FORM T-3

Initial application for qualification of trust indentures

Filing Date: **1994-01-14**
SEC Accession No. 0000950123-94-000147

FILER

LONE STAR INDUSTRIES INC

CIK:**60195**| IRS No.: **130982660** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **T-3** | Act: **39** | File No.: **022-22175** | Film No.: **94501514**
SIC: **3241** Cement, hydraulic

Mailing Address
300 FIRST STAMFORD PLACE
P.O. BOX 120014
STAMFORD CT 06912-0014

Business Address
300 FIRST STAMFORD PL
P O BOX 120014
STAMFORD CT 06912
2039698600

As filed with the Securities and Exchange Commission on January 14, 1994.
REGISTRATION NO. _____

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM T-3
FOR APPLICATIONS FOR QUALIFICATION OF INDENTURES
UNDER THE TRUST INDENTURE ACT OF 1939

LONE STAR INDUSTRIES, INC.
(Name of Applicant)

300 FIRST STAMFORD PLACE
Stamford, Connecticut 06912-0014
(Address of Principal Executive Offices)

SECURITIES TO BE ISSUED UNDER THE
INDENTURE TO BE QUALIFIED

<TABLE>
<CAPTION>

Title of Class	Amount
<S>	<C>
10% Senior Notes Due 2003	$75,000,000
Guarantees of 10% Senior Notes	$75,000,000

</TABLE>

The Applicant hereby amends this application for qualification on such date or dates as may be necessary to delay its effectiveness until (i) the 20th day after the filing of a further amendment which specifically states that it shall supersede this amendment, or (ii) such date as the Commission, acting pursuant to Section 307(c) of the Act, may determine upon the written request of the obligor.

<TABLE>

<S>	<C>
Approximate date of proposed exchange:	As soon as practicable after Confirmation of the Applicant's Plan of Reorganization (see Item 2).
Name and Address of Agent for Service:	John J. Martin, Esq., Senior Vice President, General Counsel and Secretary Lone Star Industries, Inc. 300 First Stamford Place Stamford, Connecticut 06912-0014

</TABLE>

GENERAL

ITEM 1. GENERAL INFORMATION

(a) Form of Organization.

Corporation.

(b) State or other sovereign power under the laws of which organized.

Delaware.

ITEM 2. SECURITIES ACT EXEMPTION APPLICABLE

State briefly the facts relied upon by the applicant as a basis for the claim that registration of the Indenture Securities under the Securities Act of 1933 is not required.

Lone Star Industries, Inc. (the "Company") proposes to issue, as part of its Modified Amended Consolidated Plan of Reorganization, dated August 24, 1993, pursuant to Section 1121(a) of the United States Bankruptcy Code (the "Plan of Reorganization"), its 10% Senior Notes Due 2003 (the "Senior Notes") and to guarantee (the "Guarantee") a portion of certain 10% Asset Proceeds Notes (the "Asset Proceeds Notes") issued by Rosebud Holdings, Inc., a newly formed wholly-owned subsidiary of the Company. Upon a call under the Guarantee, the Company may issue up to an aggregate $28,000,000 principal amount of five-year notes (the "Guarantee Notes"). The Senior Notes may be guaranteed by certain of the Company's affiliates. Each of these securities will be issued to discharge in part claims of existing creditors in the Bankruptcy Proceeding described below. The Company has filed with the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") a Modified Amended Disclosure Statement (the "Disclosure Statement") for the purpose of soliciting votes of holders of claims or stock interests in the Company and certain of its affiliates for acceptance or rejection of the Plan of Reorganization (Case Nos. 90 B 21276 to 90 B 21286, 90 B 21334 and 90 B 21335 (HS)). At a hearing held on December 7, 1993, the Bankruptcy Court approved the Disclosure Statement. A copy of the Disclosure Statement, with the Plan of Reorganization annexed thereto as an exhibit, is attached hereto as Exhibit T3E. The Senior Notes are to be issued under an indenture (the "Senior Note Indenture") between the Company and a trustee to be named, preliminary forms of which are attached hereto as Exhibit T3C. Each of (i) the Asset Proceeds Notes and the Guarantee and (ii) the Guarantee Notes, will be issued under indentures separate from the one being qualified hereunder and are the subject of separate Form T-3's being filed with the Securities and Exchange Commission.

The Company believes that the issuance of the Senior Notes and the related guarantees is exempt from the registration requirements of the Securities Act of 1933 (the "Securities Act") pursuant to Section 1145 of the United States Bankruptcy Code. Section 1145 exempts from the registration requirements of the Securities Act "the offer or sale under a plan of a security of the debtor . . . in exchange for a claim against, an interest in, or a claim for an administrative expense in the case concerning, the debtor . . ." The Company will be issuing the Senior Notes and its subsidiaries will be granting their guarantees pursuant to the Plan of Reorganization solely in exchange for the claims of certain existing creditors. There will be no sales of Senior Notes by or through an underwriter, as that term is defined in Section 1145(b) of the Bankruptcy Code, in connection with the Plan of Reorganization.

AFFILIATIONS

ITEM 3. AFFILIATES

Furnish a list or diagram of all affiliates of the applicant and indicate the respective percentages of voting securities or other bases of control.

Affiliates of the Company may be deemed to include the following as of January 10, 1994:

1. Hawaiian Cement, a Hawaiian general partnership in which the Company indirectly has a 50% interest.

2. Kosmos Cement Company, a Kentucky general partnership in which the Company indirectly has a 25% interest.

3. Lone Star-Falcon, a Texas general partnership in which the Company has a 50% interest.

4. RMC LONESTAR, a California general partnership in which the Company indirectly has a 50% interest.

5. In a Schedule 13D filed by Scope Industries on January 7, 1992, it was reported that Scope Industries and certain related persons identified therein owned 2,539,200 shares of the Company's Common Stock, an approximate 15.3% interest.

Based on information provided to the Company, if the exchange contemplated by the Plan of Reorganization had occurred as of January 10, 1994,

the following might have been deemed to be Affiliates of the Company:

In addition to the persons listed in items 1-4 to this Item 3 above, Item 5 below lists certain persons that may own in excess of ten percent of the Company's voting securities after the consummation of the Plan of Reorganization.

Attached hereto as Annex A are lists of the subsidiaries of the Company currently existing and which are expected to exist upon the consummation of the Plan of Reorganization.

MANAGEMENT AND CONTROL

ITEM 4. DIRECTORS AND EXECUTIVE OFFICERS

List the names and complete mailing addresses of all directors or executive officers of the applicant and all persons chosen to become directors or executive officers. Indicate all offices with the applicant held or to be held by each person named.

<TABLE>
<CAPTION>

Name	Address	Office(s)
<S>	<C>	<C>
David W. Wallace	Lone Star Industries, Inc. 300 First Stamford Place Stamford, CT 06912-0014	Director, Chairman of the Board and Chief Executive Officer
William M. Troutman	Same	Director, President and Chief Operating Officer

</TABLE>

<TABLE>

<S>	<C>	<C>
John J. Martin	Same	Senior Vice President, General Counsel and Secretary
William E. Roberts	Same	Vice President, Chief Financial Officer and Corporate Controller
Roger J. Campbell	Lone Star Industries, Inc. 3905 Vincennes Rd., Ste. 400 Indianapolis, IN 46268	Vice President
James T. Cleven	Lone Star Industries, Inc. 300 First Stamford Place Stamford, CT 06912-0014	Vice President
Pasquale P. Diccianni	Lone Star Industries, Inc. 162 Old Mill Road West Nyack, NY 10994	Vice President
Michael W. Puckett	Lone Star Industries, Inc. 3905 Vincennes Rd., Ste. 400 Indianapolis, IN 46268	Vice President
James E. Bacon	114 West 47th Street Sixth Floor New York, New York 10036	Director
Theodore F. Brophy	60 Arch Street Greenwich, CT 06830	Director
Kenneth Y. Knight	Sinclair Oil Corporation 550 East South Temple Salt Lake City, UT 84102	Director
Meyer Luskin	Scope Industries 233 Wilshire Blvd. Suite 310 Santa Monica, CA 90401	Director

Allen E. Puckett	935 Corsica Drive Pacific Palisades, CA 90272	Director
Lawrence J. Ramer	Ramer Equities, Inc. 1999 Avenue of the Stars #1090 Los Angeles, CA 90067	Director
Jack R. Wentworth	Indiana University School of Business 10th & Fee Lane Bloomington, IN 47405	Director

</TABLE>

5

ITEM 5. PRINCIPAL OWNERS OF VOTING SECURITIES

Furnish the following information as to each person owning 10 percent or more of the voting securities of the applicant.

AS OF JANUARY 10, 1994

<TABLE>
<CAPTION>

NAMES AND COMPLETE MAILING ADDRESS	TITLE OF CLASS OWNED	AMOUNT OWNED	PERCENTAGE OF VOTING SECURITIES OWNED
<S>	<C>		
See item 5 of Item 3 above.			

</TABLE>

GIVING EFFECT TO THE PLAN OF REORGANIZATION*

<TABLE>
<CAPTION>

NAMES AND COMPLETE MAILING ADDRESS	TITLE OF CLASS OWNED	AMOUNT OWNED	PERCENTAGE OF VOTING SECURITIES OWNED
<S>	<C>	<C>	<C>
The Trust Company of the West and affiliates 21st Floor 865 South Figueroa St. Los Angeles, CA 90071	Common Stock	2,135,914	17.8%
Metropolitan Life Insurance Company and Metropolitan Insurance and Annuity Company One Madison Avenue New York, NY 10010	Common Stock	1,853,361	15.4%

</TABLE>

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* These figures are based on information provided to the Company and give effect to the Plan of Reorganization as if it were consummated on January 10, 1994.

UNDERWRITERS

ITEM 6. UNDERWRITERS

Give the name and complete mailing address of (a) each person who, within three years prior to the date of filing the application, acted as an underwriter of any securities of the obligor which were outstanding on the date of filing the application, and (b) each proposed principal underwriter of the securities proposed to be offered. As to each person specified in (a), give the title of each class of securities underwritten.

(a) None

(b) None

CAPITAL SECURITIES

ITEM 7. CAPITALIZATION

(a) Furnish the following information as to each authorized class of securities of the applicant.

AS OF JANUARY 10, 1994

<TABLE>
<CAPTION>

Title of Class	Amount Authorized	Amount Outstanding
<S>	<C>	<C>
Common Stock, $1.00 par value per share	25,000,000 shares	16,644,392 shares
Preferred Stock, $1.00 par value per share:	3,500,000 shares	386,020 shares
$13.50 Cumulative Convertible Preferred	375,000 shares	375,000 shares
$ 4.50 Cumulative Convertible Preferred	11,020 shares	11,020 shares
8 3/4% Notes due 1992	$150,000,000	$150,000,000
9 3/4% Promissory Notes due 1993 and 1994	$90,000,000	$90,000,000
9 1/2% Notes due 1991	$50,000,000	$50,000,000
Pollution Control, Industrial Development and Industrial Revenue Bonds due 1991-2008	$11,500,000	$6,365,000

</TABLE>

(b) Give a brief outline of the voting rights of each class of voting securities referred to in paragraph (a) above.

<TABLE>
<CAPTION>

Title of Class	Voting Rights
<S>	<C>
Common Stock	One vote per share
$13.50 Cumulative Convertible Preferred	Right to elect two Directors
$4.50 Cumulative Convertible Preferred	Together with all other preferred stock, right to elect two Directors

</TABLE>

INDENTURE SECURITIES

ITEM 8. ANALYSIS OF INDENTURE*

Insert at this point the analysis of indenture provisions required under Section 305(a)(2) of the Act.

(a) Events of Default and Notice of Default

An Event of Default occurs under the Senior Note Indenture if: (i) the Company defaults in the payment of interest on any Senior Note when the same becomes due and payable, whether at maturity, in connection with any

- ----------

* All capitalized terms used in this Item 8 shall have the same meaning, unless otherwise defined, as that provided in the Senior Note Indenture.

redemption, by acceleration or otherwise, and such default continues for a period of 30 days; (ii) the Company defaults in the payment of the principal of any Senior Note when the same becomes due and payable, whether at maturity, in connection with any redemption, by acceleration or otherwise and such default continues for a period of 30 days after the earlier of (a) the date on which written notice of such failure, requiring the Company to remedy the same, shall have been given to the Company by the Trustee, or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the

Senior Notes at the time outstanding or (b) the date on which the Company had Actual Knowledge of such failure; (iii) the Company or any of its Restricted Subsidiaries fails to observe or perform in any material respect any of its other covenants or agreements in the Senior Notes or the Senior Note Indenture which failure continues for a period of 30 days after the earlier of (a) the date on which written notice of such failure, requiring the Company to remedy the same, shall have been given to the Company by the Trustee, or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the Senior Notes at the time outstanding or (b) the date on which the Company had Actual Knowledge of such failure; (iv) (a) the Company or any of its Restricted Subsidiaries fails to pay when due (whether at maturity, in connection with any mandatory amortization or redemption, by acceleration or otherwise) any principal or interest on any Indebtedness with an aggregate outstanding principal amount in excess of $5.0 million, whether any such Indebtedness is outstanding as of the date of the Senior Note Indenture or is thereafter outstanding, which default continues for the greater of any period of grace applicable thereto or 60 days from the date of such default, or (b) a default or event of default, as defined in one or more indentures, agreements or other instruments evidencing or under which the Company or any of its Restricted Subsidiaries individually or collectively have, as of the date of the Senior Note Indenture or thereafter, outstanding at least $5.0 million aggregate principal amount of Indebtedness, shall happen and be continuing and such Indebtedness shall have been accelerated so that it is due and payable prior to the date on which it would otherwise have become due and payable, and such acceleration shall not be rescinded or annulled within 60 days after the earlier of (x) the date on which written notice of such acceleration shall have been given to the Company by the Trustee, or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the Senior Notes at the time outstanding or (y) the date on which the Company had Actual Knowledge of such acceleration; provided that if such default or event of default under such indenture or other instrument shall be remedied or cured by the Company or the Restricted Subsidiary or waived by the holders of such Indebtedness, then the Event of Default under the Senior Note Indenture by reason thereof shall be deemed likewise to have been thereupon remedied, cured or waived without further action upon the part of either the Trustee or any of the holders of Senior Notes; (v) one or more final judgments against the Company or any of its Restricted Subsidiaries, for payments of money which in the aggregate exceed $5.0 million, are entered by a court of competent jurisdiction and such judgments are not rescinded, annulled, stayed or discharged within 90 days; (vi) the Company and its Restricted Subsidiaries, taken as a whole, become insolvent; (vii) the Company or any of its material Restricted Subsidiaries, pursuant to or within the meaning of any Bankruptcy Law: (a) commences a voluntary case, (b) consents to the entry of a judgment, decree or order for relief against it in any involuntary case or proceeding, (c) consents to the appointment of a Custodian of it or for all or substantially all of its property, (d) makes a general assignment for the benefit of its creditors, (e) applies for, consents to or acquiesces in the appointment of, or taking possession by, a Custodian; (viii) a court of competent jurisdiction enters a judgment, decree or order for relief in respect of the Company or any of its material Restricted Subsidiaries, in an involuntary case or proceeding under any Bankruptcy Law which shall (a) approve as properly filed a petition seeking reorganization, arrangement, adjustment or composition, (b) appoint a Custodian for any part of its property, or (c) order the winding up or liquidation of its affairs, and such judgment, decree or order remains unstayed and in effect for a period of sixty (60) consecutive days; or (ix) any bankruptcy or insolvency petition or application is filed, or any bankruptcy case or insolvency proceeding is commenced against, the Company or any of its material Restricted Subsidiaries, and such petition, application, case or proceeding is not dismissed or stayed within ninety (90) days.

If a default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail to each holder of the Senior Notes a notice of the default within 90 days after it occurs. Except in the case of a default in payment of principal of or interest on any Senior Note, the Trustee may withhold the notice if and so long as it in good faith determines that withholding notice is in the interests of the Holders of the Senior Notes.

(b) Authentication and Delivery of Senior Notes and Application of Proceeds Thereof

A Senior Note shall not be valid until authenticated by the manual or facsimile signature of the Trustee. The signature of the Trustee shall be conclusive evidence that the Senior Note has been authenticated under the Senior Note Indenture. The Trustee may appoint an authenticating agent acceptable to the Company to authenticate the Senior Notes.

The Trustee shall authenticate Senior Notes for original issue in the aggregate principal amount of up to $75,000,000 upon a written order of the

Company. Such order shall specify the amount of Senior Notes to be authenticated and the date on which the original issue of Senior Notes is to be authenticated.

The Senior Notes shall be issuable only in registered form without coupons and only in denominations of $1,000 and integral multiples thereof.

(c) Release of Property Subject to Lien of Indenture

Inapplicable.

(d) Satisfaction and Discharge of Indenture

The Company may terminate all of its obligations under the Senior Note Indenture if all Senior Notes previously authenticated and delivered (other than mutilated, destroyed, lost or stolen Senior Notes which have been replaced or paid) have been delivered to the Trustee for cancellation or if: (1) the Senior Notes mature within six months or all of them are to be called for redemption within six months; (2) the Company irrevocably deposits in trust with the Trustee, pursuant to an irrevocable trust and security agreement in form and substance reasonably satisfactory to the Trustee, money or U.S. Government Obligations sufficient to pay principal of and interest on the Senior Notes to maturity or redemption, as the case may be, and all other sums payable by the Company to the holders of the Senior Notes thereunder. The Company may make the deposit only during the six-month period. Immediately after making the deposit, the Company shall give notice of such event to the holders; (3) the Company has paid or caused to be paid all sums then payable by the Company to the Trustee thereunder as of the date of such deposit; (4) the Company has delivered to the Trustee an Officers' Certificate stating that all conditions precedent provided for in the Senior Note Indenture relating to the satisfaction and discharge of the Senior Note Indenture have been complied with; and (5) the Company has delivered to the Trustee either (i) an unqualified Opinion of Counsel, stating that the holders of the Senior Notes (a) will not recognize income, gain or loss for Federal income tax purposes as a result of such deposit (and the defeasance contemplated in connection therewith) and (b) will be subject to Federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred, or (ii) an applicable favorable ruling to that effect received from or published by the Internal Revenue Service.

However, the Company's obligations under the Senior Note Indenture with respect to the Registrar and Paying Agent, securityholder lists, transfers and exchanges, replacement securities, payment on the Senior Notes, compensation, indemnity and replacement of the Trustee, and the Trustee's obligations with respect to repayment to the Company of excess money upon discharge of the Senior Note Indenture shall survive until the Senior Notes are no longer outstanding. Thereafter, the obligations with respect to compensation and indemnity of the Trustee and repayment to the Company of excess money shall survive.

After a deposit pursuant to these provisions, the Trustee upon request shall acknowledge in writing the discharge of the Company's obligations under the Senior Notes and the Senior Note Indenture except for those surviving obligations specified above.

In order to have money available on a payment date to pay principal or interest on the Senior Notes, the U.S. Government Obligations shall be payable as to principal or interest on or before such payment date in such amounts as will provide the necessary money.

(e) Evidence Required to be Furnished by Obligor to Trustee

The Company shall deliver to the Trustee within 120 days after the end of each fiscal year of the Company, and within 60 days after the end of each of the first three fiscal quarters of the Company, an Officer's Certificate stating that, after a review of the activities of the Company during such period and of the Company's performance under the Senior Note Indenture, whether or not, to the best knowledge of the signer thereof based on such review, there has been any Default or Event of Default by the Company in performing any of its obligations under the Senior Note Indenture or the Senior Notes. If the signer does not know of any such Default or Event of Default, the Certificate shall describe the Default or Event of Default and its status.

ITEM 9. OTHER OBLIGORS

Give the name and complete mailing address of any person, other than the applicant, who is an obligor upon the indenture securities.

It is contemplated that certain subsidiaries of the Company may be guarantors of all the Company's obligations under the Senior Notes; information with respect to which, if any, will be supplied by amendment.

CONTENTS OF APPLICATION FOR QUALIFICATION

This application for qualification comprises:

(a) Pages numbered 1 to 10, consecutively;

(b) Annex A consisting of two pages;

(c) The Statement of Eligibility and Qualification on Form T-1 -- to be filed by amendment under separate cover; and

(d) the following exhibits in addition to those filed as a part of the Statement of Eligibility and Qualification of the Trustee:

<TABLE>
<S> <C>
Exhibit T3A. Amended and Restated Certificate of Incorporation of the Company, incorporated by reference to Exhibit 19 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1988. The Certificate of Incorporation will be amended in connection with the Plan of Reorganization. The form of Amended and Restated Certificate of Incorporation of the Company is attached as Exhibit H to the Disclosure Statement (Exhibit T3E).

Exhibit T3B. Amended By-Laws of the Company, incorporated by reference to Exhibit 2 to the Company's Report on Form 8-K, August 20, 1992. The By-Laws will be amended in connection with the Plan of Reorganization. The form of Restated By-Laws of the Company is attached as Exhibit I to the Disclosure Statement (Exhibit T3E).

Exhibit T3C. Form of the Senior Note Indenture between the Company and a trustee to be named.

Exhibit T3D. Not applicable.
</TABLE>

<TABLE>
<S> <C>
Exhibit T3E. A copy of the Disclosure Statement regarding the Plan of Reorganization, with certain exhibits thereto.

Exhibit T3F. A cross reference sheet showing the location in the Senior Note Indenture of the provisions inserted therein pursuant to Sections 310 through 318(a), inclusive, of the Trust Indenture Act of 1939, included in Exhibit T3C.
</TABLE>

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, the applicant, Lone Star Industries, Inc., a corporation organized and existing under the laws of Delaware, has duly caused this application to be signed on its behalf by the undersigned, thereunto duly authorized, and its seal to be hereunto affixed and attested all in The City of New York, and State of New York, on the 14th day of January, 1994.

[Seal]

<TABLE>
<S> <C>
LONE STAR INDUSTRIES, INC.

By /s/ John J. Martin

Name: John J. Martin
Title: Senior Vice President, General Counsel and Secretary

Attest: By /s/ John S. Johnson

</TABLE>

Name: John S. Johnson
Title: Assistant Secretary
</TABLE>

ANNEX A

LONE STAR INDUSTRIES, INC. SUBSIDIARIES
(Wholly owned unless otherwise indicated;
indentation indicates level of ownership)

<TABLE>
<CAPTION>

Name	Jurisdiction of Incorporation
<S>	<C>
Lone Star Industries, Inc.	Delaware
Coastline Petroleum Company, Inc.	Texas
Construction Aggregates Limited	Nova Scotia
Construction Materials Co.	Delaware
DeSoto Redi-Mix Corporation	Mississippi
Diamond Building Materials, Inc.	California
I.C. Materials, Inc.	Illinois
KCOR CORPORATION (20% owned by Lone Star Industries, Inc.; 80% owned by Lone Star Hawaii Cement Corporation)	Delaware
Lone Star Building Centers, Inc.	Minnesota
Lone Star Building Centers (Eastern) Inc.	Delaware
G. M. Stewart Lumber Company, Inc.	Minnesota
Lone Star California, Inc.	Delaware
Lone Star Cement Inc. (99% ownership)	New Jersey
Lonestar Florida Pensucco, Inc.	Delaware
Lonestar Florida Holding, Inc.	Delaware
Lonestar Florida Cement, Inc.	Delaware
Lone Star Hawaii, Inc.	Delaware
Lone Star Hawaii Cement Corporation	Hawaii
Lone Star Hawaii Properties, Inc.	Hawaii
Lone Star Prestress Concrete, Inc.	Texas
Lone Star Properties, Inc.	Delaware

</TABLE>

<TABLE>
<CAPTION>

LONE STAR INDUSTRIES, INC. SUBSIDIARIES
100% OWNERSHIP UNLESS OTHERWISE NOTED (CONT'D.)

Name	Jurisdiction of Incorporation
<S>	<C>
Lone Star Transportation Corp.	Delaware

Lone Star Wyoming, Inc.	Delaware
New York Trap Rock Corporation	Delaware
Cornell Steamboat Company	New York
Gotham Suffolk Stone Corporation	New York
NYTR Transportation Corp	Delaware
Plastibeton Canada Inc.	Canada
Rosebud Holdings, Inc.*	Delaware
KCOR CORPORATION*	Delaware
Las Colinas Corporation*	Delaware
Lone Star California, Inc.*	Delaware
Rosebud Real Properties, Inc.*	Delaware
Santa Cruz Corporation*	Delaware
Nazareth Cement Corporation*	Delaware
San-Vel Concrete Corporation	Kansas
Southern Aggregates, Inc.	Mississippi
Utah Portland Quarries, Inc.	Utah

</TABLE>

- ----------
* Information with respect to these corporations located here is given effective after the consummation of the Plan of Reorganization.

EXHIBIT INDEX

<TABLE>

<S>	<C>
Exhibit T3A.	Amended and Restated Certificate of Incorporation of the Company, incorporated by reference to Exhibit 19 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1988. The Certificate of Incorporation will be amended in connection with the Plan of Reorganization. The form of Amended and Restated Certificate of Incorporation of the Company is attached as Exhibit H to the Disclosure Statement (Exhibit T3E).
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Exhibit T3C.	Form of the Senior Note Indenture between the Company and a trustee to be named.
Exhibit T3D.	Not applicable.
Exhibit T3E.	A copy of the Disclosure Statement regarding the Plan of Reorganization, with certain exhibits thereto.
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</TABLE>

EXHIBIT T3C

- ---

LONE STAR INDUSTRIES, INC.

