower;

7.10 Change in Management. If there occurs any change in the core management group of the Co-Borrowers, currently made up of Rhyne Simpson, Jr. and Morgan A. Chivers; and

7.11 Change in Condition. If there occurs any material adverse change in the business, results of operation, financial condition, business prospects or otherwise, of a Co-Borrower, which the Bank shall determine in its sole discretion increases its risk.

VIII. REMEDIES

8.1 Acceleration Automatic. Upon the occurrence of an Event of Default set forth in Section 7.6, all amounts outstanding (with accrued interest thereon), including without limitation, all other amounts owing under the Notes and the other Loan Documents shall immediately become due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by the Co-Borrowers, to the fullest extent permitted by applicable law.

8.2 Acceleration: Bank Discretion. Upon the occurrence of any Event of Default, other than an Event of Default as set forth in Section 7.6, the Bank may declare all amounts outstanding (with accrued interest thereon), including without limitation, all other amounts owing to it under the Notes, and the other Loan Documents to be due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Co-Borrowers, to the fullest extent permitted by applicable law.

8.3 Proceeds held in Trust. Upon the occurrence of any Event of Default:

(a) All payments received by a Co-Borrower under or in connection with any of the Collateral shall be held by such Co-Borrower in trust for the Bank, shall be segregated from funds of the Co-Borrower and shall forthwith upon receipt by a Co-Borrower be turned over to the Bank, in the same form as received by such Co-Borrower (duly endorsed by the Co-Borrower to the Bank, if required);

(b) Any and all such payments so received by the Bank (whether from a Co-Borrower or otherwise) may, in the sole discretion of the Bank, be held by the Bank as collateral security for, and/or then or at any time thereafter applied in whole or in part by the Bank against, all or any part of the Obligations in such order as the Bank shall determine in its sole discretion. Any

balance of such payments held by the Bank and remaining after payment in full of all such Obligations shall be paid over to the Co-Borrowers.

(c) The Co-Borrowers shall, upon demand, pay interest, to the extent permitted by applicable law, on all unpaid Obligations upon the occurrence of an Event of Default until paid (before or after judgment) at a fluctuating rate equal to the Prime Rate of interest set forth in the Revolving Line of Credit Note plus three (3%) percent.

8.4 Set-Off; Sale. If any Event of Default shall occur, the Bank may exercise, in addition to all other rights and remedies granted to it in this Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the Code, to the fullest extent permitted by law. Without limiting the generality of the foregoing, the Bank may, to the fullest extent permitted by law, without any requirement of notice, setoff any and all amounts owing by a Co-Borrower to it against any deposit account maintained in the Bank (or any affiliate or subsidiary of the Bank) by a Co-Borrower or any other property of a Co-Borrower which may now or hereafter be in the Bank's (or any affiliate or subsidiary of the Bank) possession or control, and such right of setoff shall be deemed to have been exercised immediately upon such stated or accelerated maturity as aforesaid even though such setoff is not noted on the Bank's records until a later time. Without limiting the generality of the foregoing, the Co-Borrowers expressly agree that in any such event the Bank, without demand of performance or other demand, advertisement or notice of any kind (except as required by any notice provisions otherwise contained in this Agreement and the notice specified below of time and place of public or private sale) to or upon the Co-Borrowers or any other Person (all and each of which demands, advertisements and/or notices are hereby expressly waived), may, to the fullest extent permitted by law, forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give option or options to purchase, or sell or otherwise dispose of and deliver the Collateral (or contract to do so), or any part thereof, in one or more parcels at public or private sale or sales, at any exchange, broker's board or at any of the Bank's offices or elsewhere at such prices as it may, in its sole discretion, deem best, for cash or on credit or for future delivery without assumption of any credit risk. The

Bank shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in a Co-Borrower which shall be released. The Co-Borrowers further agree, at the Bank's request, to assemble the Collateral and make it available to the Bank at places that the Bank shall select, whether at a Co-Borrower's premises or elsewhere. The Bank shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale, after deducting all reasonable costs and expenses of every kind incurred therein or incidental to the care, safekeeping or otherwise of any or all of the Collateral or in any way relating to the rights of the Bank hereunder, including without limitation reasonable attorneys' fees and legal expenses, to the Bank for payment in whole or in part of the Obligations, in such order as hereinafter provided, the Co-Borrowers remaining liable for any deficiency remaining unpaid after such application. To the extent permitted by applicable law, the Co-Borrowers waive all claims, damages, and demands against the Bank arising out of the repossession, retention or sale of the Collateral. The Co-Borrowers agree that, to the fullest extent permitted by law, the Bank need not give more than ten (10) days' notice (which notification shall be deemed given when mailed, postage prepaid, addressed to the Co-Borrowers at their addresses set forth in Subsection 10.1 hereof) of the time and place of any public sale or of the time upon which a private sale may take place and that such notice is reasonable notification of such matters. The Co-Borrowers shall remain liable on a joint and several basis for any deficiency if the proceeds of any sale or disposition of the Collateral are insufficient to pay all amounts to which the Bank is entitled, the Co-Borrowers also being liable for the reasonable fees of any attorneys employed by the Bank to collect such deficiency.

8.5 Bank Costs. The Co-Borrowers also agree to pay all Bank Costs incurred with respect to the collection of any of the Obligations and the enforcement of any of the Bank's rights hereunder.

8.6 Waivers. The Co-Borrowers hereby waive: (a) presentment, demand, protest or any notice of any kind in connection with this Agreement or any Collateral, except as otherwise provided herein; (b) all rights to seek from any court any bond or security prior to the exercise by the Bank of any

remedy described herein; (c) the benefit of all valuation, appraisal and exemption laws; and (d) all rights to demand or to have any marshalling of assets upon any power of sale granted herein or pursuant to judicial proceedings or upon any foreclosure or any enforcement of this Agreement.

8.7 Possession; Receiver. Without limiting the generality of any of the rights and remedies conferred upon the Bank in this Agreement, the Bank may, after the occurrence and during the continuance of an Event of Default: (a) take immediate possession of the Collateral, either personally or by means of a receiver appointed by a court of competent jurisdiction; (b) at the Bank's option, use, operate, manage and control the Collateral in any lawful manner; (c) collect and receive all rents, income, revenue, earnings, issues and profits therefrom; (d) maintain, repair renovate, alter or remove the Collateral as the Bank may determine in its sole discretion; and (e) to the fullest extent permitted by applicable law, appoint any person to be a receiver, manager, receiver-manager or receiver and manager (a "Receiver") of the Collateral and to remove any Receiver so appointed and appoint another in its stead, such Receiver to have all of the rights, remedies, powers and privileges of the Bank hereunder.

8.8 Other Remedies. The remedies granted to Bank herein upon an Event of Default are not restrictive or exclusive of any and all other rights and remedies of Bank provided for by this Agreement, any of the Loan Documents and applicable law.

IX. INDEMNIFICATION

9.1 Indemnification. Each Co-Borrower agrees on a joint and several basis to pay, reimburse, indemnify and hold harmless, the Bank, its directors, officers, employees, agents and representatives from and against any and all actions, reasonable costs, damages, disbursements, reasonable expenses (including without limitation reasonable attorneys' fees), judgments, liabilities, losses, obligations, penalties and suits of any kind or nature whatsoever with respect to:

(a) the development, negotiation, preparation, execution, enforcement, amendment or modification of any of the Loan Documents;

(b) the exercise of any right or remedy granted in any of the Loan Documents, the collection or enforcement of any of the Obligations and the proof or allowability of any claim arising under any of the Loan Documents, whether in any bankruptcy or receivership proceeding or otherwise;

(c) any claim of third parties, and the prosecution or defense thereof, arising out of or in any way connected with any of the Loan Documents; and

(d) any and all recording and filing fees and taxes, and any and all liabilities with respect thereto, or resulting from any delay in paying stamp and other taxes, if any, which may be payable or determined to be payable in connection with the Loan Documents.

X. MISCELLANEOUS

10.1 Notice. All notices and other communications given to or made upon any party hereto in connection with this Agreement shall, except as otherwise expressly herein provided, be in writing and mailed, postage prepaid by registered or certified mail, return receipt requested, addressed to the respective parties, as follows:

Bank: National Bank of Canada
Post Office Plaza
50 Division Street
Suite 201
Somerville, New Jersey 08876
Attn: Timothy J. Smith, Vice President and Manager

Co-Borrowers: (i) Continental Gypsum Company
265 Distribution Street
Port Newark, New Jersey 07714
Attn: Rhyne Simpson, Jr., President

(ii) Liberty Supply Inc. d/b/a
Liberty Supply Inc. of New Jersey
265 Distribution Street
Port Newark, New Jersey 07714
Attn: Rhyne Simpson, Jr., President

or to such changed address as may be fixed by notice. All such notices and other communications shall, except as otherwise expressly herein provided, be effective when received by the party to whom properly addressed, in the case of a Co-Borrower, the written receipt by any employee of a Co-Borrower constituting sufficient evidence of such receipt.

10.2 No Waiver; Cumulative Remedies. The Bank's failure to exercise or delay in exercising any right, power or privilege hereunder, shall not operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies provided by law.

10.3 Survival of Agreements. All agreements, representations and warranties made herein, and in any certificates delivered pursuant hereto shall survive the execution and delivery of this Agreement and the Notes.

10.4 Amendment. No modification, amendment or waiver of any provision of this Agreement or the Notes, nor consent to any departure by a Co-Borrower, shall in any event be effective unless the same shall be in writing and signed by the party granting such modification, amendment or waiver, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given.

10.5 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Co-Borrowers, the Bank, all future holders of the Notes, and their respective successors and assigns, except that the Co-Borrowers may not assign or transfer any of their rights under this Agreement without the prior written consent of the Bank.

10.6 Agreement and Other Loan Documents Complementary. The provisions of this Agreement shall be in addition to those of any guaranty, security agreement, note or other evidence of liability held by the Bank, all of which shall be construed as complementary to each other. In the event of ambiguity or inconsistency between this Agreement, and any other Loan Document, then the terms of this Agreement will govern.

10.7 Bank's Relationship. The Bank and the Co-Borrowers expressly agree that the relationship of the Bank to the Co-Borrowers is that of a lender only. The intent of this provision is to clarify and stipulate that the Bank is not a partner or a co-venturer of the Co-Borrowers and that the Bank's sole interest in the Collateral is for the purpose of security for repayment of the Obligations of the Co-Borrowers.

10.8 Participation. Without limitation of the Bank's rights at law, the Co-Borrowers hereby agree that the Bank shall have the right to sell participations in any Obligation in the sole discretion of the Bank at the Bank's sole cost and expense and that the Co-Borrowers shall provide all required assistance to the Bank in selling and closing any participation, including permitting any prospective participant to inspect any of the Co-Borrower's books, records, Collateral and the Premises.

10.9 Waiver of Trial by Jury. The Bank and Co-Borrowers hereby waive all right to a trial by jury in any litigation relating to, in connection with, or arising out of this Agreement, or any other Loan Document.

10.10 Severability. In case any one or more of the provisions contained in this Agreement or the other Loan Documents should be found to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby.

10.11 Counterparts. This Agreement may be executed by the parties hereto on any number of separate counterparts and all such counterparts taken together shall constitute one and the same instrument.

