

# SECURITIES AND EXCHANGE COMMISSION

## FORM 8-K

Current report filing

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### FILER

#### RTI INC

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): February 24, 1997  
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RTI INC.

-----  
(Exact name of registrant as specified in its charter)

New York

0-5887

11-2163152

-----  
(State or Other Jurisdiction  
of Incorporation)

(Commission  
File Number)

(IRS Employer  
Identification No.)

108 Lake Denmark Road, Rockaway, New Jersey

07866

-----  
(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (203) 656-1004  
-----

-----  
(Former name or former address, if changed since last report)

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS  
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Pursuant to an agreement among (i) Refrigeration Technology Inc. ("RefTech"), a newly-formed Delaware corporation wholly-owned by RTI Inc. (the "Company"), (ii) Quality Air, Inc., a New Mexico corporation ("QAI"), (iii) Rick E. Bacchus, Rockney D. Bacchus and Ron Bacchus, the principal officers of QAI (the "Officers"), and (iv) Margie J. Bacchus, Philis Bacchus and Opal Simmons, the principal owners of QAI ( the "Owners"), dated February 24, 1997 (the "Acquisition Agreement"), among other things, QAI sold its business and substantially all of its assets to RefTech (the "Transaction"). Prior to the Transaction, QAI was a manufacturer of high-efficiency residential air coolers and central air conditioners, manufactured in Sunland Park, New Mexico and, through an affiliated Mexican company, Industrias QAI, S.A. de C.V. ("Industrias QAI"), in Ciudad Juarez, Mexico. The Company, through RefTech, intends to continue the acquired business.

In accordance with the Transaction, which was consummated on February 24, 1997 (the "Closing"), RefTech delivered to QAI 235,000 shares of the Company's common stock, par value \$.08 per share ("Common Stock"), 50,000 shares of which are being held in escrow for purposes of covering claims of RefTech which may arise under the indemnification provisions of the Acquisition Agreement. In addition, RefTech agreed to deliver to QAI (i) an additional 100,000 shares of Common Stock, if and when the Company's pre-tax fiscal year earnings from operations exceed \$800,000, and (ii) an additional 125,000 shares of Common Stock, if and when such earnings exceed \$1,200,000; provided, however, that such events occur prior to January 1, 2002.

As part of the Transaction, RefTech acquired substantially all of the assets of QAI, the tangible assets of which, as of January 31, 1997 (unaudited), consisted primarily of approximately (i) \$302,000 of inventory (a portion of which was at Industrias QAI), (ii) \$159,000 (net of accumulated depreciation and amortization) of furniture, equipment and vehicles, (iii) \$223,000 of loans to, and receivables from, Industrias QAI, (iv) \$268,000 of third party receivables, and (v) \$45,000 of cash. In addition, RefTech acquired all of the intangible assets of QAI, including a patent application of one

of the Officers which had been assigned to QAI. In the Transaction, RefTech assumed certain specified liabilities of QAI, consisting of QAI's (i) indebtedness to the Company aggregating \$670,000 plus accrued interest, which

was incurred by QAI prior to its December 1996 letter of intent with the Company, (ii) indebtedness to Theo W. Muller, chief executive officer and Chairman of the Company, and his affiliated companies aggregating \$830,000 plus accrued interest, \$780,000 of which was incurred by QAI subsequent to its December 1996 letter of intent with the Company, (iii) QAI purchase commitments incurred in the ordinary course of QAI's business for inventories, supplies and services aggregating approximately \$1,300,000, and (iv) other QAI scheduled liabilities incurred in the ordinary course of QAI's business aggregating approximately \$45,000.

It is anticipated that QAI will promptly liquidate and distribute its remaining assets (including its shares of Common Stock and its contingent rights to receive additional shares of Common Stock) to the shareholders of QAI.

The Acquisition Agreement provides that, during the period through December 31, 2001, the Officers, as a group, are to have the non-assignable right to nominate three of the seven directors constituting the Company's Board of Directors.

Prior to the Closing, the Company amended its By-Laws to provide that the Company's Chairman (currently Theo W. Muller) is to be the Company's Chief Executive Officer. Effective at the Closing, (i) the Company elected Rick E. Bacchus as President of the Company and Rockney D. Bacchus and Ron Bacchus as Vice Presidents of the Company, and (ii) each of the Officers entered into five-year employment agreements with RefTech (the "Employment Agreements"), pursuant to which Rick E. Bacchus was appointed President of RefTech (reporting to RefTech's Chairman and Chief Executive Officer, currently Theo W. Muller), Rockney D. Bacchus was appointed Vice President - Development of RefTech and Ron Bacchus was appointed Vice President - Manufacturing of RefTech. The Employment Agreements each provide that the employee is to receive annual base compensation of \$80,000 and may be terminated without cause upon payment of two months' salary.

RefTech has agreed to lend up to an aggregate of \$240,000 to the Officers, repayable with interest at 1% over prime during the period ending December 31, 2001. RefTech (i) has the right to purchase from Bacchus Industries, an affiliate of the Owners and the Officers, equipment and vehicles which had been leased to QAI, for an amount equal to their fair market value, and (ii) has agreed to lease from Bacchus Industries the factory building in Sunland Park, New Mexico, which had been occupied by QAI, for a three-year period at a net rental of the lesser of (a) \$6,500 per month, or (b) the payments due the Small Business Administration (the "SBA") under a loan between the SBA and the landlord.

In contemplation of, as an integral part of, the Transaction, on February 19, 1997, RefTech entered into a sale and purchase agreement with

Industrias QAI and its two shareholders, Opal Simmons and Robert Given (the "Industrias QAI Agreement"), pursuant to which RefTech was given the right to acquire either the capital stock of Industrias QAI or the business and assets of Industrias QAI, at its election at any time within sixty days after February 19, 1997. RefTech paid no additional consideration for its rights under the Industrias QAI Agreement. The purchase price to be paid upon closing of the Industrias QAI Agreement will be the higher of the book value of the capital stock of Industrias QAI (which had a deficit book value (unaudited) of approximately \$12,000 as of January 31, 1997) or 1,000 Mexican pesos. RefTech has been granted the sole authority to manage Industrias QAI, whose only customer has been QAI, until such closing.

The foregoing information with respect to the Transaction is qualified in its entirety by the complete text of the Acquisition Agreement and the other agreements referred to therein, copies of which are filed as exhibits hereto and are incorporated herein by reference.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS  
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(a) FINANCIAL STATEMENTS OF BUSINESSES ACQUIRED - It is impracticable to provide the information required by this Item 7(a) at this time. Such financial statements will be filed under cover of a Form 8-K/A as soon as practicable, but not later than

60 days from March 14, 1997, the last date on which this Report on Form 8-K was required to have been filed.

(b) PRO FORM FINANCIAL INFORMATION - It is impracticable to provide the information required by this Item 7(b) at this time. Such pro forma financial information will be filed under cover of a Form 8-K/A as soon as practicable, but not later than 60 days from March 14, 1997, the last date on which this Report on Form 8-K was required to have been filed.

(c) EXHIBITS -  
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1. Acquisition Agreement, dated February 24, 1997, by and among Refrigeration Technology, Inc., Quality Air, Inc., Margie J. Bacchus, Philis Bacchus, Rick E. Bacchus, Rockney D. Bacchus, Ron Bacchus and Opal Simmons.

2. Escrow Agreement, dated as of February 24, 1997, by and among Refrigeration Technology, Inc., Quality Air, Inc., Margie J. Bacchus, Philis

Bacchus, Rick E. Bacchus, Rockney D. Bacchus, Ron Bacchus and Opal Simmons, and Warshaw Burstein Cohen Schlesinger & Kuh, LLP, as escrow agent.

3. Lease, dated February , 1997, between Stanley Jobe and Quality Air, Inc. and/or assigns.
4. Employment Agreement, dated February 24, 1997, between Refrigeration Technology, Inc. and Rick E. Bacchus.
5. Employment Agreement, dated February 24, 1997, between Refrigeration Technology, Inc. and Rockney D. Bacchus.
6. Employment Agreement, dated February 24, 1997, between Refrigeration Technology, Inc. and Ron Bacchus.
7. Conditional Sale and Purchase Agreement, dated February 19, 1997, by and between Industrias Q.A.I., S.A. de C.V., Opal Elizabeth Simmons Wheeler, Robert Harvey Given Trackman and Refrigeration Technology, Inc.
8. Contract of Lease, dated February 1, 1996, between Polifibras de Chihuahua, S.A. de C.V. and Industrias Q.A.I., S.A. de C.V.

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9. Revolving Credit Note, dated December 2, 1996, in the principal aggregate amount of \$720,000, between RTI, Inc. and Quality Air, Inc.
10. Form of Promissory Note from Quality Air, Inc. to Theo W. Muller and his assigns.
11. Amendment of Sections 5.6 and 5.7 of the By-Laws of RTI, Inc.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

RTI INC.

By: /s/ Theo W. Muller  
-----

Theo W. Muller  
Chairman and Chief  
Executive Officer

Date: March 6, 1997

ACQUISITION AGREEMENT

between

QUALITY AIR, INC.

and

REFRIGERATION TECHNOLOGY INC.

Dated February 24, 1997

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## ACQUISITION AGREEMENT

AGREEMENT, dated February 24, 1997, by and among REFRIGERATION TECHNOLOGY INC., a Delaware corporation ("RefTech"), and QUALITY AIR, INC., a New Mexico corporation ("QAI"), and MARGIE J. BACCHUS, PHILIS BACCHUS, RICK E. BACCHUS, ROCKNEY D. BACCHUS, RON BACCHUS and OPAL SIMMONS (each a "Principal" and, collectively, the "Principals").

### Recitals

-----

A. QAI, with its affiliated company, Industrias QAI, S.A. de C.V. (the "Affiliate" and, together with QAI, the "Company") is engaged in the business of manufacturing, marketing and selling high efficiency, residential coolers and central air conditioners (the "Business").

B. The Principals own in excess of 90% of all of the issued and outstanding capital stock of QAI and control QAI.

C. RefTech is a wholly owned subsidiary of RTI Inc., a New York corporation ("RTI").

D. The Company desires to transfer substantially all of its assets to RefTech in exchange for shares of common stock, par value \$.08 per share, of RTI (the "Common Stock"), and the assumption by RefTech of certain of the Company's liabilities, upon the terms and conditions herein set forth.

E. Simultaneously with, or within 60 days after, the exchange referred to in Recital D, either (i) the owners of the Affiliate are transferring all of the capital stock of the Affiliate to RefTech and RTI, or (ii) the Affiliate is transferring the business and substantially all of the Affiliate's assets to RefTech.

F. Upon consummation of the exchange referred to in Recital D, QAI intends to distribute the Common Stock which it receives to the Principals as a distribution in liquidation of QAI.

NOW, THEREFORE, in consideration of the premises and in reliance upon the mutual representations, warranties, covenants and agreements hereinafter set forth, the parties agree as follows:

I. DEFINITIONS

-----

1.1 CERTAIN DEFINED TERMS. As used herein, the following terms shall have the following meanings (all terms defined in this Section 1.1 or in other provisions of this Agreement in the singular or plural shall have the same meanings when used in the plural or singular, respectively):

"AFFILIATE" shall have the meaning defined in Recital A.

"AFFILIATE DOCUMENTS" shall mean the Stock Purchase Agreement among the stockholders of the Affiliate, RefTech and RTI, which provides for the sale of all of the capital stock of the Affiliate to RefTech and RTI, including all exhibits and schedules annexed thereto, as the same may be amended and supplemented through the closing thereunder.

"AGREEMENT" shall mean this agreement and all Exhibits and Schedules annexed or to be annexed hereto, as same may be amended from time to time.

"ASSUMED LIABILITIES" shall mean the liabilities referred to in Section 3.1 which are being assumed by RefTech at the Closing.

"ASSETS" shall have the meaning defined in Section 2.1.

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"BALANCE SHEET" shall have the meaning defined in Section 2.1.

"BALANCE SHEET DATE" shall have the meaning defined in Section 2.1.

"BUSINESS" shall have the meaning defined in Recital A.

"CLOSING" shall have the meaning defined in Section 7.1

"CLOSING DATE" shall have the meaning defined in Section 7.1.

"CODE" shall mean the Internal Revenue Code of 1986, as amended.

"COMMITMENTS" shall have the meaning defined in Section 5.15.2.

"COMMON STOCK" shall have the meaning defined in Recital D.

"COMPANY" shall have the meaning defined in Recital A.

"EARN-OUT PERIOD" shall have the meaning defined in Section 4.3.

"EARN-OUT SHARES" shall mean the shares of Common Stock which are required to be delivered pursuant to Section 4.2.

"ESCROW AGENT" shall mean the escrow agent appointed pursuant to the Escrow Agreement.

"ESCROW AGREEMENT" shall mean the escrow agreement attached as Exhibit 4.2.

"EXCHANGE" shall have the meaning defined in Section 2.3.

"EXCHANGE ACT" shall mean the Securities Exchange Act of 1934, and the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

"EXCHANGE CONSIDERATION" shall have the meaning defined in Section 4.1.

"EXCLUDED ASSETS" shall have the meaning defined in Section 2.2.

"INTELLECTUAL PROPERTY" shall mean all patents and all applications therefor, trademarks and all applications therefor, trade names, trade styles, copyrights and all applications therefor, inventions, proprietary technology, trade secrets and all other intellectual property and property rights.

"LAW" shall mean with respect to QAI all United States, state and local laws, statutes, rules, ordinances and regulations and, with respect to the Affiliate, all Mexican Federal, state and local laws, statutes, rules, ordinances and regulations.

"LIENS" shall mean any charge, lien, mortgage, pledge, security interest or other encumbrance of any nature whatsoever upon, of or in property or other assets of a person or entity, whether absolute or conditional, voluntary or involuntary, and whether created pursuant to agreement, arising by force of statute, by judicial proceedings or otherwise.

"MEXICAN FACTORY" shall mean the premises leased and occupied by the Affiliate, located at Carretera Juarez- Casas Grandes Km 1.1 in Ciudad Juarez, Chihuahua, Mexico.

"MEXICAN FINANCIAL STATEMENT" shall have the meaning defined in Section 5.36.

"PRINCIPALS" shall have the meaning defined in the heading of this Agreement.

"QAI" shall have the meaning defined in the heading of this Agreement.

"REFTECH" shall have the meaning defined in the heading of this Agreement.

"RTI" shall have the meaning defined in Recital C.

"RTI SHARES" shall mean the shares of Common Stock which are being delivered as part of the Exchange.

"SECURITIES ACT" shall mean the Securities Act of 1933, and the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

"TEXAS WAREHOUSE" shall mean the premises located at 8909 Kingsway, Westway, Texas.

"U.S. FACTORY" shall mean the premises leased and occupied by QAI, located at 301 Antone Street, Sunland Park, New Mexico.

## II. ASSETS

-----

2.1 ASSETS. At the Closing, QAI shall assign, convey, transfer and deliver to RefTech, free and clear of all Liens (except the liens securing the indebtedness referred to in Section 3.1(i) and Section 3.1(ii)), all of the assets, properties and rights, including contractual rights, of QAI of every type and description, real, personal and mixed, tangible and intangible, wherever located and whether or not reflected on the books and records of QAI, as the same shall exist on the Closing (collectively, the "Assets"), excepting only the Excluded Assets, and including, without limitation, all those assets, properties and rights reflected on the balance sheet of QAI, as at January 31, 1997 (the "Balance Sheet Date"), a copy of which is annexed as Exhibit 2.1 (the "Balance Sheet"), subject to such changes in the Assets through the Closing which occur in the ordinary course of the Business without violation of the provisions of this Agreement. Without limiting the generality of the foregoing, the Assets include inventory (work in process, finished goods, parts and raw materials), accounts receivable, furniture and fixtures, vehicles, machinery and equipment, customer orders, lists and files, contractual rights (including any rights to defenses, set-offs and counterclaims against third parties which QAI may have with respect to any of the Assets or Assumed Liabilities), books and records, rights in and to the name "Quality Air" (and any variants thereof) and

all other trade or product names used by QAI, Intellectual Property, franchises, licenses, permits and authorizations, catalogs and merchandise sheets, and all other assets, properties and rights of every kind and nature used by QAI in the conduct of the Business, and all other assets, properties and rights of every kind and nature owned or held by QAI, or in which QAI has an interest; and the good will associated with each of the foregoing. To the extent that, at the Closing, any portion of the Assets is temporarily located in Mexico, then and in such event, and irrespective of the first sentence of this Section, such assets shall not be assigned, conveyed, transferred and delivered to RefTech at the Closing but shall be assigned, conveyed, transferred and delivered to RefTech, free and clear of all Liens (except the liens securing the indebtedness referred to in Section 3.1(i) and Section 3.1(ii)), promptly upon the export of such assets from Mexico and the jurisdiction of Mexican Customs into the United States.

2.2 EXCLUDED ASSETS. There shall be excluded from the Assets, the corporate seals, minute books and capital stock records of QAI and all other items listed on Schedule 2.2 (collectively, the "Excluded Assets").

2.3 EXCHANGE. In consideration of the assignment, conveyance, transfer and delivery of the Assets by QAI to RefTech at the Closing, and in exchange therefor, RefTech shall deliver to QAI the Exchange Consideration described in Section 4.1 (the "Exchange") and shall assume the Assumed Liabilities. Each of the parties intends that the Exchange constitute and qualify as a tax-free reorganization pursuant to the provisions of Section 368(A)(i)(c) of the Code. No consideration of any kind, other than the Exchange Consideration, shall be paid or transferred by RefTech to QAI, or to the Principals, in connection with the Exchange.

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### III. ASSUMPTION OF LIABILITIES

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3.1 ASSUMPTION OF LIABILITIES. RefTech shall not assume, and shall not become liable or responsible for, any liabilities, obligations or commitments of QAI, all of which shall remain the responsibility of QAI, except that RefTech at the Closing shall assume (i) QAI's indebtedness to RTI, in the principal sum of \$ 670,000, and all accrued interest thereon, as evidenced by QAI's promissory note, dated December 2, 1996, (ii) QAI's indebtedness to Theo W. Muller and his affiliates, which was in the principal sum of \$ 830,000 as of the close of business on February 14, 1997, and all accrued interest thereon, (iii) the purchase commitments of QAI listed on Schedule 3.1.A, all of which were incurred in the ordinary course of QAI's business and are necessary for the Business, and (iv) other liabilities in an aggregate amount, not to exceed

\$75,000, incurred by QAI in the ordinary course of business, which shall be scheduled at the Closing, and annexed to this Agreement as Schedule 3.1.B.

#### IV. EXCHANGE CONSIDERATION

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4.1 EXCHANGE CONSIDERATION. "Exchange Consideration" means (i) 235,000 shares of Common Stock to be delivered to QAI at the Closing, plus (ii) the Assumed Liabilities, plus (iii) any of the 225,000 additional shares of Common Stock constituting the Earn-Out Shares which may be required to be delivered by RefTech based on the earnings of RTI, as provided in Section 4.2. The Common Stock is publicly traded, and the market price therefor may increase or decrease between the date of this Agreement and the Closing; notwithstanding any such increase or decrease in the market price of the Common Stock, the number of shares of Common Stock constituting the RTI Shares shall not be increased or decreased. The RTI Shares, when issued, shall be fully paid and non-assessable shares of Common Stock. None of the RTI Shares have been or shall be registered under the Securities Act, and the certificates therefor shall contain a legend restricting their transfer, substantially as follows:

"The securities represented by this certificate have not been registered or qualified under the Securities Act of 1933, or the securities law of any state, and may be offered and sold only if registered and qualified pursuant to the relevant provisions of the Federal and applicable State securities laws, or if RTI Inc. is provided with an opinion of counsel, which counsel and opinion shall be satisfactory to RTI Inc., that registration and qualification under the Federal and applicable State securities laws is not required."

4.2 RTI SHARES DELIVERED AT THE CLOSING. Certificates evidencing 235,000 shares of Common Stock, registered in the name of QAI, shall be delivered at the Closing as follows: (i) a certificate for 185,000 shares of Common Stock shall be delivered to QAI, and (ii) a certificate for the remaining 50,000 shares of Common Stock (with a stock power duly executed by QAI) shall be delivered to the escrow agent, identified in and pursuant to the terms of an Escrow Agreement to be entered into at the Closing, in the form annexed as Exhibit 4.2.

4.3 EARN-OUT SHARES. The Exchange Consideration shall be increased by (i) 100,000 Earn-Out Shares, if and when the pre-tax earnings of RTI for any fiscal year through RTI's fiscal year ending December 31, 2001 (the "Earn-Out Period") exceed \$800,000, and (ii) an additional 125,000 Earn-Out Shares, if and when the pre-tax earnings of RTI for any subsequent fiscal year during the Earn-Out Period exceed \$1,200,000. For the purposes hereof, pre-tax earnings (i) shall be exclusive of any items of revenue or expense relating to RTI's Rockaway, New Jersey property, and (ii) shall be determined from RTI's audited annual consolidated financial statements prepared in accordance with generally accepted accounting principles, promptly after the release of such audited financial statements, by RTI's then regularly engaged independent accountants, whose determination (a) shall be evidenced by a certificate of such

accountants delivered to RefTech, RTI and the Principals, and (b) shall be final and binding on all parties. Certificates evidencing any Earn-Out Shares to be delivered shall be delivered by RefTech within thirty days after RefTech's receipt of the accountants' determination that Earn-Out Shares have been earned. Such certificates shall be delivered to the Escrow Agent, unless the Escrow Agreement has been terminated.

4.4 ALLOCATION OF THE EXCHANGE CONSIDERATION. RefTech and QAI agree that the Exchange Consideration shall be allocated as set forth on SCHEDULE 4.4. RefTech and QAI further agree that each of them shall (i) execute such elections and/or agreements as may be required pursuant to the applicable provisions of the Code,

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and the applicable regulations thereunder, and any other statute or regulation which may require the same, and (ii) prepare and file their respective tax returns in a manner consistent with Schedule 4.4.

4.5 SALES AND TRANSFER TAXES. Any and all sales and use or transfer taxes, or the like, arising out of the Exchange shall be borne by, and be paid by, RefTech.

4.6 DISTRIBUTIONS TO PRINCIPALS. Following the Closing, in complete liquidation of QAI, QAI shall distribute to the Principals the RTI Shares (including all rights to the RTI Shares held by the Escrow Agent and all rights to the Earn-Out Shares) in exchange for the surrender and cancellation of all QAI capital stock; and, in connection therewith and in accordance with the provisions of Section 368(A)(i)(g) of the Code, QAI (i) shall distribute all of its remaining assets and provide for the payment of any remaining liabilities as required by law, and (ii) shall thereupon dissolve. Upon effecting the dissolution of QAI, the Principals shall deliver a notice, signed by each of them, to RefTech and to the Escrow Agent (if the Escrow Agreement is then still in effect), instructing RefTech and the Escrow Agent as to how any RTI Shares which may thereafter be distributed are to be allocated as among the Principals.

V. REPRESENTATIONS AND WARRANTIES OF QAI AND THE PRINCIPALS  
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QAI and the Principals, jointly and severally, make the following representations and warranties to RefTech, in order to induce RefTech to enter into and perform this Agreement:

5.1 CORPORATE MATTERS. QAI is a corporation duly and validly organized and validly existing in good standing under the laws of the State of New Mexico and has all requisite corporate power, authority, licenses, permits and franchises to own or lease and operate its properties and carry on its

business as currently being conducted. QAI has heretofore furnished RefTech with a copy of its Certificate of Incorporation as amended to date, certified by the Secretary of State of the State of New Mexico, a copy of which is annexed as Exhibit 5.1.A and its By-Laws, as amended to date, certified by the Secretary of QAI, a copy of which is annexed as Exhibit 5.1.B, and QAI is not in violation of any of the provisions thereof. All of the issued and outstanding shares of capital stock of QAI are owned by one or more of the Principals, and there is no agreement or understanding with any third party to issue or transfer any QAI capital stock.

5.2 QUALIFICATION. The Company does business in the States listed on Schedule 5.2. Except as set forth on Schedule 5.2, the Company is duly licensed or qualified and in good standing as a foreign corporation authorized to do business in each jurisdiction in which the nature of the business transacted by it, or the character of its properties owned or leased by it, makes such qualification or licensing necessary.

5.3 AUTHORIZATION. The Company has the unqualified right and full power and authority (when authorized by requisite corporate actions) to sell, transfer, assign, convey and liquidate all of its assets and properties, without the consent of any person. The Board of Directors of QAI has duly adopted resolutions (i) authorizing the execution of this Agreement by QAI and the consummation by QAI of the transactions contemplated herein, and (ii) recommending such transactions to the shareholders of QAI and directing the submission thereof to a vote of such shareholders; thereafter, (i) notice thereof was given to each shareholder of record of QAI, (ii) such transactions were duly authorized by the shareholders of QAI, and (iii) neither at nor prior to the time of such due authorization did any shareholder of QAI file with QAI a written objection to the proposed corporate action. In addition to the foregoing, QAI has taken all other necessary corporate action to authorize the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby. Each of the Principals is legally competent to enter into this Agreement. This Agreement has been duly and validly executed and delivered by QAI and each of the Principals, and constitutes the valid and binding obligation of each of them, enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, moratorium, fraudulent conveyance or other similar laws currently or hereafter in effect affecting the enforcement of creditors rights generally.