AND

---------- Bank

as

Trustee

Indenture

Dated as of ----------, 1993

$75,000,000

10% SENIOR NOTES DUE 2003

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<TABLE>
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3
<TABLE>
<S> <C>

<S> <C> <C>

</TABLE>

6

CROSS-REFERENCE TABLE

<TABLE>
<CAPTION>

TIA Section	Indenture Section
310 (a)(1)	7.10
(a)(2)	7.10
(a)(3)	Not Applicable
(a)(4)	Not Applicable
(b)	7.08; 7.10
(c)	Not Applicable
311 (a)	7.11
(b)	7.11
(c)	Not Applicable
312 (a)	2.05
(b)	11.03
(c)	11.03
313 (a)	7.06
(b)(1)	7.06
(b)(2)	7.06
(c)	7.06
(d)	7.06
314 (a)	4.06; 4.07
(b)	10.02
(c)(1)	11.08
(c)(2)	11.08
(c)(3)	Not Applicable
(d)	10.02
(e)	11.09
(f)	Not Applicable
315 (a)	7.01
(b)	7.05
(c)	7.01
(d)	7.01
(e)	6.11
316 (a)(last sentence)	2.09
(a)(1)(A)	6.05
(a)(1)(B)	6.04
(a)(2)	Not Applicable
(b)	6.07

317 (a)(1) 6.08
(a)(2) 6.09
(b) 2.04
318 (a) 11.01
- ----------
This cross-reference tables does not constitute a part of the Indenture.
</TABLE>

INDENTURE dated as of ----------, 1993 between LONE STAR INDUSTRIES, INC., a Delaware corporation (the "Company"), the subsidiaries of the Company who are signatories hereto, as guarantors (the "Guarantors"), and - -------- Bank, a national banking association (the "Trustee").

Each party agrees as follows for the benefit of the other party and for the equal and ratable benefit of the Holders of the Company's 10% Senior Notes due 2003 (the "Securities").

ARTICLE 1.

DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.01 DEFINITIONS.

"Actual Knowledge" has the meaning assigned to such term in Section 6.01 hereof.

"Affiliate" means any Person directly or indirectly controlling or controlled by or under common control with the Company or any Guarantor, as the case may be; provided, however, that the term Affiliate, with respect to the Company, shall not include any Subsidiary of the Company. For this purpose, "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Agent" means any Registrar, Paying Agent or Co-Registrar.

"Bankruptcy Law" has the meaning assigned to such term in Section 6.01 hereof.

"Board of Directors" means the Board of Directors of any Person or any committee of the Board authorized to act for it hereunder.

"Business Day" has the meaning assigned to such term in Section 11.11 hereof.

"Capitalized Lease" means, at the time any determination thereof is to be made, any lease of property, real or personal, in respect of which the present value of the minimum rental commitment would be capitalized on a balance sheet of the lessee in accordance with generally accepted accounting principles.

"Capitalized Rent" under any Capitalized Lease shall mean, at any time as of which the amount thereof is to be determined, the lesser of (i) 10 times the amount of the maximum net rent payable under such lease during any period of 12 consecutive months

subsequent to the date as of which the rental obligation is to be determined, or (ii) the aggregate amount of net rent payable over the remaining period of the lease. The net rent payable under any lease for any period shall be the total amount of the rent payable by the lessee with respect to such period but shall not include amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water rates and similar charges. The amount to be included in net rent for any given period with respect to any portion thereof which may be a variable shall be such amount as the Company

shall in good faith determine is reasonably to be expected to be due as a result of such variable. The remaining period of any lease shall be the period from the date of determination to the earlier of the expiration of the lease by its terms or the date on which the lessee has a right to terminate the lease, provided that if payments are required to be made by the lessee in connection with the termination of such lease, the amount of such payments shall be deemed to be net rent.

"Capital Stock" means any stock of any class of a corporation.

"Common Stock" means the common stock, par value $1.00 per share, of the Company or any security into which the common stock may be converted.

"Company" means the party named as such above until a successor replaces it pursuant to the applicable provision hereof, and thereafter means such successor.

"Computation Date" shall have the meaning assigned to such term in Section 4.08 hereof.

"Consolidated Net Income" means net income of the Company and its Restricted Subsidiaries, all as consolidated and determined in accordance with generally accepted accounting principles; provided, however, that (i) there shall not be included in Consolidated Net Income any undistributed earnings of an Unrestricted Subsidiary, and (ii) in case an Unrestricted Subsidiary shall be designated as a Restricted Subsidiary, the net income of such Subsidiary for the period commencing [December 31, 1993] or the date such Subsidiary became a Restricted Subsidiary, whichever is later, shall be included in the consolidation in so determining Consolidated Net Income.

"Consolidated Retained Earnings" shall mean the Retained Earnings of the Company and its Restricted Subsidiaries, determined on a consolidated basis in accordance with generally accepted accounting principles; provided, however, that there shall not be included in Consolidated Retained Earnings any undistributed earnings of an Unrestricted Subsidiary.

"Corporate Trust Office of the Trustee" shall be at the address of the Trustee specified in Section 11.02 or such other address as the Trustee may give notice of to the Company.

"Custodian" has the meaning assigned to such term in Section 6.01 hereof.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Effective Date" has the meaning assigned in the Plan of Reorganization.

"Event of Default" has the meaning assigned to such term in Section 6.01 hereof.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

"Excepted Lease" shall mean (i) any lease expiring not later than the third anniversary of its inception, (ii) any lease of, or of space in, any office building or storage facility, (iii) any lease of real property upon which any office building or storage facility is or is to be constructed, (iv)

any lease existing on the Effective Date and renewals or extensions thereof and (v) any lease from the Company or any Restricted Subsidiary to the Company or any Restricted Subsidiary.

"Fair Value" means fair market value as determined in good faith by the Board of Directors of the Company.

"Guarantee" means the Guarantee made for the benefit of the Securityholders by the Guarantors set forth in Article 10 hereof.

"Guarantor" means each of the parties named as such in this Indenture.

"GAAP" means generally accepted accounting principles in effect from time to time.

"Holder" or "Securityholder" means a Person in whose name a Security is registered on the Registrar's books.

"Indebtedness" of any Person shall mean, without duplication, (a) all indebtedness for money borrowed, created, incurred or assumed by such Person or guaranteed by such Person or for which it is otherwise liable or responsible (such as by agreement to purchase indebtedness of others), (b) all amounts owing by such Person under Purchase Money Indebtedness or other purchase money liens or conditional sales or other title retention agreements, (c) all indebtedness secured by any mortgage, pledge or other lien or encumbrance upon property owned by such Person, even though such Person has not assumed or become liable for the payment of such indebtedness, and (d) all Capitalized Rent for all rental obligations on any Capitalized Lease for real property (other than Excepted

Leases); provided, however, that in determining the Indebtedness of any Person, there shall be excluded (i) any obligations arising from Production Payment Transactions, (ii) in the case of the Company, the Guarantee Agreement dated of even date herewith between the Company, and --------- Bank, as Trustee, and the obligation on any Notes hereafter issued thereunder and (iii) any particular indebtedness if, upon or prior to the maturity thereof, there shall have been deposited with the proper depository in trust money (or evidences of such indebtedness if permitted by the instrument creating such indebtedness) in the necessary amount to pay, redeem or satisfy such indebtedness, and thereafter such money and evidences of indebtedness so deposited shall not be included in any computation of the assets of such Person.

"Indenture" means this Indenture as amended from time to time.

"Legal Holiday" has the meaning assigned to such term in Section 11.11 hereof.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or similar encumbrance in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any Capitalized Lease in the nature thereof, and any filing of or agreement to give any financing statement under the Uniform Commercial Code or equivalent statutes of any jurisdiction other than an information filing), but does not include, in the case of the Company and its Restricted Subsidiaries, the lien granted to the Trustee under Section 7.07 hereof.

"Maturity Date" of the Securities means July 31, 2003.

"Net Proceeds" with respect to any Sale of Assets, means the

cash (in U.S. dollars or currency freely convertible into U.S. dollars) received by the Company or any of its Restricted Subsidiaries from such Sale of Assets after (i) provision for all income or other taxes measured by or resulting from such sale or other disposition or the transfer of the proceeds thereof to the Company that are payable by the Company or any of its Subsidiaries, (as reasonably and in good faith estimated by the Chief Financial Officer of the Company or such Subsidiary), (ii) payment of all brokerage commissions, legal and accounting fees and expenses and other fees and expenses related to such sale or other disposition, (iii) deduction of any amounts received by any Subsidiary that are not legally available for direct or indirect distribution or loan to the Company, (iv) deduction of any amounts required to be paid to the lender pursuant to any Permitted Working Capital Loans upon such Sale of Assets, (v) deduction of amounts provided by the Company or its Subsidiaries as a reserve on its regularly prepared balance sheets, in accordance with generally accepted accounting principles consistently applied (including, without limitation, subject to the next succeeding sentence, all amounts escrowed, pledged or otherwise set aside to assume payment of such liabilities), against any liabilities associated with the assets sold in such Sale of Assets and retained by the Company or its Subsidiaries, including, without limitation, pension and other postemployment benefit liabilities and liabilities related to environmental matters, or against

any indemnification obligations associated with the sale or other disposition, (vi) deduction of amounts set aside in good faith for the acquisition or improvement of assets as contemplated by clause (vii) of the definition of "Sale of Assets," and (vii) deduction of any amounts required to discharge any Liens on the assets sold, leased, conveyed or otherwise disposed of. Net Proceeds (i) shall not include any proceeds from the sale of [----------] pursuant to the Plan of Reorganization, but (ii) shall include, when received in cash, any Net Proceeds from the sale or other disposition of any non-cash proceeds received by the Company or any of its Subsidiaries from a Sale of Assets and (iii) shall include, when received in cash, any Net Proceeds released from escrow, pledge or other set aside and amounts no longer reserved or appropriate to be set aside as described in clauses (v) or (vi), respectively, of the immediately preceding sentence.

"Officer" means the Chairman of the Board, the President, any Senior Vice-President, Executive Vice-President or any other Vice-President, the Treasurer or the Secretary of the Company or a Guarantor, as the case may be.

"Officer's Certificate" means a certificate signed by any Officer of the Company or a Guarantor, as the case may be.

"Opinion of Counsel" means a written opinion from legal counsel, who may be an employee of or counsel for the Company or a Guarantor or other counsel reasonably acceptable to the Trustee.

"Paying Agent" has the meaning assigned to such term in Section 2.03 hereof.

"Permitted Acquisitions" means acquisitions approved by the Board of Directors of the Company (including by way of merger or consolidation) of all or substantially all of the stock or assets of any Person or any division or line of business, provided that neither the Company nor any Subsidiary of the Company (other than the acquired Person and its Subsidiaries) has any liability, contingent or otherwise, for the payment of any deferred portion of the purchase price therefor, other than Purchase Money Indebtedness, or for any Indebtedness, obligation or liability, contingent or otherwise, of the acquired Person, division or line of business other than any such

liability, contingent or otherwise, which, the Company could incur without violation of this Agreement.

"Permitted Liens" means (i) Liens which may be granted from time to time to secure and/or maintain Permitted Working Capital Loans; (ii) Liens provided for in the Plan of Reorganization or existing on the Effective Date or thereafter created to replace such Liens; (iii) Liens in favor of the Trustee on all property and funds held or collected by the Trustee as security for the performance by the Company of its obligations of payment to, and reimbursement and indemnification of, the Trustee for its services under the Indenture; (iv) Liens for taxes or assessments and similar charges, or imposed in connection with litigation or asserted claims, either not delinquent or contested in good faith by appropriate proceedings and as to which the Company or a Subsidiary shall have set aside on its books such reserves as it deems adequate; (v) Liens incurred, or pledges and deposits made, in

connection with workers' compensation, unemployment insurance and other social security benefits, or securing the performance of leases, contracts (other than for the repayment of borrowed money), statutory obligations, progress payments, surety and appeal bonds and other obligations of like nature, but only to the extent any of the foregoing are incurred in good faith in the ordinary course of business; (vi) Liens imposed by law, such as mechanics', carriers', warehousemen's, materialmen's and vendors' Liens, incurred in good faith in the ordinary course of business; (vii) zoning restrictions, easements, licenses, covenants, reservations, restrictions on the use of real property or irregularities of title incident thereto that do not in the aggregate materially detract from the value of the property or assets of the Company or any of its Subsidiaries, as the case may be, or materially impair the use of such property in the operation of the Company's or any Subsidiary's business; (viii) Liens created by Subsidiaries of the Company to secure Indebtedness of such Subsidiaries to the Company or to other Subsidiaries thereof; (ix) any Lien on any asset acquired pursuant to any Permitted Acquisition or on the Capital Stock or other securities of any Unrestricted Subsidiary or any asset (including the stock of any Subsidiary thereof) of any Unrestricted Subsidiary; (x) Liens on assets acquired in connection with the incurrence of Purchase Money Indebtedness; (xi) Liens granted in connection with the incurrence of Refinancing Indebtedness; (xii) Liens in favor of the Pension Benefits Guaranty Corporation or otherwise arising out of or in connection with any employee benefit plans; (xiii) Liens incurred in connection with any Production Payment Transaction; (xiv) any other Liens securing obligations not exceeding, in the aggregate, $1.5 million; or (xv) any Liens incurred in connection with West Nyack Indebtedness.

"Permitted Subordinated Indebtedness" means unsecured Indebtedness incurred by the Company or any Restricted Subsidiary provided (i) no payment of principal thereon is made or required to be made on or before the Maturity Date, (ii) no payment of principal or interest is made during the continuance of an Event of Default, and (iii) at the time of incurrence thereof there is no outstanding Default or Event of Default.

"Permitted Working Capital Loans" means loans (or contingent liability with respect to letters of credit) under committed revolving credit, working capital or letter of credit facilities which may or may not be secured by a lien on inventory and/or Receivables that the Company or any Restricted Subsidiary of the Company may have from time to time, to the extent that the aggregate principal amount of all such Indebtedness outstanding under all such facilities at any time does not exceed the value of the inventory and Receivables on the books of the Company and its Subsidiaries, taken as a whole.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization,

or government or any agency or political subdivision thereof.

"Plan of Reorganization" means the Company's Amended Consolidated Plan of Reorganization, as amended from time to time.

"Preferred Stock", as applied to the stock of any Person, shall mean any class of stock of such Person which has a preference in respect of dividends of such Person or other distribution of assets, or in respect of amounts payable in the event of any voluntary or involuntary liquidation, dissolution and winding up of such Person, over any other class of stock of such Person.

"Production Payment Transaction" means any sale or transfer by the Company or any Restricted Subsidiary of (1) sand, gravel, limestone and other minerals for a period of time until, or in an amount such that, the purchaser or transferee will realize therefrom a specified amount of money (however determined) or a specified amount of such sand, gravel, limestone and other minerals, or (2) any other interest in property of the character commonly referred to as a "production payment", whether or not the instrument or instruments of sale or transfer, or creating the production payment, impose obligations with respect to the operation, use or maintenance of the properties sold or transferred or subject to the production payment.

"Purchase Money Indebtedness" means any Indebtedness incurred by the Company or any of its Restricted Subsidiaries in connection with the acquisition by the Company or such Subsidiary, after the Effective Date, of equipment or other fixed assets, including Indebtedness incurred to finance, refinance or refund the cost (including the cost of construction) of such assets; provided that (i) the principal amount of such Indebtedness does not exceed the Fair Value of the assets being acquired or the cost of construction paid by or charged to the Company or such Restricted Subsidiary and (ii) such Indebtedness shall not be secured by any assets of the Company or any Restricted Subsidiary other than the assets with respect to which such Indebtedness is incurred.

"Redemption Price" has the meaning assigned to such term in Section 3.07 hereof.

"Receivables" means all "accounts", all "chattel paper", all "instruments" evidencing "accounts" and all proceeds thereof, as each such term is defined in the Uniform Commercial Code as in effect in the State of New York on the Effective Date.

"Refinancing Indebtedness" means Indebtedness the proceeds of which are used to extend, renew, refinance or refund then outstanding Indebtedness of the Company or its Restricted Subsidiaries if such refinancing or refunding Indebtedness (i) does not have a Principal amount in excess of the Principal amount of the Indebtedness being so refinanced or refunded, plus customary fees, expenses and costs related to the incurrence of such Refinancing Indebtedness; (ii) gives its holders collateral with no greater value (as determined by the Company's Board of Directors) and no more Guaranties from the Company and its Subsidiaries (other than Unrestricted Subsidiaries) than the Indebtedness being refinanced; (iii) amortizes no more quickly and has a maturity date no earlier than the Indebtedness being refinanced; and (iv) is at least as junior or no more senior in right of payment to the Securities, as the case may be, as the Indebtedness being refinanced (other

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than with respect to any portion for which repayment is secured by Permitted Liens or Guarantees of Unrestricted Subsidiaries or third parties).

"Registrar" has the meaning assigned to such term in Section 2.03 hereof.

"Restricted Subsidiary" means: (A) any Subsidiary other than: (i) a Subsidiary substantially all of the physical properties of which are located, and substantially all of the business of which is carried on, outside the limits of the United States of America (including Alaska and Hawaii) or which is organized under the laws of any jurisdiction other than the United States of America, the District of Columbia, the Commonwealth of Puerto Rico, the States or the possessions of the United States; (ii) a Subsidiary the primary business of which consists of purchasing accounts receivable and/or making loans secured by accounts receivable and/or making investments in or in the development of real estate (other than for sale or lease to the Company or its Restricted Subsidiaries) or providing services directly related thereto, or which is otherwise primarily engaged in the finance business or in the real estate business; or (iii) Rosebud Holdings, Inc. and its Subsidiaries; and (B) any Subsidiary specified in clause (i) or (ii) of paragraph (A) above which the Company, by resolution of the Board of Directors, shall have designated as a Restricted Subsidiary.

"Retained Earnings" of any Person shall mean the amount which would be shown as retained earnings on a balance sheet of such Person as of the date the determination is being made.

"Sale of Assets" means any sale, lease or other conveyance of a material amount of assets (including by way of merger or consolidation) of the Company or its Restricted Subsidiaries out of the ordinary course of business (including the Capital Stock of any Restricted Subsidiary of the Company but excluding the Capital Stock of the Company), as the case may be, if and to the extent (but only to the extent) that all such sales, leases and other conveyances from and after the Effective Date result in aggregate Net Proceeds in excess of $5 million; provided, however, that the term "Sale of Assets" shall not include (i) any consolidation or merger involving the Company or any Restricted Subsidiary for the purpose of reincorporating the Company or such Subsidiary in another jurisdiction; (ii) the involvement of the Company or any Restricted Subsidiary in a merger, consolidation or reorganization approved by the holders of ---% or more of the then outstanding principal amount of the Securities; (iii) any sale, lease, conveyance or other disposition of any assets of Rosebud Holdings, Inc. and its Subsidiaries or any other Person in which Rosebud Holdings, Inc. has an interest, directly or indirectly; (iv) any sale, lease, conveyance or other disposition of assets among or between the Company and one or more of its Restricted Subsidiaries or among or between Restricted Subsidiaries, including, without limitation, the merger of any Restricted Subsidiary with and into the Company or any other Restricted Subsidiary of the Company; (v) any sale, lease, conveyance or other disposition of the stock or any assets of any Unrestricted Subsidiary; (vi) any Production Payment Transaction; (vii) any sale, lease, conveyance or other disposition of assets of the Company or any Restricted Subsidiary to the extent the proceeds thereof are reinvested substantially contemporaneously with their receipt in the acquisition or improvement of assets by the Company and/or any

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Restricted Subsidiary which the Board of Directors has in good faith determined will be useful in the business to be conducted by the Company or such Restricted Subsidiary; or (viii) any sale, lease, conveyance or other

disposition of assets pursuant to a sale-leaseback arrangement permitted pursuant to this Indenture. For purposes of this Indenture, a reinvestment of proceeds shall be considered substantially contemporaneous if completed within 24 months of receipt and a material amount of assets means assets with a Fair Value of at least $2 million.

"SEC" means the Securities and Exchange Commission.

"Securities" means the Notes issued under this Indenture.

"Senior Notes" means the Securities.

"Subsidiary" shall mean any Person more than 50% of the outstanding voting stock of which is owned, directly or indirectly, by the Company or by one or more other Subsidiaries. For the purposes of this definition, "voting stock" means stock which ordinarily has voting power for the election of directors, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

"TIA" means the Trust Indenture Act of 1939 (15 U.S. Code Section Section 77aaa-77bbbb) as in effect on the date of this Indenture, except as provided in Section 9.03.

"Total Borrowed Funds" shall mean at any time the aggregate, without duplication, of (i) Indebtedness of the Company and its Restricted Subsidiaries; (ii) the amount of any Indebtedness incurred by any Person other than the Company or a Restricted Subsidiary which the Company or a Restricted Subsidiary has guaranteed or for which it is otherwise liable or responsible (such as by agreement to purchase indebtedness of others); (iii) amounts of Indebtedness borrowed by Unrestricted Subsidiaries or Affiliates of the Company or its Restricted Subsidiaries to the extent such amounts are loaned to the Company or a Restricted Subsidiary regardless of any accounting treatment employed by the Company's independent public accountants for "netting" such loans against the investment of the Company or any Restricted Subsidiary in such Unrestricted Subsidiary or Affiliate; and (iv) Purchase Money Indebtedness; provided, however, that in computing Total Borrowed Funds of any Person, there shall be excluded (x) Permitted Subordinated Indebtedness of the Company and its Restricted Subsidiaries and (y) any particular indebtedness if, upon or prior to the maturity thereof, there shall have been deposited with the proper depository in trust, money (or evidences of such indebtedness if permitted by the instrument creating such indebtedness) in the necessary amount to pay, redeem or satisfy such indebtedness, and thereafter such money and evidences of indebtedness so deposited shall not be included in any computation of the assets of such Person.

"Total Capitalization" means at any time, without duplication, for the Company and its Restricted Subsidiaries, (A) the sum of (i) Total Borrowed Funds, (ii) par or stated value of outstanding shares of Preferred Stock, (iii) the par or stated value of issued

and outstanding shares of any class or classes of the Company's Common Stock, (iv) the amounts paid in respect of the Company's Capital Stock in excess of capital not previously distributed, (v) Consolidated Retained Earnings, (vi) the amount of deferred income taxes of the Company and its Subsidiaries appearing in the most recent audited consolidated balance sheet of the Company and its Subsidiaries at such time and (vii) any amount which under GAAP would result in a credit to equity in connection with the issuance and/or exercise of warrants, options or convertible securities.

"Trustee" means the party named as such in this Indenture until a successor replaces it and thereafter means the successor.

"Trust Officer" means any officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

"Unrestricted Subsidiary" shall mean any Subsidiary which is not a Restricted Subsidiary; all Unrestricted Subsidiaries as of the date of this Indenture are listed on Schedule -- hereto.

"U.S. Government Obligations" means direct non-callable obligations of, or non-callable obligations guaranteed by, the United States of America for the payment of which the full faith and credit of the United States of America is pledged.

"West Nyack Indebtedness" means the first $25 million of principal amount of Indebtedness from time to time outstanding (and accrued interest thereon), including without limitation Capitalized Leases, sale-leaseback transactions or any other kind of Indebtedness incurred in connection with the West Nyack Modernization.

"West Nyack Modernization" means the proposed modernization of the Company's West Nyack, New York, plant and related facilities.

SECTION 1.02 INCORPORATION BY REFERENCE OF TRUST INDENTURE ACT.

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture.

The following TIA terms used in this Indenture have the following meanings:

"indenture securities" means the Securities.

"indenture security holder" means a Securityholder.

"indenture to be qualified" means this Indenture.

"indenture trustee" or "institutional trustee" means the Trustee.

"obligor" on the indenture securities means the Company.

All other terms used in this Indenture that are not otherwise defined herein and are defined by the TIA, are defined by TIA reference to another statute, or are defined by SEC rule under the TIA, have the meanings so assigned to them.

SECTION 1.03 RULES OF CONSTRUCTION.

Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) "or" is not exclusive;

(3) words in the singular include the plural and in the plural include the singular except where the context manifestly otherwise requires;

(4) provisions apply to successive events and transactions; and

(5) "herein", "hereof" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

ARTICLE 2.

THE SECURITIES

SECTION 2.01 FORM AND DATING.

The Securities, the notation thereon relating to the Guarantee and the Trustee's certificate of authentication shall be substantially in the form set forth in Exhibit A, which is incorporated in and forms a part of this Indenture. The Securities may have such notations, legends or endorsements as are required by law, stock exchange rule or usage. Each Security shall be dated the date of its authentication.

SECTION 2.02 EXECUTION AND AUTHENTICATION.

Two Officers shall sign the Securities for the Company by manual or facsimile signature. The Company's seal shall be reproduced on the Securities. An Officer of each of the Guarantors shall sign the Guarantee for that Guarantor by manual or facsimile signature.