10.12 Governing Law; No Third Party Rights. This Agreement and the other Loan Documents and the rights and obligations of the parties hereunder and thereunder shall be governed by and construed and interpreted in accordance with the law of the State of New Jersey. This Agreement is solely for the benefit of the parties hereto and their respective successors and assigns, and no other person shall have any right, benefit, priority or interest in, under or because of the existence of this Agreement.

10.13 Cross Default/Cross Collateral. All other agreements between a Co-Borrower and Bank and/or any of its Affiliates or subsidiaries are hereby amended so that an Event of Default under this Agreement is a default under all other agreements and a default under any one of those agreements is an Event of Default under this Agreement. All such agreements are further amended so that the Collateral under this Agreement secures the obligations now or hereafter outstanding under all other agreements with Bank and/or its affiliates or subsidiaries, and the collateral which serves as security under any other agreement with Bank and/or its affiliates or subsidiaries secures the Obligations under this Agreement.

10.14 Other Provisions. (a) Notwithstanding anything to the contrary stated in this Agreement or in any of the Loan Documents, the Co-Borrowers and the Bank acknowledge and agree that:

(i) neither of the Co-Borrowers is selling, conveying, transferring, assigning, mortgaging or pledging to the Bank the Agreement of Lease between the Port Authority of New York and New Jersey and Continental Gypsum Company, dated as of June 1, 1995 (hereinafter, as the said agreement of lease may have been or may hereafter be amended, modified or supplemented, called the "Lease") or any part hereof, or any rights created thereby or the letting thereunder or any part thereof; and

(ii) neither the Bank, nor its successors or assigns, nor any person or entity to which it sells participations in the Obligations, nor any future holder of the Notes (or their respective successors or assigns) nor any other third party has or shall have any security interest, lien or other right or benefit in or under the Lease, or any part thereof, or any rights created thereby or the letting thereunder or any part thereof, by virtue of any of the Loan Documents;


(b) Notwithstanding anything to the contrary stated in this Agreement or in the Loan Documents, the Co-Borrowers acknowledge and agree that the proceeds of the Equipment Line of Credit Loan and Equipment Term Loan shall only be used by Continental and only in connection with Equipment used in Continental's business operations at the Premises.

(c) To the extent of any conflict or inconsistency between the provisions of this Paragraph 10.14 and the other provisions of

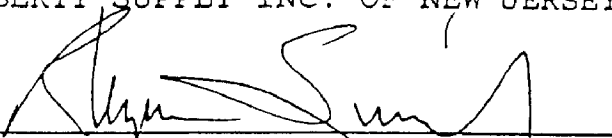
this Agreement or the provisions of any other Loan Document, the provisions of this Paragraph 10.14 shall supercede and control.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

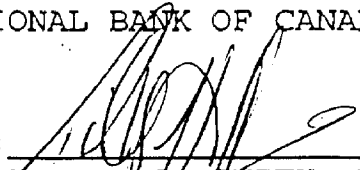
CONTINENTAL GYPSUM COMPANY

By: 
RHYNE SIMPSON, JR., President

LIBERTY SUPPLY INC. d/b/a
LIBERTY SUPPLY INC. OF NEW JERSEY

By: 
RHYNE SIMPSON, JR., President

NATIONAL BANK OF CANADA

By: 
TIMOTHY J. SMITH, Vice President
and Manager

By: 
JOHN T. LEFFER, VP

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EXHIBITS

- 1.1(h) Borrowing Base Certificate
- 1.1(q) Equipment List
- 1.1(t) Equipment Line of Credit Note
- 1.1(v) Equipment Term Note
- 1.1(uu) Revolving Line of Credit Note
- 1.1(ww) Trademarks
- 4.6 Other Real Property Interests and
Filed UCC-1 Financing Statements
- 4.8 Pending or Threatened Litigation
- 4.15 Business Locations/Alternate and Fictitious Names



BORROWING BASE CERTIFICATE

CUSTOMER NAME: _____ CERTIFICATE NUMBER _____

1) ACCOUNTS RECEIVABLE CONTROL (Line 6 of previous Certificate dated _____) \$ _____

2) Additions to Accounts Receivable Control since last Certificate

A) Amount Pledged (New Sales) From _____ To _____ \$ _____
(date) (date)

B) Amount Adjusted (+) (Explain on Back) \$ _____

C) TOTAL ADDITIONS (Sum of lines 2A & 2B) + _____

3) Reductions to Accounts Receivable Control since last Certificate

A) Total Amount Adjusted (Reduction to A/R) as broken down below: \$ _____

Credit Memos issued since last Cert. \$ _____

Other Reductions (Explain on Back) \$ _____

B) Breakdown of Cash Receipts:

Date Gross Reduction Less Discounts Less Other Plus Cash Not Related to A/R = Total Cash Remitted

Date Gross Reduction Less Discounts Less Other Plus Cash Not Related to A/R = Total Cash Remitted

Date Gross Reduction Less Discounts Less Other Plus Cash Not Related to A/R = Total Cash Remitted

TOTALS _____

TOTAL REDUCTIONS (Sum of lines 3A and 3B) _____

4) ACCOUNTS RECEIVABLE CONTROL (Line 1 plus 2C minus 3E) \$ _____

5) Adjustment to Accounts Receivable Control (See instructions and explain on back) ± _____

6) ADJUSTED ACCOUNTS RECEIVABLE CONTROL \$ _____

7) Total Ineligible Accounts (Line 5 of previous Recapitulation dated _____) - _____

8) Eligible Accounts Receivable (Line 6 minus line 7) \$ _____

9) Accounts Receivable Availability (_____ % of line 8) \$ _____

10) Inventory Availability (Line 13 of previous Recapitulation; Inventory dated _____) + _____

11) Other Availability: _____ + _____

12) Other Availability: _____ + _____

13) Holdbacks for Letters of Credit and Acceptances or Other as detailed in schedule on back - _____

14) Total Gross Availability (The lesser of the totals of lines 9, 10, 11, 12 and 13
or Credit Line of \$ _____) \$ _____

LOAN POSITION

15) Beginning Loan Balance (Line 19 of previous Certificate dated _____) \$ _____

16) Less Cash remitted against Loan - _____

17) Plus Borrowing requested + _____

18) Adjustments to Loan Balance (Explain clearly on back) ± _____

19) NEW LOAN BALANCE (Line 15 minus 16 plus 17 plus/minus 18) \$ _____

20) Net Availability (Line 14 minus line 19) \$ _____

CERTIFICATION:

Borrower hereby certifies that they are not in default under the Security Agreement or any of the Borrower's liabilities or subsequent agreements, between the Bank and Borrower. No remittances have been received from returns and allowances granted to any debtors whose accounts have been assigned to the National Bank of Canada other than previously reported. We hereby assign to National Bank of Canada all accounts which came into existence since our last Certificate, and all rights, title and interest of the undersigned in and to the goods represented thereby, and all monies due or to become due thereby.

Date

Authorized Signature

EXHIBIT 1.1(q)

EQUIPMENT LIST

EXHIBIT (I)
EQUIPMENT LIST

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Continental Gypsum Equipment Inventory

October 28, 1998

TRADEMARK

REEL: 002421 FRAME: 0157

Rock Receiving Hopper (Quantity-2)

H.D. welded steel construction, approximately 20' x 20', including structural steel frame.
Syntron vibratory feeder. Magnetek frequency drive model GPD 515. U.S. motor 10 H.P. 1750 R.P.M.
Water spray dust suppression system.

Vessel Unloading Hopper and Dust Collector

12' x 12' hopper over C-1 conveyor. High volume, small particulate dust collector. Including Milltronics motion failure alarm, Dwyer photohelic indicator. Chicago blower S/N 145391-2 with 15 H.P. motor 1800 R.P.M. 254T frame.

Portable Conveyors (Quantity 2)

24" troughing type conveyor, 40 H.P., 1800 R.P.M., A.C. motor.

C1 Conveyor and Transfer Tower #1 Dust Collector

36" wide belt - 1455 feet long
150 H.P., 1800 R.P.M., 445T frame, motor and starter on C-1 conveyor.
7.5 H.P., 3600 R.P.M., 213T frame A.C. motor on the TT#1 dust collector fan

C-2 Conveyor and Tripper

36" wide belt - 645 feet long
75 H.P., 1800 R.P.M., 356T frame A.C. motor on C-2 conveyor.
5 H.P., 1800 R.P.M., 184T frame A.C. motor on tripper trolley.

Reclaim Vibrating Feeder and Dust Collector

Magnetek GPD 333 variable frequency drive 2 H.P. and a 2 H.P. 1800 R.P.M. A.C. motor on feeder.
40 H.P., 1800 R.P.M., 324T frame A.C. motor on reclaim dust collector fan
1 H.P. 1800 R.P.M., 143T frame A.C. motor on reclaim dust collector rotary valve.

C-3 Conveyor and Transfer Tower #2 Dust Collector

24" wide belt - 230 feet long
10 H.P., 1800 R.P.M., 213T frame A.C. motor on C-3.
5.5 H.P. 3600 R.P.M., 184T frame A.C. motor on TT #2 dust collector.

C-4 Conveyor

24" wide belt - 175 feet long
10 H.P., 1800 R.P.M., 213T frame A.C. motor on C-4.

Crusher Feed Screen

Semco vibratory 6' x 12" double deck screen. 5 H.P., 1800 R.P.M., 184T frame A.C. motor.

Crusher and Dust Collector

Williams rock crusher 75 H.P., 1800 R.P.M., 365T frame A.C. motor.
20 H.P., 1800 R.P.M., 256T frame A.C. motor on dust collector. 1 H.P., 1800 R.P.M. 143T frame A.C. motor on crusher dust collector rotary valve. (Rotorlok Inc.)

Crusher discharge Vibrating Feeder

1 H.P. 900 R.P.M., 184YZ frame A.C. motor

Crusher to rock storage bin Bucket Elevator

15 H.P., 1800 R.P.M., 254T frame A.C. motor on the bucket elevator (Wallace)
Foote Jones Gearbox

Rock Storage Bin and Chain Feeder

7.5 H.P. 1175 R.P.M. 254TC frame A.C. , motor and Reliance Variable Frequency Drive on the Chain Feeder. Dodge gear reduction drive
Sea Level load cell weigh system on bin.

Calcining Mill (Claudius Peters EM 59) 31 Ton/Hr

250 H.P. 2400 VAC, 1800 R.P.M. 509LL frame A.C. motor on the C.P. mill
Flender KMS 450 Gear Reducer
36 mm BTU/Hr Process Combustion natural gas burner.
5 H.P. 1800 R.P.M. 184T frame A.C. motor on the mill tube pump.
25 H.P. 3600 R.P.M. 284 TS frame A.C. motor on the hot air combustion fan.
10 H.P. 1800 R.P.M. 215T frame A.C. motor on the make-up air fan.