5.4 EFFECT OF AGREEMENT, ETC. The execution, delivery and performance of this Agreement by QAI and the Principals, and the consummation of the transactions contemplated hereby shall not, with or without the giving

of notice or the lapse of time, or both (i) violate any provision of Law, (ii) violate any judgment, order, writ or decree of any court applicable to the Company or any of the Principals, or (iii) result in the breach of or conflict

with any term, covenant, condition or provision of, result in the modification or termination of, constitute a default under, or result in the creation or imposition of any Lien upon any of the properties or assets of the Company pursuant to any corporate charter or by-law, or any commitment, contract or other agreement or instrument to which the Company or any of the Principals is a party or by which any of the Company's assets or properties is or may be bound.

5.5 CONSENTS. No consent, authorization or approval of, or exemption by, any governmental or public body or authority, nor any consent of any third party, is required to be obtained by the Company in connection with the execution, delivery and performance by QAI and the Principals of this Agreement, or any of the instruments or agreements herein referred to or the taking of any action herein contemplated.

5.6 BALANCE SHEET. The Balance Sheet makes full and adequate provision for all obligations and liabilities (fixed and contingent) of QAI, as of the Balance Sheet Date, and QAI had, as of the Balance Sheet Date, no obligations, liabilities or commitments (fixed or contingent) required to be reserved against on the Balance Sheet or to be disclosed in any notes thereto, in accordance with generally accepted accounting principles, which are not so reserved against or disclosed, except for any such obligations or liabilities which are not material to the financial condition of QAI, the Business, the Assets or the Assumed Liabilities. The list of QAI's creditors and the amounts owed to each, as of the Balance Sheet Date, are as set forth on Schedule 5.6, and since the Balance Sheet Date, except as set forth on Schedule 5.6, QAI has had no additional creditors and the amounts set forth on Schedule 5.6 have not materially increased.

5.7 SUBSIDIARIES. QAI owns no capital stock or other equity participation in any entity, either directly or indirectly, and is not a partner in, nor a member of, any other entity.

5.8 ABSENCE OF CERTAIN CHANGES OR EVENTS. Since the Balance Sheet Date, and except as set forth on Schedule 5.8, the Company has not (i) incurred any obligation or liability (fixed or contingent) except (A) trade or business obligations incurred in the ordinary course of business consistent with normal and usual past practices, none of which are materially adverse to the financial condition of the Company or the continuity of the Business, or (B) under this Agreement, (ii) subjected any of its assets to a Lien, (iii) sold, transferred or leased any of its assets, except in the ordinary course of the Business, (iv) entered into any transaction other than in the ordinary course of the Business, (v) canceled or compromised any claim or debt, (vi) waived or released any rights of any material value, (vii) transferred or granted any rights under any lease, license, agreement, patent, invention, proprietary right, trademark, trade name, copyright, or with respect to know-how, (viii) declared any dividend, made any distribution to its shareholders or purchased or redeemed any of its capital stock, (ix) created or assumed any obligation for borrowed money, or (x) suffered any change in its financial condition, results of operations, properties, operations or business which, individually or in the aggregate, has had or reasonably may be expected to have a material adverse effect on its assets, the financial condition of the Company, the continuity of the Business

or the prospects of the Business.

## 5.9 ASSETS.

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5.9.1 OWNERSHIP AND LIENS. The Company has the ownership in fee and good and marketable title to the Assets which are reflected in the Balance Sheet (except to the extent that, subsequent to the Balance Sheet Date, such Assets have been sold or otherwise disposed of in the ordinary course of the Business) and all other Assets acquired by the Company since the Balance Sheet Date, free and clear of all Liens, other than (i) the Liens relating to the indebtedness referred to in Section 3.1(i) and Section 3.1(ii), (ii) Liens for taxes not yet due and payable, and (iii) Liens for taxes being contested in good faith by appropriate proceedings, details with respect to which are set forth on Schedule 5.9.1.

5.9.2 MACHINERY AND IMPROVEMENTS. The machinery and equipment included in the Assets is in good operating condition, and such machinery and equipment, as well as all of the Company's inventory, is located at (i) the U.S. Factory, (ii) the Mexican Factory, or (iii) month-to month leased premises located in Anthony,

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New Mexico (which will terminate February 28, 1997), or (iv) the Texas Warehouse. The fixed assets of the Company, including those referred to in the Balance Sheet, are all located on or at the U.S. Factory or the Mexican Factory, which are leased by the Company. The U.S. Factory and Mexican Factory improvements (including the roof and roof membrane, exterior and structural walls, foundations, floor slabs, and other load-bearing components) as well as all heating, ventilation and air conditioning systems, plumbing, electrical, wiring, life safety, and other equipment, appurtenances and systems are in operable condition and repair, which means that there are no material defects or state of disrepair that have a material adverse effect on the operations of the Business. The leases and other agreements or instruments under which the Company holds, leases or is entitled to the use of any real or personal property are in full force and effect and all rentals, royalties or other payments accruing thereunder prior to the date hereof have been duly paid or payment has been duly waived or forgiven. No default or event of default exists (which has not been waived) and no event which with notice or lapse of time, or both, would constitute a default, has occurred and is continuing under the terms or provisions, express or implied, of any of such leases, agreements or other instruments or under the terms or provisions of any agreement to which any of such properties are subject.

5.9.3 RECEIVABLES AND INVENTORY. Except as set forth on Schedule 5.9.3, all accounts receivable, whether included on the Balance Sheet or arising after the Balance Sheet Date, are collectable in the amounts thereof,

net of any allowance for doubtful accounts specified in the Balance Sheet; and there are no defenses, offsets or counterclaims threatened or pending with respect to any of the accounts receivable. The inventory of QAI included on the Balance Sheet, or purchased after the Balance Sheet Date, and on hand at the Closing is and shall be of a quality, quantity and mix consistent with QAI's past business practices, and is usable and saleable at a price at least equal to its book value in the ordinary course of QAI's business within six months after the Closing.

5.10 COMPLIANCE. The Assets, and the operation of the Business, are in conformance in all material respects with all Federal, state and local environmental protection, labor, safety and other Laws, orders and requirements, including without limitation the regulations and requirements of the Federal Occupational Safety and Health Act of 1970. The Company has not received notice of violation of any applicable Law, order or requirement relating to its Assets or operations. The Company has obtained all permits, certificates, licenses, authorizations, consents, instructions, registrations, directions or approvals, issued or required by any applicable governmental authorities pursuant to any applicable statutes, rules, regulations, ordinances, orders, decrees, judgments, permits, licenses, consents, approvals, authorizations, and governmental requirements or directives or other obligations lawfully imposed by governmental authority under federal, state, foreign or local law pertaining to the protection of the environment, protection of public health, protection of worker health and safety, the treatment, emission and/or discharge of gaseous, particulate and/or effluent pollutants, and/or the handling of hazardous materials with respect to the operations of the Company in connection with the Business, and all such environmental approvals are current, valid and in good standing in all respects, and there are no proceedings commenced or, to the knowledge of the Company or the Principals, threatened to revoke or amend any such environmental approvals. All operations of the Business have been and are now in compliance with all applicable environmental Laws. There has not been any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing of any hazardous materials which is now present in, on or under the U.S. Factory or the Mexican Factory (including underlying soils and substrata, surface water and groundwater) at levels which exceed any action levels or remediation standards under any applicable environmental Laws or standards published or administered by any applicable governmental authorities responsible for establishing or applying such standards.

5.11 LEASES.  
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5.11.1 U.S. FACTORY. The lease for the U.S. Factory is in full force and effect, and can be terminated by QAI at the Closing with no penalty or obligation being imposed on RefTech. The owner of the U.S. Factory is a company affiliated with the Principals, and such owner has agreed to the re-lease of the U.S. Factory to RefTech at the Closing in accordance with Section 7.2(vi) of this Agreement. The Company has not received any notice of violation of any applicable Law or of any requirement relating to its use or occupancy of the U.S. Factory or the operations conducted thereat.

5.11.2 MEXICAN FACTORY. The lease for the Mexican Factory (a complete copy of which has been delivered to RefTech and is annexed to this Agreement as Exhibit 5.11.2) (i) is in full force and effect, (ii) no event of default, or event which with or without the giving of notice or the lapse of time, or both, will constitute an event of default, has occurred and is continuing under such lease, and (iii) the transactions contemplated by this Agreement will not cause or give rise to a default under such lease. The Company has not received any notice of violation of any applicable Law or of any requirement relating to its use or occupancy of the Mexican Factory or the operations conducted thereat.

5.11.3 TEXAS WAREHOUSE. The lease for the Texas Warehouse (a complete copy of which has been delivered to RefTech and is annexed to this Agreement as Exhibit 5.11.3) (i) is in full force and effect, (ii) no event of default, or event which with or without the giving of notice or the lapse of time, or both, will constitute an event of default, has occurred and is continuing under such lease, (iii) such lease can be assigned to RefTech at the Closing, if RefTech so desires, without any consideration to the landlord thereof, and (iv) the transactions contemplated by this Agreement will not cause or give rise to a default under such lease. The Company has not received any notice of violation of any applicable Law or of any requirement relating to its use or occupancy of the Texas Warehouse.

5.11.4 EQUIPMENT AND VEHICLES. The equipment and vehicles owned, operated, or leased by the Company are in good condition and repair (ordinary wear and tear which are not such as to affect adversely the operation of the Business excepted) and suitable for the uses for which intended. Schedule 5.11.4 contains a complete and correct listing, by location, of all (i) leased equipment and vehicles, indicating each lessor thereof, (ii) other equipment and vehicles which are used by the Company but which are not owned by the Company, and (iii) equipment, vehicles and other items owned by the Company (having a value in excess of \$5,000) which are necessary or in use in the operations of the Company. The leases with respect to any of the leased equipment and vehicles which will not be sold to RefTech at the Closing can be assigned to RefTech at the Closing if RefTech so desires, without any consideration to the lessors thereof. Except as set forth on Schedule 5.11.4, all of the Company's equipment and vehicles are in conformity with all foreign, Federal, state and local environmental protection, labor, safety and other applicable laws, ordinances, regulations, orders, and other requirements relating thereto currently in effect or currently scheduled to come into effect.

5.12 INSURANCE. Schedule 5.12 sets forth a description of all

insurance policies carried by the Company and the coverages thereunder. The Company has carried since its inception, and continues to carry (i) workers compensation insurance for all employees to the full extent as required by Law, and (ii) reasonable amounts of public liability insurance. There are no outstanding requirements or recommendations by any insurance company, agent or broker, or by any Board of Fire Underwriters, or other body exercising similar functions or by any governmental authority requiring or recommending any repairs or other work to be done on or with respect to the Company's properties or Assets, or requiring or recommending that any equipment or facilities be installed on or in connection with such properties or Assets.

5.13 TAXES. Each of QAI and the Affiliate has (i) properly prepared and filed all federal, state, local and foreign tax returns which are required to have been filed by it, and (ii) paid all taxes indicated on such returns, except taxes being contested in good faith and by appropriate proceedings, and for which QAI has set up reserves on the Balance Sheet and the Affiliate has set up reserves on the Mexican Financial Statement; and no claims have been assessed and remain unpaid with respect to such taxes.

5.14 EMPLOYEE PLANS. QAI has never had an "Employee Pension Benefits Plan", as defined in Section 3 of the Employee Retirement Income Security Act of 1974 ("ERISA"), and has never been a party to or incurred any liability (actual or contingent) under a "Multi-Employer Plan", as defined in the Multi-Employer Pension Plan Amendments Act of 1980. The Affiliate (i) is registered with the Mexican Institute of Social Security and with the Workers Housing Fund Institute and is current with all dues, assessments and other payments required to be made by it, and (ii) has made all contributions for retirement insurance on behalf of its employees as required by Mexican Law.

5.15 AGREEMENTS, PLANS, ARRANGEMENTS, ETC.  
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5.15.1 Except as set forth in SCHEDULE 5.15, or on any other Schedule hereto, neither QAI nor the Affiliate is a party to, nor are QAI or the Affiliate or any of their respective properties or assets bound or affected by, any (i) lease agreement (whether as lessor or lessee) relating to real or personal property; (ii) license agreement, assignment or contract (whether as licensor or licensee, assignor or assignee) relating to trademarks, patents or copyrights (or applications therefor), unpatented designs or styles, know-how or technical assistance; (iii) employment agreement not terminable without liability to the employer upon notice to the employee of not more than 30 days, or employment agreement providing compensation of more than \$25,000 per year (including all salary, bonuses and commissions) to any employee; (iv) agreement for the purchase or sale of goods, materials, supplies, machinery or capital assets in excess of \$10,000 in any one case; (v) agreement with any labor union;

(vi) policy of insurance (including surety bonds) in force with respect to such corporation or any of its properties, assets, executive officers, agents or employees; (vii) agreement with any distributor, dealer, sales agent or representative; (viii) agreement with any manufacturer or supplier with respect to discounts or allowances not generally made by such manufacturer or supplier in the ordinary course of its business; (ix) agreement guaranteeing, indemnifying or otherwise becoming liable for the obligations or liabilities of another; (x) agreement for the borrowing or lending of money; (xi) agreement with any bank, finance company or similar organization which acquires from such corporation consumer paper or contracts for the sale of merchandise on credit; (xii) agreement granting any person a lien, security interest or mortgage on any property or asset of such corporation, including, without limitation, any factoring agreement or agreement for the assignment of accounts receivable or inventory; (xiii) agreement for the construction or modification of any building or structure or for the incurrence of any other capital expenditures; (xiv) bonus, deferred compensation, profit sharing, pension, retirement, stock option, stock purchase, hospitalization, insurance or other plan, arrangement or practice providing employee or executive benefits; (xv) advertising agreement with any newspaper, magazine or radio or television station; (xvi) agreement which restricts it from doing business anywhere in the world; (xvii) agreement, statute or regulation giving any party the right to renegotiate or require a reduction in prices or the repayment of any amount previously paid; (xviii) agreement with any consultant; or (xix) other agreement affecting such corporation or its assets or business, except written contracts for the purchase or sale of goods made in the usual and ordinary course of business terminable without liability to such corporation upon notice to the other party thereto of not more than 30 days and not otherwise referred to above.

5.15.2 Correct and complete copies of all of the agreements, plans, policies and arrangements referred to in Section 5.15.1 ,and such other instruments as are material to QAI or the Affiliate (or, where they are oral, true and complete written summaries thereof)(collectively referred to herein as the "Commitments"), have been delivered to the RefTech. Each of the Commitments is now valid, in full force and effect and enforceable in accordance with its terms, and QAI and the Affiliate each have fulfilled, or taken all action reasonably necessary to enable it to fulfill when due, all of its obligations under the Commitments. There has not occurred any default by QAI or the Affiliate, or any event which with or without the giving of notice or the lapse of time, or both, will become a default, nor to the knowledge of QAI or the Principals has there occurred any default by others, except defaults, if any, which will not result in any material loss to or liability of the Company. Neither the Company, nor, to the knowledge of QAI or the Principals, any other party, is in arrears in respect of the performance or satisfaction of the terms or conditions on its part to be performed or satisfied under any of the Commitments and no waiver or indulgence has been granted by any of the parties thereto. There are no existing laws, regulations or decrees nor, to the knowledge of the Company or the Principals, any proposed laws, regulations or decrees which adversely affect or might adversely affect the rights of the Company under any of the Commitments by reason of the present ownership by the Company of its assets and properties or by reason of the proposed transfer of ownership of such assets and properties as contemplated by this Agreement. Each

of the Commitments is assignable by the Company to RefTech without the consent of the other parties thereto or, with respect to any of the Commitments which may not be so assigned without such consent, the Company has obtained all such consents to such assignment.

5.16 LITIGATION. There is no claim, action, suit, proceeding, arbitration, investigation or inquiry pending before any Federal, state, municipal, foreign or other court or governmental or administrative body or agency, or any private arbitration tribunal, or, to the knowledge of QAI or the Principals, relating to or affecting QAI or the Affiliate or any of their respective assets, properties or businesses, or the transactions contemplated by this

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Agreement; nor to the knowledge of QAI or the Principals is there any basis for any such claim, action, suit, proceeding, arbitration, investigation or inquiry which may have any adverse effect upon the assets or properties of the Company, or upon the Business, or upon the transactions contemplated by this Agreement. Neither QAI nor the Affiliate, nor any officer, director or employee of either of them, has been permanently or temporarily enjoined by order, judgment or decree of any court or other tribunal or any agency from engaging in or continuing any conduct or practice in connection with the businesses engaged in the Company. There is not in existence any order, judgment or decree of any court or other tribunal or any agency enjoining or requiring QAI or the Affiliate to take any action of any kind or to which QAI or the Affiliate or their respective businesses, properties or assets are subject or bound. Neither QAI nor the Affiliate is in default under any order, license, regulation or demand of any federal, state or municipal or other governmental agency or with respect to any order, writ, injunction or decree of any court. Schedule 5.16 summarizes each suit, action, investigation or proceeding pending at any time against QAI or the Affiliate.

5.17 NO VIOLATION OF ENVIRONMENTAL, HEALTH OR SAFETY LAWS. Neither QAI nor the Affiliate has received any notice, or petition or similar document, in connection with or arising out of any violation or possible violation of any environmental, health or safety Law, and neither QAI nor the Principals knows of any condition or facts which would constitute any such violation.

5.18 NO VIOLATION OF OTHER LAWS. Neither QAI nor the Affiliate is in violation of any Law or order which would have an adverse effect on the Company or which would affect RefTech after the Closing.

5.19 INTELLECTUAL PROPERTY. SCHEDULE 5.19 sets forth a correct and complete list of all Intellectual Property, now or heretofore used or which is presently contemplated will be used in the conduct of the Business, including

all Intellectual Property which may be the property of Rockney D. Bacchus. Except as disclosed in such Schedule, (i) QAI and the Affiliate own or possess adequate perpetual licenses or other valid perpetual rights to use (without the making of any payment to others or the obligation to grant rights to others in exchange) all Intellectual Property, know-how and other proprietary information necessary to or used in the conduct of the Business as presently being conducted, all of which may be fully and validly transferred to RefTech at the Closing without the payment of any additional consideration by RefTech; (ii) the validity of the Intellectual Property and of QAI's or the Affiliate's title thereto has not been questioned in any litigation, nor is any such litigation threatened; and (iii) to the knowledge of QAI and the Principals, the conduct of the Business, as now operated, does not conflict with any Intellectual Property or licenses of third parties. No infringement of any Intellectual Property right owned by QAI or the Affiliate is known to QAI or the Principals. There is no Intellectual Property, or rights to inventions, owned or held by any Principal or by any employee or officer of QAI or the Affiliate relating to the Business which has not been duly and effectively transferred to the Company.

5.20 PERMITS, LICENSES, ETC. QAI and the Affiliate have all permits, licenses, orders and approvals of Federal, state, local or foreign governmental or regulatory bodies that are required in order to permit QAI to carry on the Business as presently conducted. SCHEDULE 5.20 sets forth a correct and complete list of all such permits, licenses, orders and approvals, all of which are in full force and effect, and neither QAI nor the Principals has any knowledge or reason to know that any suspension or cancellation of any of them is threatened.

5.21 INTEREST IN COMPETITORS, ETC. Except as set forth on SCHEDULE 5.21, neither QAI, the Affiliate, the Principals nor any officers or directors of QAI or the Affiliate, directly or indirectly, owns any interest in or controls or is an employee, officer, director or partner of, or participant in, or consultant to, any corporation, partnership, limited partnership, joint venture, association, or other entity which is a competitor, supplier, customer or landlord of the Company.

5.22 CUSTOMERS. Neither QAI nor the Principals has any knowledge of any termination, cancellation or limitation of, or any modification or change in, the business relationship of the Company with any customer or group of customers whose purchases, individually or in the aggregate, provide more than 5% of the gross revenues or net income of the Business.

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5.23 BOOKS AND RECORDS. The financial and corporate records, sales registers and ledgers, payroll registers, cost accounting records, customer and vendor lists and files, inspection reports and product liability records of QAI and the Affiliate have been kept in the normal course of

business, and to the extent maintained are in all material respects correct.

5.24 LABOR RELATIONS. Each of QAI and the Affiliate is in compliance with all applicable Law respecting employment and employment practices, terms and conditions of employment, and wages and hours and is not engaged in any unfair labor practice. There is no unfair labor practice complaint against QAI pending before the National Labor Relations Board or any State or local agency. There is no labor strike, dispute, grievance, controversy or other labor trouble pending or, to the knowledge of QAI, the Affiliate or the Principals threatened, affecting QAI or the Affiliate, nor does any basis therefore exist. No representation question exists respecting the employees of QAI or the Affiliate. There are no collective bargaining agreements binding upon QAI or the Affiliate or which restrict QAI or the Affiliate.

5.25 EMPLOYEES. Neither QAI nor the Principals know, or have reason to know, that any employee of the Company is a party to any confidential information or other agreement that in any way adversely affects the performance of his or her duties as such an employee, or is a party to or threatened by any litigation which could affect the Company or the Business. Neither QAI nor the Affiliate has received notice of its violation of any of the civil rights of its employees, and QAI and the Affiliate are each in compliance with the regulations and guidelines of the Federal Equal Opportunity Employment Commission and comparable Mexican, State and local authorities. All accrued obligations of QAI and the Affiliate, as of the Closing, whether arising by operation of Law, by contract or by past custom, for payments by it to trusts or other funds or to any governmental agency, with respect to unemployment compensation, social security, pension, welfare benefits, dues or any other benefits for its employees, and all reasonably anticipated obligations of QAI and the Affiliate, whether arising by operation of Law, by contract or by past custom, for salaries, vacation and holiday pay, bonuses, welfare benefits and other forms of compensation or benefit accrued or payable to any employee of the Company as at the Closing will be timely paid before or at the Closing; and the Balance Sheet makes adequate provision for such obligations of QAI as of the Balance Sheet Date. Schedule 5.25 sets forth a correct and complete list of the names of all persons whose aggregate annual compensation (including bonuses) from QAI and/or the Affiliate will equal or exceed \$25,000 per annum at the present base salary rate for such person, together with a statement as to the full amount paid or payable to each such person (including the approximate bonus payments paid or to be paid to such person) for services rendered during the past year.

5.26 WARRANTIES AND RETURNS. Schedule 5.26 sets forth a summary of all previous and present practices followed by the Company with respect to guarantees, warranties, servicing or repairs of any products manufactured or sold by it, whether or not such practices are verbal or in writing, or are deemed to be guarantees, or are deemed to be legally enforceable. Except as set forth in Schedule 5.26, there is not presently, nor has there been, any failure of any product or component part thereof sold by the Company or any of its predecessors such as to require, or which may require, a general replacement campaign with respect to such product or component part thereof, nor has there been any acceptance of returns of defective goods in excess of one percent of any product sold by the Company or any of its predecessors during either of the

last two years. 5.27 Manufacturing by the Affiliate. All manufacturing done by the Affiliate is performed in a free trade zone. There are no duties, levies, taxes or other charges due and payable, or assessable, by reason of the exportation by QAI, on a temporary basis, to the Affiliate of parts and materials for assembly and manufacture, or by reason of the delivery by the Affiliate to QAI of finished products and/or sub-assemblies.

5.28 INVESTMENT REPRESENTATIONS. Neither QAI, nor the Principals or any of their affiliates (as such term is defined in the Securities Act), directly or indirectly, have engaged, or shall engage, in any transaction with respect to the Common Stock prior to the Closing. Neither QAI nor the Principals have agreed to, or shall agree prior to the Closing to, sell, assign, transfer or otherwise dispose of any of the RTI Shares, including any of the Earn-Out Shares, or any interest therein, to any person except that QAI will transfer the RTI Shares to the Principals in connection with the liquidation of QAI. The RTI Shares shall be acquired by the Principals for investment for such Principals' own accounts, and not as a nominee or agent and not with a view to resale or distribution of any part thereof, and neither QAI nor the Principals have any present intention of selling, granting any participation in or

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otherwise distributing the RTI Shares or any interest therein, except as aforesaid. QAI and the Principals understand that none of the RTI Shares have been, or are intended to be, registered under the Securities Act, and that the Exchange provided for in this Agreement, and the issuance of the RTI Shares, will be exempt from registration under the Securities Act, pursuant to Section 4(2) thereof, and that RefTech's reliance on such exemption is based upon the representations of QAI and the Principals set forth herein. QAI and the Principals have reviewed RTI's recent periodic filings with the Securities and Exchange Commission and each of them has received all additional information that it considers necessary or appropriate for deciding whether to effect the Exchange.

5.29 DISPOSITION OF SHARES. QAI and the Principals understand that the RTI Shares may not be sold, transferred or otherwise disposed of without registration under the Securities Act and that, absent an effective registration covering the RTI Shares, the RTI Shares may be disposed of only pursuant to an applicable exemption from registration under the Securities Act. QAI and the Principals acknowledge that, pursuant to Rule 144 promulgated under the Securities Act, unless all the conditions of that rule are met (including among other requirements, the requirement that a minimum of two years elapse between the date of the acquisition of the RTI Shares and any resale of the RTI Shares), any resale of the RTI Shares in reliance on Rule 144 cannot be effected.