If an Officer whose signature is on a Security no longer holds that office at the time the Security is authenticated, the Security shall nevertheless be valid.

A Security shall not be valid until authenticated by the manual or facsimile signature of the Trustee. The signature shall be conclusive evidence that the Security has been authenticated by the Trustee under this Indenture.

The Trustee shall authenticate Securities for original issue in the aggregate principal amount of up to $75,000,000 upon a written order of the Company signed by two Officers or by an Officer and an Assistant Treasurer or Assistant Secretary of the Company. Such order shall specify the amount of Securities to be authenticated and the date on which the original issue of Securities is to be authenticated. The aggregate principal amount of Securities outstanding at any time may not exceed the amount of Securities issued pursuant to this paragraph except as provided in Section 2.07.

The Trustee may appoint an authenticating agent acceptable to the Company to authenticate Securities. An authenticating agent may authenticate Securities whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with the Company or any Affiliate.

The Securities shall be issuable only in registered form without coupons and only in denominations of $1,000 and integral multiples thereof.

SECTION 2.03 REGISTRAR AND PAYING AGENT.

The Company shall maintain in the Borough of Manhattan, The City of New York, an office or agency where Securities may be presented for registration of transfer or for exchange (the "Registrar"), and an office or agency where Securities may be presented for payment (the "Paying Agent"). The Registrar shall keep a register of the Securities and of their transfer and

exchange. The Company may appoint or change one or more co-registrars and one or more additional paying agents without notice, and may act in any such capacity on its own behalf provided that if the Trustee is acting as registrar or paying agent, the Company shall give the Trustee at least five Business Days prior written notice of such change. The term "Paying Agent" includes any additional paying agent.

The Company shall enter into an appropriate agency agreement with any Agent not a party to this Indenture. The agreement shall implement the provisions of this Indenture that relate to such Agent. The Company shall notify the Trustee of the name and address of any Agent not a party to this Indenture. If the Company fails to maintain a Registrar or Paying Agent, the Trustee shall act as such.

The Company initially appoints the Trustee as Registrar and Paying Agent.

SECTION 2.04 PAYING AGENT TO HOLD MONEY IN TRUST.

Each Paying Agent shall hold in trust for the benefit of the Securityholders or the Trustee all moneys held by the Paying Agent for the payment of principal of or interest

on the Securities (whether such money has been paid to it by the Company or any Gurantor), and shall notify the Trustee of any default by the Company in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. The Company may at any time require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent shall have no further liability for the money. If the Company acts as Paying Agent, it shall segregate and hold as a separate trust fund all money held by it as Paying Agent.

SECTION 2.05 SECURITYHOLDER LISTS.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Securityholders. If the Trustee is not the Registrar, the Company shall furnish to the Trustee on or before each interest payment date and at such other times as the Trustee may request in writing a list, in such form and as of such date as the Trustee may reasonably require, of the names and addresses of Securityholders.

SECTION 2.06 TRANSFER AND EXCHANGE.

When Securities are presented to the Registrar or a co-Registrar with a request to register their transfer or to exchange them for an equal principal amount of Securities of other authorized denominations accompanied by a written instrument or instruments of transfer, in form satisfactory to the Company and the Registrar, duly executed by the registered owner or by his or her attorney duly authorized in writing, the Registrar shall register the transfer or make the exchange if the requirements of Section 8-401(1) of the New York Uniform Commercial Code are met. To permit registrations of transfer and exchanges, the Trustee shall authenticate Securities (accompanied by Guarantees duly endorsed by the Guarantors) at the Registrar's request. The Company or the Trustee, as the case may be, shall not be required (i) to issue, authenticate, register the transfer of or exchange any Security during a period beginning at the opening of business 15 days before the mailing of a notice of redemption of the Securities selected for redemption under Section 3.03 and ending at the close of business on the day of such mailing, or (ii) to register the transfer of or exchange any Security so

selected for redemption in whole or in part, except the unredeemed portion of Securities being redeemed in part.

No service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer, registration of transfer or exchange of Securities, other than exchanges pursuant to Sections 2.10, 3.06 or 9.05 not involving any transfer.

Anything in this Indenture to the contrary notwithstanding, but subject to the payment of interest to the Holders of the Securities on the applicable record date, the parties hereto and any agent thereof may deem and treat the Holder of any Securities, prior to due presentment thereof for registration of transfer, as the absolute owner of such Securities for

all purposes (whether or not the Securities shall be overdue and notwithstanding any notation of ownership or other writing thereon) and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by any notice to the contrary.

SECTION 2.07 REPLACEMENT SECURITIES.

If the Holder of a Security claims that the Security has been mutilated, lost, destroyed or wrongfully taken, the Company shall execute and issue and, upon the Company's request, the Trustee shall authenticate (accompanied by Guarantees duly endorsed by the Guarantors) and deliver a replacement Security if their respective reasonable requirements as well as the requirements of applicable law are met and, in the case of a mutilated Security, such mutilated Security is surrendered to the Trustee. If required by the Trustee, any Guarantor or the Company, an indemnity bond must be furnished by such Holder in an amount sufficient in the judgment of the Trustee or the Company, as the case may be, to indemnify and protect the Company, each Guarantor, the Trustee and any other Agent and hold them harmless from any loss which any of them may suffer if a Security is replaced. The Company or the Trustee may charge for its reasonable expenses in replacing a Security.

If any mutilated, destroyed or wrongfully taken Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security when due.

Every replacement Security is an additional obligation of the Company.

SECTION 2.08 OUTSTANDING SECURITIES.

Securities outstanding at any time are all the Securities authenticated by the Trustee except those canceled by it, those delivered to it for cancellation, and those described in this Section as not outstanding. A Security does not cease to be outstanding solely because the Company or any Guarantor or one of their Subsidiaries or Affiliates is a Holder of the Security.

If a Security is replaced pursuant to Section 2.07, it ceases to be outstanding unless the Trustee receives proof satisfactory to it, or a court holds, that the replaced Security is held by a bona fide purchaser.

If the Paying Agent (if other than the Company) or the Trustee holds on a redemption date or the Maturity Date money sufficient to pay the principal of, and accrued interest on, the Securities payable on that date, then on and after that date such Securities shall be deemed to be no longer

outstanding and interest on them shall cease to accrue.

SECTION 2.09 SECURITIES HELD BY THE COMPANY OR AN AFFILIATE.

In determining whether the Holders of the required principal amount of Securities have concurred in any direction, request, waiver or consent under this Indenture, Securities owned by the Company or any Guarantor or any Subsidiary or Affiliate of the Company or a Guarantor shall be disregarded, except that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, request, waiver or consent, only Securities which the Trustee knows are so owned shall be so disregarded.

SECTION 2.10 TEMPORARY SECURITIES.

Until definitive Securities are ready for delivery, the Company may prepare and execute and the Trustee shall authenticate (accompanied by Guarantees duly endorsed by the Guarantor) and deliver temporary Securities. Temporary Securities shall be substantially in the form of definitive Securities, but may have such variations as the Company considers appropriate for temporary Securities. The Company shall prepare and execute and the Trustee shall authenticate and deliver definitive Securities in exchange for temporary Securities without unreasonable delay.

SECTION 2.11 CANCELLATION.

The Company may at any time deliver Securities to the Trustee for cancellation. The Registrar and Paying Agent shall forward to the Trustee any Securities surrendered to them for registration of transfer, exchange or payment. The Trustee shall cancel all Securities surrendered for registration of transfer, exchange, payment or cancellation and, at the option of the Company, shall destroy canceled Securities and deliver a certificate of any such destruction to the Company. The Company may not issue new Securities to replace Securities that it has paid or delivered to the Trustee for cancellation.

SECTION 2.12 DEFAULTED INTEREST.

If and to the extent the Company defaults in a payment of interest on the Securities, it shall pay the defaulted interest in any lawful manner. It may pay the defaulted interest to the Persons who are Securityholders on a subsequent special record date. The Company shall fix such record date and payment date. At least 15 days before the record date, the Company shall mail to Securityholders, with a copy to the Trustee, a notice that states the record date, payment date and amount of interest to be paid.

ARTICLE 3.

REDEMPTION

SECTION 3.01 NOTICES TO TRUSTEE.

If the Company wants to redeem Securities pursuant to Section 3.07 or is required to redeem Securities pursuant to Section 3.08, it shall

notify the Guarantor and the Trustee, by means of an Officer's Certificate at least 60 days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Trustee), of the redemption date and the principal amount of Securities to be redeemed. If the Company elects to reduce the amount of Securities required to be redeemed pursuant to Section 3.08 as provided therein, it shall notify the Trustee at least 60 days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Trustee) of the amount of the reduction and the basis for it. If the Company elects to credit against any such redemption Securities it has not previously delivered to the Trustee for cancellation, it shall deliver the Securities with the notice.

SECTION 3.02 SELECTION OF SECURITIES TO BE REDEEMED.

If less than all the Securities are to be redeemed, the Trustee shall select the Securities to be redeemed on a pro rata basis, by lot or such other method as the Trustee shall deem fair and equitable. The Trustee shall make the selection from Securities outstanding and not previously called for redemption. The Trustee may select for redemption portions of the principal of Securities that have denominations larger than $1,000. The Securities and portions of them it selects shall be in amounts of $1,000 or whole multiples of $1,000. The provisions of this Indenture that apply to Securities called for redemption also apply to portions of Securities called for redemption. For purposes of any such selection the Company will, upon request of the Trustee, close for a period of 15 days preceding the mailing of any notice of redemption the registry books of the Company with respect to the Securities.

SECTION 3.03 NOTICE OF REDEMPTION.

At least 15 days but not more than 60 days before a redemption date, the Company shall mail a notice of redemption by first-class mail to each Holder whose Securities are to be redeemed.

The notice shall identify the Securities and the principal amount thereof to be redeemed and shall state:

(1) the redemption date;

(2) the Redemption Price (and the amount of accrued interest to be paid on the Securities called for redemption);

(3) the name and address of the Paying Agent;

(4) the provisions of the Securities and this Indenture pursuant to which the Securities are to be redeemed;

(5) that Securities called for redemption must be surrendered to the Paying Agent to collect the Redemption Price;

(6) that interest on Securities called for redemption ceases to accrue on and after the redemption date unless the Company shall default in the payment of the Redemption Price; and

(7) the CUSIP number of the Securities.

At the Company's request, the Trustee shall give the notice of redemption in the Company's name and at the Company's expense.

SECTION 3.04 EFFECT OF NOTICE OF REDEMPTION.

Once a notice of redemption is mailed in accordance with the provisions hereof, the Securities called for redemption become due and payable on the redemption date at the Redemption Price and, on and after such redemption date (unless the Company shall default in the payment of the Redemption Price), such Securities shall cease to bear interest and such Securities shall be deemed not to be outstanding hereunder and shall not be entitled to any benefits hereunder, except to receive payment of the Redemption Price together with all accrued interest to the date fixed for redemption. Upon surrender to the Paying Agent, such Securities shall be paid at the Redemption Price plus accrued interest to the redemption date.

SECTION 3.05 DEPOSIT OF REDEMPTION PRICE.

On or before the Business Day immediately preceding the redemption date, the Company shall deposit with the Paying Agent money in funds immediately available on the redemption date sufficient to pay the Redemption Price of and accrued interest on all Securities to be redeemed on that date.

SECTION 3.06 SECURITIES REDEEMED IN PART.

Upon surrender of a Security that is redeemed in part, the Trustee shall authenticate for the Holder a new Security equal in principal amount to the unredeemed portion of the Security surrendered.

SECTION 3.07 OPTIONAL REDEMPTION.

The Securities may be redeemed at the option of the Company in whole at any time or in part from time to time at a price equal to the principal amount to be redeemed (the "Redemption Price") plus accrued and unpaid interest to the date of such optional redemption. The Securities may also be redeemed or prepaid by purchase by the Company on the open market from time to time, without penalty or premium.

SECTION 3.08 MANDATORY REDEMPTION UPON SALE OF ASSETS.

Neither the Company nor any Restricted Subsidiary may consummate a Sale of Assets unless, within 120 days after consummation, all of the Net Proceeds received as a result of the Sale of Assets (after setting aside a sufficient amount of such proceeds so as to leave the Company with $5 million in net working capital and after setting aside any proceeds to be reinvested in accordance with clause (vii) of the proviso to the definition of Sale of Assets) are deposited with the Trustee to redeem outstanding Securities at a price equal to the Redemption Price plus accrued and unpaid interest to the date of such redemption. With the approval of the Board of Directors, the Company may elect, for purposes of this Section 3.08, to be deemed to have deposited with the Trustee and applied Net Proceeds to the redemption of Securities to the extent it shall acquire, before or after such Sale of Assets, in lieu of making all or any portion of the deposit and redemptions of such Securities provided for in this Section 3.08, through open market or other purchases, Securities with a principal amount equal to the principal amount of Securities which could have been redeemed with such amount of Net Proceeds (upon payment of the Redemption Price plus accrued and unpaid interest thereon) upon redemption pursuant to Section 3.07 and that have not been previously credited against redemptions or purchases upon a Sale of Assets or a required sinking fund payment under Section 3.09, provided any Securities so purchased shall be delivered to the Trustee for cancellation within 120 days after the receipt of such Net Proceeds.

SECTION 3.09 SINKING FUND PAYMENTS.

The Company shall make three payments of $10,000,000 each into

a [sinking fund account] maintained at [office] of the Trustee commencing in the year 2000. The first such payment shall be made on or before July ---, 2000, the second on or before July ---, 2001 and the third on or before July - ---, 2002. All funds in such account shall, at the Company's direction, from time to time, be held in cash in an interest-bearing account, or invested in U.S. Government Obligations designated by the Company with a maturity date not later than one business day before the Maturity Date ("bonds"). The funds in the [sinking fund account] shall be used to redeem Securities from time to time on or before the Maturity Date as and when directed by the Company. The amount of any such required sinking fund payment may be reduced by the principal amount of any Securities that the Company has optionally redeemed or purchased and delivered to the Trustee for cancellation and that have not been previously credited against redemptions or purchases upon a Sale of Assets or a required sinking fund payment. For purposes of this Indenture, funds held by the Trustee shall be deemed held by the Paying Agent. In the event that, at any time, the

principal amount of any Securities previously redeemed under this Section or delivered by the Company to the Trustee for cancellation under this Section plus any cash (together with the proceeds of the bonds, including, without limitation, principal, interest and premium) in the [sinking fund account] at any time that the Company is not in default hereunder exceeds the lesser of (i) the then outstanding principal amount of Securities and (ii) $30,000,000, the excess shall be returned to the Company.

ARTICLE 4.

COVENANTS

SECTION 4.01 PAYMENT OF SECURITIES.

The Company shall pay the principal of and interest on the Securities on the dates and in the manner provided in the Securities and this Indenture. Principal and interest shall be considered paid on the date due if the Paying Agent (if other than the Company) holds on that date money sufficient to pay all principal and interest then due. The Company shall pay interest on overdue principal at the rate borne by the Securities.

SECTION 4.02 MAINTENANCE OF OFFICE OR AGENCY.

The Company will maintain in the Borough of Manhattan, The City of New York, an office or agency where Securities may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee.

The Company may also from time to time designate one or more other offices or agencies where the Securities may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, The City of New York, for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

The Company hereby designates the Corporate Trust Office of the Trustee as an agency of the Company in accordance with Section 2.03.

SECTION 4.03 CORPORATE EXISTENCE.

Except as permitted in Article 5, the Company and its Restricted Subsidiaries shall each do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence; provided, however, that the Company shall not be required to preserve any corporate existence if its Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and its Restricted Subsidiaries as a whole and that the loss thereof is not disadvantageous in any material respect to the Holders.

SECTION 4.04 PAYMENT OF TAXES.

The Company will pay or discharge or cause to be paid or discharged, before the same shall become delinquent (i) all taxes, assessments and governmental charges levied or imposed upon the Company or any Restricted Subsidiary and (ii) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a material Lien upon the property of the Company or any Restricted Subsidiary; provided, however, that the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings and for which it has set aside on its books such reserves as it deems adequate.

SECTION 4.05 MAINTENANCE OF PROPERTIES.

The Company will cause the material properties owned by the Company or any Restricted Subsidiary for use in the conduct of its business or the business of any such Restricted Subsidiary to be maintained and kept in good condition, repair and working order (subject to ordinary wear and tear) and will cause to be made all necessary repairs thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted; provided, however, that nothing in this Section shall prevent the Company from discontinuing the maintenance or repair of any such properties if such discontinuance is, in the judgment of the Company, desirable in the conduct of its business or the business of any Restricted Subsidiary and not disadvantageous in any material respect to the Holders.

SECTION 4.06 SEC REPORTS.

Within 15 days after the Company files with the SEC copies of its annual and quarterly reports and other information, documents and reports (or copies of such portions of any of the foregoing as the SEC may by rules and regulations prescribe) which it is required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act, the Company shall deliver the same to the Trustee. The Company will mail copies of its annual reports and quarterly reports as filed with the SEC, other than exhibits to any such report unless such exhibits are themselves incorporated by reference in such report, to any Securityholder upon request. If the Company shall cease to be subject to the requirements of Section 13 or 15(d)

of the Exchange Act, the Company shall deliver to the Trustee and to each Securityholder, within 15 days after the date by which it would have been required to make such a filing with the SEC, audited annual financial statements prepared in accordance with generally accepted accounting principles and unaudited condensed quarterly financial statements, including any notes thereto, each comparable to that which the Company would have been required to include in such annual reports, information, documents or other reports if the Company were then subject to the requirements of Section 13 or 15(d) of the Exchange Act. The Company also shall comply with the other provisions of TIA Section 314(a).

If, in accordance with GAAP, any Guarantor shall at any time cease to be consolidated with the Company for financial reporting purposes, such Guarantor will, within 15 days after it files with the SEC copies of its annual and quarterly reports and other information, documents and reports (or copies of such portions of any of the foregoing as the SEC may by rules and regulations prescribe) which it is required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act, deliver the same to the Trustee. Such Guarantor will mail copies of its annual reports and quarterly reports as filed with the SEC, other than exhibits to any such report unless such exhibits are themselves incorporated by reference in such report, to any Securityholder upon request. If such Guarantor shall cease to be subject to the requirements of Section 13 or 15(d) of the Exchange Act, such Guarantor (to the extent it is required by the TIA, taking into consideration any waivers or no action positions received by the Company or the Guarantors from the SEC, written notice of which shall be provided to the Trustee) shall (i) deliver to the Trustee and to each Securityholder, within 15 days after the date by which it would have been required to make such a filing with the SEC, audited annual financial statements prepared in accordance with GAAP and unaudited condensed quarterly financial statements, including any notes thereto, each comparable to that which such Guarantor would have been required to include in such annual reports, information, documents or other reports if the Company were then subject to the requirements of Section 13 or 15(d) of the Exchange Act and (ii) comply with the other provisions of TIA Section 314(a).

SECTION 4.07 COMPLIANCE CERTIFICATE.

The Company and each Guarantor shall deliver to the Trustee within 120 days after the end of each fiscal year of the Company and such Guarantor, and within 60 days after the end of each of the first three fiscal quarters of the Company and such Guarantor, an Officer's Certificate stating that, after a review of the activities of the Company or such Guarantor, as the case may be, during such period and of the Company's or such Guarantor's, as the case may be, performance under this Indenture, whether or not, to the best knowledge of the signer thereof based on such review, there has been any Default or Event of Default by the Company or such Guarantor in performing any of its obligations under this Indenture or the Securities. If the signer does know of any such Default or Event of Default, the certificate shall describe the Default or Event of Default and its status.

SECTION 4.08 RESTRICTED INVESTMENTS AND RESTRICTED STOCK PAYMENTS.

The Company will not declare any dividends (other than dividends payable solely in capital stock of the Company or dividends required under the terms of a preferred stock issued by a company which is at the time of such issuance or later becomes a Restricted Subsidiary) on any capital stock of the Company or make any payment on account of the purchase, redemption or other retirement of any shares of such stock or make any distribution in respect thereof, either directly or indirectly, and the Company will not itself, and will not permit any Restricted Subsidiary to, make any investment

in Unrestricted Subsidiaries, unless such dividends are declared to be payable not more than 120 days after the date of declaration, and unless, after giving effect to such proposed dividend or other such payment or distribution or investment and to any other dividends declared but not yet paid, each of the following conditions is complied with at the date (hereinafter called the "Computation Date") of such declaration (in case of a dividend) or of such other payment or distribution or investment:

(i) Total Borrowed Funds of the Company and its Restricted Subsidiaries, taken as a whole, is not more than 60% of Total Capitalization of the Company and its Restricted Subsidiaries, taken as a whole, and

(ii) the sum of

(1) Consolidated Net Income computed for the period commencing [on the Effective Date] to and including the Computation Date, plus:

(2) the aggregate amount of net cash proceeds to the Company from sale subsequent to [the Effective Date] of shares of its Capital Stock, but only insofar as such proceeds do not exceed the aggregate amount of all payments made subsequent to [the Effective Date] or then being made on account of the purchase, redemption or retirement of any shares of its Capital Stock

shall be greater than the sum of

(3) the aggregate amount of all such dividends declared and all such other such payments and distributions in respect of Capital Stock made during the period commencing [on the Effective Date] to and including the Computation Date, plus

(4) the excess, if any, of (i) the amount of the aggregate unliquidated investment (computed as hereinbelow provided) on the Computation Date of the Company and all Restricted Subsidiaries in Unrestricted Subsidiaries, over (ii) the aggregate of (x) [$----------], being the amount of the aggregate unliquidated investment (so computed) on [the Effective Date] of the Company and all Restricted Subsidiaries in Unrestricted Subsidiaries (y) an amount of up to $5 million which may be invested by the Company in Construction Aggregates Ltd., to the extent useful for its working capital needs and (z) the amount included in Consolidated Net Income, if any, by which the aggregate of

the net profits realized upon any sales for cash after [the Effective Date] by the Company and its Restricted Subsidiaries of its or their investments in Unrestricted Subsidiaries exceeds the aggregate of the net losses, if any, realized upon any such sales (such profits and losses to be determined in accordance with generally accepted accounting principles and, in the case of profits, after deducting all applicable taxes); provided that the profit or loss on any such sale to the Company or to any Subsidiary shall not be included in such computation; provided, however, that without regard to the foregoing restrictions of this Section, (i) the Company may retire any shares of any class of its Capital Stock by exchange for, or out of the proceeds of the substantially concurrent sale of, other shares of its Capital Stock, and neither any such retirement nor any such proceeds so used shall be included in any computation provided for in this Section 4.08 and (ii) any Restricted Subsidiary may make any required payments (including without limitation, dividend, sinking fund, and mandatory redemption payments) on or in respect of any Preferred Stock of such Restricted Subsidiary which exists on the Effective Date or is outstanding at any time hereafter that the issuer of such Preferred

Stock first becomes a Restricted Subsidiary. For purposes of this Section 4.08, the issuance of Capital Stock upon the conversion of any Indebtedness of the Company shall be deemed to constitute a sale for cash of such capital stock and the net proceeds of such sale shall be deemed to be an amount equal to the principal amount of such Indebtedness, less applicable expenses and cash payments for fractional shares.

For the purposes of any computation under this Section 4.08, the amount of any dividend declared or other payment or distribution made in property other than cash, and the amount of any investment in an Unrestricted Subsidiary made through the transfer to it of any such property, shall be deemed to be Fair Value (as determined by the Board of Directors) of such property at the time of declaration (in the case of dividends) or at the time of payment or distribution or investment.

Also for the purpose of any computation under this Section 4.08, the aggregate unliquidated investment of the Company and Restricted Subsidiaries in any Unrestricted Subsidiary shall be computed in accordance with generally accepted accounting principles and shall include all investments by means of stock purchase, loan, advance, guarantee, capital contribution or otherwise, provided, however, that

(A) amounts invested by the Company through the exchange of its stock for stock of any Unrestricted Subsidiary or for assets contemporaneously transferred to an Unrestricted Subsidiary shall be disregarded;

(B) undistributed earnings of an Unrestricted Subsidiary shall not be included;

(C) there shall not be deducted from the amounts invested in any Unrestricted Subsidiary any amounts received by the Company or any Restricted Subsidiary (as dividends, interest or otherwise) as earnings on its investment in such Unrestricted Subsidiary;

(D) write-ups, write-downs or write-offs after [the Effective Date], of investments in Unrestricted Subsidiaries shall be disregarded; and

(E) accounts receivable from an Unrestricted Subsidiary arising in the ordinary course of business from the sale of goods or services shall not be included.

SECTION 4.09 TRANSACTIONS WITH AFFILIATES.

The Company will not, and will not permit any of its Restricted Subsidiaries, to, engage in any material transaction with any of its Affiliates (other than the Company or other Restricted Subsidiaries) unless (i) such transaction is in the ordinary course of business or (ii) the Board of Directors in good faith determines that such transaction is in the best interest of the Company or such Restricted Subsidiary. Nothing in this Section 4.09 shall prohibit any transactions pursuant to any agreement existing as of the Effective Date.

SECTION 4.10 LIMITATION ON TOTAL BORROWED FUNDS AND LIENS.