Calcining System Baghouse

600 H.P. 2400VAC 1800 R.P.M. 6806B frame A.C. motor on the Main Fan
7.5 H.P. 1800 R.P.M. 213T frame A/C. motor on the Stucco Collecting Screw (Falk)
1 H.P. 1800 R.P.M. 143T frame A.C. motor on the Bag Filter Rotary Valve and Bag Filter Stucco Screw
Flakt Norfelt Fabric Dust Collector Model No. HP 434-14

Cyclone

5 H.P. 1800 R.P.M. 184T frame A.C. motor on the cyclone rotary valve

Stucco Bins (quantity 2) and transfer system

2 H.P. 1800 R.P.M. 145TC motors frame A.C. motors with MagneTek GPD 503 frequency drives on the stucco bin rotary valves.
10 H.P. 1800 R.P.M. 215T frame A.C. motors on the stucco bin dust collector blowers.(Chicago Blowers)
(3) 100 H.P. 1800 R.P.M. 405T frame A.C. motors on the stucco transfer blowers.
3 H.P. 1800 R.P.M. 182T frame A.C. motors on live bin bottoms.

Stucco Dosing Hopper and Dust Collector

5 H.P. 1800 R.P.M. 184T frame A.C. motor on the dosing hopper dust collector fan
1 H.P. 1800 R.P.M. D.C. motor and D.C. drive on the weigh feeder
3H.P. 1800 R.P.M. D.C. motor and D.C. drive on the dosing hopper rotary valve
Schenck Gravimetric Control based Weigh System

Dry Additive System

10 H.P. 1800 R.P.M. 215T frame A.C. motor on the additive mixing screw
50 ILP. 1800 R.P.M. 326T frame A.C. motor on the accelerator system dust collector fan
.5 H.P. 1800 R.P.M. motor on the accelerator system dust collector rotary valve
7.5 H.P. 1800 R.P.M. 213T frame A.C. motor on the additive system dust collector fan
.5 H.P. 1800 R.P.M. motor on the additive system dust collector rotary valve
.5 H.P. 1800 R.P.M. motor on the additive system hopper rotary valve
40 H.P. 1800 R.P.M. 324T frame A.C. motor on the additive system pneumatic blower
Quantity 5 additive bins with volumetric feeders - (6) 2 H.P. gearmotors with VFD, (6) 1 H.P. gearmotors with VFD.
50 H.P. 1800 R.P.M. 326T frame A.C. motor on the accelerator mill
(2) 20 H.P. 1800 R.P.M. 256T frame A.C. motors on the ball mills

Wet Additive System

100 H.P. 1150 R.P.M. A.C. motor with Benshaw softstarter on the Black Clawson sidropulper
50 H.P. 1800 R.P.M. 326T frame A.C. motor on the Edge Wallboard Hydropulper
5 H.P. 900 R.P.M. 184T frame A.C. motor on the Pulp Stock Transfer Pump
25 H.P. 1800 R.P.M. 284T frame A.C. motor on the #1 Pulp Storage Tank Agitator
5 H.P. 1200 R.P.M. A.C. motor on the #2 Pulp Storage Tank Agitator
3 H.P. 1800 R.P.M. A.C. motor and MagneTek VFD on the Wax Metering Pump
1.5 H.P. 1800 R.P.M. A.C. motor and MagneTak VFD on the Waste Water Metering Pump
10 H.P. 1800 R.P.M. gearmotor and a MagneTek GPD 515 VFD on the Foam Water Metering Pump
10 ILP. 1800 R.P.M. gearmotor and a MagneTek GPD 515 VFD on the Pulp Metering Pump
10 H.P. 1800 R.P.M. gearmotor and a MagneTek GPD 515 VFD on the Main Water Metering Pump
.75 H.P. 1800 R.P.M. gearmotor and a MagneTek GPD 333 VFD on the Soap Metering Pump
.25 H.P. D.C. motor and drive on the Retarder Metering Pump

Mixers

40 H.P. 900 R.P.M. 324T frame A.C. motor and Reliance VFD on the Main Mixer
(2) 10 H.P. 3600 R.P.M. A.C. motor and MagneTek GPD 515 VFDs on the Hard Edge Mixers

Paper Handling

(2) 10 H.P. 1800 R.P.M. brake motors on the Paper Roll Stands
(2) 5 H.P. 1800 R.P.M. A.C. motors and MagneTek VFDs on the Double Paper Pull Rolls
(2) 3 H.P. A.C. motors on the Fyfe Guide Paper Guide System
(2) Paper Creasers
(2) Automatic Paper Splicers
(2) Gas paper dryers with associated flame guard controls

Forming Station

Forming Plate with digital readout to 1/- .001, motorized thickness adjustment, capacitive head sensor.
.5 H.P. 1800 R.P.M. A.C. motor and lighting mixer on the **Edge Glue Tank**
(2) 1/4 H.P. D.C. motors and drives on the **Glue Pumps**
.5 H.P. 1800 R.P.M. gearmotor and MagneTek GPD 333 VFD on the **Vibrating Roll**
(2) 1 H.P. 1800 R.P.M.-gearmotor and MagneTek GPD 333 VFD on the **Eddy Rolls**

Board Line and Wet End Transfer

15 H.P. 1800 R.P.M. 254T frame A.C. motor and MagneTek GPD 515 VFD on **Belt #1** with Eurodrive K86ZS 15.37-1 geardrive
15 H.P. 1800 R.P.M. 254T frame A.C. motor and MagneTek GPD 515 VFD on **Belt #2** with Eurodrive K86ZS 15.37-1 geardrive
15 H.P. 1800 R.P.M. 254 TC frame A.C. gearmotor and MagneTek GPD 515 VFD on the **Live Rolls** with
(3) 5H.P. 1800 R.P.M. 184TC frame A.C. motors and MagneTek GPD 503 VFDs on the **Accelerator Rolls**
5 H.P. 1800 R.P.M. 184T frame A.C. motor gearbox and MagneTek GPD 503 VFD on **TT #1 Rolls**
10 H.P. 1800 R.P.M. A.C. motor gearbox and MagneTek GPD 515 on **#1 Transfer Belts**
5 H.P. 1800 R.P.M. A.C. motor nad Posidyne Brake Clutch unit on **#2 Transfer Belts**
5 H.P. 1800 R.P.M. 184T frame A.C. motor gearbox and MagneTek VFD on **TT#2 Rolls**
3 H.P. 1800 R.P.M. A.C. motor gearbox and MagneTek VFD on the **Tipple Belt Conveyor**
20 H.P. 1800 R.P.M. 256T frame A.C. motor on the **Inverter Hydraulic Pump**
7.5 H.P. 1800 R.P.M. 213T frame A.C. motor on the **Tipple Hydraulic Pump**
5 H.P. 1800 R.P.M. A.C. motor gearbox on the **Greenboard Waste Conveyor**
(2) .5 H.P. 1800 R.P.M. A.C. motor gearbox on **Forming Belt Brushes**
5 H.P. D.C. motor gearbox and D.C. drive on the **BPB Knife System** (measuring and cutting system)

Dryer Infeed, Dryer and Dryer Outfeed with accompanying heat exchanger

Flakt 3 Zone, 10 Deck Dryer with Eclipse Burners and Associated Flame Guard Controls
(10) 5 H.P. A.C. motor gearboxes on the **Dryer Infeed Decks**
5 H.P. A.C. motor gearbox and MagneTek VFD on the **Dryer Infeed Section**
30 H.P. 1800 R.P.M. motor and MagneTek GPD 515 VFD on the **Dryer Main Drive** with
(5) Eurodrive Type K96 54.8-1 geardrives
(10) 2H.P. 1800 R.P.M. 145T frame A.C. motor gearbox and Benshaw softstarter on the **Cascade Decks**
2 H.P. 1800 R.P.M. 145T frame motor gearbox on the **Cascade Belt Conveyor**
125 H.P. 1800 R.P.M. 444t frame A.C. motor and Benshaw Softstarter on **#1 Dryer Recirculation Fan** with 54" Chicago blower
125 H.P. 1800 R.P.M. 444t frame A.C. motor and Benshaw Softstarter on **#2A Dryer Recirculation Fan** with 54" Chicago blower
125 H.P. 1800 R.P.M. 444t frame A.C. motor and Benshaw Softstarter on **#2B Dryer Recirculation Fan** with 54" Chicago blower
100 H.P. 1800 R.P.M. 405T frame A.C. motor on **#3 Dryer Recirculation Fan** with 54" Chicago blower
100 H.P. 1800 R.P.M. 405T frame A.C. motor on **Dryer Supply Fan** with 49" Chicago blower
150 H.P. 1800 R.P.M. 445T frame A.C. motor and Benshaw Softstarter on the **Dryer Exhaust Fan** with 49" Chicago blower

Dry End Outfeed and Transfer

3 H.P. 1800 R.P.M. 182T frame A.C. gearmotor on #1 Run Out Conveyor
5 H.P. 1800 R.P.M. A.C. motor gearbox and MagneTek GPD 515 VFD on TT#3 Roll Conveyor
5 H.P. 1800 R.P.M. A.C. motor gearbox and MagneTek GPD 515 VFD on TT#3 Transfer Belt 1
5 H.P. 1800 R.P.M. A.C. motor gearbox and MagneTek GPD 515 VFD on TT#3 Transfer Belt 2
5 H.P. 1800 R.P.M. A.C. motor gearbox and MagneTek GPD 515 VFD on TT#3 Transfer Belt 3A
5 H.P. 1800 R.P.M. A.C. motor gearbox and MagneTek GPD 515 VFD on TT#3 Transfer Belt 3B
3 H.P. 1800 R.P.M. A.C. motor gearbox and MagneTek GPD 515VFD on Roll Conveyor #2
20 H.P. 1800 R.P.M. 256T frame A.C. motor on the Booker Hydraulic Pump
3 H.P. A.C. motor gearbox on the Reject Stacker Tipple Conveyor
.5 H.P. A.C. motor gearbox on the Reject Stacker Tipple Lift

Bundler and Stackers

(2) .75 H.P. A.C. motor on the Bundler Infeed Belts
(2) 5 H.P. 3600 R.P.M. motors on the End Saws
1 H.P. 1800 R.P.M. Brake motor and VFD on the Bundler Length Adjust
5 H.P. 1800 R.P.M. Motor gearbox and MagneTek GPD 503 VFD on the Bundler
1.5 H.P. 1800 R.P.M. motor gearbox and MagneTek GPD 333 VFD on Stacker Feed Conveyor #1
1.5 H.P. 1800 R.P.M. motor gearbox and MagneTek GPD 333 VFD on Stacker Feed Conveyor #2
1.5 H.P. 1800 R.P.M. motor gearbox and MagneTek GPD 333 VFD on Stacker Flap Conveyor #1
1.5 H.P. 1800 R.P.M. motor gearbox and MagneTek GPD 333 VFD on Stacker Flap Conveyor #2
3 H.P. 1800 R.P.M. A.C. motor gearbox on Stacker Conveyor #1
3 H.P. 1800 R.P.M. A.C. motor gearbox on Stacker Conveyor #2
3 H.P. 1800 R.P.M. A.C. motor gearbox on Stacker Conveyor #3
3 H.P. 1800 R.P.M. A.C. motor gearbox on Stacker Conveyor #4
3 H.P. 1800 R.P.M. A.C. motor gearbox on Stacker Conveyor #5
5 H.P. 1800 R.P.M. 184TC frame A.C. motor on #1 Stacker Hydraulic Unit
5 H.P. 1800 R.P.M. 184TC frame A.C. motor on #2 Stacker Hydraulic Unit
5 H.P. 1800 R.P.M. 184TC frame A.C. motor on #3 Stacker Hydraulic Unit
25 H.P. 1800 R.P.M. 284T frame A.C. motor on the Trim Handling Fan