5.30 OWNERSHIP OF THE AFFILIATE. The owners of all of the issued capital stock of the Affiliate are listed, with the amount of such ownership, on

Schedule 5.30. All of such capital stock has been validly issued, is fully paid and non-assessable, has no personal liability attaching to the ownership thereof, and is owned free and clear of all Liens. There are no outstanding warrants, options or other rights to acquire any capital stock of the Affiliate, and no such rights will be granted prior to the Closing. The owners of the capital stock of the Affiliate have the free and unencumbered right to liquidate the Affiliate, as well as the free and unencumbered right to transfer all legal, record and beneficial interest in and to all of the issued capital stock of the Affiliate.

5.31 ORGANIZATION AND AUTHORITY OF THE AFFILIATE. The Affiliate is a corporation validly existing and in good standing under the laws of the Republic of Mexico, and has all requisite corporate power, authority, licenses, permits and franchises to own or lease and operate its properties and carry on its business as currently being conducted. The Affiliate operates as an in-bond manufacturing corporation, and the Affiliates's inventory and other tangible moveable assets have been temporarily imported into Mexico under the In-Bond Manufacturing Program of Mexico (commonly known as the "Maquiladora Program"). QAI has heretofore furnished RefTech with a copy of the Affiliate's Articles, as amended to date, a copy of which is annexed as Exhibit 5.31. The capitalization of the Affiliate consists of fifty ordinary shares, with a nominal value of one thousand pesos each, all of which have been duly issued and are outstanding, and all of which are permitted to be held by non-Mexican nationals.

5.32 QUALIFICATION OF THE AFFILIATE TO DO BUSINESS, ETC. The Affiliate is duly licensed or qualified and in good standing as a corporation authorized to do business in each jurisdiction in which the nature of the business transacted by it or the character of its properties owned or leased makes such qualification or licensing necessary. The Affiliate and its operations are not in violation of any Law or of any judgment, order, writ or decree. The Affiliate is not in breach or default of its Articles or any commitment, contract or other agreement or instrument to which the Affiliate is a party or by which any of the Affiliate's assets or properties is or may be bound.

5.33 EFFECT OF THIS AGREEMENT ON THE AFFILIATE. The consummation of the transactions contemplated hereby and by the Affiliate Documents will not, with or without the giving of notice or the lapse of time, or both (i) violate any provision of Law, (ii) violate any judgment, order, writ or decree of any court applicable to the Affiliate, or (iii) result in the breach of or conflict with any term, covenant, condition or provision of, result in the modification or termination of, constitute a default under, or result in the creation or imposition of any Lien upon any of the properties or assets of the Affiliate pursuant to any corporate charter or by-law, or any commitment, contract or other agreement or instrument to which the Affiliate is a party or by which any of the Affiliate's assets or properties is or may be bound.

5.34 AUTHORIZATION BY THE AFFILIATE AND ITS SHAREHOLDERS. The Affiliate and its shareholders have taken all necessary corporate action to authorize the execution, delivery and performance of the Affiliate Documents and the consummation of the transactions contemplated thereby. Each of the

competent to enter into the Affiliate Documents. The Affiliate Documents have been duly and validly executed and delivered by the Affiliate and each of its shareholders, and constitutes the valid and binding obligation of each of them, enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, moratorium, fraudulent conveyance or other similar laws currently or hereafter in effect affecting the enforcement of creditors rights generally.

5.35 CONSENTS REQUIRED BY THE AFFILIATE. No consent, authorization or approval of, or exemption by, any governmental or public body or authority, nor any consent of any third party, is required to be obtained by the Affiliate in connection with the performance of any of the transactions contemplated by this Agreement or the Affiliate Documents, or any of the instruments or agreements herein or therein referred to.

5.36 BALANCE SHEET OF THE AFFILIATE. The balance sheet of the Affiliate, as of the Balance Sheet Date (the "Mexican Financial Statement"), a copy of which is annexed as Exhibit 5.36, makes full and adequate provision for all obligations and liabilities (fixed and contingent) of the Affiliate, as of the Balance Sheet Date, and the Affiliate had, as of the Balance Sheet Date, no obligations, liabilities or commitments (fixed or contingent) required to be reserved against on the Mexican Financial Statement or to be disclosed in any notes thereto, in accordance with United States generally accepted accounting principles, which are not so reserved against or disclosed, except for any such obligations or liabilities which are not material to the financial condition of the Affiliate, the Business, the assets of the Affiliate or any liabilities of the Affiliate which may be assumed by RefTech under the Affiliate Documents. The liabilities of the Affiliate as of the Balance Sheet Date, are as set forth on the Mexican Financial Statement and, since the Balance Sheet Date, the Affiliate has had no additional creditors and the amount of each of its liabilities has not materially increased.

5.37 ASSETS OF THE AFFILIATE.

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5.37.1 OWNERSHIP AND LIENS. The Affiliate has the ownership in fee and good and marketable title to the assets which are reflected on the Mexican Financial Statement (except to the extent that, subsequent to the Balance Sheet Date, such assets have been sold or otherwise disposed of in the ordinary course of the Business) and all other assets acquired by the Affiliate since the Balance Sheet Date, free and clear of all Liens, other than Liens for taxes not yet due and payable.

5.37.2 MACHINERY AND IMPROVEMENTS. The machinery and equipment included in the assets is in good operating condition, and such machinery and equipment, as well as all of the Affiliate's inventory, is located at the Mexican Factory. The fixed assets of the Affiliate, including those referred to in the Mexican Financial Statement, are all located on or at the Mexican Factory, which is leased by the Affiliate. The leases and other agreements or instruments under which the Affiliate holds, leases or is entitled to the use of any real or personal property are in full force and effect and all rentals, royalties or other payments accruing thereunder prior to the date hereof have been duly paid or payment has been duly waived or forgiven. No default or event of default exists (which has not been waived) and no event which with notice or lapse of time, or both, would constitute a default, has occurred and is continuing under the terms or provisions, express or implied, of any of such leases, agreements or other instruments or under the terms or provisions of any agreement to which any of such properties are subject.

5.37.3 RECEIVABLES AND INVENTORY. All accounts receivable of the Affiliate, whether included on the Mexican Financial Statement or arising after the Balance Sheet Date, are collectable in the amounts thereof, net of any allowance for doubtful accounts specified in the Mexican Financial Statement; and there are no defenses, offsets or counterclaims threatened or pending with respect to any of the accounts receivable. The inventory of the Affiliate included on the Mexican Financial Statement, or purchased after the Balance Sheet Date, and on hand at the Closing is and shall be of a quality, quantity and mix consistent with the Affiliate's past business practices, and is usable and saleable at a price at least equal to its book value in the ordinary course of the Affiliate's business within six months after the Closing.

5.38 OTHER INFORMATION. None of the information and documents which have been or may be furnished by the Company or the Principals or any of their respective representatives to RTI or RefTech, or any of

their representatives, in connection with the transactions contemplated by this Agreement is or will be materially false or misleading or contains or will contain any material misstatement of fact or omits or will omit any material fact necessary to be stated in order to make the statements therein not misleading.

VI. REPRESENTATIONS AND WARRANTIES OF REFTECH  
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RefTech makes the following representations and warranties to QAI and the Principals in order to induce QAI and the Principals to enter into and perform this Agreement:

6.1 CORPORATE MATTERS. RefTech is a corporation validly existing in good standing under the laws of the State of Delaware, and has all requisite power, authority, licenses, permits and franchises to own or lease and operate its properties and carry on its business as currently being conducted. All of the issued and outstanding shares of capital stock of RefTech are owned by RTI.

6.2 INFORMATION. RTI is a public company and the Common Stock is registered under the Exchange Act and traded on the Nasdaq SmallCap Market. RTI has filed all reports required to be filed by Section 13 of the Exchange Act during the past twelve months, and the information contained therein is correct and complete in all material respects.

6.3 AUTHORIZATION. RTI and RefTech have taken all necessary corporate action to authorize the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby. This Agreement has been duly executed and delivered by RefTech and constitutes the valid and binding obligation of RefTech, enforceable in accordance with its terms, except as such enforcement may be limited by bank ruptcy, insolvency, moratorium or other similar laws currently or hereafter in effect affecting the enforcement of creditors rights generally.

6.4 EFFECT OF AGREEMENT, ETC. The execution, delivery and performance of this Agreement by RefTech and the consummation of the transactions contemplated hereby will not, with or without the giving of notice or the lapse of time, or both (i) violate any provision of Law to which RefTech or RTI is subject, (ii) violate any judgment, order, writ or decree of any court applicable to RefTech or RTI, or (iii) result in the breach of or conflict with any term, covenant, condition or provision of, result in the modification or termination of, constitute a default under, any commitment, contract or other agreement or instrument to which RefTech or RTI is a party or by which any of their respective assets or properties is or may be bound.

6.5 GOVERNMENT CONSENTS. No consent, authorization or approval of, or exemption by, any governmental or public body or authority, is required to be obtained by Reftech or RTI in connection with the execution, delivery and performance by RefTech of this Agreement or any of the instruments or agreements (other than the Affiliate Documents) herein referred to or the taking by RefTech or RTI of any action (other than in connection with the Affiliate Documents) herein contemplated.

6.6 LITIGATION. There is no claim, action, suit, proceeding, arbitration, investigation or inquiry, pending before any Federal, state, local, foreign or other court or governmental or administrative body or agency, or any private arbitration tribunal, or, to the knowledge of RefTech threatened against RefTech or RTI, relating to or affecting the transactions contemplated by this Agreement.

## VII. CLOSING

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7.1 THE CLOSING. The Closing of the transactions contemplated by this Agreement (the "Closing") is scheduled to take place at the offices of Warshaw Burstein Cohen Schlesinger & Kuh, LLP, 555 Fifth Avenue, New York, New York at 10:00 a.m. local time on February \_\_, 1997, or at such other place or on such other date and time (i) as to which RefTech and QAI may agree, or (ii) three business days after the respective conditions to Closing have been or scheduled to be satisfied (the "Closing Date"). For accounting, tax and other purposes not inconsistent herewith, the Exchange shall be deemed effective as of the opening of business on the Closing Date.

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7.2 DELIVERIES BY QAI. At the Closing, QAI shall deliver the following to RefTech: (i) evidence, satisfactory to RefTech, that all corporate or other actions necessary to be taken by the Company and the Principals to authorize and approve the transactions contemplated herein have been duly taken; (ii) all necessary deeds, conveyances, assurances, transfers, assignments and consents and any other documents, necessary or reasonably required to transfer effectively to RefTech good and marketable title to the Assets, free and clear of all Liens, including a duly executed Bill of Sale; (iii) a duly authorized and executed Certificate of Amendment to its Certificate of Incorporation, in form acceptable for filing with the Secretary of State of New Mexico, to change QAI's name to a name not similar to its present name nor incorporating either of the words "Quality" or "Air", and such other documents as may be appropriate to discontinue doing business under any assumed name used by the Company, as well as all other trade names utilized by the Company in the conduct of the Business; (iv) an assignment of the Texas Warehouse lease, or a new lease for the Texas Warehouse, in form and substance satisfactory to RefTech; (v) either (A) a three-year triple net lease for the U.S. Factory at a rental equal to the lesser of (1) \$6,500 per month, or (2) the payments due under the U.S. Small Business Administration Authorization and Loan Agreement, Loan No. GP- 453125 2005-EP, in form and substance satisfactory to RefTech, or (B) a one-year lease, terminable by RefTech on one month's notice, which provides that it is to be replaced by a triple-net lease as aforesaid, except that the term will be decreased by the period from the Closing Date until the date the replacement lease commences, and which further provides that, until such time, if any, as the replacement lease is entered into, the rental thereon will be equal to the cost of taxes and insurance thereon incurred by the lessor; (vi) an aged accounts receivable schedule (on a 30, 60 and 90 day basis) with respect to all accounts receivable in existence on the business day immediately preceding the Closing; (vii) a schedule of inventory (by location), separately identifying raw materials, work in process and finished goods, prepared as of the last calendar day of the month immediately preceding the month in which the Closing occurs; (viii) a schedule of open purchase orders and of open customer orders, prepared as of a date within three business days of the Closing; (ix) a schedule, satisfactory to RefTech, of the liabilities to be assumed by RefTech as provided for in Section 3.1; (x) a Certificate of Good Standing for QAI, dated no earlier than ten days

prior to the Closing, issued by the Secretary of State of New Mexico, which also contains a listing of all charter documents on file with the Secretary of State; and (xi) such other and further documents and instruments as may reasonably requested by RefTech to effectuate the transactions contemplated hereby, including but not limited to duly executed stock powers sufficient in form to allow the transfer of the RTI Shares deposited pursuant to the Escrow Agreement, and the Certificate of the President of QAI as provided for in Section 8.1(iv).

7.3 DELIVERIES BY REFTECH. At the Closing, RefTech shall deliver the following: (i) to QAI and the escrow agent identified in the Escrow Agreement, the Escrow Agreement and the RTI Shares required to be delivered at the Closing; and (ii) to QAI (a) appropriate evidence that all corporate or other actions necessary to be taken by RefTech and RTI to authorize and approve the transactions contemplated herein have been duly taken; (b) an appropriate instrument of assumption pursuant to which RefTech assumes certain QAI liabilities to the extent provided for in Section 3.1; (c) Certificates of Good Standing for each of RefTech and RTI, dated no earlier than ten days prior to the Closing, issued by the respective Secretaries of State in the states of their incorporation; and (d) such other and further documents and instruments as may be reasonably requested by QAI to effectuate the transactions contemplated herein, including but not limited to the Certificate of the President of RefTech as provided for in Section 8.2(vi).

VIII. CONDITIONS TO THE CLOSING

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8.1 CONDITIONS TO QAI'S OBLIGATION TO CLOSE. The obligation of QAI to close the transactions contemplated by this Agreement shall be subject to the following conditions, any one or more of which may be waived by QAI: (i) RefTech shall have delivered at the Closing all items provided in Section 7.3; (ii) RefTech shall have entered into a lease for the Texas Warehouse and a lease for the U.S. Facility; (iii) RefTech shall have entered into a Credit Agreement with certain of the Principals whereby such Principals may borrow from RefTech, on a full-recourse basis, the sum of \$240,000, (a) the principal amount of which shall be repayable over the Earn-Out Period in equal monthly installments, with interest payable monthly at one percent (1%) in excess of the prime rate as published in The Wall Street Journal, Eastern Edition, from time to time, except that upon the sale of the residence located at 113 Jeweled Mesa Drive, Santa Teresa, New Mexico the full amount of any net proceeds of sale received therefrom, directly or indirectly, by any of the Principals shall be immediately applied in reduction of such loan, and

(b) repayment of such loan shall be secured by a pledge of all of the QAI capital stock and all of the RTI Shares owned by such Principals; (iv) a Certificate of RefTech's President that all representations and warranties of

RefTech contained in this Agreement are true and correct on the Closing as though made on the Closing, except as affected by the transactions contemplated by this Agreement and except to the extent that such representations and warranties were made as of a specified date and as to such representations and warranties the same shall have been true as of the specified date, and that RefTech has complied with all agreements and conditions contained in this Agreement to be complied with or observed by RefTech.

8.2 CONDITIONS TO REFTECH'S OBLIGATION TO CLOSE. The obligation of RefTech to close the transactions subject to this Agreement shall be subject to the following conditions, any one or more of which may be waived by RefTech: (i) QAI shall have delivered at the Closing all items provided in Section 7.2; (ii) each of the Rick E. Bacchus, Rockney D. Bacchus and Ron Bacchus shall have duly executed and delivered an employment agreement with RefTech, in the form of EXHIBIT 8.2A, EXHIBIT 8.2B and EXHIBIT 8.2C, respectively; (iii) QAI and the Principals shall have entered into the Escrow Agreement, and the stock powers required to be delivered by them pursuant thereto shall have been duly executed and delivered to the Escrow Agent; (iv) RefTech shall have entered into an agreement with Bacchus Industries, Inc. to purchase from Bacchus Industries, Inc. the rolling stock and other equipment listed on Schedule 5.11.3 and used by the Company in the Business at its then fair market value, all such rolling stock and other equipment to be delivered free and clear of all Liens and in good working condition and repair; (v) between the date of this Agreement and the Closing, there shall not have occurred (A) any casualty to any facility, property, equipment or inventory owned by the Company as a result of which either: (1) the monetary amount of damage or destruction aggregates ten percent or more of the aggregate book value shown on the Company's books of the entire facilities, property, equipment and inventory of the Company; or (2) the total monetary amount of damage or destruction is less than ten percent of such aggregate book value and such loss shall not be substantially covered by valid and existing insurance underwritten by responsible insurers; or (B) any condemnation, seizure, expropriation or liquidation by any governmental authority or any officer or instrumentality thereof of facilities, property, equipment or inventory owned by the Company; (vi) the closing shall have occurred under the Affiliate Documents, a copy of which is annexed as EXHIBIT 8.2D; and (vii) QAI shall have delivered a Certificate of QAI's President and of each of the Principals that all of their respective representations and warranties contained in this Agreement are true and correct on the Closing as though made on the Closing, except as affected by the transactions contemplated by this Agreement and except to the extent that such representations and warranties were made as of a specified date and as to such representations and warranties the same shall have been true as of the specified date, and that QAI has complied with all agreements and conditions contained in this Agreement to be complied with or observed by QAI. All actions, proceedings, instruments and documents required to carry out the transactions contemplated by this Agreement or incidental thereto and all other related legal matters shall have been satisfactory to and approved by counsel for RefTech and RTI, and such counsel shall have been furnished with such certified copies of actions and proceedings and such other instruments and documents as they shall have reasonably requested.

8.3 TITLE DEFECTS. In the event that there are any Liens on or defects in QAI's title to any of the Assets which are not expressly contemplated under this Agreement then RefTech may elect to either (i) cancel and terminate this Agreement, without liability hereunder to RefTech, or (ii) proceed with the Closing without waiving any of its rights to recover its actual damages as a result thereof.

IX. CONDUCT OF THE PARTIES.  
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9.1 AFFIRMATIVE PRE-CLOSING OBLIGATIONS OF QAI AND THE PRINCIPALS. Between the date of this Agreement and the Closing, QAI and the Principals shall:

9.1.1 INFORMATION. Give RefTech, RTI and their counsel, accountants, consultants and other representatives, full access, during normal business hours, to all of the Company's management and administrative personnel, properties, books, accounts, tax returns, contracts, commitments and records; and furnish to RefTech and RTI all such information concerning the Business as RefTech or RTI reasonably may request; PROVIDED, HOWEVER, that RefTech and RTI shall, and shall use their best efforts to cause their representatives to (i)

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hold in strict confidence all data and information so obtained, and (ii) if the Closing does not occur, return to QAI, or destroy, all of such data as QAI may reasonably request.

9.1.2 CONDUCT OF BUSINESS. Operate the Business only in the usual, regular and ordinary manner and, to the extent consistent with such operation and the provisions of this Agreement, use their best efforts to (i) preserve and keep intact the Company's present business organizations, (ii) keep available the services of its present employees, (iii) preserve the Company's present relationships with customers, suppliers and others having business dealings with them, and (iv) timely pay and discharge all of the Company's bills and monetary obligations and otherwise timely and properly perform all of the Company's obligations and commitments.

9.1.3 MAINTENANCE. Maintain all of the Company's (i) properties necessary for the conduct of the Business, whether owned or leased, in good repair, order and condition, reasonable wear and use excepted, (ii) books, accounts and records in the usual, regular and ordinary manner, at least on a basis consistent with prior periods, and (iii) insurance.

9.1.4 COMPLIANCE WITH LAW. Comply with all Law applicable to the Company and to the conduct of the Business.

9.1.5 MATERIAL CHANGES. Promptly notify RefTech upon the occurrence of any event which would make any of their representations and warranties herein contained incorrect, incomplete or misleading in any material respect (as if such representations and warranties were being remade as at such time).

9.1.6 APPROVALS, CONSENTS, ETC. Use its best efforts to obtain in writing as promptly as possible all approvals and consents required to be obtained by any of them in order to effectuate the transactions contemplated hereby and deliver to RefTech copies of such approvals and consents in form and substance satisfactory to RefTech's counsel.

9.2 NEGATIVE COVENANTS PRE-CLOSING. Between the date of this Agreement and the Closing and except as contemplated by this Agreement, the Company shall not:

9.2.1 CORPORATE. Amend QAI's Certificate of Incorporation or By-Laws or the Affiliate's Articles, or merge or consolidate with, or sell all or any portion of its Assets or change the character of the Business, or take any action not in the ordinary course of the Business.

9.2.2 CHANGE IN COMPENSATION OR BENEFITS. Increase the compensation payable or to become payable to any employee or agent; pay or make any bonus, stock option, profit sharing, pension, retirement or other similar payment or arrangement except in the ordinary course of the administration of existing welfare, pension or retirement plans or arrangements; or enter into any employment agreement (except that the Affiliate may enter into such employment agreement, upon prior notice to RefTech, to the extent required by Mexican Law), sales agency or other contract or arrangement with respect to the performance of personal services.

9.2.3 COMMITMENTS. Make any commitments to employees or any other third party which will or may become effective upon or after consummation of the transactions contemplated by this Agreement.

9.2.4 AMENDMENT OF CONTRACTUAL ARRANGEMENTS. Modify or change any existing right, concession, license, lease, contract, commitment or agreement affecting any asset to be sold hereunder, or sell or otherwise dispose of any right or privilege relating to any such asset except in the ordinary course of business and except as and to the extent contemplated herein.

9.2.5 COMPLIANCE WITH CLOSING CONDITIONS. Enter into any transaction, take any action or by inaction permit any event to occur, which would result in any of the representations and warranties of the Company and the Principals herein contained not being true and correct at and as of the time immediately after the occurrence of such transaction or event.

9.3 POST CLOSING MANAGEMENT OF REFTECH. During the Earn-Out Period, Rick E. Bacchus, Rockney D. Bacchus and Ron Bacchus, as a group, shall have the non-assignable right to nominate three of the seven directors constituting RTI's Board of Directors. RTI covenants and agrees that, subject to its fiduciary duties, as the sole stockholder of RefTech, it will encourage the directors of RefTech to elect Rick E. Bacchus as its President, and to elect a chief financial officer who shall be recommended by Theo W. Muller as long as he is the chief executive officer of RTI.

9.4 REORGANIZATION TREATMENT. RefTech and QAI shall take all actions necessary to cause the Exchange and the other transactions contemplated by this Agreement to be treated for tax purposes as a reorganization under Code Section 368(a)(1)(C), including all actions necessary to comply with the "continuity of business enterprise" and "continuity of interest" requirements with respect thereto.

X. INDEMNIFICATION  
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10.1 BY QAI AND THE PRINCIPALS. After the Closing, QAI and the Principals agree to jointly and severally indemnify and hold RefTech and RTI harmless against and in respect of any and all loss, liability or damage incurred or sustained by RefTech or RTI in connection with any breach by (i) the Company or the Principals of any provision of this Agreement, including, without limitation, any breach of any representations, warranties and covenants made by any of them herein, and (ii) by the Affiliate or any of its stockholders of any provision of the Affiliate Documents, including, without limitation, any breach of any representations, warranties and covenants made by any of them therein, in each case including, subject to the provisions of Section 10.3, all reasonable costs and expenses (including reasonable attorneys' fees) incurred by RefTech and RTI in connection with any action, suit, proceeding, demand, assessment or judgment incident to any such matter.

10.2 BY REFTECH. After the Closing, RefTech agrees to indemnify and hold QAI and the Principals harmless against and in respect of any and all loss, liability or damage incurred or sustained by QAI in connection with any breach by RefTech of any provision of this Agreement, including, without limitation, any breach of any representations, warranties and covenants made by RefTech herein, including, subject to the provisions of Section 10.3, all reasonable costs and expenses (including reasonable attorneys' fees) incurred by QAI or the Principals in connection with any action, suit, proceeding, demand, assessment or judgment incident to any such matter.

10.3 NOTICES, DEFENSE, ETC. Promptly upon receipt by an indemnified party of notice of any claim or the commencement of any action for which indemnity may be sought hereunder, the indemnified party (i) if RefTech or RTI, shall notify Rick E. Bacchus or his nominee, and (ii) if QAI or the Principals, shall notify RTI, in writing of the claim or the commencement of

such action, attaching to such notice a copy of the claim or judicial pleading received. The indemnifying party shall be entitled to participate in the defense of any such claim or action that may be brought against an indemnified party, and may elect, by notice to the indemnified party within a reasonable time following notification by the indemnified party, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party, and to settle and compromise any such claim or action; provided, however, that if the indemnified party has elected to be represented by separate counsel pursuant to the proviso to the following sentence, such settlement or compromise shall be effected only with the consent of the indemnified party, which consent shall not be unreasonably withheld, delayed or conditioned. After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation; provided, however, that the indemnified party shall have the right to employ counsel to represent it if, in the indemnified party's sole reasonable judgment, it is advisable for the indemnified party to be represented by separate counsel due to a conflict of interest and, in that event, the reasonable fees and expenses of such separate counsel shall thereafter be paid by the indemnifying party. The parties agree to render to each other such assistance as may reasonably be requested in order to insure the proper and adequate defense of any such claim or action.