(a) The Company will not, and will not permit any Restricted Subsidiary, directly or indirectly, to create, incur or assume or guarantee or otherwise become liable or responsible for, any Indebtedness, unless immediately thereafter and after giving effect thereto, Total Borrowed Funds of the Company and its Restricted Subsidiaries, taken as a whole, will

not be more than 60% of Total Capitalization of the Company and its Restricted Subsidiaries, taken as a whole; provided, however, that nothing contained in this paragraph 4.10(a) shall prevent (i) the Company or any Restricted Subsidiary from creating, incurring or assuming or guaranteeing or otherwise becoming liable or responsible for any Refinancing Indebtedness, or (ii) a Restricted Subsidiary from creating, incurring, or assuming or guaranteeing or otherwise becoming liable or responsible for Indebtedness to the Company or another Restricted Subsidiary, (iii) the Company or any Restricted Subsidiary from entering into any sale and lease-back transaction the proceeds of which are reinvested substantially contemporaneously with their receipt in connection with the acquisition or improvement of capital assets of the Company and/or any of its Restricted Subsidiaries.

For purposes of this paragraph 4.10(a) and Section 4.08: (a) at the time that a corporation becomes a Restricted Subsidiary it shall be deemed to have created at such time all the Indebtedness it has outstanding immediately after such time, and (b) in case any Restricted Subsidiary shall sell, transfer or otherwise dispose of any Indebtedness owing by the Company, or in case the Capital Stock of any Restricted Subsidiary which holds Indebtedness owing by the Company or any other Restricted Subsidiary shall be sold, transferred or otherwise disposed of, such sale, transfer or disposition shall be deemed to constitute the creation of such Indebtedness, and (c) if, after the Effective Date, there shall be one or more changes in GAAP applicable to the Company or any of its Restricted Subsidiaries which would cause the Company or any Restricted Subsidiary to be prohibited from or restricted in taking some action where the Company and its Restricted Subsidiary would not have been so prohibited or restricted in the absence of such change in GAAP, then

such change shall be ignored in making any computation contemplated by Section 4.08 or 4.10.

(b) The Company will not, and will not permit any of its Restricted Subsidiaries to, create, incur, assume or suffer to exist any Lien on any asset owned by the Company or any of its Restricted Subsidiaries except Permitted Liens.

SECTION 4.11 CONFLICTING AGREEMENTS.

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any agreement or execute any instrument (other than agreements or instruments that relate solely to Permitted Working Capital Loans and agreements involving Production Payment Transactions) that by its terms expressly prohibits or otherwise would have the effect of prohibiting the Company from redeeming or otherwise making any payments on or with respect to the Securities pursuant to their terms and the terms of this Indenture.

SECTION 4.12 LIMITATION ON DIVIDENDS AND CERTAIN OTHER RESTRICTIONS AFFECTING SUBSIDIARIES.

Except as otherwise provided by the terms of this Indenture, any Permitted Working Capital Loans, any agreements involving Production Payment Transactions or any agreements existing on the Effective Date, the Company will not, and will not permit any of its Restricted Subsidiaries to create or otherwise cause or suffer to exist or to become effective any encumbrance or restriction on the ability of any of its Restricted Subsidiaries (i) to pay dividends, make loans, extend guarantees or make any other distributions to the Company or to other Restricted Subsidiaries, or to pay any Indebtedness owed to the Company or a Restricted Subsidiary of the Company; (ii) to make loans or advances to the Company or another Restricted Subsidiary;

or (iii) to transfer any of their respective properties or assets to the Company, other than such encumbrances or restrictions existing under or by reason of (a) applicable law, (b) customary non-assignment provisions of any lease governing a leasehold interest of the Company or any of its Subsidiaries, (c) restrictions on the transfer of assets acquired in connection with the incurrence of Purchase Money Indebtedness and (d) Permitted Liens.

SECTION 4.13 LIMITATION ON RESTRICTED SUBSIDIARY INDEBTEDNESS.

The Company will not suffer or permit any Restricted Subsidiary to:

(a) directly or indirectly, create, incur or assume, guarantee or otherwise become liable or responsible for, or suffer to exist, any Indebtedness except (i) Indebtedness owed to the Company or a Restricted Subsidiary, (ii) Indebtedness secured by mortgages or other Liens permitted by the terms of this Agreement, (iii) Indebtedness outstanding at the time such Restricted Subsidiary became a Restricted Subsidiary, (iv) Indebtedness listed on Schedule --- to this Indenture, (v)

Indebtedness in accordance with the definition of West Nyack Indebtedness, (vi) Permitted Working Capital Loans; (vii) Purchase Money Indebtedness, (viii) the Guarantee, and (ix) Refinancing Indebtedness.

(b) have outstanding (i) any Preferred Stock other than Preferred Stock owned by the Company or a Restricted Subsidiary or Preferred Stock outstanding at the time such Restricted Subsidiary became a Restricted Subsidiary, or (ii) more than one class of Common Stock unless more than 50% of the outstanding shares of each class of Common Stock is owned by the Company or by one or more of its other Restricted Subsidiaries; or

(c) issue or sell any Capital Stock of such Restricted Subsidiary to any Person other than the Company or a Restricted Subsidiary, except for (i) shares of Common Stock issued or sold solely for the purpose of qualifying directors, shares of Common Stock issued for the purpose of paying a pro rata stock dividend on the Common Stock of such Restricted Subsidiary, and (ii) additional shares of Common Stock sold in a subscription offer to the holders of the outstanding shares of Common Stock of such Restricted Subsidiary provided that the Company and its other Restricted Subsidiaries shall acquire a portion of such additional shares at least equal to the proportion of the outstanding shares of Common Stock of such Restricted Subsidiary theretofore owned by them.

SECTION 4.14 RESTRICTED SUBSIDIARIES.

The Company:

(a) will not, and will not suffer or permit any Restricted Subsidiary to, sell, transfer or otherwise dispose of any outstanding Capital Stock or Indebtedness of a Restricted Subsidiary owned by the Company or another Restricted Subsidiary to any Person other than the Company or a Restricted Subsidiary (except for directors' qualifying shares or shares of Capital Stock or Indebtedness sold, transferred or disposed of in order to comply with any applicable law, governmental regulation, order or decree) unless (x) (i) the Restricted Subsidiary, the Capital Stock and Indebtedness of which are so being sold, transferred or disposed of, does not own

any Capital Stock or Indebtedness of any other Restricted Subsidiary and (ii) all outstanding Capital Stock and all Indebtedness of the Restricted Subsidiary, the Capital Stock and Indebtedness of which are so being sold, transferred or disposed of (which outstanding Capital Stock and Indebtedness are owned by the Company or any Restricted Subsidiary), are sold, transferred or otherwise disposed of at one time as an entirety, in a single transaction or related series of transactions, for a consideration and upon terms deemed by the Board of Directors to be adequate and satisfactory; or (y) the Indebtedness sold, transferred or otherwise disposed of, if newly created on the date of such disposition, would have been permitted as of such date under Section 4.10 and 4.13;

(b) will not suffer or permit a Restricted Subsidiary to consolidate or merge with or into any other Person, or to lease, sell or transfer all or substantially all of its property and assets to any Person, except that:

(1) a Restricted Subsidiary may so consolidate or merge into, or may so lease, sell or transfer such property and assets to, the Company;

(2) a Restricted Subsidiary may so consolidate or merge with or into any other Person or may so lease, sell or transfer such property and assets to any other Person if, after giving effect to the transaction, the entity surviving such consolidation or merger, or acquiring such property and assets, will be a Restricted Subsidiary; and

(3) a Restricted Subsidiary may so sell such property and assets for a consideration and upon terms deemed by the Board of Directors to be adequate and satisfactory; and

(c) will not suffer or permit any Unrestricted Subsidiary to own any Capital Stock of a Restricted Subsidiary.

Promptly after the designation of a Subsidiary as a Restricted Subsidiary the Company will notify the Trustee in writing of such designation.

SECTION 4.15 WAIVER OF STAY, EXTENSION OR USURY LAWS.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any usury law or other law which would prohibit or release the Company from paying all or any portion of the principal or interest on the Securities as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Indenture, and (to the extent that it may lawfully do so) the Company hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but it will suffer and permit the execution of every such power as though no such law had been enacted.

SECTION 4.16 MAINTENANCE OF INSURANCE AND RECORDS, COMPLIANCE WITH LAW.

(a) Except to the extent that, in the exercise of its good faith business judgment, the Company believes the cost to be incurred in procuring and/or maintaining insurance to be excessive in view of the benefit to be derived therefrom, the Company shall, and shall cause its Restricted Subsidiaries to, maintain with financially sound and reputable insurers such

(i) liability and property and casualty insurance as may be required by law and (ii) such other insurance, to such extent and against such hazards and liabilities, substantially equivalent to the insurance that comparable companies maintain.

(b) The Company shall keep, or cause to be kept, true books and records and accounts in which entries will be made of all of the business transactions of the Company and its Restricted Subsidiaries which shall be full and correct in all material respects, in accordance with sound business practices, and reflect in their respective financial statements adequate accruals and appropriate reserves, all in accordance with generally accepted accounting principles.

(c) The Company shall, and shall cause its Restricted Subsidiaries to, comply with all statutes, laws, ordinances, or governmental rules and regulations to which it is subject, noncompliance with which would materially adversely affect the prospects, earnings, properties, assets or condition, financial or otherwise, of the Company and its Restricted Subsidiaries taken as a whole.

SECTION 4.17 LIMITATION ON REDEMPTION OF CERTAIN PERMITTED SUBORDINATED INDEBTEDNESS.

The Company will not, and will not permit any of its Restricted Subsidiaries to, at any time that an Event of Default remains uncured hereunder or at any time prior to the Maturity Date (i) redeem pursuant to the optional redemption provisions thereof, or make any optional payment of principal on, any Permitted Subordinated Indebtedness; (ii) defease Permitted Subordinated Indebtedness; or (iii) issue to the holders of Permitted Subordinated Indebtedness in exchange therefor any property or assets (other than the proceeds of any Refinancing Indebtedness incurred with respect to such Permitted Subordinated Indebtedness or securities which do not require payments of principal or interest and are not mandatorily redeemable on or prior to the Maturity Date).

SECTION 4.18 VALUE OF CLAIMS REPRESENTED BY SECURITIES.

The parties hereto covenant and agree that in any case commenced under Chapter 11 of Title 11 of the United States Code subsequent to the Effective Date involving the Company, the claims represented by the Securities shall equal the full principal amount of the Securities, plus accrued and unpaid interest at the stated rates set forth in the Securities.

SECTION 4.19 INVESTMENT COMPANY ACT OF 1940.

The Company will not, and will not permit any of its Restricted Subsidiaries to, take any action resulting in its becoming an "investment company" (as such term is defined in the Investment Company Act of 1940, as amended).

SECTION 4.20 NOTICE OF DEFAULT.

In the event that any Default under this Indenture shall occur, the Company will give prompt written notice of such Default to the Trustee, specifying the nature and

status of such Default and the steps which the Company or its Subsidiaries have taken or propose to take in order to cure such Default.

ARTICLE 5.

SUCCESSORS

SECTION 5.01 WHEN COMPANY MAY MERGE, ETC.

The Company shall not consolidate or merge with or into, or sell, assign, transfer or lease all or substantially all of the assets of the Company and its Restricted Subsidiaries, taken as a whole, to, any Person unless:

(i) the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale or conveyance shall have been made, is an entity organized and existing under the laws of the United States, any state thereof or the District of Columbia; and

(ii) the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale or conveyance shall have been made, assumes by supplemental indenture all the obligations of the Company under the Securities and this Indenture (including, without limitation, those under Section 3.09 hereof).

The Company shall deliver to the Trustee prior to the consummation of the proposed transaction an Officer's Certificate to the foregoing effect and an Opinion of Counsel stating that the proposed transaction and supplemental indenture comply with this Indenture.

SECTION 5.02 SUCCESSOR SUBSTITUTED.

Upon any consolidation or merger or transfer or lease of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole, in accordance with Section 5.01, the successor Person formed by such consolidation or into which the Company is merged or to which such sale, assignment, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, and shall assume every duty and obligation of, the Company under this Indenture with the same effect as if such successor corporation had been named as the Company herein. When the successor corporation assumes all obligations of the Compan hereunder, all obligations of the predecessor corporation shall terminate.

ARTICLE 6.

DEFAULTS AND REMEDIES

SECTION 6.01 EVENTS OF DEFAULT.

An "Event of Default" occurs if:

(1) the Company and the Guarantors default in the payment of interest on any Security when the same becomes due and payable, whether at maturity, in connection with any redemption, by acceleration or otherwise, and such default continues for a period of 30 days;

(2) the Company and the Guarantors default in the payment of the principal of any Security when the same becomes due and payable, whether at maturity, in connection with any redemption, by acceleration or otherwise and such default continues for a period of 30 days after the earlier of (i) the date on which written notice of such failure, requiring the Company and the Guarantors to remedy the same, shall have been given to the Company and each of the Guarantors by the Trustee, or to the Company, each of the Guarantors and the Trustee by the Holders of at least 25% in aggregate principal amount of the Securities at the time outstanding or (ii) the date on which the Company and each of the Guarantors had Actual Knowledge of such failure;

(3) the Company or any of its Restricted Subsidiaries fails to observe or perform in any material respect any of its other covenants or agreements in the Securities or this Indenture, which failure continues for a period of 30 days after the earlier of (i) the date on which written notice of such failure, requiring the Company to remedy the same, shall have been given to the Company by the Trustee, or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the Securities at the time outstanding or (ii) the date on which the Company had Actual Knowledge of such failure;

(4) (a) the Company or any of its Restricted Subsidiaries, fails to pay when due (whether at maturity, in connection with any mandatory amortization or redemption, by acceleration or otherwise) any principal or interest on any Indebtedness with an aggregate outstanding principal amount in excess of $5 million, whether any such Indebtedness is outstanding as of the date of this Indenture or is hereafter outstanding, which default continues for the greater of any period of grace applicable thereto or 60 days from the date of such default, or (b) a default or event of default, as defined in one or more indentures, agreements or other instruments evidencing or under which the Company or any of its Restricted Subsidiaries individually or collectively have, as of the date of this Indenture or hereafter, outstanding at least $5 million aggregate principal amount of Indebtedness, shall

happen and be continuing and such Indebtedness shall have been accelerated so that it is due and payable prior to the date on which it would otherwise have become due and payable, and such acceleration shall not be rescinded or annulled within 60 days after the earlier of (i) the date on which written notice of such acceleration shall have been given to the Company by the Trustee, or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the Securities at the time outstanding or (ii) the date on which the Company had Actual Knowledge of such acceleration; provided that if such default or event of default under such indenture or other instrument shall be remedied or cured by the Company or the Restricted Subsidiary or waived by the holders of such Indebtedness, then the Event of Default under this Indenture by reason thereof shall be deemed likewise to have been thereupon remedied, cured or waived without further action upon the part of either the Trustee or any of the Holders of Securities;

(5) one or more final judgments against the Company or any of its Restricted Subsidiaries for payments of money which in the aggregate exceed $5 million, are entered by a court of competent jurisdiction and such judgments are not rescinded, annulled, stayed or

discharged within 90 days;

(6) the Company and its Restricted Subsidiaries, taken as a whole become insolvent;

(7) the Company or any of its material Restricted Subsidiaries pursuant to or within the meaning of any Bankruptcy Law:

(a) commences a voluntary case,

(b) consents to the entry of a judgment, decree or order for relief against it in an involuntary case or proceeding,

(c) consents to the appointment of a Custodian of the Company or such material Subsidiary or for all or substantially all of its property,

(d) makes a general assignment for the benefit of its creditors, or

(e) applies for, consents to or acquiesces in the appointment of, or taking possession by a Custodian;

(8) a court of competent jurisdiction enters a judgment, decree or order for relief in respect of the Company or any of its material Restricted Subsidiaries in an involuntary case or proceeding under any Bankruptcy Law which shall

(a) approve as properly filed a petition seeking reorganization, arrangement, adjustment or composition;

(b) appoint a Custodian for any part of its property; or

(c) order the winding up or liquidation of its affairs;

and such judgment, decree or order remains unstayed and in effect for a period of sixty (60) consecutive days; or

(9) any bankruptcy or insolvency petition or application is filed, or any bankruptcy case or insolvency proceeding is commenced against, the Company or any of its material Restricted Subsidiaries and such petition, application, case or proceeding is not dismissed or stayed within ninety (90) days.

The term "Bankruptcy Law" means Title 11, U.S. Code or any similar Federal or State law for the relief of debtors. The term "Custodian" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law. The term "Actual Knowledge" means the actual knowledge of any executive officer of the Company; provided, however, that each executive officer of the Company shall be deemed to have actual knowledge of any fact that would have come to such officer's attention if he or she had exercised reasonable care in performing his or her duties, given the nature of his or her duties and the Company's business and organization.

SECTION 6.02 ACCELERATION.

If an Event of Default (other than an Event of Default specified in Section 6.01(6), (7), (8) or (9)) occurs and is continuing, the

Trustee by notice to the Company and each of the Guarantors, or the Holders of at least 25% in principal amount of the Securities by notice to the Company, each of the Guarantors and the Trustee, may declare the principal of and accrued interest on all the Securities to be due and payable. Upon such declaration such principal and interest shall be due and payable immediately. If an Event of Default specified in Section 6.01(6), (7), (8) or (9) occurs, all unpaid principal and accrued interest on the Securities then outstanding shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Securityholder. The Holders of at least 66 2/3% of the principal amount of the Securities may rescind an acceleration and its consequences by notice to the Trustee if the rescission would not conflict with any judgment or decree and if the outstanding Events of Default have been cured or waived except, unless theretofore cured, nonpayment of principal or interest that has become due solely because of the acceleration. No such rescission shall affect any subsequent Default or impair any right or remedy with respect thereto.

SECTION 6.03 OTHER REMEDIES.

Notwithstanding any other provision of this Indenture, if an Event of Default occurs and is continuing, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the payment of principal of or interest on the Securities or to enforce the performance of any provision of the Securities, this Indenture or the Guarantee.

The Trustee may maintain a proceeding even if it does not possess any of the Securities or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Securityholder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All remedies are cumulative.

In case the Trustee shall have proceeded to enforce any rights under this Indenture or the Guarantee and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, then and in every such case the Company, the Trustee and the Holders shall, subject to any determination in such proceeding, be restored respectively to their former positions and rights hereunder, and all rights, remedies and powers of the Company, the Guarantors and the Trustee shall continue as though no such proceeding had been taken.

SECTION 6.04 WAIVER OF PAST DEFAULTS.

Subject to Sections 6.07 and 9.02, the Holders of at least 66 2/3% of the principal amount of the Securities by notice to the Trustee may waive an existing Default or Event of Default and its consequences. When a Default or Event of Default is waived, it is cured and ceases.

SECTION 6.05 CONTROL BY MAJORITY.

The Holders of a majority in principal amount of the Securities may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it. The Trustee, however, may refuse to follow any direction that conflicts with law or this Indenture, is unduly prejudicial to the rights of any Securityholder or would subject the Trustee to personal liability; provided, the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction. The Company may set a record date for purposes of determining who may exercise such control.

SECTION 6.06 LIMITATION ON SUITS.

Except as provided in Section 6.07, a Securityholder may pursue a remedy with respect to this Indenture or the Securities only if:

(1) the Holder gives to the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in principal amount of the Securities make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer to the Trustee indemnity reasonably satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and

(5) during such 60-day period the Holders of a majority in principal amount of the Securities do not give the Trustee a direction inconsistent with the request.

A Securityholder may not use this Indenture to prejudice the rights of any other Securityholder or to obtain a preference or priority over any other Securityholder.

SECTION 6.07 RIGHTS OF HOLDERS TO RECEIVE PAYMENT.

Notwithstanding any other provision of this Indenture, the right of any Holder of a Security to receive payment of principal of and interest on the Security, on or after the respective due dates (prior to any acceleration) expressed in the Security, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of the Holder.

SECTION 6.08 COLLECTION SUIT BY TRUSTEE.

If an Event of Default specified in Section 6.01(1) or (2) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company and the Guarantors for the whole amount of principal and interest in default.

SECTION 6.09 TRUSTEE MAY FILE PROOFS OF CLAIMS.

The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee, any predecessor Trustee and the Securityholders allowed in any judicial proceedings relative to the Company, the Guarantors, their creditors or their property.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder of the Securities any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder of the Securities in any such proceeding.

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SECTION 6.10 PRIORITIES.

If the Trustee collects any money pursuant to this Article, it shall pay out the money in the following order:

First: to the Trustee for amounts due under Section 7.07;

Second: to Securityholders for amounts due and unpaid on the Securities for principal and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Securities for principal and interest, respectively;

Third: to the Company or such other Person (including a Guarantor) as is legally entitled thereto.

The Trustee may fix a record date and payment date for any payment by it to Securityholders pursuant to this Section.

SECTION 6.11 UNDERTAKING FOR COSTS.

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require any party litigating the suit other than the Trustee to file an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.07, or a suit by Holders of more than 10% in principal amount of the Securities.

ARTICLE 7.

TRUSTEE

SECTION 7.01 ACCEPTANCE OF TRUSTS; DUTIES OF TRUSTEE.

The Trustee hereby accepts the trusts imposed upon it by this Indenture and covenants and agrees to perform the same as herein expressed.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture and the Guarantee, and use the same degree of care and skill in their exercise, as a prudent Person would exercise or use under the circumstances in the conduct of his or her own affairs.

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(b) Except during the continuance of an Event of Default:

(1) The Trustee need perform only those duties that are specifically set forth in this Indenture and no others.

(2) In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine

the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(1) This paragraph does not limit the effect of paragraph (b) of this Section 7.01.

(2) The Trustee shall not be liable with respect to any error of judgment made in good faith by a Trust Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts.

(3) The Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05.

(d) Every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b) and (c) of this Section 7.01.

(e) The Trustee may refuse to exercise any of its rights or powers under this Indenture at the request of any Holders unless such Holders shall have offered to the Trustee indemnity reasonably satisfactory to it against any loss, liability or expense. No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its rights or power, if it has reasonable grounds for believing, and does believe in good faith, that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(f) The Trustee shall not be liable for interest on any money received by it except as expressly provided with respect to the sinking fund account or as the Trustee may agree with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

SECTION 7.02 RIGHTS OF TRUSTEE.

(1) The Trustee may rely on any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(2) Before the Trustee acts or refrains from acting, it may require an Officer's Certificate and/or an Opinion of Counsel and may consult with its counsel. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Certificate, Opinion or advice of such counsel.

(3) The Trustee may act through agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

SECTION 7.03 INDIVIDUAL RIGHTS OF TRUSTEE.

The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or

any of the Guarantors or an Affiliate thereof with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights. The Trustee, however, must comply with Sections 7.10 and 7.11.

SECTION 7.04 TRUSTEE'S DISCLAIMER.

The Trustee makes no representation as to the validity or adequacy of this Indenture, the Guarantee or the Securities, and it shall not be responsible for any statement in the Securities or the Guarantee other than its certificate of authentication.

SECTION 7.05 NOTICE OF DEFAULTS.

If a Default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail to each Securityholder a notice of the Default within 90 days after it occurs. Except in the case of a Default in payment of principal of or interest on any Security, the Trustee may withhold the notice if and so long as it in good faith determines that withholding the notice is in the interests of Securityholders.

SECTION 7.06 REPORTS BY TRUSTEE TO HOLDERS.

Within 60 days after each ------ beginning -----------, 1994, the Trustee shall mail to each Securityholder as required by TIA Section 313(c) a brief report dated as of such date that complies with TIA Section 313(a). The Trustee also shall comply with TIA Section 313(b).

A copy of each report at the time of its mailing to Securityholders shall be filed by the Trustee with the SEC and each stock exchange, if any, on which the Securities

are listed. The Company shall notify the Trustee when the Securities are listed on any stock exchange.

SECTION 7.07 COMPENSATION AND INDEMNITY.

The Company shall pay to the Trustee from time to time such compensation for its services as shall be agreed upon in writing. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all reasonable out-of-pocket expenses, advances and disbursements incurred by it. Such expenses shall include the reasonable compensation and out-of-pocket expenses of the Trustee's agents and counsel.

Except as hereinafter provided in this paragraph, the Company and each Guarantor shall indemnify the Trustee against any loss or liability (including the reasonable fees and expenses of counsel) incurred by it in connection with the administration of this trust and the performance of its duties hereunder. Neither the Company nor any Guarantor need pay any amount in respect of a settlement made without its consent. The Trustee shall notify the Company and each Guarantor promptly of any claim for which it may seek indemnification. Neither the Company nor any Guarantor need reimburse any expense or indemnify against any loss or liability incurred by the Trustee through the Trustee's negligence or bad faith.

To secure the Company's and each Guarantor's payment obligations in this Section, the Trustee shall have a lien prior to the Securities on all money or property held or collected by the Trustee except that held in trust to pay principal and interest on particular Securities.

When the Trustee incurs expenses or renders services after an

Event of Default specified in Section 6.01(6), (7), (8) or (9) occurs, the expenses and the compensation for services are intended to constitute expenses of administration under any Bankruptcy Law.

SECTION 7.08 REPLACEMENT OF TRUSTEE.

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section.