Norba Crusher type KSS-4-15

(4) 20 H.P. 1800 R.P.M. A.C. motors
(4) Crushing Screws
Control Cabinet and associated PLC
Dunnage Machine Complete

General Plantwide Equipment

(2) 13.2KV/480VAC 2000KVA Transformers

13.2/2300VAC 1000KVA Transformer

600 ILP, 2300VAC across the line starter

250 H.P. 2300VAC across the line starter

600 Amp G.E. breaker feeding 600A Siemens MCC A

400 Amp G.E. breaker feeding 400A Siemens MCC B

1200 Amp G.E. breaker feeding 1200A Siemens MCC C

800 Amp G.E. breaker feeding 800A Siemens MCC D

1200 Amp G.E. breaker feeding 1200A Siemens MCC E

400 Amp G.E. breaker feeding 400A Siemens MCC F

600 Amp G.E. breaker feeding 600A Siemens MCC G

(3) Gould Modicon 984 S908 P.L.C.s and associated I/O

(10) Equipment Control Panels

125 H.P. 1800 R.P.M. 444T frame A.C. motor on Air Compressor #1

125 H.P. 1800 R.P.M. 444T frame A.C. motor on Air Compressor #2

50 H.P. 1800 R.P.M. motor on Air Compressor #3

2 H.P. 1800 R.P.M. 145TC frame A.C. motor on Process Water Sump Pump

3 H.P. 1800 R.P.M. 182 TC frame A.C. motor on Waste Water Settling Basin Sump Pump

EXHIBIT C-1

SUMMARY

Take-off:		\$750,000
Take-off expenditures through December 31, 1998 (see Exhibit C-2):		\$711,140
Needed for completion:		
1. Duct work for dust collector (fabricated by Continental)		
½ charged to take-off:	\$25,000	12,500
2. Dust collector, Hosokawa Mikropul, purchase order number 8285 (see Exhibit C-3)		
½ charged to take-off:	\$17,726	8,863
3. Miscellaneous labor and parts, C&H Mechanical, Inc., purchase order number 9244 (see Exhibit C-4):		<u>17,360</u>
Total needed for completion:		\$ 38,723

EXHIBIT C-2

FILE # MOEND 118500-08 SHEET G		CONTINENTAL GYPSUM CO BUNDLER #2		BUNDLER#2					
		STACKER#							
DATE	SOURCE	VENDOR	TAKEOFF #2	PROJECT	PURCHASED (P)	ENGINEERING (E)	DEB MAINT. (DM)		
11/30/98	AP-R2335	J.H. FISHER INV 64375-01	397.08	P	397.08				
11/30/98	AP-R2335	ROBERT GIBBONS INV 12/15/98	875.00	E		875.00			
11/30/98	AP-R2344	INDUSTRIAL COMP INV 039688	178.28	P	178.28				
11/30/98	AP-R2344	INDUSTRIAL COMP INV 040153	580.67	P	580.67				
11/30/98	AP-R2344	INDUSTRIAL COMP INV 040159	453.34	P	453.34				
11/30/98	AP-R2335	RITTAL CORPORATION INV 707196	453.18	P	453.18				
12/07/98	AP-R2325	G. MATHEWSON INV 201157	145.80	P	145.80				
12/07/98	AP-R2325	WILLIER ELECTRIC INV 117382	124.22	P	124.22				
12/10/98	AP-R2336	FAITOUTE INV N148938	1,357.76	P	1,357.76				
12/10/98	AP-R2336	G. MATHEWSON INV 201202	141.48	P	141.48				
12/10/98	AP-R2336	MCMASTER INV 6098973	295.67	P	295.67				
12/10/98	AP-R2336	TURTLE & HUGHES INV 353136	300.40	P	300.40				
12/10/98	AP-R2336	VAN AIR HYDRAULICS INV F-00955-0	3,296.50	P	3,296.50				
12/11/98	AP-R2338	KEER ELECTRIC INV 1193549-01	217.07	P	217.07				
12/18/98	AP-R2359	CONTROL SOLUTIONS INV 24530	1,539.93	P	1,539.93				
12/18/98	AP-R2359	INDUSTRIAL COMPONENTS INV D40271	79.90	P	79.90				
12/18/98	AP-R2359	INDUSTRIAL COMPONENTS INV D40274	14.87	P	14.87				
12/18/98	AP-R2359	G. MATHEWSON INV 201347	145.13	P	145.13				
12/18/98	AP-R2359	NEWARK ELECTRONICS INV 306271-02	296.11	P	296.11				
12/18/98	AP-R2359	TURTLE & HUGHES INV 354187	370.99	P	370.99				
12/18/98	AP-R2359	VAN AIR HYDRAULICS INV F-00789-0	2,195.77	P	2,195.77				
12/22/98	AP-R2367	CONTROL SOLUTIONS INV 24503	2,050.75	P	2,050.75				
12/22/98	AP-R2367	CONTROL SOLUTIONS INV 24540	1,229.18	P	1,229.18				
12/22/98	AP-R2367	J.H. FISCHER INV 64820-01	480.75	P	480.75				
12/22/98	AP-R2367	FAITOUTE STEEL INV N148195	306.00	P	306.00				
12/22/98	AP-R2367	W.W. GRAINGER INV 5308607943	62.32	P	62.32				
12/22/98	AP-R2367	KEER ELECTRIC INV 1193632-01	959.90	P	959.90				
12/22/98	AP-R2367	KEER ELECTRIC INV 1193632-02	155.13	P	155.13				
12/22/98	AP-R2367	KEER ELECTRIC INV 1193632-03	143.73	P	143.73				
12/22/98	AP-R2367	KEER ELECTRIC INV 1193908-01	385.50	P	385.50				
12/22/98	AP-R2367	KEER ELECTRIC INV 1193908-02	48.96	P	48.96				
12/22/98	AP-R2367	KEER ELECTRIC INV 1194052-01	387.77	P	387.77				
12/22/98	AP-R2367	KEER ELECTRIC INV 1194154-01	525.77	P	525.77				
12/22/98	AP-R2367	KEER ELECTRIC INV 1194154-02	514.85	P	514.85				
12/22/98	AP-R2367	PROGRESSIVE HYDRAULICS INV 389145-001	723.49	P	723.49				
12/22/98	AP-R2367	PROGRESSIVE HYDRAULICS INV 389145-002	178.57	P	178.57				
12/22/98	AP-R2367	IR G SMITH INV 86784	1,936.00	P	1,936.00				
12/22/98	AP-R2367	WILLIER ELECTRIC INV 117603	1,673.00	P	1,673.00				
12/28/98	AP-R2372	ROBERT GIBBONS 12-19-98	100.00	E		100.00			
12/28/98	AP-R2372	INDUSTRIAL COMPONENTS INV D40362	981.00	P	981.00				
12/28/98	AP-R2372	MCMASTER CARR INV 7169424	319.64	P	319.64				
12/29/98	AP-R2376	TURTLE & HUGHES INV 354083	1,306.00	P	1,306.00				
12/29/98	AP-R2376	TURTLE & HUGHES INV 355867	127.97	P	127.97				
12/31/98	AP-R2394	EFFECTOR INV 598412	529.75	P	529.75				
12/31/98	AP-R2394	VW GRAINGER INV 9321856818	146.67	P	146.67				
12/31/98	AP-R2394	MSC INDUSTRIAL SUPPLY INV 5214615	80.98	P	80.98				
12/31/98	AP-R2394	ORION INV 049096	373.75	P	373.75				
12/31/98	AP-R2394	ORION INV 049296	5,888.67	P	5,888.67				
12/31/98	AP-R2394	RG SMITH INV 88786	1,800.00	P	1,800.00				
12/31/98	AP-R2408	AIRLINE HYDRAULICS INV 412842	540.78	P	540.78				
12/31/98	AP-R2408	JH FISCHER INV 65009-01	40.95	P	40.95				
12/31/98	AP-R2408	MSC INDUSTRIAL SUPPLY INV 5350541	103.81	P	103.81				
12/31/98	AP-R2408	MSC INDUSTRIAL SUPPLY INV 5350545	11.55	P	11.55				
12/31/98	AP-R2408	RG SMITH INV 88534	1,120.00	P	1,120.00				
12/31/98	AP-R2412	JH FISCHER INV 64679-01	37.50	P	37.50				
12/31/98	AP-R2413	VAN AIR HYDRAULICS INV I-01310-0	318.88	P	318.88				
			711,140.25		492,846.30	36,471.13	181,822.82		
					Bundler #2	711,140.25			