10.4 RECOURSE AGAINST QAI AND THE PRINCIPALS. In the event that RefTech or RTI shall be entitled to indemnification as provided in this Article, upon the determination thereof it shall give Rick E. Bacchus or his

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nominee notice thereof. Unless RefTech shall have received payment in the full amount of the indemnified claim within thirty days of its giving such notice, it shall give notice to the Escrow Agent that it is entitled to indemnification, in which event the Escrow Agent shall cause to be redelivered to RefTech or to RTI, out of the RTI Shares held in escrow pursuant to the Escrow Agreement, such number of RTI shares as when multiplied by their market value per share, as herein determined, equals the amount of the unreimbursed indemnified claim. For the purposes of this Section, "market value" means the average closing price of the Common Stock as quoted on NASDAQ or any national securities exchange on which the Common Stock may then be traded during the thirty day period immediately prior to delivery of such notice to the Escrow Agent, and if at such time the Common Stock is not so traded then at the most recent ask price as quoted by the National Quotation Bureau, Inc. (or any successor organization performing a similar reporting function). If the RTI Shares held by the Escrow Agent shall be insufficient to reimburse RefTech in full, QAI and the Principals shall be jointly and severally responsible for the balance.

## XI. TERMINATION

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11.1 TERMINATION. This Agreement and the transactions contemplated herein may be terminated at or prior to the Closing (i) by mutual consent of RefTech and QAI, or (ii) by RefTech pursuant to notice delivered at or prior to the Closing if the Company or the Principals fail in any material respect to satisfy all of the conditions to the Closing to be satisfied by them.

## XII. Miscellaneous

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12.1 FURTHER ASSURANCES. The parties shall do and perform or cause to be done and performed all such further acts and things and shall execute and deliver all such other agreements, certificates, instruments and documents as any party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

12.2 FINDERS' FEES. Each of the parties (i) represents and warrants that, except as set forth on Schedule 12.2, it has not taken and shall not take any action which would cause the other parties to have any obligation or liability to any person for finders' fees, brokerage fees, agents' commissions or like payments in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby, and (ii) agrees to indemnify and hold the other parties harmless for any loss, liability, cost or expense (including, without limitation, legal expenses) arising out of the breach or inaccuracy of the foregoing representation and warranty.

12.3 EXPENSES. Whether or not the transactions contemplated by this Agreement are consummated, the parties shall pay the fees and expenses of their respective counsel, accountants and other experts, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement and the transactions contemplated hereby; provided, however, that if this Agreement is terminated because of any party's breach of this Agreement, such party shall remain liable in damages to the other party to this Agreement.

12.4 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations, warranties, covenants and agreements contained in this Agreement or in any instrument or document delivered or to be delivered pursuant to this Agreement shall survive the Closing and the consummation of the transactions contemplated hereby, notwithstanding any investigation at any time made by or on behalf of any party or parties hereto.

12.5 ARBITRATION. Any controversy or claim arising out of or relating to this Agreement or the breach of any term or provision thereof shall be settled by arbitration in accordance with the Rules of the American Arbitration Association and judgment upon the award rendered by the Arbitrator

or Arbitrators may be entered in any Court having jurisdiction. In the event that the parties to the controversy or claim can not agree on the location of the arbitration, the arbitration shall be conducted in New York City, New York.

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12.6 SPECIFIC PERFORMANCE. QAI and the Principals acknowledge that (i) the Assets and Business to be transferred to RefTech pursuant to this Agreement are unique, (ii) RefTech will not have any adequate remedy at law if QAI and the Principals fail to perform any of their respective obligations hereunder, and (iii) RefTech shall have the right, in addition to any other rights it may have, to specific enforcement of this Agreement if QAI and the Principals fail to perform any of their respective obligations hereunder.

12.7 NOTICES. For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given on the earlier of (i) when actually received or when receipt is refused, or (ii) five days after being mailed by United States first class, registered or certified mail, return receipt requested, postage prepaid, addressed to the party at the following addresses or to such other address as any party shall hereafter specify by notice to the other parties:

a. If to RefTech, to: RTI Inc.  
c/o Mr. Theo W. Muller  
20 Peach Hill Road  
Darien, Connecticut 06820

with a copy to: Warshaw Burstein Cohen Schlesinger & Kuh, LLP  
555 Fifth Avenue  
New York, New York 10017  
Attention: Arthur A. Katz, Esq.

b. If to QAI or the  
Principals, to: Rick E. Bacchus  
Quality Air, Inc.  
301 Antone Street  
Sunland Park, New Mexico 88063

Notice of change of address shall be effective only upon actual receipt.

12.8 ENTIRE AGREEMENT. This Agreement, together with the Exhibits and Schedules annexed hereto, constitutes the entire agreement among the parties and supersedes all prior agreements, understandings and arrangements, oral or written, among the parties with respect to the subject matter hereof.

12.9 BINDING EFFECT; Benefits. This Agreement shall inure to the benefit of and shall be binding upon the parties and their respective successors and permitted assigns. Nothing in this Agreement, expressed or implied, is intended to or shall (i) confer on any person other than the parties, and their respective successors and permitted assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement, or (ii) constitute the parties partners or participants in a joint venture.

12.10 AMENDMENTS AND WAIVERS. This Agreement may not be modified or amended except by an instrument or instruments in writing signed by the party against whom enforcement of any such modification or amendment is sought. Any party may, by an instrument in writing, waive performance or compliance by any other party with respect to any term or provision of this Agreement on the part of such other party to be performed or complied with. The waiver by any party of a breach of any term or provision of this Agreement shall not be construed as a waiver of any subsequent breach.

12.11 ASSIGNMENT. Neither this Agreement nor any right, remedy, obligation or liability arising hereunder or by reason hereof shall be assignable by any party without the prior written consent of all of the other parties.

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12.12 SECTION AND OTHER HEADINGS. The Article, section and other headings contained in this Agreement are for reference purposes only and shall not be deemed to be a part of this Agreement or to affect the meaning or interpretation of this Agreement.

12.13 EXECUTION IN COUNTERPARTS. This Agreement may be executed in counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

12.14 SEPARABILITY. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction.

12.15 GOVERNING LAW. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts made and to be performed wholly therein.

12.16 ATTORNEYS' FEES. In any proceedings relating to this

Agreement, including a proceeding with respect to any instrument, document or agreement made under or in connection with this Agreement, the prevailing party shall be entitled to recover its costs and reasonable attorneys' fees and expenses.

12.17 PUBLIC INFORMATION. Neither the Company nor the Principals shall issue any press release or other public document or make any public statement relating to, connected with or arising out of this Agreement or the transactions contemplated hereunder without first obtaining the prior written approval of RTI.

IN WITNESS WHEREOF, QAI and RefTech have caused this Agreement to be signed in their respective names by an officer thereunto duly authorized and each of the Principals have executed this Agreement as of the date first above written.

QUALITY AIR, INC.

REFRIGERATION TECHNOLOGY INC.

By:/s/ Rick E. Bacchus

By:/s/ Theo W. Muller

-----  
Rick E. Bacchus  
President

-----  
Theo W. Muller  
Sole Director

/s/ Rick E. Bacchus

/s/ Margie J. Bacchus

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Rick E. Bacchus

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Margie J. Bacchus

/s/ Rockney D. Bacchus

/s/ Philis Bacchus

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Rockney D. Bacchus

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Philis Bacchus

/s/ Ron Bacchus

/s/ Opal Simmons

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Ron Bacchus

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Opal Simmons

Agreed to with respect to Section 9.3 only.

RTI INC.

By: /s/ Theo W. Muller,

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Theo W. Muller, President

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ESCROW AGREEMENT (this "Agreement") dated as of February --, 1997, by and among Refrigeration Technology Inc., a Delaware corporation ("RefTech"), Quality Air, Inc., a New Mexico corporation ("QAI"), Margie J. Bacchus, Philis Bacchus, Rick E. Bacchus, Rockney D. Bacchus, Ron Bacchus and Opal Simmons (each a "Principal" and collectively, the "Principals"), and the Escrow Agent named herein.

#### Recitals

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RefTech, QAI and the Principals have entered into an Acquisition Agreement, dated as of the date hereof (the "Acquisition Agreement"), which provides for the acquisition by RefTech of the business and substantially all of the assets of QAI. Capitalized terms used in this Agreement, and not otherwise defined herein, have the meanings defined in the Acquisition Agreement. It is the intention of the parties that if the Closing does not take place, this Agreement, and all obligations and rights of each party hereunder, shall immediately terminate as if this Agreement had never been entered into.

The Acquisition Agreement provides that (i) 50,000 shares of Common Stock, which are part of the Exchange Consideration, be deposited in escrow at the Closing under this Agreement, and (ii) any Earn-Out Shares subsequently delivered by RefTech after the Closing, if delivered prior to the time that this Agreement has been terminated in accordance with its terms, likewise be deposited in escrow under this Agreement (all such shares so deposited being the "Escrow Shares"), to secure certain obligations of QAI and the Principals under the Acquisition Agreement, on the terms and conditions set forth therein and herein. The Escrow Shares, together with all stock powers related thereto, are collectively the "Escrow Deposit".

The Acquisition Agreement provides for the complete liquidation of QAI and the distribution of its assets, including its interest in the Escrow Shares, to certain or all of the Principals (the "Liquidation").

The parties desire to establish the terms and conditions pursuant to which the Escrow Deposit will be held and disbursed by the Escrow Agent.

NOW, THEREFORE, in consideration of the premises and in reliance upon the mutual representations, warranties, covenants and agreements hereinafter set forth, the parties agree as follows:

1. ADMINISTRATION. For the purposes of this Agreement, the Principals have agreed that the Notice Agent shall represent them and QAI, and

that they and QAI shall be irrevocably bound by any action of, or notice given by, the Notice Agent. QAI and the Principals hereby initially designate Rick E. Bacchus as the "Notice Agent". The Notice Agent shall have the right to appoint a substitute Notice Agent, on notice to each of the other parties to this Agreement. The Principals shall have the right to replace the Notice Agent by giving like notice signed by all of the Principals.

## 2. ESCROW.

2.1 ESCROW. The Escrow Deposit will be held in escrow by Warshaw Burstein Cohen Schlesinger & Kuh, LLP (the "Escrow Agent"), with an office at 555 Fifth Avenue, New York, New York 10017, as collateral for the obligations of QAI and the Principals under Article X of the Acquisition Agreement, subject only to release pursuant to the terms of this Agreement. The Escrow

Agent agrees to accept delivery of the Escrow Deposit, and to hold the Escrow Deposit in escrow subject to the terms and conditions of this Agreement.

2.2 DELIVERY AT THE CLOSING. At the Closing, the Escrow Shares being delivered at the Closing will be delivered by QAI to the Escrow Agent, together with a stock power duly executed in blank by QAI, sufficient in form to permit the transfer of the Escrow Shares upon delivery.

2.3 LIQUIDATION OF QAI. The Notice Agent shall give prompt notice of the Liquidation to RefTech and the Escrow Agent, as provided for in Section 4.6 of the Acquisition Agreement (the "Liquidation Notice"). The copy of the Liquidation Notice sent to the Escrow Agent shall be accompanied by separate stock powers, duly executed in blank by each Principal being distributed Escrow Shares by QAI, sufficient in form to permit the transfer of the Escrow Shares upon delivery. Such stock powers shall be part of the Escrow Deposit. Upon receipt of the Liquidation Notice, the Escrow Agent shall deliver the stock certificate evidencing the Escrow Shares deposited under this Agreement to RefTech, for the sole purpose of reflecting the change in record ownership of such Escrow Shares. RTI, by its execution of this Agreement, agrees to issue certificates to each of the Principals as provided in the Liquidation Notice and to deliver such reissued certificates to the Escrow Agent.

2.4 CLAIMS. In the event that RefTech or RTI believes that it may be entitled to indemnification as provided in Article X of the Acquisition Agreement, notice thereof may be given to the Escrow Agent (a "Pending Claim Notice", provided evidence is delivered to the Escrow Agent that a copy thereof has been delivered to the Notice Agent). In the event that RefTech or RTI becomes entitled to indemnification as provided in such Article X, then upon determination thereof (a "Claim Amount"), RefTech and/or RTI, as is applicable, shall give the Notice Agent and the Escrow Agent notice thereof (a "Notice of Claim"). Unless RefTech or RTI, as the case may be, shall have received payment

in the full amount of the Claim Amount within thirty (30) days of its giving such Notice of Claim, it shall give further notice to the Escrow Agent (with evidence that such notice has been delivered to the Notice Agent) that it is entitled to indemnification, in which event fifteen (15) days thereafter the Escrow Agent shall cause to be delivered to RefTech or to RTI, out of the Escrow Deposit, such number of Escrow Shares as when multiplied by their market value per share, as herein determined, equals the Claim Amount. For the purposes of this Section, "market value" means the average closing price of the Common Stock as quoted on NASDAQ or any national securities exchange on which the Common Stock may then be traded during the thirty (30) day period immediately prior to delivery of such Notice of Claim to the Escrow Agent, and if at such time the Common Stock is not so traded then at the most recent ask price as quoted by the National Quotation Bureau, Inc., (or successor organization performing a similar reporting function).

2.5 PENDING CLAIM NOTICE. Each Pending Claim Notice shall contain the following information, to the extent it is reasonably available to RefTech or RTI: (i) RefTech's or RTI's good faith estimate of the reasonably foreseeable maximum amount of the Claim Amount; and (ii) a brief description in reasonable detail of the facts, circumstances or events giving rise to the Claim Amount.

2.6 NOTICE OF CLAIM. Each Notice of Claim shall contain the following information: (i) the Claim Amount; and (ii) a brief description of the facts, circumstances or events giving rise to the Claim Amount.

2.7 TERMINATION OF ESCROW. Within thirty (30) days after receiving notice from the Notice Agent (with evidence that a copy thereof has been delivered to RefTech and RTI), given on or after the second anniversary of the date hereof, the Escrow Agent shall deliver to the Notice Agent any Escrow Shares then held by it (other than any Escrow Shares the Escrow Agent reasonably

believes [which belief may be based solely upon a written statement of RefTech or RTI, a copy of which has been delivered to the Notice Agent] may be needed to satisfy a then outstanding Claim Amount which has not yet been fully satisfied and any pending Claim Amount referred to in a then outstanding Pending Claim Notice); provided that the Escrow Agent shall deliver any remaining Escrow Shares then held by it six (6) months thereafter, unless there is then pending an arbitration with respect thereto under Section 12.5 of the Acquisition Agreement, or a dispute under Section 3, in which event the Escrow Agent may continue to hold such Escrow Shares until conclusion of such arbitration. In all other cases, the Escrow Agent shall deliver to RefTech, QAI and/or the Principals, as the case may be, the certificates (and the related executed stock powers) representing the Escrow Deposit as set forth in joint instructions, or separate instructions of like effect, signed and delivered by RefTech and the Notice Agent.

2.8 DIVIDENDS AND VOTING. Until termination of escrow, all dividends on the Escrow Shares shall be retained by the Escrow Agent as part of the Escrow Deposit. Until the Escrow Deposit is released from escrow, QAI, and upon the Liquidation the Principals, shall be entitled to vote the Escrow Shares.

2.9 STOCK POWERS. QAI and each of the Principals shall, from time to time, at the request of RefTech, furnish the Escrow Agent with stock powers in blank that will allow the Escrow Agent to perform its obligations hereunder. QAI and each of the Principals hereby appoints RefTech as its attorney-in-fact to execute appropriate stock powers on its behalf in the event that they, or any one of them, does not comply with RefTech's reasonable request to furnish stock powers to the Escrow Agent. Such power of attorney may not be revoked as long as this Agreement remains in effect. All such stock powers shall be part of the Escrow Deposit.

2.10 NO ENCUMBRANCE. No interest in the Escrow Deposit, or any beneficial interest therein, may be pledged, sold, assigned or transferred, other than by operation of law, by any party hereto or their respective successors and permitted assigns, or be taken or reached by any legal or equitable process in satisfaction of any debt or other liability of any such person, as long as this Agreement remains in effect.

3. RESOLUTION OF DISPUTES. In the event of any dispute concerning or arising out of this Agreement, the parties in good faith shall attempt to resolve the same. In the event that the parties, despite their good faith efforts cannot resolve the dispute, then any of such parties may demand arbitration of the dispute as provided in Section 12.5 of the Acquisition Agreement, unless the Claim Amount is at issue in pending or threatened litigation with a third party, in which event arbitration with respect thereto may not be commenced until such amount is ascertained or both RefTech and the Notice Agent agree to arbitration. The non-prevailing parties to an arbitration hereunder shall pay their own expenses, the fees of each arbitrator, the administrative fee of the American Arbitration Association and the expenses (including, without limitation, attorneys' fees and costs) incurred by the other parties to the arbitration. Unless the Escrow Agent is determined to be at fault by the arbitration, the Escrow Agent shall have a claim against the Escrow Deposit for all of its expenses therein or arising in connection therewith.

#### 4. LIMITATION OF ESCROW AGENT'S LIABILITY.

4.1 LIMITATION. The Escrow Agent will incur no liability with respect to any action taken or suffered by it in reliance upon any notice, direction, instruction, consent, statement or other document believed by it to be genuine and duly authorized, nor for any other action or inaction, except its own willful misconduct or gross negligence. The Escrow Agent will not be responsible for the validity or sufficiency of this Agreement or any agreement amendatory or supplemental hereto. In all questions arising under this Agreement, the Escrow Agent may rely on the advice or opinion of legal counsel, and for anything done, omitted or suffered in good faith by the

Escrow Agent based on such advice or opinion, the Escrow Agent will not be liable to anyone. The Escrow Agent will not be required to take any action hereunder involving any expense unless the payment of such expense is made or provided for in a manner satisfactory to it.

4.2 CONFLICTING DEMANDS. In the event that conflicting demands are made upon, or conflicting notices are received by, the Escrow Agent, the Escrow Agent will have the absolute right, at the Escrow Agent's election, to do either or both of the following: (i) resign so that a successor can be appointed pursuant to Section 8, or (ii) file a suit in interpleader and obtain an order from a court of competent jurisdiction requiring the parties to interplead and litigate their several claims and rights among themselves. In the event that such an interpleader suit is brought, the Escrow Agent will thereby be fully released and discharged from all further obligations imposed upon it under this Agreement, the Escrow Agent will have a priority claim against the Escrow Deposit for all costs, expenses and reasonable attorneys' fees and expenses expended or incurred by the Escrow Agent under this Agreement and pursuant to the exercise of the Escrow Agent's rights under this Section, and the other parties to this Agreement, jointly and severally, shall be personally responsible for payment of all such costs, expenses and fees.

4.3 INDEMNIFICATION IN FAVOR OF ESCROW AGENT. In consideration of the Escrow Agent's acceptance of its appointment as escrow agent hereunder, the other parties hereto, jointly and severally, agree to (i) indemnify the Escrow Agent, and hold the Escrow Agent harmless from, any liability incurred by it to any person, firm or corporation by reason of its having accepted its appointment and in carrying out any of the terms of this Agreement, and (ii) reimburse the Escrow Agent for all its costs and expenses, including, but not limited to, reasonable attorneys' fees and expenses, incurred by reason of any matter as to which an indemnity is paid; provided that no indemnity shall be paid by reason of the Escrow Agent's gross negligence or willful misconduct.

#### 4.4 ESCROW AGENT'S RESPONSIBILITIES

4.4.1 The Escrow Agent shall be under no obligation to deliver any instrument or documents to a court or arbitrator or to take any legal action in connection with this Agreement or towards its enforcement, or to appear in, prosecute or defend any action or proceeding which, in the Escrow Agent's opinion, would or might involve it in any cost, expense, loss or liability unless, as often as the Escrow Agent may require, the Escrow Agent is furnished with security and indemnity reasonably satisfactory to it against all such costs, expenses, losses or liability.

4.4.2 The Escrow Agent's obligations hereunder shall be as a depository only, and the Escrow Agent shall not be responsible or liable in any manner whatever for the sufficiency, correctness, genuineness or validity of any notice, written instructions or other instrument furnished to it or deposited with it, or for the form of execution of any thereof, or for the identity, authority or rights of any person executing, furnishing or depositing the same, except to the extent of its gross negligence or willful misconduct.

4.4.3 The Escrow Agent shall not have any duties or responsibilities except those set forth in this Agreement, and shall not incur any liability in acting upon any signature, notice, request, waiver, consent, receipt or other paper or document reasonably believed by it to be genuine, and the Escrow Agent may presume that any person purporting to give any notice or advice on behalf of any party in accordance with the provisions hereof has been duly authorized to do so.

4.4.4 The Escrow Agent shall be entitled to consult with counsel in connection with its duties hereunder.

4.4.5 The Escrow Agent has executed this Agreement solely to confirm that Escrow Agent will hold the Escrow Deposit in escrow pursuant to the provisions of this Agreement.

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4.4.6 QAI and the Principals acknowledge that the Escrow Agent has been, and may continue to be, counsel to RefTech and RTI. QAI and the Principals waive any objections to the Escrow Agent serving in the capacity of escrow agent hereunder and waive any objection to the Escrow Agent continuing to serve as counsel to RefTech and RTI, and their respective affiliates, including with respect to a dispute with QAI and/or the Principals; provided that such dispute does not involve this Agreement (unless prior to such representation the Escrow Agent resigns from acting as escrow agent under this Agreement).

5. NOTICES. For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given and duly received on the earlier of (i) when actually received or when receipt is refused, or (ii) five days after being mailed by United States first class, registered or certified mail, return receipt requested, postage prepaid, addressed to the party at the following addresses or to such other address as any party shall hereafter specify by notice to the other parties; provided that notices and other communications to the Escrow Agent, and notices of change of address, shall be deemed to have been duly given and duly received only upon actual receipt:

If to RefTech, to: RTI Inc.  
c/o Mr. Theo W. Muller  
20 Peach Hill Road  
Darien, Connecticut 06820

with a copy to: Warshaw Burstein Cohen Schlesinger & Kuh, LLP  
555 Fifth Avenue  
New York, New York 10017  
Attention: Arthur A. Katz, Esq.

If to QAI or the Principals, to: Rick E. Bacchus  
Quality Air, Inc.  
301 Antone Street  
Sunland Park, New Mexico 88063

If to the Escrow Agent, to: Warshaw Burstein Cohen Schlesinger & Kuh, LLP  
555 Fifth Avenue  
New York, New York 10017  
Attention: Arthur A. Katz, Esq.

## 6. GENERAL.

6.1 FURTHER ASSURANCES. The parties shall do and perform or cause to be done and performed all such further acts and things and shall execute and deliver all such other agreements, certificates, instruments and documents as any party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

6.2 SURVIVAL OF REPRESENTATIONS AND COVENANTS. The representations, warranties, covenants and agreements contained in this Agreement or in any instrument or document delivered or to be delivered pursuant to this Agreement shall survive the Closing and the consummation of the transactions contemplated hereby, notwithstanding any investigation at any time made by or on behalf of any party or parties hereto.

6.3 ENTIRE AGREEMENT. This Agreement, together with the Acquisition Agreement, constitutes the entire agreement among the parties and supersedes all prior agreements,

understandings and arrangements, oral or written, among the parties with respect to the subject matter hereof.

6.4 BINDING EFFECT; BENEFITS. This Agreement shall inure to the benefit of and shall be binding upon the parties and their respective successors and permitted assigns. Nothing in this Agreement, expressed or implied, is intended to or shall (i) confer on any person other than the parties, and their respective successors and permitted assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement, or (ii) constitute the parties partners or participants in a joint venture.

6.5 ASSIGNMENT. Neither this Agreement nor any right, remedy, obligation or liability arising hereunder or by reason hereof shall be assignable by any party without the prior written consent of all of the other parties.

6.6 SECTION AND OTHER HEADINGS. The Section and other headings contained in this Agreement are for reference purposes only and shall not be deemed to be a part of this Agreement or to affect the meaning or interpretation of this Agreement.

6.7 EXECUTION IN COUNTERPARTS. This Agreement may be executed in counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

6.8 SEPARABILITY. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction.

6.9 GOVERNING LAW. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts made and to be performed wholly therein.

6.10 WAIVERS. The observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) only by a writing signed by the party to be bound thereby. The waiver by a party of any breach hereof for default in payment of any amount due hereunder or default in the performance hereof shall not be deemed to constitute a waiver of any other default or any succeeding breach or default.

7. EXPENSES OF ESCROW AGENT. All fees and expenses of the Escrow Agent incurred in the ordinary course of performing its responsibilities hereunder will be paid by RefTech upon receipt of a written invoice by the Escrow Agent. Any fees, including but not limited to, attorneys' fees (either paid to retained attorneys or amounts representing the value of legal services rendered to itself based upon its standard hourly rates) or expenses incurred by the Escrow Agent in connection with a dispute over the distribution of the Escrow Deposit or the validity of a Notice of Claim, will be a priority charge upon the Escrow Deposit and will be the joint and several responsibility of the other parties hereto, except as otherwise provided herein.

8. SUCCESSOR ESCROW AGENT. In the event that the Escrow Agent becomes unavailable or unwilling to continue in its capacity hereunder, the Escrow Agent may resign and shall be discharged from its duties and further obligations hereunder by giving written notice of resignation to RefTech and the Notice Agent, specifying the date, not less than thirty (30) days thereafter, when such resignation will take effect; whereupon RefTech and the Notice Agent shall attempt to agree on a successor escrow agent prior to the expiration of such thirty (30) day period and shall give written notice to the Escrow Agent of such designated successor. The Escrow Agent will promptly deliver the Escrow Deposit at such time to such designated successor. In the event that no successor escrow agent is appointed as provided in this Section, the Escrow Agent may apply to a court of competent jurisdiction for the appointment of a successor escrow agent.

9. AMENDMENT. This Agreement may be amended with the written consent of RefTech, the Escrow Agent and the Notice Agent, provided that if the Escrow Agent does not agree to such amendment, then RefTech and the Notice Agent may appoint a successor escrow agent as provided in Section 8.