The Trustee may resign by so notifying the Company and each Guarantor. The Holders of a majority in principal amount of the Securities may remove the Trustee by so notifying the Trustee, each Guarantor and the Company and may appoint a successor Trustee with the Company's consent. The Company may remove the Trustee if:

(1) the Trustee fails to comply with Section 7.10;

(2) the Trustee is adjudged a bankrupt or an insolvent;

(3) a receiver or other public officer takes charge of the Trustee or its property;

(4) the Trustee becomes incapable of acting; or

(5) in the Company's good faith judgment, the Trustee's fees and expense structure for acting as such hereunder become materially non-competitive.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in principal amount of the Securities may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

If a successor Trustee does not take office within 30 days after the retiring Trustee resigned or is removed, the retiring Trustee, the Company or the Holders of at least 10% in principal amount of the Securities may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee fails to comply with Section 7.10, any Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee, the Guarantors and to the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Securityholders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.07.

SECTION 7.09 SUCCESSOR TRUSTEE BY MERGER, ETC.

If the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to another corporation, the successor corporation without any further act shall be the successor Trustee.

SECTION 7.10 ELIGIBILITY; DISQUALIFICATION.

This Indenture shall always have a Trustee who satisfies the requirements of TIA Section 310(a)(1). The Trustee shall always have a combined capital and surplus of at least $50,000,000 as set forth in its most recent published annual report of condition. The Trustee shall comply with TIA Section 310(b), including the optional provision permitted by the second sentence of TIA Section 310(b)(9).

SECTION 7.11 PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY.

The Trustee shall comply with TIA Section 311(a), excluding any creditor relationship listed in TIA Section 311(b). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated.

ARTICLE 8.

DISCHARGE OF INDENTURE

SECTION 8.01 TERMINATION OF COMPANY'S AND GUARANTORS' OBLIGATIONS.

All of the Company's and each Guarantor's obligations under this Indenture shall terminate when all Securities previously authenticated and delivered (other than mutilated, destroyed, lost or stolen Securities which have been replaced or paid) have been delivered to the Trustee for cancellation or if:

(1) the Securities mature within six months or all of them are to be called for redemption within six months;

(2) the Company or any Guarantor irrevocably deposits in trust with the Trustee, pursuant to an irrevocable trust and security agreement in form and substance reasonably satisfactory to the Trustee, money or U.S. Government Obligations sufficient to pay principal of and interest on the Securities to maturity or redemption, as the case may be, and all other sums payable by the Company to the Holders of the Securities hereunder. The Company or any Guarantor may make the deposit only during the six-month period. Immediately after making the deposit, the Company shall give notice of such event to the Holders;

(3) the Company has paid or caused to be paid all sums then payable by the Company to the Trustee hereunder as of the date of such deposit;

(4) the Company has delivered to the Trustee an Officer's Certificate stating that all conditions precedent provided for herein relating to the satisfaction and discharge of this Indenture have been complied with; and

(5) the Company has delivered to the Trustee either (i) an unqualified Opinion of Counsel, stating that the Holders of the Securities (a) will not recognize income, gain or loss for Federal income tax purposes as a result of such deposit (and the defeasance contemplated in connection therewith) and (b) will be subject to Federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred, or (ii) an applicable favorable ruling to that effect received from or published by the Internal Revenue

Service.

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Notwithstanding the foregoing, the Company's obligations in Sections 2.03, 2.04, 2.05, 2.06, 2.07, 4.01, 7.07, 7.08 and 8.03 (and each Guarantor's obligation in respect of Sections 4.01 and 7.07) shall survive until the Securities are no longer outstanding, and the Company's obligations pursuant to Sections 7.07 and 8.03 (and each Guarantor's obligations in respect of Section 7.07) shall survive any such termination.

After a deposit pursuant to this Section 8.01, the Trustee upon request shall acknowledge in writing the discharge of the Company's and each Guarantor's obligations under the Securities, the Guarantee and this Indenture except for those surviving obligations specified above.

In order to have money available on a payment date to pay principal or interest on the Securities, the U.S. Government Obligations shall be payable as to principal or interest on or before such payment date in such amounts as will provide the necessary money.

SECTION 8.02 APPLICATION OF TRUST MONEY.

The Trustee shall hold in trust money or U.S. Government Obligations deposited with it pursuant to Section 3.05, 3.08, 3.09 and 8.01. It shall apply the deposited money and the money from U.S. Government Obligations through the Paying Agent and in accordance with this Indenture to the payment of principal of and interest on the Securities.

SECTION 8.03 REPAYMENT TO COMPANY OR GUARANTORS.

The Trustee and the Paying Agent shall promptly pay to the Company, or if deposited with the Trustee by a Guarantor, to such Guarantor upon request any excess money or securities held by them at any time. The Trustee and the Paying Agent shall pay to the Company, or if deposited with the Trustee by a Guarantor, to such Guarantor, upon request any money held by them for the payment of principal or interest that remains unclaimed for two years; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may, at the expense of the Company, cause to be published once in a newspaper of general circulation in The City of New York or cause to be mailed to each Holder, a notice stating that such money remains and that, after a date specified therein, which shall not be less than 30 days from the date of such publication or mailing, any unclaimed balance of such money then remaining will be repaid to the Company. After payment to the Company or such Guarantor, Securityholders entitled to the money must look to the Company or such Guarantor for payment as general creditors unless an applicable abandoned property law designates another Person.

SECTION 8.04 REINSTATEMENT.

If the Trustee or Paying Agent is unable to apply any money or U.S. Government Obligations in accordance with Section 8.01 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining,

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restraining or otherwise prohibiting such application, the Company's and each

Guarantor's obligations under this Indenture, the Guarantee and the Securities shall be revived and reinstated as though no deposit has occurred pursuant to Section 8.01 until such time as the Trustee or Paying Agent is permitted to apply all such money or U.S. Government Obligations in accordance with Section 8.01; provided, however, that if the Company or any Guarantor has made any payment of interest on or principal of any Securities because of the reinstatement of its obligations, the Company or such Guarantor shall be subrogated to the rights of the Holders of such Securities to receive such payment from the money or U.S. Government Obligations held by the Trustee or Paying Agent.

ARTICLE 9.

AMENDMENTS

SECTION 9.01 WITHOUT CONSENT OF HOLDERS.

The Company, with the consent of the Trustee, may amend or supplement this Indenture, the Guarantee or the Securities without notice to or the consent of any Securityholder:

(1) to cure any ambiguity, omission, defect or inconsistency;

(2) to comply with Section 5.01;

(3) to provide for uncertified securities; or

(4) to make any change that does not adversely affect the rights of any Securityholder.

SECTION 9.02 WITH CONSENT OF HOLDERS.

The Company, with the consent of the Trustee, and each Guarantor affected by any amendment or supplement to the Guarantee, may amend or supplement this Indenture, the Guarantee or the Securities without notice to any Securityholder but with the written consent of the Holders of at least 66 2/3% (except as hereinafter provided) of the principal amount of the Securities. Subject to Section 6.07, the Holders of a majority (except as hereinafter provided) in principal amount of the Securities may waive compliance by the Company or any Guarantor with any provision of this Indenture, the Guarantee or the Securities without notice to any Securityholder. However, without the consent of each Securityholder affected, no amendment, supplement or waiver, including a waiver pursuant to Section 6.04, may:

(1) reduce the amount of Securities whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the rate of or change the time for payment of interest on any Security;

(3) reduce the principal of or change the fixed maturity of any Security or alter the redemption provisions with respect thereto;

(4) waive a default in the payment of principal of, premium, if any, or interest on any Security;

(5) make any Security payable in money other than that

stated in the Security;

(6) make any change in Section 6.04, Section 6.07 or this Section 9.02; or

(7) release any Guarantor from its liability under the Guarantee.

Promptly after an amendment under this Section becomes effective, the Company shall mail to the Securityholders a notice briefly describing the amendment.

It shall not be necessary for the consent of the Holders under this Section to approve the particular form of any proposed amendment or supplement, but it shall be sufficient if such consent approves the substance thereof.

SECTION 9.03 COMPLIANCE WITH TRUST INDENTURE ACT.

Every amendment to this Indenture, the Guarantee or the Securities shall comply with the TIA as then in effect.

SECTION 9.04 REVOCATION AND EFFECT OF CONSENTS.

Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder of a Security is a continuing consent by the Holder and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security, even if notation of the consent is not made on any Security. However, any such Holder or subsequent Holder may revoke the consent as to his Security or portion of a Security if the Trustee receives the notice of revocation before the date the amendment, supplement or waiver becomes effective. An amendment, supplement or waiver becomes effective in accordance with its terms.

After an amendment, supplement or waiver becomes effective with respect to the Securities, it shall bind every Securityholder unless it makes a change described in any of clauses (1) through (6) of Section 9.02. In that case the amendment, supplement or waiver shall bind each Holder of a Security who has consented to it and, provided that notice of such amendment, supplement or waiver is reflected on a Security that evidences the same

debt as the consenting Holder's Security, every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security.

SECTION 9.05 NOTATION ON OR EXCHANGE OF SECURITIES.

If an amendment, supplement or waiver changes the terms of a Security, the Trustee may require the Holder of the Security to deliver it to the Trustee. The Trustee may place an appropriate notation on the Security about the changed terms and return it to the Holder. Alternatively, if the Company or the Trustee so determines, the Company in exchange for the Security shall issue and the Trustee shall authenticate a new Security that reflects the changed terms.

SECTION 9.06 TRUSTEE PROTECTED.

The Trustee need not sign any amendment, supplement or waiver authorized pursuant to this Article that adversely affects the Trustee's rights. The Trustee shall be entitled to receive and rely upon an Opinion of Counsel and an Officer's Certificate from the Company and any appropriate

Guarantor that any supplemental indenture complies with the Indenture.

ARTICLE 10.

GUARANTEE

SECTION 10.01 GUARANTEE.

Subject to the provisions of this Article 10, each Guarantor hereby unconditionally guarantees to each Holder of a Security authenticated and delivered by the Trustee (a) the due and punctual payment of the principal of and interest on such Security, when and as the same shall become due and payable, whether at maturity, by acceleration or otherwise and the due and punctual payment of interest on the overdue principal of and interest, if any, on the Securities, to the extent lawful, and (b) in the case of any extension of time of payment or renewal of any Securities or any of such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, at stated maturity, by acceleration or otherwise. Each Guarantor hereby agrees that its obligations hereunder shall be absolute and unconditional, irrespective of, and shall be unaffected by, any invalidity, irregularity or unenforceability or any such Security or this Indenture, any failure to enforce the provisions of any such Security or this Indenture, any waiver, modification or indulgence granted to the Company with respect thereto, by the Holder of such Security or the Trustee, or any other circumstances which may otherwise constitute a legal or equitable discharge of a surety or guarantor. Each Guarantor hereby waives diligence, presentment, filing of claims with a court in the event of merger or bankruptcy of the Company, any right to require a proceeding first against the Company, the benefit of discussion, protest or notice with respect to any such Security or the

Indebtedness evidenced thereby and all demands whatsoever (except as specified above), and covenant that this Guarantee will not be discharged as to any such Security except by payment in full of the principal thereof and interest thereon and as provided in Sections 5.02 and 8.01. Each Guarantor further agrees that, as between such Guarantor, on the one hand, and the Holders and the Trustee, on the other hand, (a) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article 6 hereof for the purposes of this Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (b) in the event of any declarations of acceleration of such obligations as provided in Article 6 hereof, such obligations (whether or not due and payable) shall forthwith become due and payable by the Guarantor for the purpose of this Guarantee. In addition, without limiting the foregoing provisions, upon the effectiveness of an acceleration under Article 6, the Trustee shall promptly make a demand for payment on the Securities under the Guarantee provided for in this Article 10 and not discharged.

Each Guarantor shall be subrogated to all rights of any Holder of any Securities against the Company in respect of any amounts paid to any such Holder by such Guarantor pursuant to the provisions of this Guarantee; provided that such Guarantor shall not be entitled to enforce, or to receive any payments arising out of or based upon, such right of subrogation until the principal of and interest on all the Securities shall have been paid in full.

Notwithstanding the foregoing provisions of this Section 10.01, the Guarantee set forth in this Section 10.01 shall not be valid or become obligatory for any purpose with respect to a Security until the certificate of authentication on such Security shall have been been signed by or on behalf of the Trustee.

SECTION 10.02 FURTHER ASSURANCES.

The Company and certain of its Subsidiaries have executed and delivered and will execute and deliver all such instruments and documents, and have done and will do all such acts and other things, at the Company's expense, as may be necessary or desirable, or that the Trustee may reasonably request, to give full force and effect to the Guarantee, in the case of the existence of an Event of Default, to enable the Trustee to exercise and enforce the Securityholders' rights and remedies with respect to the Guarantee.

SECTION 10.03 AUTHORIZATION OF ACTIONS TO BE TAKEN BY THE TRUSTEE UNDER THE GUARANTEE.

The Trustee may, in its sole discretion and without the consent of the Securityholders take all actions it deems necessary or appropriate in order to (i) enforce any of the terms of the Guarantee and (ii) collect and receive any and all amounts payable in respect of the obligations of the Company hereunder. Subject to the provisions of the Guarantee, the Trustee shall have power to institute and to maintain such suits and

proceedings as it may deem expedient to preserve or protect its interests and the interests of the Securityholders.

SECTION 10.04 AUTHORIZATION OF RECEIPT OF FUNDS BY THE TRUSTEE UNDER THE GUARANTEE.

The Trustee is authorized to receive any funds for the benefit of Securityholders distributed under the Guarantee, and to make further distributions of such funds to the Holders according to the provisions of this Indenture.

SECTION 10.05 TERMINATION OF GUARANTEE.

Upon the payment in full of all obligations of the Company under this Indenture and the Securities, the Trustee shall, at the request of the Company, deliver a certificate to the Subsidiaries which executed the Guarantee stating that such obligations have been paid in full.

SECTION 10.06 EXECUTION OF GUARANTEE.

To evidence its guarantee to the Securityholders specified in Section 10.01, each Guarantor hereby agrees to execute the Guarantee in substantially the form above recited to be endorsed on each Security authenticated and delivered by the Trustee. Each Guarantor hereby agrees that its Guarantee set forth in Section 10.01 shall remain in full force and effect notwithstanding any failure to endorse on each Security a notation of such Guarantee. Each such Guarantee shall be signed on behalf of each Guarantor by its Chairman of the Board, President or a Vice President, prior to the authentication of the Security on which it is endorsed, and the delivery of such Security by the Trustee, after the authentication thereof hereunder, shall constitute due delivery of such Guarantee on behalf of such Guarantor. Such signatures upon the Guarantee may be manual or facsimile signatures of the present, past or any future Officers of the appropriate Guarantor and may be imprinted or otherwise reproduced on the Guarantee, and in case any such Officer who shall have signed the Guarantee shall cease to be such Officer before the Security on which such Guarantee is endorsed shall have been authenticated and delivered by the Trustee or disposed of by the Company, such Security nevertheless may be authenticated and delivered or disposed of as though the Person who signed the Guarantee had not ceased to be such Officer of the Guarantor.

ARTICLE 11.

MISCELLANEOUS

SECTION 11.01 TRUST INDENTURE ACT CONTROLS.

If any provision of this Indenture or the Guarantee limits, qualifies or conflicts with another provision which is required to be included in this Indenture by the TIA, the required provision shall control.

SECTION 11.02 NOTICES.

Any notice or communication by the Company, any Guarantor or the Trustee to the other is duly given if in writing and when delivered in person, mailed by first-class mail or by express delivery to the other's address stated in this Section 11.02. The Company, any Guarantor or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

Any notice or communication to a Securityholder shall be mailed by first-class mail to his or her address shown on the register kept by the Registrar. Failure to mail a notice or communication to a Securityholder or any defect in it shall not affect its sufficiency with respect to other Securityholders.

If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

If the Company mails a notice or communication to Securityholders, it shall mail a copy to the Trustee and each Agent at the same time.

All notices or communications shall be in writing.

The Company's and each Guarantor's address is:

The Trustee's address is:

SECTION 11.03 COMMUNICATION BY HOLDERS WITH OTHER HOLDERS.

Securityholders may communicate pursuant to TIA Section 312(b) with other Securityholders with respect to their rights under this Indenture or the Securities. The Company, the Guarantor, the Trustee, the

Registrar and anyone else shall have the protection of TIA Section 312(c).

SECTION 11.04 ACTION BY SECURITYHOLDERS.

Whenever in this Indenture it is provided that the Holders of a specified percentage in aggregate principal amount of the Securities may take any action (including the making of any demand or request, the giving of any notice, consent or waiver or the taking of any other action), the fact that at the time of taking any such action the Holders of such specified percentage have joined therein may be evidenced by (a) any instrument or any number of instruments of similar tenor executed by Holders of Securities in person or by agent or proxy appointed in writing, or (b) by the record of the Holders of Securities in favor thereof, at any meeting of Holders duly called and held in accordance with the provisions of Article 12, or (c) by a combination of such instrument or instruments and any such record of such meeting of Holders, but in each case only to the extent that the Holders of Securities shall not have revoked such action, consent or vote pursuant to Section 9.04 and Section 11.06.

SECTION 11.05 PROOF OF EXECUTION OF INSTRUMENTS AND OF HOLDING OF SECURITIES.

Proof of the execution of any instrument by a Holder of Securities or his or her agent or proxy and proof of the holding by any Person of any of the Securities shall be sufficient if made in the following manner:

(1) The fact and date of the execution by any such Person of any instrument may be proved by the certificate of any notary public or other officer of any jurisdiction authorized to take acknowledgements of deeds to be recorded in such jurisdiction that the Person executing such instrument acknowledged to him or her the execution thereof, or by an affidavit of a witness to such execution sworn to before any such notary or other such officer. Such certificate or affidavit shall also constitute sufficient proof of the authority of the Person executing any instrument in cases where Securities are not held by Persons in their individual capacities.

(2) The fact and date of execution of any such instrument may also be proved in any other manner which the Trustee deems sufficient.

(3) The ownership of Securities shall be proved by the register of such Security or by a certificate of the Registrar thereof.

(4) The Trustee shall not be bound to recognize any Person as a Securityholder unless his or her title to any Security is proved in the manner provided in this Article 11.

The Trustee may require such additional proof of any matter referred to in this Section 11.05 as it shall deem necessary.

SECTION 11.06 REVOCATION OF CONSENTS; FUTURE HOLDERS BOUND.

Subject to Section 9.04, at any time prior to (but not after) the evidencing to the Trustee, as provided in Section 11.04, of the taking of any action by the Holders of the required percentage of the aggregate principal amount of the Securities specified in this Indenture in connection with such action, any Holder of a Security which is shown by the evidence to be included in the Securities the Holders of which have consented to such action may, by filing written notice with the Trustee at its principal office and upon proof

of holding as provided in Section 11.05, revoke such action so far as concerns such Security. Except as aforesaid, any such action taken by the Holder of any Security shall be conclusive and binding upon such Holder and upon all future holders and owners of such Security and of any Security issued in exchange or substitution therefor, irrespective of whether or not any notation in regard thereto is made upon such Security. Any action taken by the Holders of the required percentage of the aggregate principal amount of the Securities specified in this Indenture in connection with such action shall be conclusive and binding upon the Company, the Trustee and the holders of all the Securities.

SECTION 11.07 OBLIGATION TO DISCLOSE BENEFICIAL OWNERSHIP OF SECURITIES.

All Securities shall be held and owned upon the express condition that, upon demand of any regulatory agency having jurisdiction over the Company or any Guarantor, and pursuant to law or regulation empowering such agency to assert such demand, any registered Holder shall disclose to such agency the identity of the beneficial owner of all Securities held thereby.

SECTION 11.08 CERTIFICATE AND OPINION AS TO CONDITIONS PRECEDENT.

Upon any request or application by the Company or any Guarantor to the Trustee to take any action under this Indenture the Company or such Guarantor shall furnish to the Trustee:

(1) an Officer's Certificate stating that, in the opinion of the signer, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(2) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

Each signer of an Officer's Certificate or an Opinion of Counsel may (if so stated) rely upon an Opinion of Counsel as to legal matters and an Officer's Certificate as to factual matters if such signer reasonably and in good faith believes in the accuracy of the document relied upon.

SECTION 11.09 STATEMENTS REQUIRED IN CERTIFICATE OR OPINION.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(1) a statement that the Person making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of such Person, he or she has made such examination or investigation as is necessary to enable such Person to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been complied with.

SECTION 11.10 RULES BY TRUSTEE AND AGENTS.

The Trustee may make reasonable rules for action by or at a meeting of Securityholders. The Registrar or Paying Agent may make reasonable

rules and set reasonable requirements for their respective functions.

SECTION 11.11 LEGAL HOLIDAYS.

A "Legal Holiday" is a Saturday, a Sunday or a day on which banking institutions are not required to be open in The City of New York, in the State of New York or in the city in which the Trustee or any Paying Agent under this Indenture administers its corporate trust business. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue on that payment for the intervening period.

A "Business Day" is a day other than a Legal Holiday.

SECTION 11.12 NO RECOURSE AGAINST OTHERS.

All liability of any director, officer, employee or stockholder, as such, of the Company or any Guarantor with respect to the Securities is waived and released.

SECTION 11.13 DUPLICATE ORIGINALS.

The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

SECTION 11.14 GOVERNING LAW.

The laws of the State of New York, without regard to principles of conflicts of law, shall govern this Indenture and the Securities.

SECTION 11.15 NO ADVERSE INTERPRETATION OF OTHER AGREEMENTS.

This Indenture may not be used to interpret another indenture, loan or debt agreement of the Company, any Guarantor or a Subsidiary. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

SECTION 11.16 SUCCESSORS.

All agreements of the Company, and each Guarantor in this Indenture and the Securities shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors.

SECTION 11.17 SEPARABILITY.

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and a Holder shall have no claim therefor against any party hereto.

SECTION 11.18 TABLE OF CONTENTS, HEADINGS, ETC.

The Table of Contents, Cross-Reference Table and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms or provisions hereof.

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ARTICLE 12.

MEETINGS OF HOLDERS OF SECURITIES

SECTION 12.01 PURPOSES OF MEETINGS.

A meeting of Holders of Securities may be called at any time and from time to time pursuant to the provisions of this Article 12 for any of the following purposes:

(a) to give any notice to the Company, any Guarantor or to the Trustee, or to give any direction to the Trustee, or to waive any non-performance hereunder, and its consequences, or to take any other action authorized to be taken by Holders of Securities pursuant to any of the provisions of this Indenture;

(b) to remove the Trustee and appoint a successor trustee pursuant to the provisions of Section 7.08;

(c) to consent to the execution of an indenture or indentures supplemental hereto pursuant to the provisions of Article 9;

(d) to take any other action authorized to be taken by or on behalf of the Holders of any specified aggregate principal amount of the Securities under any other provision of this Indenture or under applicable law.

SECTION 12.02 CALL OF MEETINGS BY TRUSTEE.

The Trustee may at any time call a meeting of Holders of Securities to take any action specified in Section 12.01, to be held at such time and at such place in the State of New York, as the Trustee shall determine. Notice of each meeting of the Holders of Securities, setting forth the time and the place of such meeting and, in general terms, the action proposed to be taken at such meeting, shall be mailed by the Trustee to the Holders of the Securities, not less than 20 nor more than 60 days prior to the date fixed for the meeting, at their last addresses as they shall appear on the register of the Securities.

SECTION 12.03 CALL OF MEETINGS BY COMPANY OR SECURITY HOLDERS.

If at any time the Company, pursuant to a resolution of its Board of Directors, or the holders of at least twenty percent in aggregate principal amount of the Securities then outstanding, shall have requested the Trustee to call a meeting of Holders of Securities to take any action authorized in Section 12.01, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have mailed notice of such meeting within twenty days after receipt of such request, then the Company or the Holders of Securities in the amount above specified, as the case may be, may determine the time and the place in the State of New York for such meeting, and may call such meeting by mailing notice thereof as provided in Section 12.02.

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SECTION 12.04 PERSONS ENTITLED TO VOTE AT MEETING.

To be entitled to vote at any meeting of Holders of Securities, a person shall (a) be a Holder of Securities or (b) be a person appointed by an instrument in writing as proxy by a Holder of Securities. The

only persons who shall be entitled to be present or speak at any meeting of the Holders of the Securities shall be the persons entitled to vote at such meeting and their counsel and any representatives of the Company and its counsel.

SECTION 12.05 REGULATIONS FOR MEETING.

Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders of the Securities in regard to the appointment of proxies, the proof of the holding of Securities, the appointment and duties of inspectors of votes, the submission and examination of proxies and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall think fit. Except as otherwise permitted or required by any such regulations, the holding of Securities shall be proved in the manner specified in Section 11.05 and the appointment of any proxy shall be proved in the manner specified in such Section 11.05 or by having the signature of the person executing the proxy witnessed or guaranteed by any bank, banker, trust company or New York Stock Exchange, Inc. member firm satisfactory to the Trustee.

The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Holders of the Securities as provided in Section 12.03, in which case the Company or the Holders of the Securities calling the meeting, as the case may be, shall in like manner appoint a temporary chairman, and a permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Holders of a majority in principal amount of the Securities represented at the meeting and entitled to vote.