			BUNDLER#2				
			STACKER/				
DATE	SOURCE	VENDOR	TAKEOFF #2	PROJECT	PURCHASED (P)	ENGINEERING (E)	DEB MAINT. (DM)
08/28/98	AP-R2130	MICHELLER & SON INV 7682	5,411.89	P	5,411.89		
08/28/98	AP-R2130	MICHELLER & SON INV 7700	374.40	P	374.40		
08/28/98	AP-R2130	PROGRESSIVE HYDRAULICS INV 358281001	2,880.07	P	2,880.07		
08/31/98	AP-R2137	FAITOUTE STEEL INV N136271	740.00	P	740.00		
08/31/98	AP-R2137	FAITOUTE STEEL INV N136375	259.20	P	259.20		
08/31/98	AP-R2137	FAITOUTE STEEL INV N136507	1,179.93	P	1,179.93		
08/31/98	AP-R2137	INDUSTRIAL COMPONENTS INV 039122	344.00	P	344.00		
08/31/98	AP-R2137	INDUSTRIAL COMPONENTS INV 039161	344.00	P	344.00		
08/31/98	AP-R2149	FAITOUTE STEEL INV N136378	1,942.75	P	1,942.75		
08/31/98	AP-R2149	GEORGE MATHEWSON INV 199803	742.17	P	742.17		
08/31/98	AP-R2149	ZVONKO INV 003917	390.00	P	390.00		
08/31/98	AP-R2155	DEB MAINTENANCE INV DCG10137	18,735.56	DM			18,735.56
08/31/98	AP-R2159	INDUSTRIAL COMPONENTS INV 039112	193.70	P	193.70		
08/31/98	AP-R2159	INDUSTRIAL COMPONENTS INV 039309	2,960.00	P	2,960.00		
08/31/98	GJJ1510	RECLASS CONT LABOR TAKEOFF	5,414.84	DM			5,414.84
09/10/98	AP-R2153	HILTI, INC. INV 4771055	208.50	P	208.50		
09/10/98	AP-R2153	G. MATHEWSON INV 199858	2,815.63	P	2,815.63		
09/10/98	AP-R2153	G. MATHEWSON INV 199710	1,372.73	P	1,372.73		
09/10/98	AP-R2153	G. MATHEWSON INV 199743	2,208.57	P	2,208.57		
09/21/98	AP-R2174	BRACKETT INV 58566	334.08	P	334.08		
09/21/98	AP-R2174	G. MATHEWSON INV 199833	423.60	P	423.60		
09/21/98	AP-R2174	G. MATHEWSON INV 199868	201.16	P	201.16		
09/25/98	AP-R2180	BANKS RIGGING INV 8590	1,300.00	P	1,300.00		
09/25/98	AP-R2180	FAITOUTE INV N140457	507.15	P	507.15		
09/25/98	AP-R2180	INDUSTRIAL COMPONENTS INV 039498	2,300.00	P	2,300.00		
09/25/98	AP-R2180	INDUSTRIAL COMPONENTS INV 039505	3,870.00	P	3,870.00		
09/28/98	AP-R2183	R G SMITH INV 88535	75.00	P	75.00		
09/28/98	AP-R2183	R G SMITH INV 88536	1,437.00	P	1,437.00		
09/30/98	AP-R2187	CADILLAC PLASTIC INV 243181	396.49	P	396.49		
09/30/98	AP-R2192	MICHELLER AND SON HYDRAUL	352.20	P	352.20		
09/30/98	AP-R2192	PAGE CONSULTANTS	3,458.90	P	3,458.90		
09/30/98	AP-R2192	ZVONKO STUJIC & SON INC	530.00	P	530.00		
09/30/98	AP-R2192	ZVONKO STUJIC & SON INC	1,156.00	P	1,156.00		
09/30/98	AP-R2198	BANKS RIGGING INV 8597	1,152.00	P	1,152.00		
09/30/98	AP-R2198	BANKS RIGGING INV 8600	7,480.00	P	7,480.00		
09/30/98	AP-R2208	INDUSTRIAL COMPONENTS INV 039531	43.00	P	43.00		
09/30/98	AP-R2220	DEB MAINTENANCE INV DCG10138	6,708.91	DM			6,708.91
09/30/98	AP-R2220	RG SMITH INV 88573	1,672.00	P	1,672.00		
09/30/98	AP-R2220	VAN-AIR HYDRAULICS INV F958570	3,255.80	P	3,255.80		
09/30/98	AP-R2220	VAN-AIR HYDRAULICS INV 1967540	1,673.56	P	1,673.56		
09/30/98	GJJ1551	RECLASS CONT LABOR ELEC 9/98	3,542.21	DM			3,542.21
10/08/98	AP-R2209	FAITOUTE STEEL COMPANY	267.60	P	267.60		
10/12/98	AP-R2221	VAN-AIR & HYDRAULICS	12.71	P	12.71		
10/15/98	AP-R2226	COOPER ELECTRIC SUPPLY CO.	841.00	P	841.00		
10/15/98	AP-R2226	W.W. GRAINGER, INC.	63.63	P	63.63		
10/15/98	AP-R2226	GEORGE A. MATHEWSON CO.	228.24	P	228.24		
10/15/98	AP-R2226	MSC INDUSTRIAL SUPPLY CO.	212.00	P	212.00		
10/21/98	AP-R2234	CONTROL SOLUTIONS INC.	2,189.39	P	2,189.39		
10/21/98	AP-R2234	HILTI, INC.	215.50	P	215.50		
10/21/98	AP-R2234	PAGE CONSULTANTS, INC.	4,440.85	P	4,440.85		
10/21/98	AP-R2234	SANTORO LUMBER CO., INC.	194.00	P	194.00		
10/21/98	AP-R2234	MIKE SCHMANKO	5,950.00	E		5,950.00	
10/21/98	AP-R2234	TURTLE & HUGHES, INC.	485.34	P	485.34		
10/21/98	AP-R2234	WILLER ELECTRIC MOTOR CO.	1,314.00	P	1,314.00		
10/21/98	AP-R2234	WILLER ELECTRIC MOTOR CO.	3,034.42	P	3,034.42		
10/21/98	MC-R0570	BURLINGTON AIR EXPRESS	623.71	P	623.71		
10/22/98	AP-R2235	VAN-AIR & HYDRAULICS	1,167.17	P	1,167.17		
10/26/98	AP-R2239	FAITOUTE STEEL COMPANY	238.94	P	238.94		
10/27/98	AP-R2243	MICHELLER AND SON HYDRAULICS	2,064.00	P	2,064.00		
10/27/98	AP-R2243	MICHELLER AND SON HYDRAULICS	1,700.00	P	1,700.00		
10/27/98	AP-R2243	SHINGLE & GIBB	635.67	P	635.67		
10/28/98	AP-R2250	SWEETWATER MACHINE AND WELDING INC.	123.05	P	123.05		
10/31/98	AP-R2257	FAITOUTE STEEL COMPANY	132.60	P	132.60		
10/31/98	AP-R2257	MCMaster-CARR SUPPLY COMPANY	1,102.70	P	1,102.70		
10/31/98	AP-R2261	FAITOUTE STEEL COMPANY	388.47	P	388.47		
10/31/98	AP-R2272	ORION INV 048847	395.56	P	395.56		
10/31/98	AP-R2278	DEB MAINTENANCE INV DCG10139	17,701.86	DM			17,701.86
10/31/98	AP-R2278	ZVONKO INV 004014	424.00	P	424.00		
10/31/98	GJJ1605	RECLASS ELEC CONT LABOR OCT	3,843.00	DM			3,843.00
11/10/98	AP-R2277	FAITOUTE STEEL INV N144385	300.80	P	300.80		
11/17/98	AP-R2294	AIRLINE HYDRAULICS INV 402883	2,494.50	P	2,494.50		
11/17/98	AP-R2294	INDUSTRIAL COMPONENTS INV 039868	1,150.00	P	1,150.00		
11/17/98	AP-R2294	INDUSTRIAL COMPONENTS INV 039935	86.20	P	86.20		
11/17/98	AP-R2294	KEER ELECTRIC INV 1192460-01	382.15	P	382.15		
11/17/98	AP-R2294	KEER ELECTRIC INV 1192460-02	115.56	P	115.56		
11/17/98	AP-R2294	KEER ELECTRIC INV 1192460-03	348.63	P	348.63		
11/17/98	AP-R2294	MICHELLER & SON INV 7969	1,634.80	P	1,634.80		
11/17/98	AP-R2294	WILLER ELECTRIC INV 116938	1,017.00	P	1,017.00		
11/23/98	AP-R2300	BAX GLOBAL INV 528097323	623.71	P	623.71		
11/23/98	AP-R2300	G. MATHEWSON INV 200509	2,054.00	P	2,054.00		
11/23/98	AP-R2300	MIKE SCHMANKO INV 8308	2,571.00	E		2,571.00	
11/23/98	AP-R2300	TURTLE & HUGHES INV 351061	342.65	P	342.65		
11/25/98	AP-R2307	KEER ELECTRIC INV 1193139-01	62.33	P	62.33		
11/25/98	AP-R2307	MICHELLER & SON INV 7894	1,180.55	P	1,180.55		
11/25/98	AP-R2314	CONTROL SOLUTIONS INV 24478	469.55	P	469.55		

TRADEMARK

EQUIPMENT LINE OF CREDIT NOTE

Principal Amount: \$1,500,000

Dated: March 31, 1999

FOR VALUE RECEIVED, CONTINENTAL GYPSUM COMPANY, a Delaware corporation, having a place of business at 265 Distribution Street, Port Newark, New Jersey 07114 ("Payor") promises to pay to the order of NATIONAL BANK OF CANADA, a chartered bank constituted under the Bank Act of Canada, having an office at 125 West 55th Street, New York, New York 10019 (the "Bank"), its successors and assigns, or at such other address as Bank shall notify Payors in writing, the principal sum of ONE MILLION FIVE HUNDRED THOUSAND (\$1,500,000) DOLLARS, or so much thereof as shall have been advanced to Payors pursuant to the Loan Agreement (as defined below), together with interest on the unpaid principal balance, payable as provided below.

1. Subject to Loan Documents.

(a) The obligations of the Payor under this Note are secured by the "Collateral", as such term is defined in the loan and security agreement entered into between the Bank, Liberty Supply Inc. and Payor on the date hereof (the "Loan Agreement").

(b) The terms and provisions of the Loan Agreement and all other documents and instruments referred to therein or executed and delivered pursuant thereto are incorporated herein by reference (all of the foregoing are hereinafter collectively referred to as the "Loan Documents").

2. Rate of Interest. The principal amount outstanding under this Note shall bear interest at the Payor's option, at either the Bank's Prime Rate minus one-quarter of one (¼%) percent or, subject to the provisions set forth in the Loan Agreement, at the Eurodollar Base Rate based upon the Eurodollar Term plus one and one-half of one (1.5%) percent. In the event that there shall be a change in the Prime Rate, such change shall be effective on the date of such change without notice to Payor. If the Eurodollar Base Rate option is selected, the Eurodollar Base Rate shall not change contemporaneously with any change in the Eurodollar Base Rate, but shall remain constant for the entire Eurodollar Term selected by the Payor. Interest shall be computed on the basis of the actual number of days elapsed over a period of 360 days.

3. Repayment. Principal and interest shall be paid during the term of this Note in the following manner:

(a) Payor shall make consecutive monthly payments of interest at the interest rate set forth in Paragraph 2 above on the principal balance outstanding under this Note commencing on May 1, 1999, and on the first (1st) day of each and every month thereafter through and including March 1, 2004.

(b) Payor shall make equal consecutive monthly payments of principal in an amount equal (i) the outstanding principal balance outstanding under the note as of March 31, 2001, divided by (ii) sixty (60), commencing on May 1, 2001 and on the first day of each and every month thereafter through and including March 1, 2004.

(c) The Payor shall make a final payment of the entire unpaid principal balance and accrued interest under this Note and all other costs, expenses and other charges of any nature whatsoever hereunder on March 31, 2004.

(d) Upon the failure of Payor to make any payments hereunder within ten (10) days of the date when due, Payor shall pay a late payment charge on all amounts overdue equal to five (5%) percent of the overdue amount (but in no event less than twenty five (\$25.00) dollars and not more than two thousand five hundred (\$2,500.00) dollars).

4. Event of Default. The following shall constitute an Event of Default under this Note:

(a) Failure to make any payments required hereunder, within five (5) days of the date when due; or

(b) The occurrence of any Event of Default under any of the Loan Documents.

5. Acceleration Upon Default. Upon the occurrence of an Event of Default, the entire unpaid principal balance of this Note, together with accrued interest and all other costs, expenses and charges due hereunder, shall, at the option of Bank, immediately become due and payable without notice or demand. Upon acceleration by Bank as hereinabove provided, all amounts due hereunder, whether principal, interest or otherwise, which have not been paid as of the date of such acceleration, shall, to the

extent permitted by law, at the option of Holder, bear interest from such date to the date payment in full is received by Bank at the Prime Rate plus three (3%) percent per annum, instead of the rate of interest established in Paragraph 2 of this Note. The Payor acknowledges that: (i) such additional rate is a material inducement to the Bank to make the Loans; (ii) the Bank would not have made the Loans in the absence of the agreement of the Payor to pay such default rate; (iii) such additional rate represents compensation for increased risk to the Bank that the Loans will not be repaid; and (iv) such rate is not a penalty and represents a reasonable estimate of (a) the cost to the Bank in allocating its resources (both personnel and financial) to the ongoing review, monitoring, administration and collection of the Loans and (b) compensation to the Bank for losses that are difficult to ascertain.

6. Cumulative Remedies; Waivers by Payor. No remedy referred to herein is intended to be exclusive, but each shall be cumulative and in addition to any other remedy above or otherwise available to the Bank under any of the Loan Documents, at law or in equity. Payor hereby waives presentment, demand for payment, protest and notice of dishonor of this Note and all other notices and demands.

7. WAIVER OF TRIAL BY JURY. PAYOR HEREBY WAIVES ALL RIGHTS IT MAY HAVE TO A JURY TRIAL IN ANY AND ALL DISPUTES RELATING TO, OR ARISING UNDER, THIS NOTE.