10. MISCELLANEOUS. The Escrow Agent may execute any of its powers or responsibilities hereunder and exercise any rights hereunder either directly or by or through its agents or attorneys.

IN WITNESS WHEREOF, QAI and RefTech have caused this Agreement to be signed in their respective names by an officer thereunto duly authorized and each of the Principals have executed this Agreement as of the date first above written.

QUALITY AIR, INC.

REFRIGERATION TECHNOLOGY INC.

By:/s/ Rick E. Bacchus

By:/s/ Theo W. Muller

-----  
Rick E. Bacchus  
President

-----  
Theo W. Muller  
Sole Director

/s/ Rick E. Bacchus

/s/ Margie J. Bacchus

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Rick E. Bacchus

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Margie J. Bacchus

/s/ Rockney D. Bacchus

/s/ Philis Bacchus

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Rockney D. Bacchus

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Philis Bacchus

/s/ Ron Bacchus

/s/ Opal Simmons

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Ron Bacchus

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Opal Simmons

Agreed to with respect to Section 2.3 only.

RTI INC.

By: /s/ Theo W. Muller,

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Theo W. Muller, President

TEXAS STANDARD FORMS  
COMMERCIAL LEASE

**PARTIES:** This Lease agreement made and entered into by and between Stanley Jobe hereinafter designated Lessor, and Quality Air Inc. and/or assigns hereinafter designated Lessee, whereby Lessor leases unto the Lessee the following described property:

Lots 3 to 20 and 41 to 58 Block 15 Westway Unit #2, 8909 Kingsway.

**TERM:** For the term of (3) months, to begin on the 1st day of February, 1997, and ending on the 30th day of April, 1997, to be continuously used and occupied during the term of this Lease by the Lessee for no other purpose than Storage.

**RENTAL:** Lessee agrees to pay to Lessor, or his designated agent, at such place as he shall designate in the County wherein the leased land lies, the sum of Five Thousand per month (\$5,000.00) Dollars, without demand, in monthly installments in advance on the first day of each month during the term as follows:

First months rent to be paid upon signing of this Lease in the amount of \$5,000.00. This Lease is made in conjunction with a contract to purchase the above subject property. If the property is purchased before the 3 months are up the rent will be prorated from the date of the purchase and if the property is not purchased the lessee may give a 30 day notice to terminate this Lease and the rent will be pro-rated to the termination date. No Security Deposit will be necessary. Lessee accepts the property in its present condition as far as this Lease is concerned. Lessee agrees to pay for all damages it does to the property. Lessee agrees to provide Lessor with General Liability Insurance holding Lessor harmless. Lessee to pay all utilities.

**BROKERS COMMISSION:** Lessor agrees to pay to Broker whose name(s) appear below as such, a cash commission for negotiating this Lease, at the time this Lease is signed by both Lessor and Lessee, in the sum of \$300.00 per month which sum shall irrevocably vest upon the execution hereof, notwithstanding subsequent defaults. In the event the herein described property is sold or exchanged by Lessor to Lessee, his successors or assigns during the term of this Lease, or within ninety days after the termination hereof, Lessor agrees to pay Brokers herein a commission on the gross sales price of 5%. The Broker(s) herein are hereby granted a lien to secure payment of all commissions due hereunder, which lien shall be subordinate to rights of the Lessor herein, banks, insurance companies, savings and loan associations, and similar regulated financing institutions.

**REPAIRS:** Lessee acknowledges that he has fully inspected the demised premises, and on the basis of such inspection, Lessee hereby accepts the demised premises,

and the buildings and improvements situated thereon, as suitable for the purposes for which same are leased, in their present condition, with such changes therein as may be caused by reasonable deterioration between the date hereof and the commencement date of this Lease.

Lessee shall throughout the term of this Lease take good care of the demised including the buildings and other improvements located thereon, keep them free from waste or nuisance of any kind, and make all necessary repairs, except those expressly required to be made by Lessor. At the end or other termination of this Lease, Lessee shall deliver up the demised premises with all improvements located thereon in good repair and condition, reasonable wear and tear and damage by fire, tornado, or other casually only excepted.

ASSIGNMENT: The Lessee shall not assign, sublet, mortgage or pledge this Lease, not let the whole or any part of the demised premises without the Lessor's written consent; nor in any event permit the premises to be occupied for any purpose or business deemed illegal, disreputable, or extra hazardous on account of fire, nor permit anything to be done in or about the demised premises which will in any way increase the rate of fire insurance on the building or on the property kept therein; and in the event that, by reason of acts of the Lessee, there shall be any increase in the rate of insurance on the building or on the contents thereof the Lessee hereby agrees to pay such increase.

LAWS: Lessee agrees to comply with all laws, rules and orders of Federal, State and Municipal Governments and all of their departments applicable to the demised premises; and shall comply promptly with the requirements of the Board of Fire Underwriters. Lessee, at his own expense, will make application for occupancy permit to the municipal authority involved within five (5) days from date. In the event Lessee in unable to obtain an occupancy permit hereunder for any reason, Lessor, at his option shall be given a reasonable time to cure any such defects or declare this Lease null and void.

INDEMNITY: Lessee hereby covenants and agrees at all times to indemnify and save harmless the lessor and the demised premises from [illegible line of type] and against any cost, liability, or expense arising out of any claims of any person or persons whatsoever by reason of the use or misuse of the demised premises, parking area, or common facilities by lessee or any person or persons holding under lessee, and shall indemnify and save harmless the lessor from any penalty, damage, or charge incurred or imposed by reason of any violation of law or

- 1 -

ordinance by lessee or any person or persons holding under lessee, and from any cost, damage, or expense arising out of the death of or injury to any person or persons holding under lessee.

ALTERATIONS: The Lessee shall not made any alterations, additions, or

improvements to the demised premises without the prior written consent of the Lessor. All fixtures (including floor coverings), alterations, additions and improvements (except trade fixtures) put in at the expense of the Lessee, shall be the property of the Lessor and shall remain upon and be surrendered with the demised premises as a part thereof at the termination of this Lease.

ENTRY: The Lessor or his representatives shall have the right to enter the demised premises at all reasonable times to inspect and examine demised premises and to make alterations, changes, or repairs to the demised premises as are herein required or as Lessor may deem necessary for the preservation of the demised premises. Lessee shall not be entitled to any abatement or reduction of rent by reason thereof. During the last thirty (30) days of the term of this Lease or any extension thereof, the Lessor shall have the right to post "For Lease" and/or "For Sale" signs on the demised premises and during said period the Lessor or his representatives shall have the right to show the demised premises to prospective tenants or purchaser at all reasonable times.

SIGNS: Lessee shall not place any signs or objects on the roof or any part of the exterior of the building (except on the plate glass windows) nor place any signs, show cases, displays or fences on the sidewalks, parking lot, driveways or exterior of any building on the demised premises except as and where first approved in writing by Lessor. Lessee shall remove all signs at the termination of this Lease. Such installation and removals shall be made in such manner as to avoid injury, defacement or overloading of the building or other improvements.

CONDEMNATION: If the whole of the demised premises, or such portion thereof as will make premises unusable for the purposes herein leased, be condemned by any legally constituted authority for any public use or purpose, then in either of said events the term hereby granted shall cease from the time when possession thereof is taken by public authorities, and rental shall be accounted for as between Lessor and Lessee as of that date. Such termination, however, shall be without prejudice to the right of either Lessor or Lessee to recover compensation and damage caused by condemnation from the condemnor. It is further understood and agreed that neither the Lessee nor Lessor shall have any rights in any award made to the other by any condemnation authority.

NOTICE: Any demand to be made or notice to be given hereunder shall be made on, or given to the Lessee either personally, or, at the Lessor's option, by sending a copy of such demand or notice by mail addressed to the Lessee at the demised premises.

WAIVER: No waiver at any time of the right to terminate this Lease shall impair the right of the Lessor to insist upon such termination in the event of subsequent breach or default by Lessee, nor shall the acceptance of rent at any time constitute such waiver of default or waiver of damages, and in addition to any other remedies which the Lessor may have, the Lessor may apply for and obtain an injunction or use any other legal process to enforce the Lessor's rights.

MORTGAGES: This Lease is and shall always be subordinate to any mortgage or mortgages which now or shall at any time be placed upon the demised premises or

any part thereof, and the Lessee agrees to execute and deliver any instrument, without cost, which may be deemed necessary to further effect the subordination of this Lease to any such mortgage or mortgages.

LIEN: ALL PROPERTY OF THE LESSEE NOW OR HEREAFTER PLACED IN OR UPON THE DEMISED PREMISES (EXCEPT SUCH PART OF THE MERCHANDISE THAT IS TO BE SOLD FROM TIME TO TIME IN THE ORDINARY COURSE OF TRADE) IS HEREBY SUBJECTED TO A LIEN IN FAVOR OF THE LESSOR AND SHALL BE AND REMAIN SUBJECT TO SUCH LIEN OF THE LESSOR FOR THE PAYMENT OF ALL RENTS AND OTHER SUMS AGREED TO BE PAID BY THE LESSEE HEREIN. SAID LIEN TO BE IN ADDITION TO ANY CUMULATIVE OF THE LANDLORD'S LIEN PROVIDED BY LAW.

POSSESSION: If, for any reason, the premises herein demised shall not be ready for occupancy by the Lessee at the time of the commencement of this Lease, this Lease shall not be affected thereby, nor shall the Lessee have any claim against the Lessor by reason thereof, but no rent shall be payable for the period during which the premises shall not be ready for occupancy; and all claims for damages arising out of such delay are waived and released by the Lessee. Rent for any fractional month at the beginning or the end of the Lease term shall be prorated.

FIRE CLAUSE: In the event that the premises hereby demised, or the building of which the same is a part, shall be partially damaged by fire, the elements, civil disorder, or other casualty, the Lessee shall give immediate notice thereof to the Lessor and the same shall be repaired at the expense of the Lessor without unreasonable delay. Lessee shall receive an abatement of rent proportionate to the damage to the demised premises; and in the event that the damage should be so extensive as to render the demised premises untenable, the rent shall cease until

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such time as the premises shall again be put into repair, but in the event of the building being damaged by fire or otherwise to such an extent as to render it necessary in the judgment of the Lessor not to rebuild the same (and whether or not the demised premises be affected), then, at the option of the Lessor, and upon notice to Lessee, and from thenceforth this Lease shall cease and come to an end, and the rent shall be apportioned and paid up to date of such damage. If Lessor elects to rebuild the premises and continue this Lease, Lessor shall notify Lessee of such intention within thirty (30) days of the date of the damage; otherwise, this Lease shall be deemed canceled and of no further force and effect.

DEFAULT: In the event that the Lessee shall default in the prompt payment of rent when the same is due, or shall violate or omit to perform any of the provisions of this Lease herein contained, or in the event that the Lessee shall abandon the business or the premises or leave them vacant, Lessor may, if he so elects, send written notice of such default, violation or omission to the

Lessee, by mail or otherwise, at the demised premises, and unless Lessee shall have completely cured or removed said default within ten (10) days after the sending of such notice by Lessor, Lessor may thereupon re-enter the demised premises, by summary proceedings or by force or otherwise without being liable for prosecution therefor, take possession of said premises and remove all persons and property therefrom, and may elect to either cancel this Lease or relet the premises as agent for the Lessee or otherwise, and receive the rent therefor, applying the same first to the payment of such expenses as the Lessor may be put to in entering and letting; and then to the payment of the rent payable under this Lease and the fulfillment of the Lessee's covenants hereunder; the balance (if any) to be paid to the Lessee who shall remain liable for any deficiency. On any sums due under the terms of this Lease placed in the hands of an attorney after default or collected through any judicial probate or bankruptcy proceedings, Lessee agrees to pay a reasonable attorney's fee, together with all court costs. Past due installments of rent shall bear interest at the rate of eight (8) per cent per annum until paid. In the event the Lessee shall continue to hold the demised premises, after demand therefor by Lessor, at the termination of this Lease, or for default or breach of this Lease, that the Lessor shall be entitled to institute and maintain a Forcible Entry and Detainer suit in the Justice Court and obtain a writ of possession for the demised premises.

**BANKRUPTCY:** In the event that the Lessee shall become bankrupt, voluntary or involuntary, or shall make a voluntary assignment for the benefit of creditors, or in the event that a receiver for the Lessee shall be appointed, then, at the option of the Lessor and upon ten (10) days notice to the Lessee or Lessee's representative, of the exercise of such notice, this Lease shall cease and come to an end.

**SEVERABILITY:** In the event of litigation on this instrument and should one or more clauses be found invalid all other provisions of the lease are to stand as written.

**TAXES:** Lessor agrees to pay before they become delinquent all real property taxes and assessments lawfully levied or assessed against the demised premises or any part thereof, provided, however, Lessor may, at his sole expense dispute and contest same, and in such case, such disputed item need not be paid until finally adjudged to be valid. If after one year from the commencement date of this Lease, the real estate taxes on the demised premises are increased by any taxing authority at any time during the remaining portion of the primary term or any renewal or extension thereof, Lessee agrees to pay to Lessor upon demand, and as additional rental, an amount monthly equal to 1/12 of said increase. Lessee shall pay all taxes levied against personal property, trade fixtures and inventory placed by Lessee in, on or about the demised premises.

**BINDING UPON PARTIES:** The Covenants and agreements herein contained shall inure to the benefit of and be binding upon the parties hereto, their respective heirs, legal representatives, successors and assigns.

This Lease contains the entire agreement between the parties hereto, and no representations, warranties, express or implied, inducements, promises or

agreements, oral or otherwise, between the parties not embodied herein shall be of any force or effect.

EXECUTED in ----- original copies this the -- day of -----, 199-.

/s/ Stanley Jobe

/s/

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STANLEY JOBE

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Lessee, Quality Air Inc.

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Broker(s)

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EMPLOYMENT AGREEMENT, dated as of February 24, 1997, between REFRIGERATION TECHNOLOGY INC., a Delaware corporation (the "Company"), and RICK E. BACCHUS, residing at -----, New Mexico ----- ("Employee").

The Company desires to engage Employee to perform services for the Company and its affiliates and (subject to Section 8) any successor or assign of the Company, and Employee desires to perform such services, on the terms and conditions hereinafter set forth.

1. TERM  
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The Company agrees to employ Employee, and Employee agrees to serve, on the terms and conditions of this Agreement, including the provisions of Section 7 providing for early termination, for a five year period commencing with the date of the Closing, as defined in that Acquisition Agreement of even date among the Company, Quality Air, Inc. ("QAI"), Employee and others (which provides for the acquisition by the Company of the business and substantially all of the assets of QAI). If the Closing does not take place, this Agreement and all obligations of each party hereunder shall immediately terminate as if never entered into. The period during which Employee is employed under this Agreement is referred to as the "Employment Period".

2. DUTIES  
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a. During the Employment Period, Employee shall devote his attention and energies to the business of the Company and its parent and subsidiary companies (its "affiliates") on a full-time basis, and shall not be engaged in any other business activity, whether or not such business activity is pursued for gain, profit or other pecuniary advantage; but this shall not be construed as preventing Employee from investing his assets in such manner as will not require him to expend any material time or effort in regard thereto or to perform any services in connection therewith.

b. At all times during the Employment Period, and thereafter if Employee continues in the employ of the Company or any of its affiliates, Employee shall serve the Company and its affiliates faithfully, diligently and in good faith.

c. During the Employment Period, Employee shall perform such services as may be required of him by the Company and its affiliates, under and subject to the instructions, directions and control of the Board of Directors of the Company and its chief executive officer (the "CEO", which term shall mean the Company's Chairman if Employee is the chief executive officer), to whom he shall report. Employee shall serve as President of the

Company. In addition, Employee shall serve as President of the Company's parent, RTI Inc. ("RTI"), and in such capacity shall be under and subject to the instructions, directions and control of the Board of Directors and of the chief executive officer of RTI, unless Employee is chief executive officer of RTI, in which event he also shall report to the Chairman of RTI. Employee's primary responsibility shall be to perform those duties reasonably required of, and related to, his position and such other duties as may be assigned to Employee from time to time which are not inconsistent with those customarily assigned to responsible executive employees.

d. At all times during the Employment Period, and thereafter if Employee continues in the employ of the Company or any of its affiliates, Employee shall adhere to all rules and regulations that have been or that hereafter may be established by the Company and its affiliates for the conduct of their employees.

e. Employee recognizes that he shall be available to travel as the needs of the business require.

f. Employee represents that he is under no contractual or other restriction or obligation which is inconsistent or in conflict with his obligations under this Agreement or the rights of the Company under this Agreement. Employee further represents that he is in good health, with no chronic or recurring illness, and is insurable at normal rates. If requested by the Company, Employee shall cooperate in applying for and obtaining, at the Company's and RTI's expense, key-man insurance for the benefit of the Company and RTI.

3. COMPENSATION  
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As and for full and complete compensation to Employee under this Agreement, the Company agrees to pay to him, and he agrees to accept, the following:

a. The Company shall pay Employee during the Employment Period an annual salary of no less than \$80,000 (the "Base Salary") payable in equal bi-weekly installments, or as otherwise may be the practice of the Company in making salary payments.

b. The Company, in its sole and absolute discretion, may consider the granting of a bonus to Employee in such form and amount, if any, as the Company may determine.

c. All compensation paid to Employee shall be subject to withholding and deductions to the extent required by applicable law.

d. Employee shall be eligible to participate in, and to be covered by, each life insurance, accident insurance, health insurance and hospitalization, or other plan or benefit, if any, effective generally (and not only with respect to a specific individual or individuals) with respect to employees of the Company, if he shall be eligible under the terms of such plan, without restriction or limitation by reason of this Agreement. Nothing contained herein, however, shall be construed to require the Company to establish any plans not in existence on the date hereof, to continue any plans in existence on the date hereof, or to prevent the Company from modifying and/or terminating any of the plans in existence on the date hereof, and no such act or omission shall be deemed to affect this Agreement or any of the provisions contained herein.

e. During the Employment Term, Employee shall be entitled to a vacation of three weeks, and also shall be entitled to all paid holidays given by the Company to its employees generally. Vacation days not taken shall not accumulate and shall not be available to Employee in subsequent years of this Agreement. Vacations shall be coordinated with other executives of the Company, the CEO and the Chairman or chief executive officer of RTI and shall be scheduled by Employee with due regard to his activities with, and his responsibilities for, the Company and its affiliates.

f. Employee shall be entitled to reimbursement for all reasonable out-of-pocket expenses incurred in performing his services hereunder, within the limits of authority which may be established by the Company from time to time, provided that Employee properly accounts for such expenses in accordance with Company policy.

#### 4. NON-COMPETITION

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In view of the unique and valuable services it is expected Employee will render to the Company, Employee's knowledge of the customers, trade secrets and other proprietary information relating to the business of the Company and its customers and suppliers and similar knowledge regarding the Company and its affiliates that it is expected Employee will obtain, and in consideration of the acquisition by the Company of the business and substantially all of the assets of QAI and the compensation to be received hereunder, Employee agrees that, for the greater of (a) five years commencing with the Closing, or (b) the period during which Employee continues to be employed by the Company or any of its affiliates plus six months (the "Restriction Period"), Employee will not engage in, or otherwise directly or indirectly be employed by, or act as a consultant to, or be an owner of, any other business or organization which may then be competing with the Company or its affiliates; provided, however, that if Employee's employment hereunder is terminated by the Company without Cause, such

period of non-competition shall be limited to six months after such termination. For purposes of this Agreement, mere ownership of not more than 1% of the outstanding common stock of a corporation registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934 shall not be deemed to be a violation of this Section.

5. PATENTS, ETC.

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Any interest in patents, patent applications, inventions, technological innovations, copyrights, copyrightable works, developments, discoveries, designs, and processes (collectively, the "Inventions") which Employee now or hereafter during the Restriction Period may own, conceive of or develop, and which either relate to the fields in which the Company or any of its affiliates may then be engaged or contemplates being engaged, or are conceived of or developed utilizing the time, assets, facilities or information of the Company or any of its affiliates, shall belong to the Company. As soon as Employee owns, conceives of, or develops any Invention, he agrees immediately to communicate such fact in writing to the CEO and the Chairman of RTI and, without further compensation, but at the Company's expense, forthwith shall execute all such assignments and other documents (including applications for patents, copyrights, trademarks, and assignments thereof) and take all such other action as the Company may reasonably request in order (a) to vest in the Company, or as the Company may direct, all of Employee's right, title and interest in and to the Inventions, free and clear of liens, mortgages, security interests, pledges, charges and encumbrances, and (b) if patentable or copyrightable, to obtain patents or copyrights (including extensions and renewals) therefor in any and all countries and in such name as the Company may direct.

6. CONFIDENTIAL INFORMATION

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All confidential information which Employee may possess or may obtain during the Restriction Period relating to the business of the Company or any of its affiliates or of any customer or supplier of any of them shall not be published, disclosed, or made accessible by him to any other person or entity either during or after the termination of his employment or used by him, except during the Employment Period in the business and for the benefit of the Company, without prior written permission of the Company. Employee shall return all tangible evidence of such confidential information to the Company prior to or at the termination of his employment. For purposes of this Agreement, confidential information does not include (a) information which at the time of disclosure to Employee is generally available to the public, (b) information which, subsequent to disclosure to Employee, becomes generally available to the public without fault on Employee's part, (c) information which is known in general to Employee's profession or to the industry in which the Company is engaged, or (d) knowledge of skills which are known in general to Employee's profession.

7. TERMINATION.

a. DEATH. In the event that Employee shall die during the Employment Period, then, notwithstanding any other provisions hereof, Employee's employment hereunder shall terminate forthwith. In addition to any unpaid compensation then accrued, Employee's estate shall be entitled to receive the proceeds of any life insurance on Employee's life if and to the extent then maintained by the Company for Employee's sole benefit.

b. DISABILITY. If Employee shall become incapacitated during the Employment Period to such an extent that he shall be unable to perform his duties hereunder, and such incapacity shall continue for at least four consecutive weeks or for at least 45 days in any twelve-month period, the Company may, at or at any time thereafter during the continuance of such incapacity, give

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notice to Employee of the termination of his employment hereunder on a date stated in such notice, and, in such event, Employee's employment hereunder shall terminate on such date. Such termination shall not affect any disability payments otherwise due hereunder to the Employee.

c. FOR CAUSE. If, during the Employment Period, the employment of Employee by the Company should terminate by reason of Employee's voluntary action, or by the Company for "Cause", then the Company's obligations for payment or delivery of salary, bonus, if any, and other entitlements under this Agreement with respect to any future period shall thereupon terminate. Written notice of termination for Cause shall be given by the Company to Employee and shall be effective upon receipt. For purposes of this Agreement, Cause consists of (1) Employee's (A) refusal to carry out specific lawful directions of the Company's Board of Directors or of the CEO, or the Board of Directors, Chairman or chief executive officer of RTI, which directions shall not be inconsistent with the provisions of this Agreement, or (B) refusal or failure to properly, adequately and fully perform part of his duties or achieve the goals assigned to him (including among other things achieving minimum levels of profitability as determined by the Company's Board of Directors and/or RTI's Board of Directors) which are not in violation of this Agreement, which refusal or failure is not remedied promptly, but in no event later than five days after notice thereof to Employee, (2) Employee's commission of an act of fraud, misappropriation or dishonesty (including falsification of information given to the Company in connection with Employee's hire) to the Company or any of its affiliates or falsification of a written document delivered to the Company or any of its affiliates or on the Company's or such affiliate's behalf, and (3) Employee's commission of a crime with respect to which, in the reasonable judgment of the Company, Employee is likely to be

incarcerated or as result of which the Company, in its reasonable judgement, determines it would be inappropriate for Employee to continue as an employee of the Company.

d. WITHOUT CAUSE. If, during the Employment Period, the employment of Employee by the Company is terminated by the Company without Cause, then the Company shall continue to pay Employee his salary for a period of two months thereafter, and all other obligations of the Company for payment or delivery of salary, bonus, if any, and other entitlements under this Agreement with respect to any future period shall thereupon terminate.

8. MISCELLANEOUS PROVISIONS.  
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a. ENTIRE AGREEMENT. This Agreement sets forth the entire agreement and understanding between the parties with respect to the employment of Employee by the Company and supersedes all prior agreements, arrangements and understandings between the parties with respect thereto.

b. MODIFICATION AND WAIVER. This Agreement may be amended, modified, superseded, canceled, renewed or extended, and the terms or covenants hereof may be waived, only by an instrument executed by the party to be charged or, in the case of a waiver, by the party waiving compliance. The failure of either party at any time or times to require

performance of any provision of this Agreement in no manner shall affect the right at a later time to enforce the same. No waiver by either party of a breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such breach, or a waiver of any other term or covenant contained in this Agreement.

c. NOTICES. All notices, demands, consents, waivers and other communications ("Communications") given under this Agreement may be in writing and shall be given (and shall be deemed to have been duly given and received) upon the earlier of actual receipt, one business day after being sent by overnight courier service or telecopier or three business days after being sent by certified mail to the Company (to the attention of the CEO and with a second copy to the Chairman of RTI) and to Employee, each at their respective home addresses or to such other address as either party may hereafter specify by notice to the other party. Simultaneously with sending a Communication to the Company, a copy of the Communication shall be sent to RTI's counsel (currently Warshaw Burstein Cohen Schlesinger & Kuh, LLP, 555 Fifth Avenue, New York, New York 10017, Attention: Arthur Katz, Esq.). Irrespective of the foregoing, notice of change of address shall be effective only upon receipt.

d. GOVERNING LAW. This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to its principles of conflicts of laws.

e. SURVIVAL. The covenants, agreements, representations, and warranties contained in or made pursuant to this Agreement shall survive the execution of this Agreement and the conclusion of the Employment Period, irrespective of any investigation made by or on behalf of any party.

f. BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of the parties and their respective legal representatives, heirs, successors and permitted assigns.

g. INVALIDITY. The invalidity of any part of this Agreement is not intended to render invalid the remainder of this Agreement. If any provision of this Agreement is so broad as to be unenforceable, such provision is intended to be interpreted to be only so broad as is enforceable.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first written above.