At any meeting of Holders of Securities, the presence of persons holding or representing Securities in an aggregate principal amount sufficient to take action upon the business for the transaction of which such meeting was called shall be necessary to constitute a quorum; but, if less than a quorum be present, the persons holding or representing a majority in aggregate principal amount of the Securities represented at the meeting may adjourn such meeting with the same effect, for all intents and purposes, as though a quorum had been present.

SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

LONE STAR INDUSTRIES, INC.

By:

Title:

[SEAL]

Attest:

- ---
Title:

---------- BANK

By:

Title:

[SEAL]

Attest:

- ---
Title:

[Guarantors]

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EXHIBIT A

REGISTERED NUMBER | [Face of Security] | REGISTERED DOLLARS

LONE STAR INDUSTRIES, INC ....

10% SENIOR NOTE DUE 2003

LONE STAR INDUSTRIES, INC., a Delaware corporation (herein called the "Company"), for value received, hereby promises to pay to - ---------- or registered assigns, the principal sum of ---------- Dollars on --------,* 2003, and to pay interest thereon as provided on the reverse hereof, until the principal hereof is paid or duly provided for.

Interest Payment Dates: ---------- and ---------- of each year, commencing - ----------, 1994

Record Dates: ----------

The provisions on the back of this certificate are incorporated as if set forth on the face hereof.

IN WITNESS WHEREOF, LONE STAR INDUSTRIES, INC. has caused this instrument to be duly signed under its corporate seal.

[SEAL] LONE STAR INDUSTRIES, INC.

By:

Title:

By:

Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities referred
to in the within-mentioned Indenture.

- ------------ BANK
as Trustee

By:

Signatory

Dated:

- ------------
* [7 months] after anniversary of Effective Date

[REVERSE OF SECURITY]

LONE STAR INDUSTRIES, INC.

10% SENIOR NOTE DUE 2003

1. Interest. Lone Star Industries, Inc., a Delaware corporation (the "Company"), promises to pay interest on the principal amount of this Security at the rate per annum shown above. The Company will pay interest semi-annually in arrears on - -------- and --------- of each year, commencing --------, 1994. Interest on the Securities will accrue from the most recent date to which interest has been paid (or, if no interest has been paid, from the Effective Date, as defined in the below-mentioned Indenture). Interest on overdue principal shall accrue at the rate per annum of 11% from the due date until paid in full. Interest shall be computed on the basis of a 360-day year of 12 30-day months.

2. Method of Payment. The Company will pay interest on the Securities (except defaulted interest) to the persons who are registered Holders of Securities at the close of business on the record date set forth on the face of this Security next preceding the applicable interest payment date. Holders must surrender Securities to a Paying Agent to collect principal payments. The Company will pay principal and interest in money of the United States that at the time of payment is legal tender for payment of public and private debts. However, the Company may pay principal and interest by check payable in such money. It may mail an interest check to a Holder's registered address.

3. Paying Agent and Registrar. Initially, -------- Bank (the "Trustee") will act as Paying Agent and Registrar. The Company may change any Paying Agent, Registrar or co-registrar without notice. The Company may act in any such capacity.

4. Indenture. The Company has issued the Securities under an Indenture dated as of ------------ (the "Indenture") between the Company and the Trustee. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S. Code Sections 77aaa-77bbbb) (the "Act") as in effect on the date of the Indenture. The Securities are subject to all such terms, and Securityholders are referred to the Indenture and the Act for a statement of such terms. The Securities are obligations of the Company limited to up to $75,000,000 aggregate principal amount (except for Securities issued in substitution for destroyed, mutilated, lost or stolen Securities). Terms

used herein which are defined in the Indenture have the meanings assigned to them in the Indenture.

5. Voluntary Prepayments or Redemption. The Securities may be redeemed at the option of the Company in whole at any time or in part from time to time at the principal amount plus accrued and unpaid interest to the date of such optional redemption. The Securities may also be redeemed or prepaid by purchase by the Company on the open market from time to time without penalty or premium.

6. Sinking Fund. The Company must make three payments of $10,000,000 each into a specified sinking fund provided for in the Indenture. The first payment of $10,000,000 shall be made on [--------],* 2000, the second on [--------], 2001, and the third on [--------], 2002. Payments pursuant to this paragraph shall be made to the in

accordance with the provisions of the Indenture. The amount of any sinking fund payment the Company is required to make may be reduced by the principal amount of any Securities that the Company has optionally redeemed or purchased and delivered to the Trustee for cancellation and that have not been previously credited against redemptions or purchases upon a Sale of Assets or required sinking fund payments.

7. Mandatory Redemption Upon Sale of Assets. Within 120 days after the consummation of a Sale of Assets, the Company shall deposit with the Trustee the Net Proceeds (after setting aside a sufficient amount of such proceeds as to leave the Company with $5 million in net working capital) and apply them to redeem that principal amount of Securities such that the aggregate Redemption Price, plus accrued and unpaid interest to the redemption date, of such Securities equals such Net Proceeds (after setting aside such working capital reserves). With the approval of the Board of Directors, the Company may before or after such Sale of Assets, in lieu of making such deposit and redemptions provided for in this Section 7, in whole or in part, the Company may deposit with the Trustee for cancellation some or all of the Securities acquired through open market purchases of Securities, in a principal amount equal to the principal amount of securities which could have been redeemed with such amount of Net Proceeds. The principal amount of Securities that the Company is otherwise required to redeem or purchase for cancellation upon any Sale of Assets may be reduced based on the Securities that the Company has optionally redeemed or purchased and so delivered to the Trustee for cancellation and that have not been previously credited against redemptions or purchases upon a Sale of Assets or required sinking fund payments.

8. Guarantee. The Securityholders are the beneficiaries of a Guarantee made by certain Subsidiaries of the Company. A Securityholder by accepting this Note agrees to all of the terms and conditions of the Guarantee.

9. Denominations, Transfer, Exchange. The Securities are in registered form without coupons in denominations of $1,000 and whole multiples of $1,000. The transfer of Securities may be registered and Securities may be exchanged as provided in the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents. No service charge shall be made for any such registration or transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. The Registrar need not exchange or register the transfer of any Security selected for redemption in whole or in part (except the unredeemed portion of securities being redeemed in part). Also, it need not exchange or register the transfer of any Securities for a period of 15 days before a selection of Securities to be redeemed.

10. Persons Deemed Owners. The registered Holder of this Note may be treated as its owner for all purposes.

11. Merger or Consolidation. The Company and its Restricted Subsidiaries, as a whole, may not consolidate or merge with or into, or sell, assign, transfer or lease all or substantially all of its assets to another person unless: (i) the person is an entity organized and existing under the laws of the United States, any state thereof or the District of Columbia; and (ii) such entity assumes by supplemental indenture all the obligations of the Company under the Securities and the Indenture.

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12. Amendments and Waivers. Subject to certain exceptions, the Indenture or the Securities may be amended with the consent of the Holders of at least 66-2/3% of the principal amount of the Securities outstanding, and certain existing defaults may be waived with the consent of the Holders of 66-2/3% of the principal amount of the Securities. Without the consent of any Securityholder, the Indenture or the Securities may be amended to cure any ambiguity, omission, defect or inconsistency, to provide for uncertificated Securities in addition to certificated Securities, to comply with Section 5.01 of the Indenture or to make any change that does not adversely affect the right of any Securityholder.

13. Defaults and Remedies. An Event of Default is: default in the payment of interest on any Security when the same becomes due and payable, whether at maturity, in connection with any redemption, by acceleration or otherwise, and such default continues for a period of 30 days; default in the payment of the principal of any Security when the same becomes due and payable, whether at maturity, in connection with any redemption, by acceleration or otherwise, which failure continues for a period of 30 days after either notice shall have been given to the Company or the date on which the Company had Actual Knowledge of such failure; or failure by the Company or any Restricted Subsidiary to observe or perform in any material respect any of its other covenants or agreements in the Securities or the Indenture, which further continues for a period of 30 days after either notice shall have been given to the Company or the date on which the Company had Actual Knowledge of such failure; failure by the Company or any of its Restricted Subsidiaries to pay when due any principal or interest on any Indebtedness with an aggregate outstanding principal amount in excess of $5 million, which default continues for the greater of any period of grace applicable thereto or 60 days from the date of such default; a default or event of default, as defined in one or more indentures, agreements or other instruments evidencing or under which the Company or any of its Restricted Subsidiaries individually or collectively have outstanding at least $5 million aggregate principal amount of Indebtedness and such Indebtedness shall have been accelerated so that it is due and payable prior to the date on which it would otherwise have become due and payable, and such acceleration shall not be rescinded or annulled within 60 days after either notice shall have been given to the Company or the Company had actual knowledge of such acceleration, unless cured or waived; entry of one or more final judgments against the Company or any of its Restricted Subsidiaries for payments of money which in the aggregate exceed $5 million, by a court of competent jurisdiction and such judgments are not rescinded, annulled, stayed or discharged within 90 days; the Company and its Restricted Subsidiaries, taken as a whole, shall become insolvent; the commencement of a voluntary case under the Federal Bankruptcy law; or the occurrence of certain other events under the Bankruptcy law, including but not limited to the entry of a judgment for relief in respect of the Company or any of its material Restricted Subsidiaries by a court of competent jurisdiction which remains unstayed and in effect for 90 days.

14. Trustee Dealings with Company. -------- Bank, the

Trustee under the Indenture, or any banking institution serving as successor Trustee thereunder, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or its Affiliates and Restricted Subsidiaries, and may otherwise deal with the Company or its Affiliates and Restricted Subsidiaries, as if it were not Trustee.

15. No Recourse Against Others. No director, officer, employee, or stockholder, as such, of the Company shall have any liability for any obligations of the Company under the Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Securityholder by accepting a Security waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

16. Authentication. This Security shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

17. Abbreviations. Customary abbreviations may be used in the name of a Securityholder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties,) JT TEN (=joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

THE COMPANY WILL FURNISH TO ANY SECURITYHOLDER UPON WRITTEN REQUEST AND WITHOUT CHARGE A COPY OF THE INDENTURE. REQUESTS MAY BE MADE TO: LONE STAR INDUSTRIES, INC.

[FORM OF NOTATION ON NOTE
RELATING TO GUARANTEE]

GUARANTEE

Each of the undersigned (hereinafter referred to as a "Guarantor," which term includes any successor person under the Indenture (the "Indenture") referred to in the Note upon which this notation is endorsed), has unconditionally guaranteed the due and punctual payment of the principal of and interest on the Notes, whether at maturity, by acceleration or otherwise, and the due and punctual payment of interest on the overdue principal of and interest, if any, on the Notes, to the extent lawful, all in accordance with the terms set forth in Article 10 of the Indenture and (ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise.

The obligations of each Guarantor to the Holders of the Notes and to the Trustee pursuant to the Guarantee and the Indenture are expressly set forth in Article 10 of the Indenture and reference is hereby made to such Indenture for the precise terms of the Guarantee.

No director, officer, employee or stockholder, as such, past, present or future, of any Guarantor or any of its Subsidiaries shall have any personal liability under the Guarantee by reason of his or its status as such director, officer, employee or stockholder.

The Guarantee shall not be valid or obligatory for any purpose until the certificate of authentication on the Notes upon which this Guarantee is noted shall have been

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executed by the Trustee under the Indenture by the manual or facsimile signature of one of its authorized officers.

[GUARANTORS]

By:

67

ASSIGNMENT FORM

To assign this Security, fill in the form below:

I or we assign and transfer this Security to:

- ---

- ---

- ---

(Print or type assignee's name, address and zip code)

- ---

- ---

(Insert Assignee's Soc. Sec. or Tax I.D. No.)

and irrevocably appoint ---
agent to transfer this Security on the books of the Company. The agent may substitute another to act for him or her.

. . . . . .

Date: ---

Signature(s):

(Sign exactly as your name(s) appear on the other side of this Security)

Signature(s) guaranteed by:

(All signatures must be guaranteed by a member of a national securities exchange or of the National Association of Securities Dealers, Inc. or by a commercial bank or trust company located in the United States)

EXHIBIT T3E

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	
NEW YORK TRAP ROCK CORPORATION, LONE STAR INDUSTRIES, INC., SAN-VEL CONCRETE CORPORATION, NYTR TRANSPORTATION CORPORATION, LONE STAR CEMENT INC., CONSTRUCTION MATERIALS COMPANY, I.C. MATERIALS, INC., LONE STAR PRESTRESS CONCRETE, INC., LONE STAR PROPERTIES, INC., SOUTHERN AGGREGATES, INC., LONE STAR TRANSPORTATION CORPORATION, LONE STAR BUILDING CENTERS, INC. and LONE STAR BUILDING CENTERS (EASTERN) INC.,	Chapter 11 Case Nos. 90 B 21276 to 90 B 21286, 90 B 21334 and 90 B 21335 (HS) (Jointly Administered)
Debtors.	

MODIFIED AMENDED DISCLOSURE STATEMENT REGARDING DEBTORS' MODIFIED AMENDED CONSOLIDATED PLAN OF REORGANIZATION

Dated: November 4, 1993
New York, New York

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EXHIBITS

A. Debtors' Modified Amended Consolidated Plan of Reorganization

B. Members of Official Committee of Unsecured Creditors

C. Members of Official Committee of Equity Security Holders

D. Members of Official Committee of Retired Employees

E. Liquidation Analysis

F. Financial Information

G. Form of Collateral Agency Agreement

H. Form of Certificate of Incorporation of Reorganized Lone Star Industries, Inc., a Delaware Corporation

I. Form of By-Laws of Reorganized Lone Star Industries, Inc., a Delaware Corporation

J. Lone Star Industries, Inc. Annual Report for the fiscal year ended December 31, 1992, on Form 10-K of the Securities and Exchange Commission

K. Lone Star Industries, Inc. Quarterly Report for the fiscal quarter ended June 30, 1993, on Form 10-Q of the Securities and Exchange Commission

L. Form of Senior Note Indenture

M. Form of Asset Proceeds Note Indenture

N. Form of Reorganized Lone Star Guarantee

O. Cure Amounts Respecting Executory Contracts and Unexpired Leases to be Assumed Under the Plan

P. Form of Certificate of Incorporation of NewCo, a Delaware Corporation

Q. Form of By-Laws of NewCo, a Delaware Corporation

R. Form of Pledge Agreement

S. Form of Warrant Agreement

T. Forms of Stock Option Plans

THE DEBTORS STRONGLY URGE ACCEPTANCE OF THE PLAN. SIMILARLY, THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS FULLY SUPPORTS THE PLAN AND ITS MEMBERS ALL INTEND TO VOTE IN FAVOR OF ITS CONFIRMATION. THE OFFICIAL COMMITTEE OF EQUITY SECURITY HOLDERS (WHICH REPRESENTS HOLDERS OF THE DEBTORS' STOCK), HOWEVER, HAS INDICATED THAT IT WILL OPPOSE THE PLAN. THE DEBTORS NONETHELESS INTEND TO SEEK CONFIRMATION OF THE PLAN DESPITE SUCH OPPOSITION. ALL PARTIES IN INTEREST SHOULD CONSIDER CAREFULLY THE CONSEQUENCES OF VOTING TO REJECT THE PLAN, IN PARTICULAR THE EFFECT OF REJECTION ON DISTRIBUTIONS TO STOCKHOLDERS AS SET FORTH ON PAGES 105 THROUGH 107 OF THIS DISCLOSURE STATEMENT.

I. INTRODUCTION

A. OVERVIEW

1. INTRODUCTION

Lone Star Industries, Inc. ("Lone Star" or the "Company"), debtor and

debtor-in-possession, together with those subsidiaries and affiliates that are debtors and debtors-in-possession in the above-captioned and jointly administered Chapter 11 cases (collectively, the "Debtors"; see pages 22 to 25), transmits this disclosure statement (the "Disclosure Statement"), pursuant to Section 1125(b) of Title 11 of the United States Code, 11 U.S.C. sec.sec. 101 et seq. (the "Bankruptcy Code") and Rule 3017 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") in connection with the Debtors' Modified Amended Consolidated Plan of Reorganization, dated November 4, 1993 (the "Plan"), in order to provide adequate information to enable holders of Claims or Stock Interests which are impaired under the Plan to make an informed judgment in exercising their right to vote for acceptance or rejection of the Plan.

A copy of the Plan, which has been filed with the Clerk of the Bankruptcy Court, is annexed hereto and made a part hereof as Exhibit "A", and is discussed in greater detail in this Disclosure Statement at pages 68 through 101 in the section entitled "The Plan of Reorganization." All capitalized terms used herein shall have the meanings ascribed to them in the Plan unless otherwise noted.

2. SUMMARY OF DISTRIBUTIONS UNDER THE PLAN(1)

The Plan divides the Claims and Stock Interests into nine classes and sets forth the treatment afforded each class. (A detailed description of the Plan is set forth later in this Disclosure Statement at pages 68 through 101.) Set forth below is a summary of the classifications and treatment of Claims and Stock Interests under the Plan.(2)

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1 This section contains only a brief and simplified summary of the classification and treatment of Claims and Stock Interests under the Plan. It does not describe every provision of the Plan and omits many details. Accordingly, reference should be made to the entire Disclosure Statement (including exhibits) and the Plan for a complete description of the classification and treatment of Claims and Stock Interests.

2 When reviewing this summary please note that the percentage of New Lone Star Common Stock issued to creditors and shareholders pursuant to the Plan is subject to dilution in accordance with the Stock Option Plans (the forms of which are annexed hereto as Exhibit "T"), shares of New Lone Star Common Stock issued as a result of the exercise of the Reorganized Lone Star Warrants and such other shares as may be authorized and issued pursuant to the Reorganized Lone Star Charter.

9

IMPAIRED CLASSES:

<TABLE>
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CLASS	TYPE OF CLAIM OR STOCK INTEREST	TREATMENT UNDER THE PLAN(3)
<C> 2	<S> Allowed Secured Claims	<C> Each holder of an Allowed Secured Claim will either be paid in full on the Effective Date, rendered unimpaired, or receive deferred Cash payments in a manner consistent with Section 1129(b) of the Bankruptcy Code.
4A	Allowed 4A Unsecured Claims (Allowed Unsecured Claims against any of the following Debtors that are not Intercompany Claims, Allowed Convenience Claims or Allowed Claims in Class 7: Construction Materials Company, I.C. Materials, Inc., Lone Star Cement Inc., New York Trap Rock Corporation, or Southern Aggregates, Inc.)	(i) Treatment If Fully Consensual Confirmation: On the Effective Date, each holder shall receive its Pro Rata share of: (a) 4.7% of Available Cash (currently estimated to be $8,629,000 and subject to increase by 1.8% of the net proceeds from disposition of Non-Core Assets consummated prior to Confirmation); (b) $6,471,000 of Senior Notes; (c) 1.8% of Asset Proceeds Notes; plus (d) 321,600 shares of New Lone Star Common Stock (representing 2.68% of the outstanding shares of New Lone Star Common Stock). Estimated Recovery: 92.2% to 101.8% (ii) Treatment If Class 5 (Preferred Stock) Accepts Plan and Class 6 (Common Stock)

		Rejects Plan: Each holder shall receive the treatment set forth in clause (i) plus its Pro Rata share of an additional .15% of New Lone Star Common Stock (or 18,000 additional shares). Estimated Recovery: 93.2% to 103.1% (iii) Treatment If Class 5 (Preferred Stock) Rejects Plan: Each holder shall receive the treatment set forth in clause (i) plus its Pro Rata share of an additional .48% of New Lone Star Common Stock (or 57,600 additional shares). Estimated Recovery: 95.3% to 106.1%

</TABLE>

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3 As discussed more fully in Section IV(D)(2) of this Disclosure Statement, the recoveries under the Plan were derived based on the value of the consideration to be distributed to holders of Allowed Claims and Stock Interests. Specifically, in addition to the Cash to be distributed under the Plan, for the purpose of estimating the recovery percentages of creditors in Classes 4A and 4B, the Debtors have ascribed a value to the Senior Notes equal to the face value of such securities. The low and high range of values ascribed to the Asset Proceeds Notes represents, at the low end, estimates of the cash flows and net proceeds resulting from the dispositions of the Non-Core Assets contributed to NewCo and, at the high end, the face value of such notes. The value of the New Lone Star Common Stock to be issued to Classes 4, 5 and 6 was determined by the Debtors upon advice from The Blackstone Group L.P. and was based upon an assumed reorganization value of $149,247,000 to $204,247,000. Such valuations are not estimates of the prices at which the securities to be distributed under the Plan may trade in the market and the Debtors have not attempted to make any such estimate in connection with the development of the Plan.

<TABLE>
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CLASS	TYPE OF CLAIM OR STOCK INTEREST	TREATMENT UNDER THE PLAN
<C>	<S>	<C>
4B	Allowed 4B Unsecured Claims (all other Allowed Unsecured Claims which are not Allowed Convenience Claims, Intercompany Claims, Allowed Claims in Class 7 or Allowed Claims in Class 4A)	(i) Treatment If Fully Consensual Confirmation: On the Effective Date, each holder shall receive its Pro Rata share of: (a) Available Cash remaining after distributions of Cash on the Effective Date to holders of Allowed Claims in Class 4A have been completed; (b) $68,529,000 of Senior Notes; (c) 98.2% of Asset Proceeds Notes; plus (d) 9,878,400 shares of New Lone Star Common Stock (representing 82.32% of the outstanding shares of New Lone Star Common Stock). Estimated Recovery: 84.9% to 100.0% (ii) Treatment If Class 5 (Preferred Stock) Accepts Plan and Class 6 (Common Stock) Rejects Plan: Each holder shall receive the treatment set forth in clause (i) plus its Pro Rata share of (a) an additional 4.6% of New Lone Star Common Stock (or 552,000 additional shares), and (b) 2,083,333 Reorganized Lone Star Warrants. Estimated Recovery: 86.7% to 102.3% (iii) Treatment If Class 5 (Preferred Stock) Rejects Plan:

		Each holder shall receive the treatment set forth in clause (i) plus its Pro Rata share of an additional 14.52% of the New Lone Star Common Stock which would have otherwise been distributed to Classes 5 and 6 under the Plan (1,742,000 additional shares). Estimated Recovery: 88.8% to 105.5%
5	Allowed Preferred Stock Interests	(i) Treatment If Fully Consensual Confirmation: All Preferred Stock shall be cancelled, annulled and extinguished as of the Effective Date and each holder of an Allowed Preferred Stock Interest shall receive its Pro Rata share of (a) 1,260,000 shares of New Lone Star Common Stock (representing 10.5% of the outstanding shares of New Lone Star Common Stock), plus (b) 1,250,000 Reorganized Lone Star Warrants (which collectively carries an estimated aggregate range of value of $17,546,000 to $23,321,000). Estimated Recovery:(4) 45.0% to 59.8%

</TABLE>

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4 The estimated recoveries to holders of Allowed Preferred Stock Interests are calculated as a percentage of such holders' investment as of the Filing Date (which includes the face amount of such stock and accrued and unpaid dividends as of such date). For a discussion of the calculation of such recoveries see pages 88 to 89.

<TABLE>
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CLASS	TYPE OF CLAIM OR STOCK INTEREST	TREATMENT UNDER THE PLAN
<C>	<S>	<C>
5	Allowed Preferred Stock Interests (cont'd)	(ii) Treatment If Class 5 (Preferred Stock) Accepts Plan and Class 6 (Common Stock) Rejects Plan: All Preferred Stock shall be cancelled, annulled and extinguished as of the Effective Date and each holder of an Allowed Preferred Stock Interest shall receive its Pro Rata share of (a) 1,230,000 shares of New Lone Star Common Stock (which represents 10.25% of the outstanding shares of New Lone Star Common Stock); plus (b) 1,250,000 Reorganized Lone Star Warrants (which collectively carries an estimated aggregate range of value of $17,173,000 to $22,810,000). Estimated Recovery: 44.1% to 58.5% (iii) Treatment If Class 5 Rejects Plan: All Preferred Stock shall be cancelled, annulled and extinguished as of the Effective Date and no holder of an Allowed Preferred Stock Interest shall be entitled to receive or retain any property on account of such Preferred Stock Interest.
6	Allowed Common Stock Interests	(i) Treatment If Fully Consensual Confirmation: All Common Stock shall be cancelled, annulled and extinguished as of the Effective Date and each holder of an Allowed Common Stock Interest shall

		receive its Pro Rata share of (a) 540,000 shares of New Lone Star Common Stock (which represents 4.5% of the outstanding shares of New Lone Star Common Stock); and (b) 2,083,333 Reorganized Lone Star Warrants (which collectively carries an estimated aggregate range of value of $9,841,000 to $12,316,000). (ii) Treatment If Class 5 (Preferred Stock) or Class 6 Rejects Plan: All Common Stock shall be cancelled, annulled and extinguished as of the Effective Date and no holder of an Allowed Common Stock Interest shall be entitled to receive or retain any property or interest in property on account of such Common Stock Interest.
7	Rescission and Damage Claims Respecting Common Stock	Each holder shall retain all proceeds derived from any litigation instituted by any such holder or on his or their behalf against any entity other than the Debtors but shall receive no distribution under the Plan from the Debtors or Reorganized Debtors.
9	Intercompany Claims	On the Effective Date, all Intercompany Claims shall be expunged, released and discharged, and holders of such Claims shall receive no distributions of any kind under the Plan.