8. Non-Waiver. Failure to insist on the strict performance of any or all of the terms, provisions, and covenants contained in this Note shall not be construed as a waiver or relinquishment of the future performance of any term, provision or covenant herein.

9. Collection Fees. If suit is brought to collect this Note or any part hereof, Payor expressly agrees to pay all of Bank's reasonable costs and expenses of collection, including without limitation reasonable attorneys' fees.

10. Prepayment. This Note may be prepaid in full or in part at any time without premium or penalty upon prior written notice to the Bank. Notwithstanding the foregoing, in the event the Payor shall prepay any portion of the Note which is based upon the Eurodollar Base Rate prior to the maturity date of a Eurodollar Term, then the Payor shall be liable for actual losses (including actual loss of profit), costs and expenses incurred or

sustained by the Bank as a result of such prepayment. The Bank will furnish a written statement to the Payor detailing the computation of any such losses, costs and expenses.

11. Usury. All provisions of this Note and the Loan Documents are expressly subject to the condition that in no event, whether by reason of acceleration of maturity of the indebtedness evidenced hereby or otherwise, shall the amount paid or agreed to be paid to the undersigned hereunder and deemed interest under applicable law exceed the maximum rate of interest on the unpaid principal balance of this Note allowed by applicable law (the "Maximum Allowable Rate"), which shall mean the law in effect on the date of this Note, except that if there is a change in such law which results in a higher Maximum Allowable Rate being applicable to this Note, then this Note shall be governed by such amended law from and after its effective date. In the event that fulfillment of any provision of this Note or the Loan Documents results in the interest rate hereunder being in excess of the Maximum Allowable Rate, the obligation to be fulfilled shall automatically be reduced to eliminate such excess. Notwithstanding the foregoing, if the Bank or any other holder of this Note receives an amount which under applicable law would cause the interest rate hereunder to exceed the Maximum Allowable Rate, the portion thereof which would be excessive shall automatically be applied to and deemed a prepayment of the unpaid principal balance of this Note and not a payment of interest, and in the event there is no unpaid principal balance of this Note, such excess shall be returned to the Payor.

12. Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of New Jersey.

IN WITNESS WHEREOF, Payor has duly executed this Note as of the day and year first above written.

CONTINENTAL GYPSUM COMPANY

BY: _____
RHYNE SIMPSON, JR., President

EQUIPMENT TERM NOTE

Principal Amount: \$1,500,000

Dated: March 31, 1999

FOR VALUE RECEIVED, CONTINENTAL GYPSUM COMPANY, a Delaware corporation, having a place of business at 265 Distribution Street, Port Newark, New Jersey 07114 ("Payor"), promises to pay to the order of NATIONAL BANK OF CANADA, a chartered bank constituted under the Bank Act of Canada, having an office at 125 West 55th Street, New York, New York 10019 (the "Bank"), its successors and assigns, or at such other address as Bank shall notify Payor in writing, the principal sum of ONE MILLION FIVE HUNDRED THOUSAND (\$1,500,000) DOLLARS, together with interest on the unpaid principal balance, payable as provided below.

1. Subject to Loan Documents.

(a) The obligations of the Payor under this Note are secured by the "Collateral", as such term is defined in the loan and security agreement entered into between the Bank, Liberty Supply, Inc. and Payor on the date hereof (the "Loan Agreement").

(b) The terms and provisions of the Loan Agreement and all other documents and instruments referred to therein or executed and delivered pursuant thereto are incorporated herein by reference (all of the foregoing are hereinafter collectively referred to as the "Loan Documents").

2. Rate of Interest. The principal amount outstanding under this Note shall bear interest at the Payor's option, at either the Bank's Prime Rate minus one-quarter of one (¼%) percent or, subject to the provisions set forth in the Loan Agreement, at the Eurodollar Base Rate based upon the Eurodollar Term plus one and one-half of one (1.5%) percent. In the event that there shall be a change in the Prime Rate, such change shall be effective on the date of such change without notice to Payor. If the Eurodollar Base Rate option is selected, the Eurodollar Base Rate shall not change contemporaneously with any change in the Eurodollar Base Rate, but shall remain constant for the entire Eurodollar Term selected by the Payor. Interest shall be computed on the basis of the actual number of days elapsed over a period of 360 days.

3. Repayment. Principal and interest shall be paid during the term of this Note in the following manner:

(a) Payor shall make consecutive monthly payments of interest in arrears, at the interest rate set forth in Paragraph 2 above on the principal balance outstanding under this Note commencing on May 1, 1999, and on the first (1st) day of each and every month thereafter through and including March 1, 2004.

(b) Payor shall make equal consecutive monthly payments of principal in an amount equal to Seventeen Thousand Eight Hundred Fifty Seven and 15/100 (\$17,857.15) Dollars commencing on May 1, 1999 and on the first day of each and every month thereafter through and including March 1, 2004.

(c) The Payor shall make a final payment of the entire unpaid principal balance and accrued interest under this Note and all other costs, expenses and other charges of any nature whatsoever hereunder on March 31, 2004.

(d) Upon the failure of Payor to make any payments hereunder within ten (10) days of the date when due, Payor shall pay a late payment charge on all amounts overdue equal to five (5%) percent of the overdue amount (but in no event less than twenty five (\$25.00) dollars and not more than two thousand five hundred (\$2,500.00) dollars).

4. Event of Default. The following shall constitute an Event of Default under this Note:

(a) Failure to make any payments required hereunder, within five (5) days of the date when due; or

(b) The occurrence of any Event of Default under any of the Loan Documents.

5. Acceleration Upon Default. Upon the occurrence of an Event of Default, the entire unpaid principal balance of this Note, together with accrued interest and all other costs, expenses and charges due hereunder, shall, at the option of Bank, immediately become due and payable without notice or demand. Upon acceleration by Bank as hereinabove provided, all amounts due hereunder, whether principal, interest or otherwise, which have not been paid as of the date of such acceleration, shall, to the extent permitted by law, at the option of Holder, bear interest from such date to the date payment in full is received by Bank at

the Prime Rate plus three (3%) percent per annum, instead of the rate of interest established in Paragraph 2 of this Note. The Payor acknowledges that: (i) such additional rate is a material inducement to the Bank to make the Loans; (ii) the Bank would not have made the Loans in the absence of the agreement of the Payor to pay such default rate; (iii) such additional rate represents compensation for increased risk to the Bank that the Loans will not be repaid; and (iv) such rate is not a penalty and represents a reasonable estimate of (a) the cost to the Bank in allocating its resources (both personnel and financial) to the ongoing review, monitoring, administration and collection of the Loans and (b) compensation to the Bank for losses that are difficult to ascertain.

6. Cumulative Remedies; Waivers by Payor. No remedy referred to herein is intended to be exclusive, but each shall be cumulative and in addition to any other remedy above or otherwise available to the Bank under any of the Loan Documents, at law or in equity. Payor hereby waives presentment, demand for payment, protest and notice of dishonor of this Note and all other notices and demands.

7. WAIVER OF TRIAL BY JURY. PAYOR HEREBY WAIVES ALL RIGHTS IT MAY HAVE TO A JURY TRIAL IN ANY AND ALL DISPUTES RELATING TO, OR ARISING UNDER, THIS NOTE.

8. Non-Waiver. Failure to insist on the strict performance of any or all of the terms, provisions, and covenants contained in this Note shall not be construed as a waiver or relinquishment of the future performance of any term, provision or covenant herein.

9. Collection Fees. If suit is brought to collect this Note or any part hereof, Payor expressly agrees to pay all of Bank's reasonable costs and expenses of collection, including without limitation reasonable attorneys' fees.

10. Prepayment. This Note may be prepaid in full or in part at any time without premium or penalty upon prior written notice to the Bank. Notwithstanding the foregoing, in the event the Payor shall prepay any portion of the Note which is based upon the Eurodollar Base Rate prior to the maturity date of a Eurodollar Term, then the Payor shall be liable for actual losses (including actual loss of profit), costs and expenses incurred or sustained by the Bank as a result of such prepayment. The Bank will furnish a written statement to the Payor detailing the

computation of any such losses, costs and expenses.

11. Usury. All provisions of this Note and the Loan Documents are expressly subject to the condition that in no event, whether by reason of acceleration of maturity of the indebtedness evidenced hereby or otherwise, shall the amount paid or agreed to be paid to the undersigned hereunder and deemed interest under applicable law exceed the maximum rate of interest on the unpaid principal balance of this Note allowed by applicable law (the "Maximum Allowable Rate"), which shall mean the law in effect on the date of this Note, except that if there is a change in such law which results in a higher Maximum Allowable Rate being applicable to this Note, then this Note shall be governed by such amended law from and after its effective date. In the event that fulfillment of any provision of this Note or the Loan Documents results in the interest rate hereunder being in excess of the Maximum Allowable Rate, the obligation to be fulfilled shall automatically be reduced to eliminate such excess. Notwithstanding the foregoing, if the Bank or any other holder of this Note receives an amount which under applicable law would cause the interest rate hereunder to exceed the Maximum Allowable Rate, the portion thereof which would be excessive shall automatically be applied to and deemed a prepayment of the unpaid principal balance of this Note and not a payment of interest, and in the event there is no unpaid principal balance of this Note, such excess shall be returned to the Payor.

12. Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of New Jersey.

IN WITNESS WHEREOF, Payor has duly executed this Note as of the day and year first above written.

CONTINENTAL GYPSUM COMPANY

BY: _____
RHYNE SIMPSON, JR., President

REVOLVING LINE OF CREDIT NOTE

Principal Amount: \$4,000,000

Dated: March 31, 1999

FOR VALUE RECEIVED, CONTINENTAL GYPSUM COMPANY, a Delaware corporation, having a place of business at 265 Distribution Street, Port Newark, New Jersey 07114 ("Continental") and LIBERTY SUPPLY INC., a Delaware corporation doing business in New Jersey as "LIBERTY SUPPLY INC. OF NEW JERSEY", having a place of business at 265 Distribution Street, Port Newark, New Jersey 07114 ("Liberty") (Continental and Liberty are hereafter referred to individually as a "Payor" and collectively the "Payors"), promise, on a joint and several basis, to pay to the order of NATIONAL BANK OF CANADA, a chartered bank constituted under the Bank Act of Canada, having an office at 125 West 55th Street, New York, New York 10019 (the "Bank"), its successors and assigns, or at such other address as Bank shall notify Payors in writing, the principal sum of FOUR MILLION (\$4,000,000) DOLLARS, or so much thereof as shall have been advanced to Payors pursuant to the Loan Agreement (as defined below), together with interest on the unpaid principal balance, payable as provided below.

1. Subject to Loan Documents.

(a) The obligations of each of the Payors under this Note are secured by the "Collateral", as such term is defined in the loan and security agreement entered into between the Bank and Payors on the date hereof (the "Loan Agreement").

(b) The terms and provisions of the Loan Agreement and all other documents and instruments referred to therein or executed and delivered pursuant thereto are incorporated herein by reference (all of the foregoing are hereinafter collectively referred to as the "Loan Documents").