REFRIGERATION TECHNOLOGY INC.

By: /s/ Theo W. Muller

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Theo W. Muller, Sole Director

/s/ Rick E. Bacchus

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Rick E. Bacchus

EMPLOYMENT AGREEMENT, dated as of February 24, 1997, between REFRIGERATION TECHNOLOGY INC., a Delaware corporation (the "Company"), and ROCKNEY D. BACCHUS, residing at -----, New Mexico ----- ("Employee").

The Company desires to engage Employee to perform services for the Company and its affiliates and (subject to Section 8) any successor or assign of the Company, and Employee desires to perform such services, on the terms and conditions hereinafter set forth.

1. TERM  
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The Company agrees to employ Employee, and Employee agrees to serve, on the terms and conditions of this Agreement, including the provisions of Section 7 providing for early termination, for a five year period commencing with the date of the Closing, as defined in that Acquisition Agreement of even date among the Company, Quality Air, Inc. ("QAI"), Employee and others (which provides for the acquisition by the Company of the business and substantially all of the assets of QAI). If the Closing does not take place, this Agreement and all obligations of each party hereunder shall immediately terminate as if never entered into. The period during which Employee is employed under this Agreement is referred to as the "Employment Period".

2. DUTIES  
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a. During the Employment Period, Employee shall devote his attention and energies to the business of the Company and its parent and subsidiary companies (its "affiliates") on a full-time basis, and shall not be engaged in any other business activity, whether or not such business activity is pursued for gain, profit or other pecuniary advantage; but this shall not be construed as preventing Employee from investing his assets in such manner as will not require him to expend any material time or effort in regard thereto or to perform any services in connection therewith.

b. At all times during the Employment Period, and thereafter if Employee continues in the employ of the Company or any of its affiliates, Employee shall serve the Company and its affiliates faithfully, diligently and in good faith.

c. During the Employment Period, Employee shall perform such services as may be required of him by the Company and its affiliates, under and subject to the instructions, directions and control of the Board of Directors of the Company and its President (the "President"), to whom he shall report. Employee shall serve as Vice President - Development of the Company. Employee's primary responsibility shall be to perform those duties

reasonably required of, and related to, his position and such other duties as may be assigned to Employee from time to time which are not inconsistent with those customarily assigned to responsible executive employees.

d. At all times during the Employment Period, and thereafter if Employee continues in the employ of the Company or any of its affiliates, Employee shall adhere to all rules and regulations that have been or that hereafter may be established by the Company and its affiliates for the conduct of their employees.

e. Employee recognizes that he shall be available to travel as the needs of the business require.

f. Employee represents that he is under no contractual or other restriction or obligation which is inconsistent or in conflict with his obligations under this Agreement or the rights of the Company under this Agreement. Employee further represents that he is in good health, with no chronic or recurring illness, and is insurable at normal rates. If requested by the Company, Employee shall cooperate in applying for and obtaining, at the Company's expense, key-man insurance for the benefit of the Company.

### 3. COMPENSATION -----

As and for full and complete compensation to Employee under this Agreement, the Company agrees to pay to him, and he agrees to accept, the following:

a. The Company shall pay Employee during the Employment Period an annual salary of no less than \$80,000 (the "Base Salary") payable in equal bi-weekly installments, or as otherwise may be the practice of the Company in making salary payments.

b. The Company, in its sole and absolute discretion, may consider the granting of a bonus to Employee in such form and amount, if any, as the Company may determine.

c. All compensation paid to Employee shall be subject to withholding and deductions to the extent required by applicable law.

d. Employee shall be eligible to participate in, and to be covered by, each life insurance, accident insurance, health insurance and hospitalization, or other plan or benefit, if any, effective generally (and not only with respect to a specific individual or individuals) with respect to employees of the Company, if he shall be eligible under the terms of such plan, without restriction or limitation by reason of this Agreement. Nothing contained herein, however, shall be construed to require the Company to establish any plans not in existence on the date hereof, to continue any plans in existence on the date hereof, or to prevent the Company from modifying and/or terminating any of the plans in existence on the date hereof,

and no such act or omission shall be deemed to affect this Agreement or any of the provisions contained herein.

e. During the Employment Term, Employee shall be entitled to a vacation of three weeks, and also shall be entitled to all paid holidays given by the Company to its employees generally. Vacation days not taken shall not accumulate and shall not be available to Employee in subsequent years of this Agreement. Vacations shall be coordinated with other Company executives and the President and shall be scheduled by Employee with due regard to his activities with, and his responsibilities for, the Company and its affiliates.

f. Employee shall be entitled to reimbursement for all reasonable out-of-pocket expenses incurred in performing his services hereunder, within the limits of authority which may be established by the Company from time to time, provided that Employee properly accounts for such expenses in accordance with Company policy.

4. NON-COMPETITION  
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In view of the unique and valuable services it is expected Employee will render to the Company, Employee's knowledge of the customers, trade secrets and other proprietary information relating to the business of the Company and its customers and suppliers and similar knowledge regarding the Company and its affiliates that it is expected Employee will obtain, and in consideration of the acquisition by the Company of the business and substantially all of the assets of QAI and the compensation to be received hereunder, Employee agrees that, for the greater of (a) five years commencing with the Closing, or (b) the period during which Employee continues to be employed by the Company or any of its affiliates plus six months (the "Restriction Period"), Employee will not engage in, or otherwise directly or indirectly be employed by, or act as a consultant to, or be an owner of, any other business or organization which may then be competing with the Company or its affiliates; provided, however, that if Employee's employment hereunder is terminated by the Company without Cause, such period of non-competition shall be limited to six months after such termination. For purposes of this Agreement, mere ownership of not more than 1% of the outstanding common stock of a corporation registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934 shall not be deemed to be a violation of this Section.

5. PATENTS, ETC.  
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Any interest in patents, patent applications, inventions, technological innovations, copyrights, copyrightable works, developments,

discoveries, designs, and processes (collectively, the "Inventions") which Employee now or hereafter during the Restriction Period may own, conceive of or develop, and which either relate to the fields in which the Company or any of its affiliates may then be engaged or contemplates being engaged, or are conceived of or developed utilizing the time, assets, facilities or information of the Company or any of its affiliates, shall belong to the Company. As soon as Employee owns, conceives of, or develops any Invention, he agrees immediately to communicate such fact in writing to the President and, without further compensation, but at the Company's expense, forthwith shall execute all such assignments and other documents (including applications for patents, copyrights, trademarks, and assignments thereof) and take all such other action as the Company may reasonably request in order (a) to vest in the Company, or as the Company may direct, all of Employee's right, title and interest in and to the Inventions, free and clear of liens, mortgages, security interests, pledges, charges and encumbrances, and (b) if patentable or copyrightable, to obtain patents or copyrights (including extensions and renewals) therefor in any and all countries and in such name as the Company may direct.

6. CONFIDENTIAL INFORMATION

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All confidential information which Employee may possess or may obtain during the Restriction Period relating to the business of the Company or any of its affiliates or of any customer or supplier of any of them shall not be published, disclosed, or made accessible by him to any other person or entity either during or after the termination of his employment or used by him, except during the Employment Period in the business and for the benefit of the Company, without prior written permission of the Company. Employee shall return all tangible evidence of such confidential information to the Company prior to or at the termination of his employment. For purposes of this Agreement, confidential information does not include (a) information which at the time of disclosure to Employee is generally available to the public, (b) information which, subsequent to disclosure to Employee, becomes generally available to the public without fault on Employee's part, (c) information which is known in general to Employee's profession or to the industry in which the Company is engaged, or (d) knowledge of skills which are known in general to Employee's profession.

7. TERMINATION.

-----

a. DEATH. In the event that Employee shall die during the Employment Period, then, notwithstanding any other provisions hereof, Employee's employment hereunder shall terminate forthwith. In addition to any unpaid compensation then accrued, Employee's estate shall be entitled to receive the proceeds of any life insurance on Employee's life if and to the extent then maintained by the Company for Employee's sole benefit.

b. DISABILITY. If Employee shall become incapacitated during the Employment Period to such an extent that he shall be unable to perform his duties hereunder, and such incapacity shall continue for at least four consecutive weeks or for at least 45 days in any twelve-month

period, the Company may, at or at any time thereafter during the continuance of such incapacity, give notice to Employee of the termination of his employment hereunder on a date stated in such notice, and, in such event, Employee's employment hereunder shall terminate on such date. Such termination shall not affect any disability payments otherwise due hereunder to the Employee.

c. FOR CAUSE. If, during the Employment Period, the employment of Employee by the Company should terminate by reason of Employee's voluntary action, or by the Company for "Cause", then the Company's obligations for payment or delivery of salary, bonus, if any,

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and other entitlements under this Agreement with respect to any future period shall thereupon terminate. Written notice of termination for Cause shall be given by the Company to Employee and shall be effective upon receipt. For purposes of this Agreement, Cause consists of (1) Employee's (A) refusal to carry out specific lawful directions of the Board of Directors or of the President, which directions shall not be inconsistent with the provisions of this Agreement, or (B) refusal or failure to properly, adequately and fully perform part of his duties assigned to him which are not in violation of this Agreement, which refusal or failure is not remedied promptly, but in no event later than five days after notice thereof to Employee, (2) Employee's commission of an act of fraud, misappropriation or dishonesty (including falsification of information given to the Company in connection with Employee's hire) to the Company or any of its affiliates or falsification of a written document delivered to the Company or any of its affiliates or on the Company's or such affiliate's behalf, and (3) Employee's commission of a crime with respect to which, in the reasonable judgment of the Company, Employee is likely to be incarcerated or as result of which the Company, in its reasonable judgement, determines it would be inappropriate for Employee to continue as an employee of the Company.

d. WITHOUT CAUSE. If, during the Employment Period, the employment of Employee by the Company is terminated by the Company without Cause, then the Company shall continue to pay Employee his salary for a period of two months thereafter, and all other obligations of the Company for payment or delivery of salary, bonus, if any, and other entitlements under this Agreement with respect to any future period shall thereupon terminate.

8. MISCELLANEOUS PROVISIONS.  
-----

a. ENTIRE AGREEMENT. This Agreement sets forth the entire agreement and understanding between the parties with respect to the employment of Employee by the Company and supersedes all prior agreements, arrangements and understandings between the parties with respect thereto.

b. MODIFICATION AND WAIVER. This Agreement may

be amended, modified, superseded, canceled, renewed or extended, and the terms or covenants hereof may be waived, only by an instrument executed by the party to be charged or, in the case of a waiver, by the party waiving compliance. The failure of either party at any time or times to require performance of any provision of this Agreement in no manner shall affect the right at a later time to enforce the same. No waiver by either party of a breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such breach, or a waiver of any other term or covenant contained in this Agreement.

4

c. NOTICES. All notices, demands, consents, waivers and other communications ("Communications") given under this Agreement may be in writing and shall be given (and shall be deemed to have been duly given and received) upon the earlier of actual receipt, one business day after being sent by overnight courier service or telecopier or three business days after being sent by certified mail to the Company (to the attention of the President and with second copies to the Chairman of the Company and of the Company's parent, if any) and to Employee, each at their respective home addresses or to such other address as either party may hereafter specify by notice to the other party. Simultaneously with sending a Communication to the Company, a copy of the Communication shall be sent to the Company's counsel (currently Warshaw Burstein Cohen Schlesinger & Kuh, LLP, 555 Fifth Avenue, New York, New York 10017, Attention: Arthur Katz, Esq.). Irrespective of the foregoing, notice of change of address shall be effective only upon receipt.

d. GOVERNING LAW. This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to its principles of conflicts of laws.

e. SURVIVAL. The covenants, agreements, representations, and warranties contained in or made pursuant to this Agreement shall survive the execution of this Agreement and the conclusion of the Employment Period, irrespective of any investigation made by or on behalf of any party.

f. BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of the parties and their respective legal representatives, heirs, successors and permitted assigns.

g. INVALIDITY. The invalidity of any part of this Agreement is not intended to render invalid the remainder of this Agreement. If any provision of this Agreement is so broad as to be unenforceable, such provision is intended to be interpreted to be only so broad as is enforceable.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first written above.

REFRIGERATION TECHNOLOGY INC.

By: /s/ Theo W. Muller

/s/ Rockney D. Bacchus

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Theo W. Muller, Sole Director

-----  
Rockney D. Bacchus

EMPLOYMENT AGREEMENT, dated as of February 24, 1997, between REFRIGERATION TECHNOLOGY INC., a Delaware corporation (the "Company"), and RON BACCHUS, residing at -----, New Mexico ----- ("Employee").

The Company desires to engage Employee to perform services for the Company and its affiliates and (subject to Section 8) any successor or assign of the Company, and Employee desires to perform such services, on the terms and conditions hereinafter set forth.

1. TERM  
-----

The Company agrees to employ Employee, and Employee agrees to serve, on the terms and conditions of this Agreement, including the provisions of Section 7 providing for early termination, for a five year period commencing with the date of the Closing, as defined in that Acquisition Agreement of even date among the Company, Quality Air, Inc. ("QAI"), Employee and others (which provides for the acquisition by the Company of the business and substantially all of the assets of QAI). If the Closing does not take place, this Agreement and all obligations of each party hereunder shall immediately terminate as if never entered into. The period during which Employee is employed under this Agreement is referred to as the "Employment Period".

2. DUTIES  
-----

a. During the Employment Period, Employee shall devote his attention and energies to the business of the Company and its parent and subsidiary companies (its "affiliates") on a full-time basis, and shall not be engaged in any other business activity, whether or not such business activity is pursued for gain, profit or other pecuniary advantage; but this shall not be construed as preventing Employee from investing his assets in such manner as will not require him to expend any material time or effort in regard thereto or to perform any services in connection therewith.

b. At all times during the Employment Period, and thereafter if Employee continues in the employ of the Company or any of its affiliates, Employee shall serve the Company and its affiliates faithfully, diligently and in good faith.

c. During the Employment Period, Employee shall perform such services as may be required of him by the Company and its affiliates, under and subject to the instructions, directions and control of the Board of Directors of the Company and its President (the "President"), to whom he shall report. Employee shall serve as Vice President - Manufacturing of the Company. Employee's primary responsibility shall be to perform those duties

reasonably required of, and related to, his position and such other duties as may be assigned to Employee from time to time which are not inconsistent with those customarily assigned to responsible executive employees.

d. At all times during the Employment Period, and thereafter if Employee continues in the employ of the Company or any of its affiliates, Employee shall adhere to all rules and regulations that have been or that hereafter may be established by the Company and its affiliates for the conduct of their employees.

e. Employee recognizes that he shall be available to travel as the needs of the business require.

f. Employee represents that he is under no contractual or other restriction or obligation which is inconsistent or in conflict with his obligations under this Agreement or the rights of the Company under this Agreement. Employee further represents that he is in good health, with no chronic or recurring illness, and is insurable at normal rates. If requested by the Company, Employee shall cooperate in applying for and obtaining, at the Company's expense, key-man insurance for the benefit of the Company.

### 3. COMPENSATION -----

As and for full and complete compensation to Employee under this Agreement, the Company agrees to pay to him, and he agrees to accept, the following:

a. The Company shall pay Employee during the Employment Period an annual salary of no less than \$80,000 (the "Base Salary") payable in equal bi-weekly installments, or as otherwise may be the practice of the Company in making salary payments.

b. The Company, in its sole and absolute discretion, may consider the granting of a bonus to Employee in such form and amount, if any, as the Company may determine.

c. All compensation paid to Employee shall be subject to withholding and deductions to the extent required by applicable law.

d. Employee shall be eligible to participate in, and to be covered by, each life insurance, accident insurance, health insurance and hospitalization, or other plan or benefit, if any, effective generally (and not only with respect to a specific individual or individuals) with respect to employees of the Company, if he shall be eligible under the terms of such plan, without restriction or limitation by reason of this Agreement. Nothing contained herein, however, shall be construed to require the Company to establish any plans not in existence on the date hereof, to continue

any plans in existence on the date hereof, or to prevent the Company from modifying and/or terminating any of the plans in existence on the date hereof, and no such act or omission shall be deemed to affect this Agreement or any of the provisions contained herein.

e. During the Employment Term, Employee shall be entitled to a vacation of three weeks, and also shall be entitled to all paid holidays given by the Company to its employees generally. Vacation days not taken shall not accumulate and shall not be available to Employee in subsequent years of this Agreement. Vacations shall be coordinated with other Company executives and the President and shall be scheduled by Employee with due regard to his activities with, and his responsibilities for, the Company and its affiliates.

f. Employee shall be entitled to reimbursement for all reasonable out-of-pocket expenses incurred in performing his services hereunder, within the limits of authority which may be established by the Company from time to time, provided that Employee properly accounts for such expenses in accordance with Company policy.

4. NON-COMPETITION

-----

In view of the unique and valuable services it is expected Employee will render to the Company, Employee's knowledge of the customers, trade secrets and other proprietary information relating to the business of the Company and its customers and suppliers and similar knowledge regarding the Company and its affiliates that it is expected Employee will obtain, and in consideration of the acquisition by the Company of the business and substantially all of the assets of QAI and the compensation to be received hereunder, Employee agrees that, for the greater of (a) five years commencing with the Closing, or (b) the period during which Employee continues to be employed by the Company or any of its affiliates plus six months (the "Restriction Period"), Employee will not engage in, or otherwise directly or indirectly be employed by, or act as a consultant to, or be an owner of, any other business or organization which may then be competing with the Company or its affiliates; provided, however, that if Employee's employment hereunder is terminated by the Company without Cause, such period of non-competition shall be limited to six months after such termination. For purposes of this Agreement, mere ownership of not more than 1% of the outstanding common stock of a corporation registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934 shall not be deemed to be a violation of this Section.

5. PATENTS, ETC

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Any interest in patents, patent applications, inventions,

technological innovations, copyrights, copyrightable works, developments, discoveries, designs, and processes (collectively, the "Inventions") which Employee now or hereafter during the Restriction Period may own, conceive of or develop, and which either relate to the fields in which the Company or any of its affiliates may then be engaged or contemplates being engaged, or are conceived of or developed utilizing the time, assets, facilities or information of the Company or any of its affiliates, shall belong to the Company. As soon as Employee owns, conceives of, or develops any Invention, he agrees immediately to communicate such fact in writing to the President and, without further compensation, but at the Company's expense, forthwith shall execute all such assignments and other documents (including applications for patents, copyrights, trademarks, and assignments thereof) and take all such other action as the Company may reasonably request in order (a) to vest in the Company, or as the Company may direct, all of Employee's right, title and interest in and to the Inventions, free and clear of liens, mortgages, security interests, pledges, charges and encumbrances, and (b) if patentable or copyrightable, to obtain patents or copyrights (including extensions and renewals) therefor in any and all countries and in such name as the Company may direct.

6. CONFIDENTIAL INFORMATION

-----

All confidential information which Employee may possess or may obtain during the Restriction Period relating to the business of the Company or any of its affiliates or of any customer or supplier of any of them shall not be published, disclosed, or made accessible by him to any other person or entity either during or after the termination of his employment or used by him, except during the Employment Period in the business and for the benefit of the Company, without prior written permission of the Company. Employee shall return all tangible evidence of such confidential information to the Company prior to or at the termination of his employment. For purposes of this Agreement, confidential information does not include (a) information which at the time of disclosure to Employee is generally available to the public, (b) information which, subsequent to disclosure to Employee, becomes generally available to the public without fault on Employee's part, (c) information which is known in general to Employee's profession or to the industry in which the Company is engaged, or (d) knowledge of skills which are known in general to Employee's profession.

7. TERMINATION.

-----

a. DEATH. In the event that Employee shall die during the Employment Period, then, notwithstanding any other provisions hereof, Employee's employment hereunder shall terminate forthwith. In addition to any unpaid compensation then accrued, Employee's estate shall be entitled to receive the proceeds of any life insurance on Employee's life if and to the extent then maintained by the Company for Employee's sole benefit.

b. DISABILITY. If Employee shall become incapacitated during the Employment Period to such an extent that he shall be unable to perform his duties hereunder, and such incapacity shall continue for

at least four consecutive weeks or for at least 45 days in any twelve-month period, the Company may, at or at any time thereafter during the continuance of such incapacity, give notice to Employee of the termination of his employment hereunder on a date stated in such notice, and, in such event, Employee's employment hereunder shall terminate on such date. Such termination shall not affect any disability payments otherwise due hereunder to the Employee.

c. FOR CAUSE. If, during the Employment Period, the employment of Employee by the Company should terminate by reason of Employee's voluntary action, or by the Company for "Cause", then the Company's obligations for payment or delivery of salary, bonus, if any,

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and other entitlements under this Agreement with respect to any future period shall thereupon terminate. Written notice of termination for Cause shall be given by the Company to Employee and shall be effective upon receipt. For purposes of this Agreement, Cause consists of (1) Employee's (A) refusal to carry out specific lawful directions of the Board of Directors or of the President, which directions shall not be inconsistent with the provisions of this Agreement, or (B) refusal or failure to properly, adequately and fully perform part of his duties assigned to him which are not in violation of this Agreement, which refusal or failure is not remedied promptly, but in no event later than five days after notice thereof to Employee, (2) Employee's commission of an act of fraud, misappropriation or dishonesty (including falsification of information given to the Company in connection with Employee's hire) to the Company or any of its affiliates or falsification of a written document delivered to the Company or any of its affiliates or on the Company's or such affiliate's behalf, and (3) Employee's commission of a crime with respect to which, in the reasonable judgment of the Company, Employee is likely to be incarcerated or as result of which the Company, in its reasonable judgement, determines it would be inappropriate for Employee to continue as an employee of the Company.

d. WITHOUT CAUSE. If, during the Employment Period, the employment of Employee by the Company is terminated by the Company without Cause, then the Company shall continue to pay Employee his salary for a period of two months thereafter, and all other obligations of the Company for payment or delivery of salary, bonus, if any, and other entitlements under this Agreement with respect to any future period shall thereupon terminate.

## 8. MISCELLANEOUS PROVISIONS.

a. ENTIRE AGREEMENT. This Agreement sets forth the entire agreement and understanding between the parties with respect to the employment of Employee by the Company and supersedes all prior agreements, arrangements and understandings between the parties with respect thereto.

b. MODIFICATION AND WAIVER. This Agreement may

be amended, modified, superseded, canceled, renewed or extended, and the terms or covenants hereof may be waived, only by an instrument executed by the party to be charged or, in the case of a waiver, by the party waiving compliance. The failure of either party at any time or times to require performance of any provision of this Agreement in no manner shall affect the right at a later time to enforce the same. No waiver by either party of a breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such breach, or a waiver of any other term or covenant contained in this Agreement.

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c. NOTICES. All notices, demands, consents, waivers and other communications ("Communications") given under this Agreement may be in writing and shall be given (and shall be deemed to have been duly given and received) upon the earlier of actual receipt, one business day after being sent by overnight courier service or telecopier or three business days after being sent by certified mail to the Company (to the attention of the President and with second copies to the Chairman of the Company and of the Company's parent, if any) and to Employee, each at their respective home addresses or to such other address as either party may hereafter specify by notice to the other party. Simultaneously with sending a Communication to the Company, a copy of the Communication shall be sent to the Company's counsel (currently Warshaw Burstein Cohen Schlesinger & Kuh, LLP, 555 Fifth Avenue, New York, New York 10017, Attention: Arthur Katz, Esq.). Irrespective of the foregoing, notice of change of address shall be effective only upon receipt.

d. GOVERNING LAW. This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to its principles of conflicts of laws.

e. SURVIVAL. The covenants, agreements, representations, and warranties contained in or made pursuant to this Agreement shall survive the execution of this Agreement and the conclusion of the Employment Period, irrespective of any investigation made by or on behalf of any party.

f. BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of the parties and their respective legal representatives, heirs, successors and permitted assigns.

g. INVALIDITY. The invalidity of any part of this Agreement is not intended to render invalid the remainder of this Agreement. If any provision of this Agreement is so broad as to be unenforceable, such provision is intended to be interpreted to be only so broad as is enforceable.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first written above.

REFRIGERATION TECHNOLOGY INC.