</TABLE>

UNIMPAIRED CLASSES AND CLAIMS:

<TABLE>
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CLASS	TYPE OF CLAIM OR STOCK INTEREST	TREATMENT UNDER THE PLAN
<S>	<C>	<C>
1	Allowed Priority Claims	Shall be paid in full, in Cash, as soon as practicable after (a) the later of the Effective Date or the date of a Final Order allowing any such Claim in Class 1, or (b) upon such other terms as may be agreed to between the Debtors and any holder of a Class 1 Claim.
3	Allowed Convenience Claims	On the Effective Date, each holder shall receive on account of such claim a Cash payment equal to 100% of its Allowed Convenience Claim.
8	Equity Interests in Subsidiaries	On the Effective Date, record holders of Allowed Equity Interests in Subsidiaries shall continue to hold such equity interests, which equity interests shall continue to be evidenced by the capital stock held by such record holders in the Subsidiary or Subsidiaries as of the Effective Date.
NOT APPLICABLE	Allowed Administrative Claims	To be paid in full, in Cash, in such amounts as are incurred in the ordinary course of business by the Debtors, or in such amounts as such Administrative Claims are allowed by the Bankruptcy Court (a) upon the later of the Effective Date or the date upon which the Bankruptcy Court enters a Final Order allowing such Administrative Claim or (b) upon such other terms as may exist due to the ordinary course of the business of the Debtors or (c) as may be agreed upon between the holders of such Administrative Claims and

		the Debtors.
NOT APPLICABLE	Allowed Tax Claims	To be paid in full, in Cash, on the Effective Date or upon such other terms as may be agreed to between the Debtors and any holder of an Allowed Tax Claim; provided, however, that the Debtors may, at their option, (i) make Cash payments deferred to the extent permitted by Section 1129(a)(9) of the Bankruptcy Code, or (ii) in the event an Allowed Tax Claim may also be classified as an Allowed Secured Claim, the Debtors may, at their option, elect to treat Allowed Tax Claims as Secured Claims.

</TABLE>

As of July 9, 1993, the Debtors estimate that, upon completion of the claims objection process, Allowed Unsecured Claims against their estates will be approximately $571,500,000 (including Allowed Convenience Claims) of which approximately $23,165,000 will be Allowed 4A Unsecured Claims and approximately $548,335,000 will be Allowed 4B Unsecured Claims (see page 86 of this Disclosure Statement).

3. FUNDING OF PLAN -- ASSET DISPOSITIONS

Prior to the Filing Date, Lone Star's management determined that Lone Star's strategic goals and objectives should be focused primarily on the reinforcement and rehabilitation of its core domestic operations

and away from off-shore operations. Since the Filing Date, the Debtors have engaged in a program of disposing of assets which they believed were not essential to their core domestic cement, construction aggregates and ready-mixed concrete businesses. Through the date hereof, the Debtors received proceeds from asset dispositions aggregating in excess of $155,000,000 (see pages 32 through 35 of this Disclosure Statement). It is anticipated that on the Confirmation Date, the Debtors will have approximately $238,172,000 in Cash from the proceeds of asset dispositions and from operations of which, after deductions for working capital and other necessary items, approximately $193,640,000 will be available for distribution to all creditors (see page 86 of this Disclosure Statement).

Following Confirmation, in order to facilitate the disposition of the Debtors' remaining Non-Core Assets, the Debtors will transfer their interests in such assets (including associated liabilities and subject to valid and perfected existing liens and security interests) to NewCo, a wholly-owned subsidiary of Reorganized Lone Star which will be responsible for the disposition thereof. The remaining Core Assets will form the basis of Reorganized Lone Star. As noted above, holders of Allowed Unsecured Claims will receive, among other things, the Asset Proceeds Notes, the obligations of which are to be satisfied primarily from the proceeds of the post-Confirmation dispositions of the Non-Core Assets by NewCo. The Asset Proceeds Notes will be secured by first priority liens and security interests, as the case may be, subject to valid and perfected existing liens and security interests, on all the assets of NewCo. A portion of the obligations under the Asset Proceeds Notes (up to $20,000,000 plus interest) will be guaranteed by Reorganized Lone Star pursuant to the Reorganized Lone Star Guarantee (see page 98 of this Disclosure Statement). It is presently anticipated that post-Confirmation dispositions of the Non-Core Assets will take approximately 24 months from the Effective Date to complete and will generate gross proceeds of between approximately $118.0 million and $180.0 million (see pages 74 through 77). In addition, as briefly described above and as detailed later in this Disclosure Statement (at pages 86 through 88), under the Plan, holders of Allowed Unsecured Claims will also receive Cash, Senior Notes, New Lone Star Common Stock and, where appropriate, Reorganized Lone Star Warrants.

4. POST-CONFIRMATION OPERATIONS

As a result of the Debtors' asset dispositions, following Confirmation and consummation of the Plan, the operations of Reorganized Lone Star and its affiliates will consist of their core domestic cement, construction aggregates and ready-mixed concrete businesses (see pages 71 through 73 for a discussion of the Debtors' core business operations). In general, it is estimated that the equity of Reorganized Lone Star will be valued at between $149,247,000 and $204,247,000 (see pages 80 through 82).(5) In addition, besides certain obligations necessary for the Debtors' continued business operations, Reorganized Lone Star will assume the following obligations as part of the Plan: the Senior Notes, the Reorganized Lone Star Guarantee (page 98), retiree benefit

obligations (pages 42 through 47), certain environmental obligations (pages 47 through 52), pension obligations (pages 60 through 61), employee indemnification obligations (pages 56 through 58), production payment obligations as modified pursuant to an order of the Bankruptcy Court (pages 18 through 20), and certain executory contracts and unexpired leases (page 94).

5. DISPUTE WITH EQUITY COMMITTEE AND CERTAIN COMMON SHAREHOLDERS REGARDING VALUATIONS

For Plan negotiation purposes, the going-concern value ascribed to Reorganized Lone Star and to the operating Non-Core Assets, and, therefore, the values of the securities to be issued pursuant to the Plan, were determined by the Debtors upon advice from The Blackstone Group L.P. ("Blackstone"), the Debtors' financial advisor. (See Section IV(D)(2) of this Disclosure Statement for a further discussion of the Debtors' and other valuations.) The Debtors' valuation utilized standard financial analyses and methodologies including

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5 The valuation ascribed to New Lone Star Common Stock represents a hypothetical reorganization value which was developed solely for the purposes of formulation and negotiation of a plan of reorganization and analysis of relative recoveries to creditors. Such valuation reflects computations of the estimated intrinsic value of the Debtors' businesses derived through application of various valuation techniques and do not purport to reflect or constitute an estimate or opinion of the actual market values of the New Lone Star Common Stock issued pursuant to the Plan.

discounted cash flow analyses and multiples of earnings before interest, taxes, depreciation and amortization ("EBITDA") of comparable publicly traded companies.

For purposes of calculating recoveries under the Plan, Blackstone determined Reorganized Lone Star would have a total enterprise value, after distribution of Cash to creditors, of between $270 million and $305 million. Blackstone utilized discount rates of 12% to 16% and multiples of EBITDA of 12.0 to 13.0 (for the twelve months ended June 1993) and 9.0 to 10.0 (for fiscal 1993) to develop its valuation. Further, using a discounted cash flow analysis, taking into consideration the operating results, the present value of projected sale proceeds and dates of sale of the Debtors' Non-Core Assets, Blackstone valued the Non-Core Assets at between $99.8 million and $153.1 million.

The Debtors' valuation has been shared with representatives of all major constituencies. The Debtors have negotiated or sought to negotiate with each of the major parties-in-interest and their financial advisors -- the Official Committee of Unsecured Creditors, the Official Committee of Retired Employees, the labor unions representing union retirees, the Pension Benefit Guaranty Corporation and the Official Committee of Equity Security Holders (the "Equity Committee") -- concerning the Plan based on the Debtors' estimated range of values.

However, the Equity Committee has disputed the Debtors' valuation of their assets and has advocated higher values for the Debtors' assets.(6) Based on the Debtors' financial projections, which the Equity Committee believes are overly conservative, and utilizing a discounted cash flow analysis and analysis of multiples of EBITDA, the Equity Committee's financial advisor, The Argosy Group L.P. ("Argosy"), determined Reorganized Lone Star would have an enterprise value of $328 million to $379 million and the Non-Core Assets would have a value of between $196.5 million and $263.4 million. Argosy employed discount rates of 9.0% to 10.0% and EBITDA multiples of 9.5 to 11.5 (latest twelve months and fiscal 1993) and 7.5 to 9.5 (fiscal 1994) in its valuation analysis.

Based on these higher valuation results, the Equity Committee believes the value of the new common stock of Lone Star under the Debtors' Plan (before the exercise of any Warrants) would be in the range of $265.7 million to $383.8 million. In contrast, the Debtors believe Reorganized Lone Star would have an equity value of between $149.2 million and $204.2 million.

The Debtors believe that their discount rates and public market multiples more accurately reflect Reorganized Lone Star's risks and earnings prospects under current market conditions and therefore believe their valuation is sound. The Equity Committee believes the Debtors have significantly undervalued their assets, and that the Plan therefore provides for recoveries to unsecured creditors well in excess of the estimated amount of their pre-petition claims. (The Debtors believe, however, if post-petition interest is included in such claims, then unsecured creditors would not receive value under the Plan greater

than the amount of such claims, inclusive of post-petition interest.) Accordingly, the Equity Committee believes the Plan may be held not fair and equitable to equity security holders and therefore unconfirmable.(7)

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6 In addition, certain class action securities litigation claimants have requested that the Debtors disclose that they (i) are unwilling to accept the Debtors' valuation, (ii) assert that they have not had the opportunity to review the documents upon which the Debtors' valuation of their assets is based, and (iii) may challenge the confirmation of the Plan based upon the failure of the Debtors to properly value their assets. (See pages 63 for a discussion of such claims.)

7 As set forth in Section IV(D)(2) of this Disclosure Statement, the Equity Committee also believes the Debtors have underestimated the recoveries that would be achieved in a liquidation of the Debtors' estates. The Equity Committee believes the Plan may be deemed not in the best interests of equity security holders because equity security holders under certain assumptions could receive more value from an orderly liquidation of all the Debtors' assets than such holders would receive under the Plan. The Debtors dispute the Equity Committee's position and believe all constituents would receive a greater recovery under the Plan than in liquidation.

The difference between the Debtors' valuations and the Equity Committee's valuations and their impact on projected recoveries to Class 4B creditors and equity security holders under the Plan are summarized in the following table.

VALUATION DISCREPANCIES
AND RANGES OF RECOVERIES

<TABLE>
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	BASED ON DEBTORS' VALUATION	BASED ON EQUITY COMMITTEE'S VALUATION
<S>	<C>	<C>
Reorganized Lone Star Enterprise Value*	$270 - 305	$328 - 379
Non-Core Asset Valuation*	$100 - 153	$196 - 263
Equity Value of Reorganized Lone Star*+	$149 - 204	$266 - 384
Class 4B Recovery Under Consensual Plan Excluding Accrual of Post-Petition Interest**	84.9% - 100.0%	109.3% - 127.1%
Class 4B Recovery Under Consensual Plan, Including Accrual of Post-Petition Interest**	69.1% - 81.4%	88.9% - 103.4%
Class 4B Recovery Under Plan if Preferred and Common Stockholders Reject the Plan, Excluding Accrual of Post-Petition Interest**	88.8% - 105.5%	116.3% - 137.3%
Class 4B Recovery if Preferred and Common Stockholders Reject the Plan, Including Accrual of Post-Petition Interest**	72.3% - 85.8%	94.7% - 111.7%
Class 5 (Preferred Stock) Recovery Under Consensual Plan (as percentage of par value of security)@	45.0% - 59.8%	97.8% - 150.7%
Class 5 (Preferred Stock) Recovery Under Consensual Plan (Including Accrual of Post-Petition Dividends and Interest)@	31.4% - 41.8%	68.3% - 105.2%
Class 6 (Common Stock) Aggregate Recovery Under Consensual Plan@*	$10 - 12	$29 - 48

</TABLE>

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* In millions of dollars, rounded to nearest million.
\+ Calculated as Reorganized Lone Star enterprise value, plus surplus proceeds from sale of Non-Core Assets, less long-term debt obligations.
** As percentage of estimated allowed amount of claims.
@ Includes value attributed to Warrants prior to exercise.

If the dispute concerning valuations cannot be consensually resolved, a determination by the Bankruptcy Court with respect thereto may have to be made in connection with the Confirmation of the Plan. If holders of Allowed Common Stock Interests do not accept the Plan (in which event there will be no distribution on account of such interests), the Debtors believe that based on their values (both on a going concern and liquidation basis) the Debtors nonetheless would be able to confirm the Plan in accordance with Section 1129(b) of the Bankruptcy Code because classes of claims and interests senior to common

stock interests will not receive distributions sufficient to fully satisfy such claims and interests.

The Equity Committee believes, based on its range of values, if holders of Allowed Common Stock Interests do not accept the Plan, the Debtors will not be able to confirm the Plan because the value of such stock interests exceeds what such holders would receive under the Plan (i.e., no distribution). The Debtors believe that, to succeed on this argument, the Equity Committee would have to show, among other things, that (i) holders of Allowed Unsecured Claims would receive full payment including post-petition interest on account of such Allowed Claims through the date of payment, and (ii) holders of Allowed Preferred Stock

Interests would receive their liquidation preference (including accrued and unpaid dividends, both pre - and post-petition). In any event, as noted above, the Debtors believe the Equity Committee's values are incorrect and absent a consensual resolution, the Bankruptcy Court may have to make a determination with respect to valuation prior to Confirmation.

The Debtors, in an effort to address the valuation discrepancy, have included in the Plan a distribution of Warrants to holders of Allowed Common Stock Interests (if they accept the Plan), which, if the high range of values estimated by Argosy ultimately proves to be correct, would allow holders of Allowed Common Stock Interests to realize a portion of such value. The Debtors believe that the Plan is fair and equitable to holders of Allowed Common Stock Interests and strongly urge such holders to vote to accept the Plan.

6. MISCELLANEOUS

Accompanying this Disclosure Statement is also a copy of:

1. An order (the "Disclosure Statement Approval Order") and related notice approved by the Bankruptcy Court which, among other things, fixes the time for:

a. submitting acceptances or rejections of the Plan;

b. the hearing to consider confirmation of the Plan (the "Confirmation Hearing"); and

c. filing objections to confirmation of the Plan.

2. A ballot for accepting or rejecting the Plan (the "Ballot").(8)

THIS DISCLOSURE STATEMENT HAS BEEN APPROVED BY ORDER OF THE BANKRUPTCY COURT AS CONTAINING INFORMATION OF A KIND AND IN SUFFICIENT DETAIL TO ENABLE HOLDERS OF CLAIMS AND STOCK INTERESTS TO MAKE AN INFORMED JUDGMENT WITH RESPECT TO VOTING TO ACCEPT OR REJECT THE PLAN. HOWEVER, THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE A RECOMMENDATION OR DETERMINATION BY THE BANKRUPTCY COURT WITH RESPECT TO THE MERITS OF THE PLAN.

THIS DISCLOSURE STATEMENT CONTAINS A SUMMARY OF CERTAIN PROVISIONS OF THE PLAN AND CERTAIN OTHER DOCUMENTS AND CERTAIN FINANCIAL INFORMATION. WHILE THE DEBTORS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE AND PROVIDE ADEQUATE INFORMATION WITH RESPECT TO THE DOCUMENTS SUMMARIZED, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS. FURTHERMORE, CERTAIN OF THE FINANCIAL INFORMATION CONTAINED HEREIN (WITH THE EXCEPTION OF PORTIONS OF THE ANNUAL REPORT ON FORM 10-K ANNEXED HERETO AS EXHIBIT "J") HAS NOT BEEN THE SUBJECT OF AN AUDIT BY AN OUTSIDE ACCOUNTING FIRM.(9) ALTHOUGH THE DEBTORS HAVE MADE EVERY EFFORT TO BE ACCURATE, EACH HOLDER OF A CLAIM OR STOCK INTEREST SHOULD REVIEW THE PLAN AND THE OTHER APPENDICES HERETO BEFORE CASTING A BALLOT.

NO PARTY IS AUTHORIZED TO GIVE ANY INFORMATION WITH RESPECT TO THE PLAN OTHER THAN THAT WHICH IS CONTAINED IN THIS DISCLOSURE STATEMENT. NO REPRESENTATIONS CONCERNING THE DEBTORS, THEIR FUTURE BUSINESS OPERA-

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8 Ballots are only being provided to holders of Claims or Stock Interests which are impaired under the Plan. Creditors whose Claims are not impaired under the Plan are being provided this Disclosure Statement for informational purposes only.

9 The financial projections annexed hereto as Exhibit "F" were prepared by the Debtors with a view toward compliance with Generally Accepted Accounting Principles. However, as is typical of projections prepared in connection with Chapter 11 cases, the Debtors' projections were not the subject of an audit by

an outside accounting firm. In addition, such projections were not prepared with a view towards compliance with the guidelines established by the American Institute of Certified Public Accountants, the Financial Accounting Standards Board, or the Rules and Regulations of the Securities and Exchange Commission regarding projections.

TIONS OR THE VALUE OF THEIR PROPERTIES HAVE BEEN AUTHORIZED BY THE DEBTORS OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. ANY INFORMATION, REPRESENTATIONS OR INDUCEMENTS MADE TO OBTAIN YOUR ACCEPTANCE WHICH ARE OTHER THAN OR INCONSISTENT WITH THE INFORMATION CONTAINED HEREIN AND IN THE PLAN SHOULD NOT BE RELIED UPON BY ANY CREDITOR OR HOLDER OF A STOCK INTEREST IN VOTING ON THE PLAN.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND NOT IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER APPLICABLE NONBANKRUPTCY LAW. PERSONS OR ENTITIES HOLDING OR TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING CLAIMS AGAINST, OR SECURITIES OF, THE DEBTORS SHOULD EVALUATE THIS DISCLOSURE STATEMENT IN LIGHT OF THE PURPOSE FOR WHICH IT WAS PREPARED.

IN ACCORDANCE WITH THE BANKRUPTCY CODE, THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, NOR HAS SUCH COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.

WITH RESPECT TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER PENDING OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT AND THE INFORMATION CONTAINED HEREIN SHALL NOT BE CONSTRUED AS AN ADMISSION OR STIPULATION, BUT RATHER AS STATEMENTS MADE IN SETTLEMENT NEGOTIATIONS.

The following documents filed by the Debtors with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 are incorporated in this Disclosure Statement by reference: (a) Annual Report on Form 10-K for the fiscal year ended December 31, 1992, and (b) all other documents subsequently filed by the Company pursuant to Section 13(a) of the Securities Exchange Act of 1934, prior to the confirmation of the Plan by the Bankruptcy Court including the latest quarterly report on Form 10-Q and other documents.

B. WHO MAY VOTE

In order for the Plan to be confirmed by the Bankruptcy Court, each Class of Claims or Stock Interests whose rights are impaired by the provisions of the Plan must accept the Plan, except as otherwise provided below. In addition, only holders of Claims or Stock Interests in impaired Classes which are Allowed Claims or Allowed Stock Interests as of November 11, 1993 shall be entitled to vote on the Plan.

For purposes of this Disclosure Statement, Secured Claims in Class 2 and Unsecured Claims in Class 4 under the Plan shall be deemed to be impaired and holders of such Claims shall be entitled to vote on the Plan. In addition, every holder of the (i) presently authorized (a) $13.50 cumulative convertible preferred shares of Lone Star, par value $1.00 per share, and (b) $4.50 cumulative convertible preferred shares of Lone Star, par value $1.00 per share (both holders of interests in Class 5), and (ii) $1.00 par value Common Stock of Lone Star (holders of interests in Class 6) shall be entitled to vote on the Plan provided that he/she is a holder of record as of November 11, 1993 and provided that such Stock Interest has not been disallowed or disputed.

C. VOTING INSTRUCTIONS

As a holder of a Claim or Stock Interest, your vote on the Plan is important. A Ballot to be used for voting to accept or reject the Plan accompanies this Disclosure Statement. After carefully reviewing this Disclosure Statement, including the attached exhibits, please indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan on the enclosed Ballot and return it in the manner described below.

With respect to publicly traded equity securities held in broker (street) name, if any, banks and broker nominees (collectively, the "Nominees") voting on behalf of more than one beneficial owner of such

securities have been requested to transmit a copy of this Disclosure Statement

and a Ballot to each beneficial owner of such securities. Each beneficial holder of a security should return a fully completed Ballot to its respective Nominee who will then compile the information contained on such Ballots onto master Ballots supplied to such Nominees. The master Ballots will indicate both the customer account number (or other identifying number) for each beneficial owner and the total number of securities voting to accept or reject the Plan.

Completed Ballots should be returned in the envelope enclosed and addressed to:

LONE STAR INDUSTRIES, INC. et al.
Plan of Reorganization
c/o Claudia King & Associates, Inc.
P.O. Box 2010
Jersey City, NJ 07303-2010

Ballots may also be returned by hand or overnight courier in which case the Ballot should be addressed to:

LONE STAR INDUSTRIES, INC. et al.
Plan of Reorganization
c/o Claudia King & Associates, Inc.
66 York Street
Jersey City, NJ 07302

BALLOTS MUST BE RECEIVED ON OR BEFORE 5 P.M. NEW YORK TIME ON THE DATE INDICATED ON SUCH BALLOTS (THE "VOTING DEADLINE"). ANY BALLOTS RECEIVED AFTER THE VOTING DEADLINE WILL NOT BE COUNTED NOR WILL ANY BALLOTS RECEIVED BY FACSIMILE BE ACCEPTED.

ANY BALLOT WHICH IS EXECUTED BY THE HOLDER OF AN ALLOWED CLAIM OR ALLOWED STOCK INTEREST BUT WHICH DOES NOT INDICATE AN ACCEPTANCE OR REJECTION OF THE PLAN SHALL BE DEEMED AN ACCEPTANCE OF THE PLAN.

IF YOU HAVE ANY QUESTIONS REGARDING THE PROCEDURES FOR VOTING ON THE PLAN, CONTACT THE DEBTORS' INFORMATION AGENT:

Morrow & Co., Inc.
909 Third Avenue
New York, NY 10022
(212) 754-8000 or
Call Toll Free (800) 662-5200

D. SUMMARY OF PROCEDURES RESPECTING ACCEPTANCE OR REJECTION OF THE PLAN

Under the Bankruptcy Code, a Class of Claims is deemed to have accepted the Plan if it is accepted by creditors in such Class who, having voted on the Plan, hold at least two-thirds in amount and more than one-half in number of the Allowed Claims of such Class. A Class of Stock Interests is deemed to have accepted the Plan if it is accepted by holders of Stock Interests who, having voted on the Plan, hold at least two-thirds in amount of the Allowed Stock Interests of such Class.

If the Plan is not accepted by all of the impaired Classes of Claims and Stock Interests, the Plan may still be confirmed by the Bankruptcy Court, pursuant to Section 1129(b) of the Bankruptcy Code, if the Plan has been accepted by at least one impaired Class of Claims, and the Bankruptcy Court determines, among other things, that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to each non-accepting impaired Class of Claims or Stock Interests.

A more detailed description concerning the acceptance and confirmation of the Plan of Reorganization is set forth later in this Disclosure Statement in the section entitled "Confirmation of the Plan of Reorganization" at pages 101 through 110.

E. CONFIRMATION HEARING

Pursuant to Section 1128 of the Bankruptcy Code and Rule 3017(c) of the Bankruptcy Rules, the Bankruptcy Court has scheduled the Confirmation Hearing for 10 a.m., on January 5, 1994, before the Honorable Howard Schwartzberg, in his courtroom at the United States Bankruptcy Court, 101 East Post Road, White Plains, New York 10601. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of such adjournment by the Bankruptcy Court in open court at such hearing.

F. OBJECTIONS TO CONFIRMATION

Any objection to Confirmation of the Plan must be in writing and filed and served as required by the Bankruptcy Court pursuant to the Disclosure Statement Approval Order, a copy of which accompanies this Disclosure Statement.

II. BACKGROUND AND EVENTS PRECIPITATING THE CHAPTER 11 FILINGS

A. GENERAL

The Debtors, together with their non-Debtor affiliates (collectively, the "Affiliated Companies"), consist of numerous legal entities with varying levels of business activities. Lone Star is the direct or indirect parent of the Affiliated Companies. The Affiliated Companies comprise a large and complex enterprise and are leading producers of cement and a major source of ready-mixed concrete, sand and gravel, crushed stone, precast concrete products and other construction materials. The Affiliated Companies' cement, concrete and concrete products operations include the manufacture and distribution of portland, masonry, oil-well and Pyrament(R) cement, and the production and distribution of ready-mixed concrete and concrete products. The Affiliated Companies' construction aggregate operations include the mining, processing and distribution of sand, gravel and crushed stone.

On the Filing Date, the Affiliated Companies manufactured and distributed their products throughout the United States, and in Canada and South America. The Affiliated Companies also owned interests in several joint ventures having operations in the United States and South America. A description of the Debtors' interest in these various joint ventures is set forth at pages 13 through 14 of this Disclosure Statement.