2. Rate of Interest. The principal amount outstanding under this Note shall bear interest at the Payor's option, at either the Bank's Prime Rate minus one-quarter of one (¼%) percent or, subject to the provisions set forth in the Loan Agreement, at the Eurodollar Base Rate based upon the Eurodollar Term plus one and one-half of one (1.5%) percent. In the event that there shall be a change in the Prime Rate, such change shall be effective on the date of such change without notice to Payors. If the Eurodollar Base Rate option is selected, the Eurodollar Base Rate

shall not change contemporaneously with any change in the Eurodollar Base Rate, but shall remain constant for the entire Eurodollar Term selected by the Payors. Interest shall be computed on the basis of the actual number of days elapsed over a period of 360 days.

3. Repayment. Principal and interest shall be paid during the term of this Note in the following manner:

(a) Payors shall make consecutive monthly payments of interest in arrears, at the interest rate set forth in Paragraph 2 above on a floating basis on the principal balance outstanding under this Note commencing on May 1, 1999, and on the first (1st) day of each and every month thereafter through and including March 1, 2001.

(b) Payors shall make a final payment of the entire unpaid principal balance and accrued interest under this Note and all other costs, expenses and charges of any nature whatsoever due or assessable hereunder on March 31, 2001.

(c) Upon the failure of Payors to make any payments hereunder within ten (10) days of the date when due, Payors shall pay a late payment charge on all amounts overdue equal to five (5%) percent of the overdue amount (but in no event less than twenty five (\$25.00) dollars and not more than two thousand five hundred (\$2,500.00) dollars). Any such late charge assessed is immediately due and payable.

4. Event of Default. The following shall constitute an Event of Default under this Note:

(a) Failure to make any payments required hereunder, within (5) days of the date when due; or

(b) The occurrence of any Event of Default under any of the Loan Documents.

5. Acceleration Upon Default. Upon the occurrence of an Event of Default, the entire unpaid principal balance of this Note, together with accrued interest and all other costs, expenses and charges due hereunder, shall, at the option of Bank, immediately become due and payable without notice or demand. Upon acceleration by Bank as hereinabove provided, all amounts due hereunder, whether principal, interest or otherwise, which have not been paid as of the date of such acceleration, shall, to the

extent permitted by law, at the option of Holder, bear interest from such date to the date payment in full is received by Bank at the Prime Rate plus three (3%) percent per annum, instead of the rate of interest established in Paragraph 2 of this Note. The Payors acknowledge that: (i) such additional rate is a material inducement to the Bank to make the Loans; (ii) the Bank would not have made the Loans in the absence of the agreement of the Payors to pay such default rate; (iii) such additional rate represents compensation for increased risk to the Bank that the Loans will not be repaid; and (iv) such rate is not a penalty and represents a reasonable estimate of (a) the cost to the Bank in allocating its resources (both personnel and financial) to the ongoing review, monitoring, administration and collection of the Loans and (b) compensation to the Bank for losses that are difficult to ascertain.

6. Cumulative Remedies; Waivers by Payors. No remedy referred to herein is intended to be exclusive, but each shall be cumulative and in addition to any other remedy above or otherwise available to the Bank under any of the Loan Documents, at law or in equity. Each Payor hereby waives presentment, demand for payment, protest and notice of dishonor of this Note and all other notices and demands.

7. WAIVER OF TRIAL BY JURY. EACH OF THE PAYORS HEREBY WAIVES ALL RIGHTS THEY MAY HAVE TO A JURY TRIAL IN ANY AND ALL DISPUTES RELATING TO, OR ARISING UNDER, THIS NOTE.

8. Non-Waiver. Failure to insist on the strict performance of any or all of the terms, provisions, and covenants contained in this Note shall not be construed as a waiver or relinquishment of the future performance of any term, provision or covenant herein.

9. Collection Fees. If suit is brought to collect this Note or any part hereof, each Payor expressly agrees to pay all of Bank's reasonable costs and expenses of collection, including without limitation reasonable attorneys' fees.

10. Prepayment. This Note may be prepaid in full or in part at any time without premium or penalty upon prior written notice to the Bank. Notwithstanding the foregoing, in the event the Payors shall prepay any portion of the Note which is based upon the Eurodollar Base Rate prior to the maturity date of a Eurodollar Term, then the Payors shall be liable for actual losses (including actual loss of profit), costs and expenses incurred or

sustained by the Bank as a result of such prepayment. The Bank will furnish a written statement to the Payors detailing the computation of any such losses, costs and expenses.

11. Usury. All provisions of this Note and the Loan Documents are expressly subject to the condition that in no event, whether by reason of acceleration of maturity of the indebtedness evidenced hereby or otherwise, shall the amount paid or agreed to be paid to the undersigned hereunder and deemed interest under applicable law exceed the maximum rate of interest on the unpaid principal balance of this Note allowed by applicable law (the "Maximum Allowable Rate"), which shall mean the law in effect on the date of this Note, except that if there is a change in such law which results in a higher Maximum Allowable Rate being applicable to this Note, then this Note shall be governed by such amended law from and after its effective date. In the event that fulfillment of any provision of this Note or the Loan Documents results in the interest rate hereunder being in excess of the Maximum Allowable Rate, the obligation to be fulfilled shall automatically be reduced to eliminate such excess. Notwithstanding the foregoing, if the Bank or any other holder of this Note receives an amount which under applicable law would cause the interest rate hereunder to exceed the Maximum Allowable Rate, the portion thereof which would be excessive shall automatically be applied to and deemed a prepayment of the unpaid principal balance of this Note and not a payment of interest, and in the event there is no unpaid principal balance of this Note, such excess shall be returned to the Payors.

12. Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of New Jersey.

IN WITNESS WHEREOF, each Payor has duly executed this Note as of the day and year first above written.

ATTEST:

CONTINENTAL GYPSUM COMPANY

BY: _____
RHYNE SIMPSON, JR., President

LIBERTY SUPPLY INC. d/b/a
LIBERTY SUPPLY INC. OF NEW JERSEY

BY: _____
RHYNE SIMPSON, JR., President

::ODMA\PCDOCS\DOCSLIB\161489\4

Int. Cl.: 19

Prior U.S. Cls.: 1, 12, 33 and 50

Reg. No. 2,174,468

United States Patent and Trademark Office

Registered July 21, 1998

TRADEMARK
PRINCIPAL REGISTER

FIREBAR

CONTINENTAL GYPSUM COMPANY (DELA-
WARE CORPORATION)
265 DISTRIBUTION STREET
PORT NEWARK, NJ 07114

ING FOR EXTERIORS, IN CLASS 19 (U.S. CLS.
1, 12, 33 AND 50).
FIRST USE 10-11-1995; IN COMMERCE
10-11-1995.

SER. NO. 75-219,734, FILED 12-30-1996.

FOR: FIRE-RESISTANT GYPSUM BOARD
USED FOR WALLS, CEILINGS AND SHEATH-

K. MARGARET LE, EXAMINING ATTORNEY

Int. Cl.: 19

Prior U.S. Cls.: 1, 12, 33 and 50

Reg. No. 2,170,927

United States Patent and Trademark Office

Registered July 7, 1998

TRADEMARK
PRINCIPAL REGISTER



CONTINENTAL GYPSUM COMPANY (DELA-
WARE CORPORATION)
265 DISTRIBUTION STREET
PORT NEWARK, NJ 07114

FOR: GYPSUM PRODUCTS, NAMELY,
GYPSUM BOARD USED FOR WALLS, CEIL-
INGS AND SHEATHING FOR EXTERIORS, IN
CLASS 19 (U.S. CLS. 1, 12, 33 AND 50).

FIRST USE 8-25-1995; IN COMMERCE
9-6-1995.

NO CLAIM IS MADE TO THE EXCLUSIVE
RIGHT TO USE "GYPSUM", APART FROM
THE MARK AS SHOWN.

THE MARK CONSISTS IN PART OF A STYL-
IZED LETTER "C".

SER. NO. 75-219,735, FILED 12-30-1996.

K. MARGARET LE, EXAMINING ATTORNEY

Int. Cl.: 19

Prior U.S. Cls.: 1, 12, 33 and 50

Reg. No. 2,170,927

United States Patent and Trademark Office

Registered July 7, 1998

TRADEMARK
PRINCIPAL REGISTER



CONTINENTAL GYPSUM COMPANY (DELA-
WARE CORPORATION)
265 DISTRIBUTION STREET
PORT NEWARK, NJ 07114

FOR: GYPSUM PRODUCTS, NAMELY,
GYPSUM BOARD USED FOR WALLS, CEIL-
INGS AND SHEATHING FOR EXTERIORS, IN
CLASS 19 (U.S. CLS. 1, 12, 33 AND 50).

FIRST USE 8-25-1995; IN COMMERCE
9-6-1995.

NO CLAIM IS MADE TO THE EXCLUSIVE
RIGHT TO USE "GYPSUM", APART FROM
THE MARK AS SHOWN.

THE MARK CONSISTS IN PART OF A STYL-
IZED LETTER "C".

SER. NO. 75-219,735, FILED 12-30-1996.

K. MARGARET LE, EXAMINING ATTORNEY

Int. Cl.: 19

Prior U.S. Cls.: 1, 12, 33 and 50

Reg. No. 2,172,435

United States Patent and Trademark Office

Registered July 14, 1998

TRADEMARK
PRINCIPAL REGISTER

AQUABAR

CONTINENTAL GYPSUM COMPANY (DELA-
WARE CORPORATION)
265 DISTRIBUTION STREET
PORT NEWARK, NJ 07114

ING FOR EXTERIORS, IN CLASS 19 (U.S. CLS.
1, 12, 33 AND 50).
FIRST USE 1-18-1996; IN COMMERCE
1-18-1996.

FOR: WATER-RESISTANT GYPSUM BOARD
USED FOR WALLS, CEILINGS AND SHEATH-

SER. NO. 75-219,733, FILED 12-30-1996.

K. MARGARET LE, EXAMINING ATTORNEY

Exhibit 4.6Other Real Property Interests and filed UCC-1 Financial Statements.

1. Secured Party : Foley Incorporated
Debtor : Continental Gypsum
Date : May, 1997
Collateral : 1 CAT Model 936
Serial No. 45Z2830

2. Secured Party : Foley Incorporated
Debtor : Continental Gypsum
Date : August 22, 1996
Collateral : 1 CAT Model 938
Serial No. 01KM00272

Exhibit 4.8

Pending or Threatened Litigation

Marc Morris v. Minneapolis Sheet Metal Works, Inc., et al.
Docket No. ESX-L-11244-97. This is a workers' compensation
claim. Plaintiff's initial claim was for \$2 million.

State of New Jersey v. Continental Gypsum Company
State Police Summons No. MP 118883 (Summons attached hereto)

Int. Cl.: 19

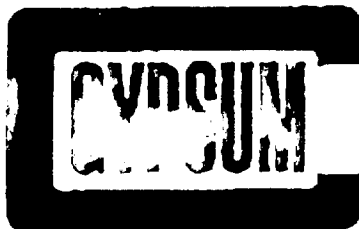
Prior U.S. Cls.: 1, 12, 33 and 50

Reg. No. 2,170,927

United States Patent and Trademark Office

Registered July 7, 1998

TRADEMARK
PRINCIPAL REGISTER



CONTINENTAL GYPSUM COMPANY (DELA-
WARE CORPORATION)
265 DISTRIBUTION STREET
PORT NEWARK, NJ 07114

FOR: GYPSUM PRODUCTS, NAMELY,
GYPSUM BOARD USED FOR WALLS, CEIL-
INGS AND SHEATHING FOR EXTERIORS, IN
CLASS 19 (U.S. CLS. 1, 12, 33 AND 50).