By: /s/ Theo W. Muller

/s/ Ron Bacchus

-----  
Theo W. Muller, Sole Director

-----  
Ron Bacchus

CONDITIONAL SALE AND PURCHASE AGREEMENT entered into by and between INDUSTRIAS Q.A.I., S.A. DE C.V., herein represented by Mrs. Philis Mollan Bromfman, in her capacity as Sole Administrator, (hereinafter referred to as "QAI"), by Mrs. OPAL ELIZABETH SIMMONS WHEELER, on her own behalf, and Mr. ROBERT HARVEY GIVEN TRACKMAN, on his own behalf, (hereinafter jointly referred to as "SELLERS"), and by REFRIGERATION TECHNOLOGY, INC. herein represented by Mr. THEO MULLER, in his capacity as SOLE DIRECTOR, (hereinafter referred to as "REF-TECH"), pursuant to the following Recitals and Clauses:

## RECITALS

I. QAI hereby declares that:

- a) It is a corporation duly incorporated and existing pursuant to the laws of the Republic of Mexico, with its domicile in Ciudad Juarez, Chihuahua.
- b) It operates as an in-bond manufacturing corporation in Ciudad Juarez, Chihuahua, and it owns and/or operates all of the Assets included in the list attached hereto as Exhibit "A" (hereinafter referred to as the "Assets").
- c) The Assets have been temporarily imported under the In-Bond Manufacturing Program of Mexico (hereinafter referred to as the "Maquiladora Program"), and are used in the manufacture of air conditioning equipment and other related products, which are exported from Mexico.
- d) It wishes to sell and/or transfer under the terms and conditions hereof the Assets to REF-TECH or to a Mexican company to be incorporated by REF-TECH (hereinafter referred to as "NEWCO").

II. SELLERS hereby declare that:

- a) They are individuals of United States nationality, with their principal place of business in El Paso, State of Texas.
- b) They own all of the issued and outstanding shares of QAI, (hereinafter referred to as the "Shares").
- c) They wish to sell, under the terms and conditions hereof, the Shares to REF-TECH.

III. REF-TECH hereby declares that:

a) It is a corporation incorporated and existing pursuant to the laws of the State of Delaware, United States of America, with its principal place of business in Darien, State of Connecticut, United States of America.

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b) It wishes to either buy the Shares, or create a new Mexican company (hereinafter referred to as "NEWCO"), to which the Assets currently operated by QAI will be transferred, under the terms and conditions hereof.

IV. The parties hereby declare that:

There has been no error, bad faith or duress amongst them.

IN VIEW OF THE FOREGOING, the parties agree on the following:

#### ARTICLES

##### ARTICLE 1. - SALE AND PURCHASE OF SHARES.

-----

Subject to the condition of REF-TECH carrying out a due diligence review of QAI, and being satisfied as to the operations carried out by said company and the liabilities assumed or incurred by QAI, REF-TECH will acquire from SELLERS the Shares, for a price equal to the book value of the Shares (net worth of QAI once all liabilities are deducted from the value of assets divided by the number of Shares), or the amount of \$1,000.00 (ONE THOUSAND PESOS 00/100) Mexican currency, whichever is higher.

The SELLERS hereby deliver to Mr. Terry Johnson, in his capacity as Escrow Agent, stock certificates numbers 1 through 10, representing the Shares, which have been endorsed by SELLERS, and which will be delivered by Mr. Johnson to REF-TECH in the event that REF-TECH decides to acquire the Shares.

##### ARTICLE 2. - TRANSFER OF OPERATIONS.-

-----

In the event that after carrying a due diligence review, REF-TECH decides that it does not wish to acquire the Shares, but rather, that it will incorporate NEWCO and transfer the Assets and operations currently performed by QAI to NEWCO, then QAI commits to undertake all steps which may be necessary in order to transfer such operations, including but not limited to executing an Employer Substitution Agreement with NEWCO and notifying each and everyone of the employees of such substitution, as provided by Article 41 of the Federal

Labor Law, signing an Assignment Agreement of the facilities currently leased by QAI, requesting the authorization to transfer the

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Maquila Program from QAI to NEWCO from the Ministry of Commerce and Industrial Development and providing all information which may be necessary for NEWCO to be in full compliance with Mexican Law.

In the event that REF-TECH decides to transfer the operations and Assets to NEWCO, then NEWCO will pay to QAI a consideration equal to the book value of the Assets owned by QAI.

ARTICLE 3. - TRANSITION PERIOD.-  
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From February 20, 1997 until the time that REF-TECH either buys the Shares or transfers the operations and Assets from QAI to NEWCO, as the case may be, REF-TECH will have the authority to manage QAI, for which purpose, SELLERS and QAI commit to grant an irrevocable power of attorney for lawsuits and collections, acts of management, to sign negotiable instruments and to grant other powers of attorney, to the individual designated by REF-TECH.

ARTICLE 4. - TAXES.-  
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All taxes triggered by the transfer of Shares and/or the transfer of operations and Assets from QAI to NEWCO, will be paid by the party which may correspond in accordance with the applicable legal provisions.

ARTICLE 5. - TERM.-  
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REF-TECH will have a term of 60 (sixty) days counted from the date of execution hereof, to decide whether to acquire the Shares or transfer the operations from QAI to NEWCO. At such time, REF-TECH will notify SELLERS and QAI of its decision.

In the event that REF-TECH decides to acquire the Shares, then the sale must be completed (delivery of the Shares by Mr. Johnson to REF-TECH and of the price by REF-TECH to SELLERS), within a term 3 (three) days from the date that REF-TECH notifies the other parties of its decision.

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In the event that REF-TECH decides to incorporate NEWCO and to transfer the operations from QAI to NEWCO, then such transfer will be completed within a term of 120 (one hundred and twenty) days after REF-TECH notifies the other



6161 Doniphan #102  
El Paso, Texas 79932

Mr. ROBERT HARVEY GIVEN TRACKMAN  
4935 Meadow Lark  
El Paso, Texas 79922

REF-TECH: REFRIGERATION TECHNOLOGY, INC.  
c/o Mr. Theo W. Muller  
20 Peach Hill Road  
Darien, Connecticut 06820

ARTICLE 10. - ENFORCEABILITY.-  
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If any provision of this Agreement is determined to be invalid or unenforceable, such determination shall not affect the validity or enforceability of the other provisions of this Agreement.

ARTICLE 11. - BINDING EFFECT.-  
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This Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, administrators, legal representatives and permitted assigns.

ARTICLE 12. - COUNTERPARTS.-  
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This Agreement may be executed in one or more counterparts, any party to this Agreement may execute and deliver this Agreement by executing and delivering any of such counterparts, each of which when executed and delivered shall be deemed to be an original and all of which taken together constitute and the same instrument.

ARTICLE 13. - GOVERNING LAW.-

For the interpretation and enforcement of this Agreement, the parties submit hereby to the applicable laws and competent courts in Ciudad Juarez, Chihuahua hereby expressly waiving any other jurisdiction which may correspond to them by reason of their present or future domiciles.

HAVING READ THE FOREGOING, the parties signed this Agreement to their full satisfaction in El Paso, Texas, on February 19, 1997.

"QAI"

INDUSTRIAS Q.A.I.,  
S.A. DE C.V.

/s/ Philis Mollan Bromfman

-----

Mr. Philis Mollan Bromfman  
Sole Administrator

"REF-TECH"

REFRIGERATION TECHNOLOGY, INC.

/s/ Theo Muller

-----

Mr. Theo Muller  
Sole Director

"SELLERS"

/s/ Opal Elizabeth Simmons Wheeler

-----

Mrs. Opal Elizabeth Simmons Wheeler

/s/ Robert Harvey Given Trackman

-----

Mr. Robert Harvey Given Trackman

CONTRATO DE ARRENDAMIENTO

CELEBRADO ENTRE

POLIFIBRAS DE CHIHUAHUA, S.A. DE C.V.  
("ARRENDADOR")

Y

INDUSTRIAS Q.A.I., S.A. DE C.V.  
("ARRENDATARIO")

EL

10. DE FEBRERO DE 1996

CONTRATO DE ARRENDAMIENTO

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B.- Modificaciones

## CONTRATO DE ARRENDAMIENTO

CONTRATO DE ARRENDAMIENTO que celebran por una parte POLIFIBRAS DE CHIHUAHUA, S.A. DE C.V., representada por el Ing. Edmundo Castillo Ochoa, en su caracter de Representante Legal (a quien en lo sucesivo se le denominara como el "ARRENDADOR"), e INDUSTRIAS Q.A.I., S.A. DE C.V. representad

por la senora Phillis Mollan Bromfman, en su caracter de Representante Legal de dicha sociedad (a quien en lo sucesivo se le denominara el "ARRENDATARIO"), de conformidad con las siguientes Declaraciones y Clausulas.

#### D E C L A R A C I O N E S

I. El ARRENDADOR declara:

- a) Que es una sociedad debidamente constituida y existente de conformidad con las leyes de la Republica Mexicana, con su principal asiento de negocios en Ciudad Juarez, Chihuahua, Mexico.
- b) Que tiene la propiedad y plena posesion y dominio, y la facultad de arrendar un edificio industrial (el "Edificio") construido sobre un terreno (el "Terreno") con una superficie de 24,072.07 m2 ubicado en la Carretera Juarez-Casas Grandes Km. 1.1 en Cd. Juarez, Chihuahua, Mexico. El Terreno fue adquirido mediante compra que se hizo al Ing. Edmundo Castillo Ochoa y la Senora Armida Medina Nevarez de Castillo de conformidad con la escritura publica no. 164 otorgada ante la fe del Licenciado Humberto Martinez Vargas, Notario Publico Numero 21 para el Distrito Bravos.
- c) Desea dar en arrendamiento una superficie de 1,538.74 m2 que corresponde a una porcion del edificio "A" el primer anos de arrendamiento y de 2,317.00 m2 que es la totalida del edificio "A" los anos subsecuentes (en lo sucesivo la "Propiedad Arrendada".) La "Propiedad Arrendada" se resalta en forma achurada en los planos que se ajuntan a este Contrato como Anexo "A1" y "A2", los cuales forman parte integrante de este y se considera como aqui reproducido.
- d) Que cuenta con los permisos y licencias necesarias para operar debidamente la "Propiedad Arrendada" y para permitir al ARRENDATARIO el uso de la misma para sus actividades de conformidad a los terminos y condiciones aqui establecidos.
- e) Que desea arrendar la "Propiedad Arrendada" al ARRENDATARIO de conformidad a los terninos y condiciones que mas adelante se establecen.

II. El ARRENDATARIO declara a traves de su representante legal:

- a) Que su representada es una sociedad mercantil debidamente constituida y existente en terminos de la Ley General de Sociedades Mercantiles, con su principal asiento de negocios en Ciudad Juarez, Chihuahua, Mexico.
- b) Que su representada desea tener el uso y posesion temporal de la "Propiedad Arrendada" mediante arrendamiento, sujeto a los t'erminos y

condiciones que aqui se estipulan.

- c) Que su representada y ella, gozan de todas las facultades necesarias para celebrar este contrato, facultades que no le han sido limitadas ni revocadas.

III. Las partes declaran a traves de sus representantes legales que:

En la celebracion de este Contrato no ha existido error, violencia, mala fe, o dolo entre ellas.

En atencion a las anteriores declaraciones, las partes acuerdan las siguientes:

#### C L A U S U L A S

PRIMERA.- Arrendamiento de la "Propiedad Arrendada".

El ARRENDADOR por medio del presente contrato arrienda al ARRENDATARIO y el ARRENDATARIO arrienda del ARRENDADOR la "Propiedad Arrendada" conjuntamente con todas sus servidumbres y derechos de paso que le pertenezcan.

SEGUNDA.- Titularidad de la "Propiedad Arrendada".

El ARRENDADOR tiene el derecho de uso y posesion exclusivo de la "Propiedad Arrendada", y garantiza que el ARRENDATARIO tendra el uso y goce pacifico de la misma. Da la misma manera, el ARRENDADOR y el ARRENDATARIO estan de acuerdo en que, segun lo establecido por el articulo 2308 delCodigo Civil del Estado de Chihuahua, en caso de que la "Propiedad Arrendada" sea hipotecada o gravada, este Contrato de Arrendamiento subsistira en los terminos del mismo y que en caso de hipoteca de la "Propiedad Arrendada", el incumplimiento en los pagos de la mencionada hipoteca o gravamen no perjudicara de manera alguna los terminos y condiciones convenidas por las partes en el presente Contrato o sus prorrogas y que cualquier cambio o modificacion realizada a dichos contratos de hipoteca o gravamenes o la celebracion de nuevas hipotecas o gravamenes que recaigan sobre la "Propiedad Arrendada", deberan hacer referencia en su texto y contenido a la existencia y duracion del presente Contrato de Arrendamiento y en su caso a las clausulas referentes a la prorroga o extension del mismo, si tal derecho de prorroga se acuerda entre las partes al momento en el que dicha hipoteca se celebre por el ARRENDADOR. El ARRENDADOR manifiesta que en este momento y cuando s entregue la posesion de la "Propiedad Arrendada" al ARRENDATARIO, no se estara en violacion de leyes federales, estatales o municipales.

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TERCERA.- Vigencia y entrega de la "propiedad arrendada"/ vigencia opcional.

A. VIGENCIA. La vigencia inicial de este arrendamiento sera de

cinco (5) años a partir del primero de Febrero de 1996 ("Vigencia del Arrendamiento", o "Vigencia de este Arrendamiento").

B. ENTREGA. El ARRENDADOR entregara la posesion de la "Propiedad Arrendada en, o, antes del 29 de Febrero de 1996. La obligacion del ARRENDATARIO de pagar la renta comenzara el lo. de Febrero de 1996.

CUARTA.- Uso de la "Propiedad Arrendada".

El ARRENDATARIO utilizara la "Propiedad Arrendada" para la manufactura de articulos le plastico reforzados con fibra de vidrio. Bajo ninguna condicion o circunstancia podra el ARRENDATARIO utilizar la "Propiedad Arrendada" para realizar operaciones quimicas u operaciones industriales que sean consideradas violatorias o contrarias I disposiciones municipales, estatales y federales aplicables.

QUINTA.-Precio del Arrendamiento y deposito.

A. RENTA. Durante la Vigencia de este Contrato de Arrendamiento, el ARRENDATARIO pagara como renta por la "Propiedad Arrendada" por m2 de superficie construida arrendada, por año, en dolares moneda de curso legal de los Estados Unidos de America, las siguientes cantidades:

ANO	SUPERFICIE ARRENDADA M2	PRECIO UNITARIO EN DOLARES PO M2	TOTAL ANUAL EN DOLARES
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1	1,538.74	\$41.00	\$63,088.35
2	2,317.00	\$43.47	\$100,720.00
3	2,317.00	\$46.27	\$107,207.60
4	2,317.00	\$48.96	\$113,440.30
5	2,317.00	\$52.08	\$120,69.35

El importe total de la Renta por el primer año es de (Sesenta y tres mil ochenta y ocho dolars 35/100 US Cy)

El importe total de la Renta por el segundo año es de (Cien mil setecientos veinte dolares 00/100 US Cy)

El importe total de la Renta por el tercer año es de (Ciento siete mil doscientos siete dolares 60/100 US Cy)

El importe total de la Renta por el cuarto año es de (Ciento

trece mil cuatrocientos cuarenta dolares 30/100 US Cy)

El importe total de la Renta por el quinto ano es de (Ciento veinte mil seiscientos sesenta y nueve dolares 35/100 US Cy)

B. PAGO. El pago mensual de la renta sera de una doceava parte de los pagos totales al uales correspondientes segun la tabla del parrafo anterior, esto es:

ANO	RENTA MENSUAL
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1	\$ 5,257.36
2	\$ 8,393.33
3	\$ 8.933.97
4	\$ 9,453.36
5	\$10,055.78

A el importe mensual correspondiente se le agregara el Impuesto al Valor Agregado vigente en la fecha de pago y el resultante, debera pagarse por adelantado dentro de los primeros cinco dias de cada mes sin necesidad de notificacion o requerimiento alguno. Una vez que el ARRENDADOR reciba el pago de la renta, el ARRENDADOR debera entregar la factura correspondiente al ARRENDATARIO, de conformidad con los requisitos fiscales Mexicanos. La renta sera pagada en el domicilio del ARRENDADOR ubicado en la CARRETERA JUAREZ A CASAS GRANDES NUMERO 149 PONIENTE EN ESTA CIUDAD sin necesidad de que se le notifique por escrito al ARRENDATARIO.

C. DEPOSITO. El ARRENDATARIO debera entregar al ARRENDADOR la cantidad de \$ 5,257.36 (Cinco rnil docientos cincuenta y siete dolares 36/100 US Cy) como deposito a conservarse en una cuenta del ARRENDADOR. Este deposito se incrementara en adiccion al deposito inicial por las cantidades que a continuacion se dan, en cada ano subsecuente:

2do. ano .....	\$3,135.00
3er. ano.....	\$ 540.64
4to. ano .....	\$ 519.39
5to. ano .....	\$ 602.42

El ARRENDADOR esta autorizado a utilizar el deposito para el pago de los servicios publicos o cualesquier otro cargo realizado por reparaciones a la "Propiedad Arrendada" que le correspondan al ARRENDATARIO de conformidad con los terminos de este contrato.

Al momento del incumplimiento por parte del ARRENDATARIO y despues habersele notificado por escrito el monto de la cantidad adeudada, ya sea por consumo de los servicis publicos o cualesquier otro cargo realizado por reparaciones a la "Propiedad Arrendada" que le correspondan al ARRENDATARIO, que sea aplicable al deposito o cualquier cantidad

que se encuentre pendiente de pago adeudada por el ARRENDATARIO de conformidad con el presente contrato, el ARRENDADOR podra disponer d las cantidades erogadas porel, deduciendolas del deposito dado en garantia.

D. PAGO EN MORA. La falta de pago puntual del precio del arrendamiento dara derecho al ARRENDADOR a cobrarle al ARRENDATARIO, por pena convencional, un cargo mensual igual al 1.5% sobre el monto total de la renta atrasada hasta su total liquidacion.

E. PAGO DE IVA. El ARRENDATARIO pagara el Impuesto al Valor Agregado ("IVA") que sea aplicable al pago de las rentas de conformidad con el tipo de cambio al momento de hacer el pago.

#### SEXTA. MODIFICACIONES.

El ARRENDATARIO no podra modificar la estructura basica, la apariencia exterior o los servicios publicos basicos de la "Propiedad Arrendada" sin el consentimiento por escrito de el ARRENDADOR. El ARRENDADOR autoriza al ARRENDATARIO a efectuar las modificaciones (las "Modificaciones") a la "Propiedad Arrendada" que se senalan en el documento adjunto al presente como Anexo "B". Las Modificaciones que se muestran en el Anexo "B" seran realizadas a cuenta y riesgo del ARRENDATARIO. Las Modificaciones pasaran a formar parte de la "Propiedad Arrendada". En ningun momento, durante el termino del presente arrendamiento o a su terminacion, el ARRENDADOR sera responsable del pago de las Modificaciones. Las Modificaciones seran hechas a riesgo y costo del ARRENDATARIO unicamente. Despues del inicio de este arrendamiento, el ARRENDATARIO queda autorizado para realizar modificaciones o alteraciones menores a la "Propiedad Arrendada", a su propia costa y riesgo, siempre y cuando dichas alteraciont o modificaciones no alteren o deterioren substancialmente la estructura de la "Propiedad Arrendada" la cual es parte del Edificio. Todo el equipo o accesorios de cualquier naturaleza que fuesen instalados ya sea en forma permanente o no, continuara siendo p opiedad del ARRENDATARIO y deberan ser retirados por el ARRENDATARIO a la expiracion o terminacion de este contrato o de cualquier prorroga o ampliacion del mismo, salvo en el caso en que el ARRENDATARIO reciba por adelar adelantado confirmacion por escrito de parte de el ARRENDADOR, de cada caso especifico, que las mejoras hechas a la "Propiedad Arrendada" puedan permanecer en dicha proopiedad hasta el termino de la vigencia del arrendamiento, entendiendose no obstante que el ARRENDATARIO por su cuenta y costo reparara cualquier dano que hubiese su iido la "Propiedad Arrendada" como resultado de la remocion de dicho equipo y/o accesorios y regresara la "Propiedad Arrendada" al ARRENDADOR en condiciones adecuadas de orden, presentacion y limpieza.

#### SEPTIMA.-CESION Y SUBARRENDAMIENTO.

El ARRENDATARIO no podra ceder o subarrendar la "Propiedad Arrendada" sin autorizacion expresa y por escrito del ARRENDADOR. Aun cuando el

ARRENDATARIO obtenga por escrito autorizacion del ARRENDADOR para subarrendar la "Propiedad Arrendada", el ARRENDATARIO seguira siendo responsable respecto a este arrendamiento.

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#### OCTAVA - MANTENIMIENTO.

A. MANTENIMIENTO POR EL ARRENDADOR. El ARRENDADOR, debera en todo momento durante la vigencia del arrendamiento mantener y reparar a su propia costa los cimientos del Edificio, la estructura de los pisos, la estructura de los muros exteriores, la estructura de los techos incluyendo muros de soporte.

B. MANTENIMIENTO POR EL ARRENDATARIO. El ARRENDATARIO debera en todo momento durante la vigencia del arrendamiento mantener y reparar a su propia costa, el interior de la "Propiedad Arrendada" incluyendo la pintura interior, los techos y botaguas asi como el aislamiento y los sistemas de aire acondicionado y calefaccion y la jardineria que exista en el lugar, asi como de todas las construcciones que haga como modificaciones al edificio.

#### NOVENA - RESPONSABILIDAD DE LAS PARTES.

De conformidad con las leyes aplicables, el ARRENDADOR garantiza al ARRENDATARIO el uso y goce pacifico de la "Propiedad Arrendada" durante todo el termino de este contrato y el ARRENDATARIO conviene y acepta usar la "Propiedad Arrendada" solamente para los fines aqui estipulados y de conformidad con la naturaleza y el uso senalado para la "Propiedad Arrendada". Las responsabilidades del ARRENDADOR y del ARRENDATARIO, en cada caso, se regiran por las siguientes estipulaciones:

1. El ARRENDADOR o el ARRENDATARIO, respectivamente, seran responsables por danos a la "Propiedad Arrendada" causados por su propia culpa o negligencia, o la de sus agentes, empleados o visitantes, excepto en caso de danos usualmente cubiertos por seguro contra incendio con endoso de amplia cobertura.
2. En el caso de que el ARRENDATARIO se viese impedido al uso del edificio por una causa no atribuible al ARRENDATARIO, ya sea parcial o totalmente, la renta se reducira proporcionalmente a la parte cuyo uso se impida. Pero si el ARRENDATARIO fuese impedido de usar la "Propiedad Arrendada" de manera total, o en la medida que el ARRENDATARIO no la pueda usar para los fines aqui estipulados, entonces la renta no se pagara durante el tiempo en que la "Propiedad Arrendada" no sea utilizada..
3. Si la "Propiedad Arrendada" fuera danada o destruida por causa atribuible a cualquiera de las partes, la parte responsable conviene en

restituirlo y ponerlo en condicion apropiada para que el ARRENDATARIO la use para los propositos establecidos en este contrato. Una vez que la parte responsable haya restaurado la "Propiedad Arrendada" a su condicion original, el ARRENDATARIO debera de continuar pagando la renta completa establecida en este contrato. No obstante lo anterior, la vigencia del arrendamiento no podra prolongarse sin el consentimiento por escrito del ARRENDADOR.

4. La responsabilidad del ARRENDATARIO sera limitada a los danos causados por su negligencia y al alcance de los riesgos especificos que puedan ser asegurados bajo polizas

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de seguros mexicanos sobre la propiedad (incendio, rayos, explosion, vientos huracanados, granizo, huelgas, motines, aeronaves, vehiculos, humo, terremoto y erupcion volcanica). Si la destruccion es total o excede de 50% del valor de reposicion total de la Propiedad Arrendada" y es causada por caso fortuito o fuerza mayor, el ARRENDATARIO tendra el derecho de elegir en no requerirle al ARRENDADOR la reconstruccion, y en tal caso, este arrendamiento terminara sin mas responsabilidad para el cualquiera de las partes.

5. Si el impedimento fuese imputable al ARRENDATARIO o a sus agentes, empleados o visitantes, el ARRENDATARIO continuara pagando la renta como si estuviese utilizando la Propiedad Arrendada, a menos que tal perdida fuere cubierta por un seguro de interrupcion de rentas u otro seguro y la renta se paga por la compania de seguros.
6. En caso de impedimento parcial de uso, de conformidad con el segundo parrafo de esta Clausula, las partes convendran en la proporcion en que debera reducirse la renta; si no se pusiesen de acuerdo, cada parte designara un perito, y si ambos peritos no se pusiesen de acuerdo, ellos mismos designaran un tercer perito. La decision de la mayoria de los peritos sera final y obligatoria para las partes, o si las partes convinieran en designar a un solo perito, su decision sera final y obligatoria para las partes.
7. Las responsabilidades de las partes que se contienen en esta clausula estan sujetas a las estipulaciones de la Clausula Decima de este Contrato.

#### DECIMA - Seguros.

Las partes obtendran coberturas de seguros en clases y cantidades adecuadas para proteger sus respectivos intereses contra cualesquiera y toda clase de perdidas y/o riesgos.

Especifica llente queda convenido que:

1. SEGURO CONTRA INCENDIO. El ARRENDADOR contratara un seguro contra incendio de cobertura amplia que proteja la "Propiedad Arrendada" en su valor de reposicion, asi como la maquinaria, materia prima y otros bienes propiedad del ARRENDADOR y del ARRENDATARIO durante la vigencia inicial de este contrato de Arrendamiento y las prorrogas del mismo, obligandose el ARRENDATARIO a pagar a el ARRENDADOR el importe de las primas de seguro. El ARRENDATARIO pagara la cantidad de \$2,900.00 (Dos mil novecientos dolares 00/100 US Cy) por ano. Una doceava parte de tal cantidad debera ser pagada al ARRENDADOR conjuntamente con la renta mensual a partir de la fecha de entrega de la "Propiedad Arrendada". El ARRENDATARIO debera pagar tal cantidad de manera mensual, es decir la cantidad de \$241.67 (Docientos cuarenta y uno dolares 67/100 US Cy). La poliza de seguro por la "Propiedad Arrendada" normalmente caduca en 31 de Enero, en consecuencia, en el mes de Febrero de cada ano, el ARRENDADOR podra ajustar el costa de los seguros durante la vigencia de este contrato.

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2. SEGURO DE RESNONSABILIDAD. El ARRENDATARIO debera obtener a su propia costa y mantener en vigor durante la vigencia de este Contrato las siguientes coberturas bajo polizas de seguro validas, expedidas por una compania de seguros aprobada por el ARRENDADOR:

a) Seguro de Responsabilidad Civil General, asegurando al ARRENDATARIO y al ARRENDADOR asi como a otras partes interesadas que el ARRIENDADOR designe contra responsabilidad de cualquier persona, firma o sociedad por lesiones o danos que ocuran en la "Propiedad Arrendada" o en el area de estacionamiento o en los terrenos adyacentes a la propiedad en limites combinados de no menos de \$500,000.00 (Quinientos mil dolares 00/100 US Cy), cada poliza debera de disponer que no podra cancelarse por la compania aseguradora sin que medie una notificacion otorgada por correo certificado o registrada por lo menos 15 dias antes de tal cancelacion. El ARRENDATARIO debera entregar al ARRENDADOR o a otras partes interesadas que el ARRENDADOR designe el certificado o certificados expedidos por la compania aseguradora certificando que tal seguro se encuentra en vigor por lo menos con 15 dias de anticipacion a la expiracion de tal poliza, el ARRENDATARIO debera proporcionar al ARRENDADOR la documentacion comprobatoria que acredite que tal poliza ha sido renovada o reemplazada. Si el ARRENDATARIO omite obtener o conservar tal seguro, pagar las primas sobre este cuando se adeuden y/o hacer que las polizas de seguro se renueven, entonces el ARRENDADOR tendra el derecho de contratar y pagar tales primas en cuyo caso las cantidades pagadas por el ARRENDADOR deberan ser sumadas y convertirse

en parte de la renta adeudada el primer mes de los meses-siguientes.

b) Un seguro contra interrupcion de rentas, que cubra el riesgo de perdida de rentas debido a la realizacion de cualquiera de los siniestros cubiertos en esta Clausula, en una cantidad suficiente para cubrir la renta, impuestos y primas de seguros que en ese momento se requieran.

3. SUBROGACION. No existira renuncia de subrogacion respecto a cualquier poliza de seguro referida en esta Clausula.

4. INCENDIO U OTROS SINIESTROS. En caso de siniestros a la "Propiedad Arrendada" que resulten en dano o destruccion de la "Propiedad Arrendada" el ARRENDATARIO debera inmediatamente dar una notificacion por escrito al ARRENDADOR.. Los pedimientos de ajuste deberan de comenzar de inmediato por el ARRENDATARIO.

Todas las cantidades de seguro pagadas por tal dano o destruccion menos el costo, honorarios y gastos incurridos si se realizan estos en relacion con el ajuste de la perdida, deberan de hacerse disponibles al ARRIENDADOR o al ARRENDATARIO tal y c Imo aparezcan sus intereses respectivos en relacion a este Arrendamiento, con el proposito de reconstruir la "Propiedad Arrendada" de la manera mas rapida posible a las condiciones y caracterlsticas que guardaba antes de tal dano o destruccion.

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El ARRENDATARIO debera de acreditar al ARRENDADOR que ha obtenido las coberturas de seguro requeridos antes de tomar posesion de la "Propiedad Arrendada."

Si el ARRENDATARIO instala una caldera o compresor, debera de obtener una cobertura de seguro contra perdidas o danos causados por el mal funcionamiento o explosion de caldera o compresor, por una cantidad no menor a \$100,000.00 (Cien mil dolares 00/100 U.S. Cy.), de conformidad a las condiciones satisfactorias para el ARRENDADOR antes de su instalacion.

#### D'ECIMA PRIMERA.- IMPUESTOS Y SERVICIOS PUBLICOS

a) IMPUESTOS.

El ARRENDATARIO es responsable por el pago del Impuesto al Valor Agregado causado por la renta.

El ARRENDATARIO sera responsable por el pago del impuesto

predial en forma proporcional a la superficie que este arrendando.

El ARRENDADOR o el ARRENDATARIO podran iniciar accion judicial, a nombre del ARRENDADOR, del ARRENDATARIO o de ambos, para objetar la validez o procedencia de cualquier carga fiscal que se impusiese sobre la "Propiedad Arrendada", o la cantidad de impuestos que se estuviesen cargando, o bien, accion para recobrar el pago de los mismos. Cada una de las partes cooperara con la otra respecto al procedimiento judicial hasta donde sea razonablemente necesario. La cantidad neta de cualquier impuesto que se recuperase, despues del pago de todos los gastos que hubiese, se devolvra a la parte que los efectuó.

b) SERVICIOS PUBLICOS.

El ARRENDADOR manifiesta que todos los servicios publicos necesarios para la "Propiedad Arrendada" a utilizarse por el ARRENDATARIO los proporcionara de la siguiente manera:

El Servicio de AGUA mediante un pozo de agua de su propiedad con agua no potable. E ARRENDATARIO pagara una suma de \$100.00 dolares mensuales. (Cien dolares 00/100 US Cy)

El servicio de DRENAJE mediante una fosa septica por los cuales el ARRENDATARIO pagara la suma de \$50.00 dolares (Cincuenta dolares 00/100 US Cy) mensuales.

Estas cantidades se pagaran conjuntamente con la renta mensual y se les agregara el Impuesto al Valor Agregado correspondiente.

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El servicio de GAS sera contratado por el ARRENDATARIO en forma independiente asi como el servicio de TELEFONOS.

El servicio de ELECTRICIDAD sera contratado por el ARRENDATARIO.

Cualquier contratacion adicional para la "Propiedad Arrendada" debera de ser responsabilidad del ARRENDATARIO.

D'ECIMA SEGUNDA.- ENTREGA DE LA PROPIEDAD ARRENDADA.

En el ultimo dia del plazo de este contrato, o de sus prorrogas, si existe alguna, o en su caso, en la fecha correspondiente si hubiese terminacion anticipada, el ARRENDATARIO debera devolver y entregar la "Propiedad Arrendada" para la posesion y uso de el ARRENDADOR, sin demora y en

buen orden, en buena condicion y adecuado mantenimiento, excepto por el desgaste normal y razonable debido al uso normal y al transcurso del tiempo, con la excepcion de danos por incendio u otro siniestro. Todos los letreros, inscripciones, celosias e instalaciones de naturaleza similar, realizadas por el ARRENEATARIO deberan ser removidas antes o en la fecha de la expiracion del plazo de este contrato. Todo el mobiliario, accesorios y equipo tales como compresores, transformadores y demas equipo instalado por el ARRENDATARIO continuaran siendo propiedad del ARRENDATARIO y seran retiradas por el ARRENDATARIO en cualquier momento durante o al final de la vigencia de este contrato y el ARRENDATARIO debera, a su propia costa, reparar el dano que resulte de la instalacion o remocion de dichos equipos y/o accesorios.

Cualquier articulo que permanezca en la "Propiedad Arrendada" treinta (30) dias con posterioridad a la terminacion de este contrato podra ser considerado, a opcion del ARRENDADOR, como que ha sido abandonado y el ARRENDADOR podra conservarlo o disponer de el en la forma que mejor le convenga y sin obligacion o responsabilidad. Cualquier mejora permanente realizada a la "Propiedad Arrendada" por el ARRENDATARIO y/o por el ARRENDADOR subsecuente a la fecha de firma del presente, se considerara como propiedad del ARRENDADOR y permanecera en la "Propiedad Arrendada" a la terminacion o antes de la terminacion de este contrato de arrendamiento sin que el ARRENDADOR compense al ARRENDATARIO por dichas instalaciones o mejoras, sujeto al derecho del ARRENDATARIO a usar los mismos durante el termino del presente.

#### D'ECIMA TERCERA. RETENCION DE LA POSESION.

El ARRENDATARIO debera entregar al ARRENDADOR al termino del Arrendamiento la "Propiedad Arrendada" en las mismas condiciones en que las recibio, excepto por el desgaste normal causado por el paso del tiempo.

a) En caso de que el ARRENDATARIO permanezca en posesion de la "Propiedad Arrendada" despues del termino inicial sin haber ejercido su opcion a prorrogar el contrato, o en caso de que el ARRENDATARIO permanezca en posesion de la "Propiedad Arrendada" despues

de la vigencia de la prorroga (si la hay), el ARRENDATARIO pagara al ARRENDADOR como nueva renta por la "Propiedad Arrendada" un 100% de la renta que este en ese momento pagando, mas otras cantidades que hayan sido requeridas de pago inmediatamente antes de que dicha posesion se diera, y debera continuar pagando dichas cantidades hasta que entregue la "Propiedad Arrendada" al ARRENDADOR. Este parrafo no se considerara como el otorgamiento de un derecho para permanecer en posesion de la "Propiedad Arrendada" despues de la expiracion de la vigencia del Contrato de Arrendamiento. Esta expresamente entendido y acordado entre el ARRENDADOR y el ARRENDATARIO en que cualquier posesion del

ARRENDATARIO sobre la "Propiedad Arrendada" despues de la expiracion de este Contrato de Arrendamiento debera operar y constituirse como una tenencia y debera ser inmediata llente terminable a voluntad del ARRENDADOR.

b) El ARRENDATARIO debera indemnizar al ARRENDADOR por cualquier perdida o responsabilidad que directamente resulte del retraso del ARRENDATARIO en la devolucion de la "Propiedad Arrendada" siempre y que tal perdida o responsabilidad no exceda de tres (3) meses de renta a la renta establecida en el parrafo (a) anterior.

c) El ARRENDATARIO reconoce que su obligacion a entregar la "Propiedad Arrendada" estara sujeta a estas clausulas y aqui mismo renuncia expresamente a cualquier derecho que pueda tener de acuerdo alCodigo Civil del Estado de Chihuahua.

#### D'ECIMA CUARTA.- CLAUSULA AMBIENTAL.

A partir de la fecha de la celebracion del contrato, sera obligacion del ARRENDATARIO observar las leyes y reglamentos en materia de equilibrio ecologico y proteccion al ambiente. El ARRENDATARIO se obliga a entregar al ARRENDADOR resultados de pruebas requeridas por la ley para verificar que la "Propiedad Arrendada" se encuentra libre de contaminacion, liberando de toda responsabilidad a este ultimo de cumplir con las sanciones y penas o indemnizaciones y gastos que pudiesen imponerse o tuviesen que erogarse como consecuencia de cualquier contaminacion causada por el ARRENDATARIO. El ARRENDATARIO no sera responsable de cualquier contaminacion que provenga de fuera de los limites de la "Propiedad Arrendada". El ARRENDATARIO es responsable por la contaminacion ambiental que ocasione durante la vigencia de este Arrendamiento.

El ARRENDADOR por su parte, se obliga frente al ARRENDATARIO y ante cualquier autoridad competente a responder por la contaminacion que pudiese presentar la "Propiedad Arrendada", como consecuencia de las actividades que se hayan realizado en el mismo con anterioridad al presente Contrato de Arrendamiento, liberando de toda responsabilidad al ARRENDATARIO de cumplir con las sanciones y penas o indemnizaciones y gastos que pudiesen imponerse o tuviesen que erogarse como consecuencia de cualquier contaminacion que exista en la "Propiedad Arrendada" a la fecha de la celebracion del presente contrato o como consecuencia de actos u omisiones del ARRENDADOR. El ARRENDATARIO no sera responsable por cualquier contaminacion que ocurra despues de la devolucion de la "Propiedad Arrendada" al ARRENDADOR. El ARRENDADOR declara y garantiza que la "Propiedad

Arrendada" se encuentra libre de cualquier tipo de contaminacion al momento de

la entrega de la "Propiedad Arrendada."

D'ECIMA QUINTA.- DERECHO DEL ARRENDADOR A DESEMPEÑAR LAS OBLIGACIONES DEL ARRENDATARIO.

Si el ARRENDATARIO dejara de cumplir con cualquiera de las obligaciones que contrae en este Contrato, el ARRENDADOR, despues de diez (10) dias de haberlo notificado por escrito (o sin notificacion previa en caso de emergencia) y sin eximir o relevar al ARRENDATARIO de cualesquiera de las obligaciones que contrae en este Contrato, podra realizar cualquier acto que este el ARRENDATARIO obligado a desempeñar de conformidad con este contrato, sin que ello implique la obligacion del ARRENDADOR a realizar tales actos, y podra entrar a la "Propiedad Arrendada con el proposito de realizar las acciones que fuesen necesarias en ese caso. Todas las cantidades pagadas Por el ARRENDADOR y todos los gastos y costos erogados por el ARRENDADOR en relacion con el desempeño de dichas obligaciones de el ARRENDATARIO, seran pagaderas por el ARRENDATARIO a el ARRENDADOR dentro de los diez (10) dias siguientes al recibo del cobro de dichas cantidades.

D'ECIMA S'EXTA.-Derecho del ARRENDATARIO de desempeñar las obligaciones del ARRENDADOR.

Si el ARRENDADOR dejase de desempeñar alguna o varias de sus obligaciones contenidas en este contrato, el ARRENDATARIO despues de diez (10) dias de haber entregado notificacion por escrito al ARRENDADOR (o sin notificacion previa en caso de emergencia) y sin eximir o relevar al ARRENDADOR de cualesquiera de sus obligaciones contenidas en este contrato, podra sin que esto implique obligacion del ARRENDATARIO de realizar tales actos, desempeñar cualquier acto que deba ser desempeñado por parte del ARRENDADOR. Todas las cantidades pagadas por el ARRENDATARIO en conexion con el desempeño de cualesquier obligacion del ARRENDADOR, sera pagado por el ARRENDADOR al ARRENDATARIO dentro de los diez (10) dias de la recepcion del cobro de dichas cantidades.

D'ECIMA S'EPTIMA.-ACCESO DEL ARRENDADOR A LA "PROPIEDAD ARRENDADA."

El ARRENDATARIO permitira al ARRENDADOR y a sus representantes autorizados el acceso a la "Propiedad Arrendada" durante horas razonables, con el proposito de inspeccionarla y realizar los trabajos que fuesen requeridos del ARRENDADOR o necesarios como resultado de omisiones del ARRENDATARIO o en la realizacion de trabajos, en la iniciacion de los mismos, diez (10) dias despues de recibir aviso por escrito del ARRENDADOR.

Nada de lo que aqui se estipula implicara la obligacion del ARRENDADOR a realizar dichos trabajos; y la realizacion de ellos por el ARRENDADOR no constituiria dispensa al incumplimiento del ARRENDATARIO en su obligacion de llevarlos a cabo.

Todos los agentes, empleados o trabajadores del ARRENDADOR que entren a la "Propiedad Arrendada", deberán obedecer las reglas y obligaciones del personal del ARRENDATARIO incluyendo, y sin limitarse, a mallas para el cabello, batas, gorras, lentes, etc.

DECIMA OCTAVA.-LETREROS.

El ARRENDATARIO tendra el derecho de colocar en la "Propiedad Arrendada" o de colocar en el exterior del Edificio sus letreros y otros letreros que requieran para su operacion, incluyendo letreros relacionados con la contratacion de personal. Ningun otro letrero debera instalarse en la "Propiedad Arrendada" sin el consentimiento por escrito del ARRENDADOR, excepto que el ARRENDADOR tiene el derecho de colocar letreros "Para Vent" o "Para Renta" en la "Propiedad Arrendada."

DECLMA NOVENA.-Notificaciones.

Cuando alguna de las partes requiera o desee realizar cualquier notificacion o reclamo a la otra conforme a las disposiciones de este Arrendamiento, tal notificacion o reclamo se hara personalmente o a traves de correo certificado o registrado con acuse de recibo dirigido a:

ARRENDADOR: Polifibras de Chihuahua, S.A. de C.V.  
Carr. Juarez a Casas Grandes no. 149 Poniente  
Edificio "B"  
Cd. Juarez, Chih  
At'n. Ing. Edmundo Castillo Ochoa

ARRENDATARIO: Industrias Q.A.I., S.A. de C.V.  
Carr. Juarez a Casas Grandes no. 149 Poniente  
Edificio "A"  
Cd. Juarez, Chih.  
At'n. Sra. Phillis Mollan Bromfman.

VIG'ESIMA.-Titulos.

La partes convienen mutuamente en que los titulos contenidos en este Arrendamiento se insertan exclusivamente para referencia y no se consideraran como parte de este Arrendamiento ni se utilizaran en su interpretacion.

VIG'ESIMA PRIMERA.-Jurisdiccion.

Este Contrato debera interpretarse de acuerdo con las disposiciones delCodigo Civil y ley l s del Estado de Chihuahua, Estados Unidos Mexicanos, y ambas partes por el presente se someten a la jurisdiccion de los tribunales de Ciudad Juarez, Estado de Chihuahua, Estados

Unidos Mexicanos, y renuncian a cualquier otra jurisdiccion que les pudiera corresponder por cualquier motivo. Las disposiciones de esta clausula no se aplicaran a cualesquiera garantia(s) otorgadas por cualquier tercera persona al ARRENDADOR para garantizar el cumplimiento por parte del ARRENDATARIO de cualquiera de sus obligaciones.

VIG'ESIMA SEGUNDA.-Comisiones y gastos.

El ARRENDADOR reconoce que la operacion aqui concertada no ha generado comisione u honorarios de corredores o agentes o algun otro similar, o contraprestacion que tuvieran que pagarse las partes respecto a esta operacion. Cada parte sera responsable por los propios gastos y honorarios de representantes, abogados, auditores o consultores que hayan participado en este contrato y la transaccion contemplada.

EN TEST MONIO DE LO ANTERIOR

Este contrato se firma por las partes en Ciudad Juarez, Chihuahua, Mexico, el dia PRIMERO DE FEBRERO DE MIL NOVECIENTOS NOVENTA Y SEIS.

"ARRENDADOR"

Polifibras de Chihuahua, S.A. de C.V.

"ARRENDATARIO"

Industrias Q.A.I., S.A. de C.V.

/s/ Edmundo Castillo Ochoa

/s/ Phillis Molan Bromfman

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EDMUNDO CASTILLO OCHOA  
Ing. Edmundo Castillo Ochoa  
Representante Legal

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PHILLIS MOLAN BROMFMAN  
Sra. Phillis Molan Bromfman  
Representante Legal

T E S T I G O

T E S T I G O

/s/ Erick Simmons

/s/ Lliana Castello

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ERICK SIMMONS  
Ing. Erick Simmons

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LLIANA CASTELLO

## REVOLVING CREDIT NOTE

\$720,000

Darien, Connecticut  
December 2, 1996A. TERMS OF PAYMENT  
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1. FOR VALUE RECEIVED, Quality Air Inc., a New Mexico corporation ("Borrower") promises to pay to RTI Inc., a New York corporation ("RTI") the principal sum of Seven Hundred and Twenty Thousand (\$720,000) DOLLARS or, if less, the aggregate unpaid principal sum of all revolving loans made by RTI to the Borrower from time to time, in one installment thirty (30) days after written demand therefor is made.

RTI is authorized to enter on the schedule attached hereto the amount of each revolving loan and each payment of principal thereon, without any further authorization on the part of the Borrower, but RTI's failure to make such entry will not limit or otherwise affect the obligation of the Borrower on this Note.

The Borrower shall pay interest on the unpaid principal amount from time to time outstanding, at a rate of eight point four percent (8.4%) per annum. Interest on the unpaid principal amount of this Note accrued at the rate of 0.7% during each calendar month, shall be payable before the tenth (10th) day of each immediately succeeding calendar month and at maturity. In addition, the Borrower shall pay interest on any overdue installment of principal for the period for which overdue, on demand, at a rate equal to 6% per annum above the rate of interest hereinabove indicated.

2. The Borrower shall have the right to prepay this Note, in whole or in part, at any time without penalty or premium.

3. All payments by the Borrower on account of principal, interest or costs hereunder shall be made in immediately available funds.

B. DEFAULT  
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Upon the occurrence of an event of default, and during the continuance thereof, the entire unpaid principal amount of this Note and all interest unpaid hereon may be declared to be due and payable.

## C. SECURITY

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Payment of this Note is secured by a security interest in all "Accounts", as such term is defined in the Uniform Commercial Code, and in all inventories of the Borrower and its Mexican subsidiaries. The Borrower shall promptly file UCC-1 Financing Statements when and where requested by RTI.

D. MISCELLANEOUS  
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1. REPLACEMENT NOTE. This Note shall replace the Revolving Credit Note dated November 1, 1996, between Borrower and RTI.

2. NO WAIVER: Rights and remedies cumulative. No failure on the part of RTI to exercise, and no delay in exercising any right hereunder will operate as a waiver thereof; nor will any single or partial exercise by RTI of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The rights and remedies herein provided are cumulative and not exclusive of any remedies or rights provided by law or by any other agreement between the Borrower and RTI.

3. COSTS AND EXPENSES. The Borrower shall reimburse RTI for all costs and expenses incurred by it, including the reasonable fees and disbursements of counsel to RTI in connection with the enforcement of RTI's rights hereunder after occurrence of an event of default.

4. CONSTRUCTION. This Note shall be governed by the laws of the State of New York, without giving effect to its choice of law principles.

5. SUCCESSORS. The Note is to be binding upon the Borrower and its successors and the terms hereof shall inure to the benefit of RTI and its successors and assigns, including subsequent holders hereof.

6. SEVERABILITY. The provisions of this Note are severable, and if any provision shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall not in any manner affect such provision in any other jurisdiction or any other provision of this Note in any jurisdiction.

7. WAIVER OF NOTICE. The Borrower hereby waives presentment, demand for payment (except as expressly provided herein), notice of protest and all other demands in connection with the delivery, acceptance, performance, default or enforcement of this Note.

Quality Air Inc.

By: /s/ Rick E. Bacchus

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Rick E. Bacchus, President

PROMISSORY NOTE

----- --, 1997

FOR VALUE RECEIVED, the undersigned jointly and severally promise to pay on demand to the order of Theo W. Muller of Darien, Connecticut or his assigns, the sum of Thousand Dollars (\$ ), with interest thereon at the rate of 8.5% per annum. This Promissory Note replaces and supersedes all previous Promissory Notes issued by the undersigned to Theo W. Muller.

Interest shall be payable monthly on or before the tenth day following the end of the month. In the event payment of interest and principal is not made when due, interest on the unpaid balance shall accrue at the rate of 12% per annum.

In the event of default, the undersigned agree to pay all reasonable attorney's fees and costs of collection.

Each maker or endorser of this note waives presentation of payment, notice of non-payment, protest and notice of protest, and agrees to all extensions, renewals, or release, discharge or exchange of any other party or collateral without notice.

Individually

Quality Air, Inc.

/s/ Rick Bacchus

/s/ Rick Bacchus

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By-----

Rick Bacchus

Rick Bacchus, President

Revisions to RTI By-Laws, as adopted by the Board of Directors at a meeting thereof on February 21, 1997

5.6. CHAIRMAN. The Chairman, if one is elected or appointed by the Board (a) shall, if present, preside at meetings of the stockholders and at meetings of the Board, and (b) unless otherwise determined by the Board, shall be the chief executive officer of the Corporation and shall have general supervision over the business of the Corporation, subject, however, to the control of the Board and of any duly authorized committee of directors. If the Chairman is the chief executive officer of the Corporation, he (a) may, with the Secretary or the Treasurer or an Assistant Secretary or an Assistant Treasurer, sign certificates for shares of the Corporation, and may sign and execute, in the name of the Corporation, deeds, mortgages, bonds, contracts and other instruments, except in cases where the signing and execution thereof shall be expressly delegated by the Board or by the By-laws to some other officer or agent of the Corporation, or shall be required by law otherwise to be signed or executed. He shall be subject to the control of the Board and shall perform all duties incident to the office of Chairman and such other duties as from time to time may be assigned to him by the Board.

5.7. PRESIDENT. The President, if so determined by the Board, shall be the chief executive officer of the Corporation and shall have general supervision over the business of the Corporation, subject, however, to the control of the Board and of any duly authorized committee of directors. The President shall, in the absence of the Chairman, if any, and if present, preside at meetings of the stockholders and at meetings of the Board. He may, with the Secretary or the Treasurer or an Assistant Secretary or an Assistant Treasurer, sign certificates for shares of the Corporation. The President, if he is the chief executive officer of the Corporation, may sign and execute, in the name of the Corporation, deeds, mortgages, bonds, contracts and other instruments, except in cases where the signing and execution thereof shall be expressly delegated by the Board or by the By-laws to some other officer or agent of the Corporation, or shall be required by law otherwise to be signed or executed. If the President is not the chief executive officer of the Corporation, he shall perform such duties as requested by the Chairman, and at the request of the Chairman, or in his absence at the request of the Board, the President shall perform such of the duties of the Chairman as so requested, and so acting shall have all the powers of and be subject to all restrictions upon the Chairman. In general, the President shall perform all duties incident to the office of President and such other duties as from time to time may be assigned to him by the Board.