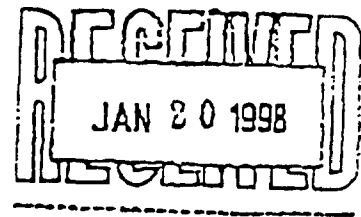
FIRST USE 8-25-1995; IN COMMERCE
9-6-1995.

NO CLAIM IS MADE TO THE EXCLUSIVE
RIGHT TO USE "GYPSUM", APART FROM
THE MARK AS SHOWN.

THE MARK CONSISTS IN PART OF A STYL-
IZED LETTER "C".

SER. NO. 75-219,735. FILED 12-30-1996.

K. MARGARET LE. EXAMINING ATTORNEY



State of New Jersey

DEPARTMENT OF LAW AND PUBLIC SAFETY
DIVISION OF LAW
RICHARD J. HUGHES JUSTICE COMPLEX
25 MARKET STREET
PO BOX 093
TRENTON, NJ 08625-0093

JUSTINE TOOD WINTERMAN
Governor

PETER VERNERO
Attorney General

E-Mail: herzhkar@law.dol.lps.state.nj.us

JAYNEE LAVECCHIA
Assistant Attorney General
Director

(609) 292-6945

January 14, 1998

Continental Gypsum Company
265 Distribution Street
Port Newark, NJ 07114

Re: State of New Jersey v. Continental Gypsum Co.
State Police Summons No. MP 118883

Dear Sir/Madam:

Continental Gypsum Company was issued a summons by the New Jersey Division of State Police for a violation of N.J.S.A. 23:5-28. This matter will be heard before the Superior Court of New Jersey, Essex County Special Civil Part on a date to be determined.

For your information a copy of the statute is attached. You will note that the possible maximum penalty for this violation is \$6,000. However, the statute permits the State to offer you a compromise and settlement in the amount of \$500.00. If you wish to accept this compromise and settlement, this matter involving this statute only will be terminated. You are advised that you have a right to a trial in this matter and that you have a right to have a judge adjudicate whether or not you are liable to a civil penalty and for the judge to decide the amount up to the possible maximum amount, that you are liable for.

Should Continental Gypsum Company wish to accept the offer of compromise and settlement outlined above, kindly send your check in the amount of \$515.00, which includes \$15.00 cost of Court to:



January 14, 1998

Page 2

Essex County Special Civil Part
Superior Court of New Jersey
Attn.: Ms. Connie Aponte
465 Martin Luther King, Jr., Blvd.
Room 415
Newark, NJ 07102

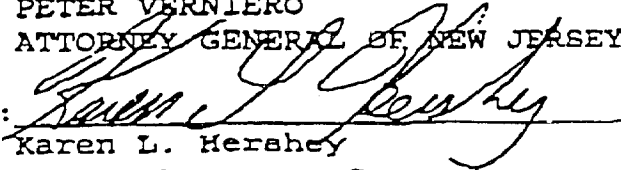
You must make reference on your check to the Court Docket Number.
MAKE CHECK PAYABLE TO "CLERK, SPECIAL CIVIL PART." For your
information, these are civil penalty matters. They are not
criminal or quasi-criminal and in essence the matter is in the
nature of a civil dispute between you and the State.

This offer of compromise and settlement made to you is
without prejudice as to the position of the State of New Jersey or
any agency or subdivision thereof if other violations are present.
This offer of compromise and settlement is conditioned upon the
fact that you must as soon as possible clean up the material or
remedy the situation that is the subject of this violation. As you
may note from your reading of the statute, every day that the
violation continues is a separate and continuing violation. If the
material is not cleaned up, you may be issued another summons at
any time.

It may be to your advantage to engage counsel should you
so desire.

Sincerely yours,

PETER VERNIERO
ATTORNEY GENERAL OF NEW JERSEY

By: 
Karen L. Hershey
Deputy Attorney General

KLH:pc

cc: Connie Aponte, Special Civil Part
Docketing Section, Division of Law
Captain W. Backer, Troop Commander
Trooper R. Hampton

NEW JERSEY STATUTE 23:5-28

23:5-28. a) No person shall put or place into, turn into, drain into, or place where it can run, flow, wash, or be emptied into, or where it can find its way into, any of the fresh or tidal waters within the jurisdiction of this State any petroleum products, debris, hazardous, deleterious, destructive, or poisonous substances of any kind; provided, however, that the use of any chemical by any State, county, or municipal government agency in any program of mosquito or other pest control or the use of any chemical by any person on agricultural, horticultural, or forestry crops, or in connection with livestock, or aquatic weed control or structural pest and rodent control, in a manner approved by the Department of Environmental Protection, or discharges from facilities for the treatment or disposal of sewage or other wastes in a manner that conforms to rules and regulations promulgated by the Department of Environmental Protection, shall not constitute a violation of this section. Unintentional dropping of scrap steel into fresh or tidal waters of the State during loading of such scrap steel at ports within the State shall also not constitute a violation of this section if the dropped scrap steel is removed from the waters when that area of the port is next dredged.

b) In case of pollution of fresh or tidal waters by any substances injurious to fish, birds, or mammals, it shall not be necessary to show that the substances have actually caused the death of any of these organisms.

c) A person violating this section shall be liable to a penalty of not more than \$6,000 for each offense, to be collected in a summary proceeding under "the penalty enforcement law," N.J.S.2A:58-1 et seq., and in any case before a court of competent jurisdiction wherein injunctive relief has been requested. The Superior Court shall have jurisdiction to enforce "the penalty enforcement law." If the violation is of a continuing nature, each day during which it continues shall constitute an additional, separate, and distinct offense. The department is hereby authorized and empowered to compromise and settle any claim for a penalty arising under this section in such amount in the discretion of the department as may appear appropriate and equitable under all of the circumstances. The department may institute a civil action in a court of competent jurisdiction for injunctive relief to prohibit and prevent any person from violating the provisions of this section and the court may proceed in the action in a summary manner.

Revised 1/18/92

DEPARTMENT OF LAW AND PUBLIC SAFETY
DIVISION OF STATE POLICE

MP118883

Municipal Court of _____
 Superior Court, Special Civil Part
of Essex County, New Jersey

Docket # _____ Recd. # _____ Art. # _____

State of New Jersey

CONTINENTAL GYPSUM CO.

SUMMONS
(NON-INDICTABLE
OFFENSE)

State of New Jersey

County of Essex

YOU ARE HEREBY SUMMONED TO APPEAR PERSONALLY BEFORE THIS COURT AT THE TIME AND PLACE SPECIFIED BELOW TO ANSWER THE FOLLOWING OFFENSE(S)

Name	<u>CONTINENTAL GYPSUM CO.</u>	
Address	<u>205 DISTRIBUTION ST.</u>	
City	<u>NEWARK</u>	State <u>NJ</u>
Telephone No.	Home _____	Business <u>201-465-0604</u>
Drivers Lic. No.	_____	Exp. Date _____
Ethnic Desc.	Mo. _____	Height _____

On 17th Day of JUNE 1997 at 5:20 P.M.

DID UNLAWFULLY VIOLATE THE PROVISIONS OF
N.J.S. 23:5-25 N.J.A.C. _____

By committing the following offense(s) POLLUTING THE
WATERWAYS OF THE STATE OF NJ

BY INTENTIONALLY VIOLATING MATRIN 1-7-7-1-1-1

M of Newark City Code 3714

In the Municipality of NEWARK County of Essex

Doc. #	_____	Exp. Date	_____
Birth Name	_____	Male	_____
Home Port	City _____	State _____	Length _____
Population	_____	Type _____	Color _____

YOU ARE NOTIFIED THAT THE UNDERSIGNED WILL FILE A COMPLAINT IN THIS COURT CHARGING YOU WITH THE OFFENSE(S) SET FORTH ABOVE.

Day 6/18/97 Signature and Identification of Officer, to be signed when issuing summons.

13 Badge No. 3714

NOTICE: If you desire to plead not guilty and/or contest the charge specified in this summons, you must appear in court on the date and at the place specified in this summons. If you fail to do so, the court may be necessary for you to make the court appearances.

COURT APPEARANCE REQUIRED (SEE REVERSE SIDE)

COURT APPEARANCE _____ DAY OF _____ 19 _____ AT _____ M.

ADDRESS OF COURT 100 Essex Street

F3104724 COURT TELEPHONE _____

SUMMONS Unit Code 1-310 (Revised Jan. 1992)

TRADEMARK

83/29/1999 12:08 9734669531

CONTINENTAL GYPSUM

PAGE 88

**READ CAREFULLY
COURT APPEARANCE REQUIRED**

If the other side of this Summons is checked at the bottom "Court Appearance Required", you must appear in Court at the time and place indicated.

If this Summons is not checked "Court Appearance Required" you must still appear in court as indicated if:

- a. You wish to contest the charge, or
- b. The offense is not listed on the Violations Bureau Schedule.

PAYMENT THROUGH VIOLATIONS BUREAU

If you wish to plead guilty and waive your right to a hearing in Court, you may do so provided "Court Appearance Required" has not been checked and provided also the offense is listed on the Violations Bureau Schedule. You may telephone the Violations Clerk to determine whether the offense is on the Violations Bureau Schedule and, if so, the amount of the penalty. Payment in person or by mail must be accompanied by this Summons with proper signature and address filled in below. **IF PAYMENT IS MADE BY MAIL DO NOT SEND CASH BUT SEND CHECK OR MONEY ORDER PAYABLE TO THE COURT**, shown on the other side. If payment is received by the Violations Bureau after the appearance date, you may be assessed additional penalties and in some instances you may be required to appear in court for failure to respond or by reason of prior convictions. (A receipt will be sent to you only if your payment is accompanied by a self-addressed, stamped envelope.)

Violations Bureau is located at:

Office _____

Telephone No. _____

Hours: _____

NOTICE

Contempt N.J.S. 2A:10-1 provides that disobedience of any lawful process may constitute a contempt of court for which the court may impose punishment.

Warrant for Arrest R. 3:3-1 (c) provides that if a defendant fails to appear or respond to a Summons, a Warrant to arrest shall issue.

APPEARANCE, PLEA AND WAIVER

I, the undersigned, do hereby enter my appearance on the Complaint for the violation charged in this Summons. I know that I have a right to a trial, that my signature to this plea of guilty will have the same force and effect as a conviction in court. I do hereby **PLEAD GUILTY** to said violation as charged, **WAIVE** my right to a **HEARING** by the Court, and agree to pay the penalty prescribed for the violation.

(Signature of Defendant) _____

Street Address _____

City or Town _____

State _____

(Payment through the Violations Bureau will not be accepted unless this Summons, with the above Appearance, Plea and Waiver properly completed, is mailed or presented to the Violations Bureau with payment in the proper amount.)

TRADEMARK

Exhibit 4.15

Business Locations/Alternate and Fictitious Names

4.15(d) Business records and collateral

Continental Gypsum Company
265 Distribution Street
Newark, New Jersey 07114

Collateral

Continental Gypsum Company
268D Kellogg Street
Newark, New Jersey 07114

4.15(e) Liberty Supply, Inc.
d/b/a Liberty Supply, Inc. of New Jersey