On the Filing Date, the Debtors and their Affiliated Companies employed approximately 2,000 employees. At present, as a result of certain workforce reductions and operational changes, the number of

individuals employed by the Debtors has been reduced to approximately 1,500, of whom over half are members of various labor unions.

1. OVERVIEW OF OPERATIONS

As set forth later in this Disclosure Statement, the Debtors' Plan provides for a reorganized company which will be comprised of and centered around the Debtors' core domestic cement, construction aggregates and ready-mixed concrete operations (see pages 70 through 73).

a. Cement Operations

On the Filing Date, the Debtors' domestic cement operations were primarily located in the Middle and Southwestern United States, with additional facilities located in both the Northeast and Southeast. Specifically, on or about the Filing Date, the Company and its Affiliated Companies operated domestic portland cement plants located in California, Hawaii, Illinois, Indiana, Kansas, Kentucky, Missouri, Oklahoma, Pennsylvania (two plants) and Texas. The total 1990 annual rated cement capacity of these operational facilities was approximately 6,900,000 tons. The Affiliated Companies also owned two non-operational cement facilities. In addition, the Company owned a cement plant in Florida which it leased to a third party who owned the reserves used by that plant and a cement plant in Louisiana which it also leased to a third party.

The cement produced domestically by the Affiliated Companies was sold through various internal production and distribution facilities. Such distribution facilities were operated in California (two locations), Florida (leased to a third party), Hawaii (five locations), Illinois, Indiana (four locations), Kansas (two locations), Kentucky, Louisiana (two locations leased to a third party), Mississippi, Missouri, New York (one location which was leased to a third party), Ohio, Oklahoma (two locations), Tennessee (two locations), Texas (three locations), West Virginia (two locations) and Wisconsin. Marketing of cement was handled by internal sales organizations located at certain plants and terminals and at various sales offices in the United States.

b. Aggregates Operations

On the Filing Date, the Company and certain of its affiliates produced construction aggregates (including sand, gravel, crushed stone and other stone products, and special purpose industrial sands) in the United States, principally in California, Hawaii, Illinois, Massachusetts, Mississippi and New

York. Such items were also produced in Canada. Of the total amount of aggregates shipped domestically by the Company and its Affiliated Companies in 1990, approximately 14% was used in their ready-mixed concrete and concrete products operations, with the balance sold to third parties.

c. Ready-Mixed Concrete Operations

As of the Filing Date, Lone Star and certain of its Affiliated Companies produced ready-mixed concrete and related products. The ready-mix operations were located primarily at facilities in Illinois, Tennessee, Massachusetts, California and Hawaii.

d. Domestic Joint Ventures

On the Filing Date, Lone Star, either directly or indirectly, was a principal party to seven separate domestic joint ventures, each engaged in the manufacture of cement, ready-mixed concrete, construction aggregates, or certain other cement and concrete products. Typically, the Company owned approximately a 50% interest in each of the joint ventures, although in some cases ownership was less. Pursuant to the various joint venture agreements, the day-to-day operations of the joint ventures were not controlled by Lone Star.

The Debtors have determined that, for various reasons, their interests in the joint ventures in which they still participate, except for Kosmos Cement Company ("Kosmos"), are not necessary for the success of Reorganized Lone Star's business operations and are, therefore, characterized in the Plan as Non-Core Assets.

The operations conducted by such joint ventures are described in more detail in this Disclosure Statement in the section entitled "Core vs. Non-Core Assets" at pages 70 through 78.

e. International Operations

On the Filing Date, the Debtors, through certain wholly-owned subsidiaries or joint ventures, produced and sold cement and related products at various facilities outside of the United States, primarily in Canada and South America. As noted in Section I(A)(3) of this Disclosure Statement, prior to the Filing Date, Lone Star's management determined that the Company's strategic goals and objectives should be focused primarily on the reinforcement and rehabilitation of its core domestic operations and away from off-shore operations. Consequently, the Debtors have sold all of their South American interests.

B. MAJOR SOURCES OF PRE-PETITION FINANCING

Aside from revenues generated from operations, the Debtors' pre-petition operations were financed, in substantial part, by short-term borrowings, a revolving credit agreement, an accounts receivable agreement, certain long-term debt obligations, industrial development bonds, a production payment facility and a bareboat charter transaction.

1. REVOLVING CREDIT AGREEMENT

Pursuant to a credit agreement dated April 28, 1988, as amended, among Lone Star, a group of banks and Morgan Guaranty Trust Company of New York ("Morgan Guaranty"), as agent, Lone Star obtained a revolving line of credit for up to $250,000,000.

The credit agreement was originally scheduled to terminate on April 28, 1991, but was later amended to reflect that the agreement would terminate on November 30, 1990. In October 1990, Lone Star reduced the aggregate amount of lending commitments under the revolving credit agreement to $84,000,000 and borrowed $77,952,000 of the reduced commitments. The amounts borrowed (plus applicable interest) were repaid by Lone Star on or about November 23, 1990, and the credit agreement was cancelled by Lone Star at that time.

Prior to the Filing Date, Lone Star attempted to renew the credit agreement or obtain a similar agreement with other institutions. However, Lone Star was unable to obtain such an agreement on acceptable terms and conditions. As set forth more fully below, Lone Star's inability to obtain such financing was a contributing factor to the Debtors' Chapter 11 filings.

2. ACCOUNTS RECEIVABLE AGREEMENT

Pursuant to an Agreement to Purchase Receivables dated as of September 1, 1985, as amended and extended, Morgan Guaranty, as agent for certain purchasers,

agreed to purchase certain of Lone Star's accounts receivable. As of November, 1990, Morgan Guaranty purchased approximately $46,000,000 of Lone Star's accounts receivable for which it paid approximately $42,000,000. On or about November 9, 1990, Lone Star repurchased the accounts receivable, including an unpaid discount, from Morgan Guaranty for $42,324,723.76, and the accounts receivable agreement terminated. The Debtors believe that the amounts ultimately collected on the receivables repurchased from Morgan Guaranty exceeded the amount paid by Lone Star.

3. LONG-TERM DEBT OBLIGATIONS

On March 26, 1987, the Debtors sold $150,000,000 in principal amount of 8.75% promissory notes due March 26, 1992 through a private placement to certain financial institutions.

On February 24, 1988, the Debtors sold $50,000,000 in principal amount of promissory notes to Metropolitan Life Insurance Company and its affiliates. These notes had an interest rate of 9.50% and were due on February 24, 1991.

On February 29, 1988, the Debtors sold $25,000,000 in principal amount of a promissory note to Credit Suisse. This note has an interest rate of 9.90% and is due on March 7, 1995.

On May 3, 1988, the Debtors sold $90,000,000 in principal amount of 9.75% promissory notes through a private placement to various financial institutions. $45,000,000 of these notes were due on May 3, 1993 and the remaining $45,000,000 are due on May 3, 1994.

In addition to the above unsecured obligations, on the Filing Date, the Debtors had other miscellaneous unsecured long-term debt obligations of approximately $106,000 (in principal amount) and miscellaneous secured long-term debt obligations with an aggregate outstanding principal amount of approximately $2,000,000.(10)

Claims have been scheduled or filed in the Debtors' Chapter 11 cases by the various noteholders in connection with the above-referenced obligations. The Debtors anticipate that the claims arising from the unsecured and secured long-term debt obligations will ultimately be allowed in the aggregate amount of approximately $321,000,000 (including principal and accrued and unpaid interest as of the Filing Date) and approximately $970,000 (in principal amount), respectively.

4. INDUSTRIAL DEVELOPMENT BONDS

Prior to the Filing Date, the Debtors (and in one instance, a joint venture) arranged for various government authorities (collectively, the "Authorities") to issue industrial revenue, industrial development and pollution control revenue bonds (collectively, the "Bonds") with variable interest rates in order to finance the acquisition of pollution control facilities and other assets located throughout the United States, or refinance certain pollution control equipment and other assets located at certain facilities. The Debtors are obligated under various loan, sale, lease or guarantee agreements with the Authorities to pay the amounts due on the outstanding Bonds over various periods of time. Pursuant to various trust indentures (the "Indentures") executed in connection with the Bonds, the Authorities assigned their rights under such loan, sale, lease or guarantee agreements relating to the Bonds to certain indenture trustees (the "Indenture Trustees"). As of the Filing Date, the amounts outstanding under the Bonds aggregated approximately $75,225,000 in principal amount.

Pursuant to various agreements executed in connection with the Bonds, in most instances, payment of the principal amount and interest on the Bonds may be, or are required to be, made by draws upon various letters of credit (the "Letters of Credit") issued by certain banks at the Debtors' request. Pursuant to various reimbursement agreements executed prior to the Filing Date, the Debtors are obligated to reimburse these banks for amounts drawn under the Letters of Credit. Set forth below is a summary of the various Bond issues.

INDUSTRIAL DEVELOPMENT AND POLLUTION CONTROL BONDS SUPPORTED BY LETTERS OF CREDIT ISSUED BY THE MITSUBISHI BANK, LIMITED

- $8,300,000 of Pollution Control Revenue Bonds issued pursuant to an Indenture of Trust dated as of July 1, 1984 between the State of Missouri Environmental Improvement and Energy Resources Authority and Mercantile Trust Company National Association, as trustee.

- $800,000 of Environmental Control Revenue Bonds issued pursuant to an Indenture of Trust dated August 28, 1984 between the State of Missouri Environmental Improvement and Energy Resources Authority and Mercantile Trust Company National Association, as trustee.

- $1,000,000 of Industrial Development Revenue Bonds issued pursuant to a Trust Indenture dated February 2, 1984 between the City of Oglesby, Illinois and Continental Illinois National Bank, as trustee.

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10 During these Chapter 11 proceedings, through a Bankruptcy Court approved transaction, approximately $1,000,000 of such amount was eliminated when the Debtors surrendered a parcel of real property to a non-recourse secured lender.

- $19,000,000 of Floating Rate Monthly Demand Industrial Dock and Wharf Revenue Bonds issued pursuant to an Indenture of Trust and Pledge dated as of July 1, 1981 and a Supplement thereto dated as of December 2, 1982 between the Industrial Development Board of the City of New Orleans, Louisiana, Inc. and First National Bank of Commerce, as trustee.

- $1,000,000 of Industrial Development Revenue Bonds issued pursuant to an Indenture of Trust and Pledge dated as of May 1, 1984 between the Industrial Development Board of the City of New Orleans, Louisiana, Inc. and First National Bank of Commerce, as trustee.

- $6,800,000 of Pollution Control Revenue Bonds issued pursuant to an Indenture of Trust dated as of December 1, 1983 between California Pollution Control Financing Authority and Continental Illinois National Bank and Trust Company of Chicago, as trustee.

- $1,000,000 of Industrial Revenue Bonds issued pursuant to an Indenture of Trust dated April 1, 1984 between the California Pollution Control Financing Authority and Continental Illinois National Bank and Trust Company of Chicago, as trustee.

- $6,200,000 of Pollution Control Revenue Bonds issued pursuant to an Indenture of Trust dated as of January 1, 1983 between the Pryor County Industrial Authority and Continental Illinois National Bank and Trust Company of Chicago, as trustee.

- $1,000,000 of Pollution Control Revenue Bonds issued pursuant to an Indenture of Trust dated March 1, 1984 between the Pryor County Industrial Authority and Continental Illinois National Bank and Trust Company of Chicago, as trustee.

OTHER INDUSTRIAL DEVELOPMENT AND POLLUTION CONTROL BONDS

- $3,000,000 of Pollution Control Flexible Rate Refunding Revenue Bonds issued pursuant to an Indenture of Trust dated November 25, 1986 between the Industrial Development Authority of Botetourt County, Virginia and The Central Trust Company, as trustee.

- $5,000,000 of Pollution Control Flexible Rate Refunding Revenue Bonds issued pursuant to an Indenture of Trust dated December 1, 1986 between the Industrial Development Authority of Botetourt County, Virginia and The Central Trust Company, as trustee.

- $3,138,000 of Pollution Control Flexible Rate Refunding Revenue Bonds issued pursuant to a Trust Indenture dated November 1, 1986 between the Industrial Development Board of the City of Demopolis, Alabama and The Central Trust Company, as trustee.

- $5,234,000 of Pollution Control Flexible Rate Refunding Revenue Bonds issued pursuant to a Trust Indenture dated December 1, 1986 between the Industrial Development Board of the City of Demopolis, Alabama and The Central Trust Company, as trustee.

- $2,400,000 of Industrial Development Revenue Bonds (Lone Star Project) Series of 1984 issued pursuant to an Indenture of Trust dated April 1, 1984 between the Industrial Development Authority of the County of Chesterfield, Virginia and the United Virginia Bank (now Crestar Bank), as trustee.

INDUSTRIAL DEVELOPMENT BONDS SUPPORTED BY LETTER OF CREDIT ISSUED BY CRESTAR BANK

- $3,500,000 of Industrial Development Revenue Bonds (Lone Star Project) Series of 1984 issued pursuant to an Indenture of Trust dated October 1, 1984 between the Industrial Development Authority of the City of Richmond, Virginia and the Crestar Bank, as trustee.

OTHER INDUSTRIAL DEVELOPMENT AND POLLUTION CONTROL BONDS

- $2,500,000 of Industrial Revenue Bonds Series 1978 ($1,000,000) and Series 1978B ($1,500,000) issued pursuant to Indentures of Trust dated August 1, 1978 and December 1, 1978, respectively, between the Industrial Development Authority of the City of Chesapeake, Virginia and First Merchants National Bank, later Sovran Bank (now NationsBank), as trustee.

- $1,000,000 ($387,728.68 as of the Filing Date) of Industrial Development Bonds issued pursuant to a Note Purchase Agreement and Agreement of Sale dated December 1, 1980 between the Industrial Development Authority of the County of Hanover (VA) and United Virginia Bank (now Crestar Bank).

- $3,500,000 ($1,000,000 outstanding at the Filing Date) of Pollution Control Bonds issued pursuant to a Trust Indenture dated June 1, 1972 between the North Alabama Environmental Improvement Authority and the State National Bank of Alabama (now Central Bank of the South), as trustee.

- $3,300,000 ($1,765,000 outstanding at the Filing Date) of Pollution Control Revenue Bonds (Series A of 1973) pursuant to a Trust Indenture dated December 15, 1973 between the Northampton County Industrial Development Authority and the Commerce Union Bank (Tennessee) (now NationsBank), as trustee.

The Indenture Trustees, the Authorities and certain individual bondholders filed proofs of claim in the Debtors' Chapter 11 proceedings with respect to the outstanding amounts due under the Bonds. In addition, Mitsubishi, Credit Commercial de France ("CCF"),(11) and Credit Suisse filed proofs of claim based on the reimbursement obligations of the Debtors in regard to their respective Letters of Credit.

The Debtors determined that because the claims of the Indenture Trustees, the Authorities and the individual Bondholders could be satisfied by draws on the Letters of Credit, such claims were not valid. Consequently, subsequent to the Filing Date, the Debtors obtained entry of orders estimating the claims of the Indenture Trustees and the Authorities at zero dollars for all purposes (see pages 52 through 55 of this Disclosure Statement).

As for the proofs of claim filed by Mitsubishi and CCF, the Debtors disputed the amount, status and priority of such claims. However, the Debtors and the banks reached a settlement of their disputes pursuant to which the claims of Mitsubishi and CCF were allowed as general unsecured claims in the aggregate amount of $45,328,871.07, subject to reduction by certain post-petition payments. This settlement with Mitsubishi and CCF was approved by the Bankruptcy Court in April, 1992 (see pages 52 through 55 of this Disclosure Statement). As for the Credit Suisse proofs of claim, the parties recently reached a settlement in principle respecting the allowed amount and treatment of such claims (see page 54 of this Disclosure Statement).

INDUSTRIAL REVENUE BONDS ISSUED BY THE CITY OF KANSAS CITY, KANSAS

Prior to the Filing Date, the City of Kansas City, Kansas (the "City") issued two series industrial revenue bonds (the "Kansas City Bonds") in the aggregate principal amount of $2,200,000 in order to finance the City's purchase, development and construction of certain facilities located in Kansas City, Kansas (the "Facility"), which Facility was operated by Lonestar-KC Concrete Tie Company ("Lonestar-KC") (then a joint venture between Lone Star and Kansas City Southern Industries, Inc. ("Kansas Southern")). Lonestar-KC is the predecessor in interest to San-Vel Concrete Corporation ("San-Vel"), a Debtor herein.

Contemporaneously with the issuance of the Bonds, the City and Lonestar-KC entered into a lease agreement dated November 1, 1980, whereby the City leased the Facility to Lonestar-KC for an initial term of twenty (20) years commencing on the date of the KC Lease and ending on October 31, 2000. Lonestar-KC's payments of the principal, interest and premiums on the Bonds were guaranteed by its two principals, Lone Star and Kansas Southern, pursuant to guaranty

agreements (collectively, the "Guaranty Agreements") with the City's fiscal agent, Security Bank of Kansas City (the "Fiscal Agent"), each executed on or about November 1, 1980.

In February, 1992, Lone Star and San-Vel filed a complaint and objection to claims (the "Complaint") in the Bankruptcy Court commencing an adversary proceeding (the "Action") against the City and the Fiscal Agent. The City and Fiscal Agent filed an amended joint answer to the Complaint and later moved for summary judgment.

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11 On or prior to its issuance of Letters of Credit, Mitsubishi sold a 44.35% interest in its Letters of Credit to CCF.

In an effort to avoid the continuation of potentially costly and time consuming litigation, the parties commenced negotiations respecting the resolution of all issues relating to the Kansas City Bonds and the Facility. As a result of such negotiations, in November, 1992 the parties agreed to a settlement, which was incorporated into a proposed stipulation (the "KC Stipulation"), the material terms of which are described immediately below.

The KC Stipulation provides that the Action will be dismissed with prejudice upon the entry of an order by the Bankruptcy Court approving the KC Stipulation. Additionally, the KC Lease will be deemed rejected pursuant to Section 365(a) of the Bankruptcy Code as of date of the entry of such order and the City shall be granted an allowed unsecured claim in the amount of $100,000 against San-Vel's estate for damages arising from the rejection of the KC Lease.

The City shall also be granted administrative claims (i) in the amount of $168,000 against San-Vel's estate for post-petition rent, without prejudice to the rights of Kansas Southern to assert claims arising out of its payments on behalf of Lone Star and/or San-Vel pursuant to the Kansas Southern Guaranty and the Assignment and Assumption Agreement, and (ii) in the amount of $75,000 against San-Vel's estate for legal fees and other expenses incurred in the post-petition period in connection with the KC Lease.

The KC Stipulation further provides that the Series B Bondholders' Claim shall become an allowed unsecured claim against Lone Star in the amount of $1,112,527.78 representing principal and accrued interest due as of the Filing Date at the rate of 10 1/4%. Furthermore, the City agreed that Lone Star and San-Vel would have the exclusive right, through and including October 1, 1993, to market and/or sell the Facility to a third party purchaser for a cash purchase price (net sales proceeds) of not less than $250,000 (the "Cash Floor"). Proceeds from any sale will be credited against the Allowed Claims of the Bondholders as set forth in the KC Stipulation.

In accordance with the terms of the KC Stipulation, upon information and belief, in February, 1993, the Bondholders approved such stipulation. Presently, Lone Star believes that it has reached an agreement in principle with a purchaser for the sale of the Facility for a cash purchase price of approximately $500,000. The Debtors have filed a motion with the Bankruptcy Court seeking approval of the KC Stipulation and a hearing thereon is presently scheduled to be held in November, 1993.

5. PRODUCTION PAYMENT FACILITY

Prior to the Filing Date, Lone Star entered into a complex transaction regarding the purchase by John Fouhey (as trustee for the Selleck Hill Trust), of limestone and other minerals from Lone Star, and Lone Star's subsequent use of such minerals in the manufacture of cement. Pursuant to an amended and restated conveyance of production payment (the "Production Payment"), dated as of September 1, 1988, Lone Star conveyed approximately 131,000,000 tons of minerals to the trustee in consideration of a $75,000,000 payment made by the trustee to Lone Star. Such minerals are located at the quarries associated with the Greencastle, Indiana and Pryor, Oklahoma cement plants. Pursuant to the Production Payment, Lone Star is required, among other things, to keep both the Pryor and Greencastle plants and equipment located thereon, and the minerals and proceeds of the marketable product produced from such minerals (which may include accounts receivable), free and clear of all liens, encumbrances and security interests. Pursuant to an amended and restated marketing contract, dated as of September 1, 1988, Lone Star had the right and obligation to use the minerals for processing into cement and other marketable products in return for payments to the trustee, on certain specific dates, of amounts equal to the principal due and payable under certain promissory notes executed by the trustee in connection with a $75,000,000 loan made by certain banks to the trustee and

used by the trustee to pay Lone Star for the minerals purchased. Pursuant to an amended and restated expense and interest agreement, dated as of September 1, 1988, Lone Star agreed to pay all interest and certain other amounts due and payable by the trustee under the Production Payment notes. On the Filing Date, approximately $39,000,000 of principal was outstanding under the Production Payment and related agreements.

Subsequent to the Filing Date, the Debtors determined that they required the use of the minerals in the operation of their businesses and were requested to assume the Production Payment and related agreements

and make all payments required thereunder. However, a dispute arose as to whether the conveyance made pursuant to the Production Payment was a true conveyance or whether it was a conveyance for security. This dispute was temporarily resolved pursuant to stipulations approved by the Bankruptcy Court pursuant to which Lone Star has made six payments of $4,000,000 each to the trustee for minerals used between the Filing Date and February 1, 1994. These stipulations expressly reserved the rights of all parties-in-interest with respect to all issues surrounding the Production Payment transaction and the payments made by Lone Star.

In September, 1993, Lone Star and the parties involved in the production payment transaction reached a settlement in principle modifying the economic terms of such transaction and resolving the issues surrounding the payments made by Lone Star and the legal characterization of transaction. In connection therewith, the Debtors prepared and filed an application with the Bankruptcy Court seeking, among other things, approval of the production payment transaction settlement in principle. This motion provides that documentation with respect to such settlement would be filed prior to confirmation in connection with such motion. Since the filing of the motion, discussions have continued and the Debtors believe they have resolved all outstanding issues respecting the production payment transaction.

In general, this settlement provides for the modification of the Production Payment transaction and the assumption (as modified), as executory contracts, of Lone Star's obligations under the production payment conveyance, marketing contract and other related documents, pursuant to which, in effect, a new note having a term of five years commencing on the Effective Date of the Plan and ending July 31, 1998, will be executed by the trustee in favor of the banks in an amount equal to the sum of (i) $20,800,000 representing principal and interest accrued at the default rate of interest (as set forth in the term loan agreement between the banks and trustee) through April 1, 1993 (which amount assumes Lone Star's payment of $4 million to the trustee in about September, 1993), and (ii) interest accrued at the same rate on all unpaid amounts from April 1, 1993 through the Effective Date of the Plan. Lone Star shall have the option to choose the interest rate to be applied to the outstanding balance of such notes of either (i) (a) LIBOR + 1.75%, or (b) prime during each of the first two years of the notes, and (ii)(a) LIBOR + 2.5%, or (b) prime + .25% during each of the third, fourth and fifth years of the notes. Amortization of the new note shall commence in 1994 with semi-annual payments of $1,000,000 due on January 31, and July 31. Thereafter, semiannual payments occurring on each January 31, and July 31, shall be $1,500,000 in 1995, $2,000,000 in 1996 and $2,500,000 in 1997. On January 31, 1998 the payment shall be $3,400,000 with the balance of the new note due on July 31, 1998.

In addition, although as part of the original Production Payment, Lone Star agreed not to encumber either the Greencastle, Indiana or Pryor, Oklahoma cement plants and the minerals and proceeds of the marketable product produced from such minerals (including accounts receivable), the parties have agreed that Lone Star shall be permitted to grant security interests in the inventories derived from minerals and marketable product and the accounts receivable related thereto in connection with a working capital facility currently anticipated to be $35,000,000. In connection with the agreement to permit such liens, Lone Star has agreed to modify the documentation to provide that Lone Star will be required to make such payments in advance for minerals used by the Pryor and Greencastle plants and to take or pay for minerals in amounts sufficient to permit the trust to service the new note. Furthermore, the parties have agreed to include a cross-default provision with respect to the Senior Note Indenture and working capital facility in connection with the new note.

The Debtors believe that the settlement is favorable and in the best interests of their estates inasmuch as it consensually resolves the issues surrounding the characterization of the transaction in a manner which is beneficial to the Debtors' estates. The Debtors' projected cash flows assume approval of the settlement. The terms of this agreement in principle are subject to approval of both the Bankruptcy Court and the Creditors' Committee. In

addition, any final order approving the treatment of the claims and obligations arising under, in connection with or related to the Production Payment shall also be in form and substance reasonably satisfactory to the lenders under the term loan. If implementation of this agreement in principle is significantly delayed beyond January 31, 1994, Lone Star anticipates that it will seek Bankruptcy Court authorization to make an additional interim payment of $4,000,000 to the trustee on substantially the same terms as those contained in the stipulations described above.

If the settlement is not approved and the Debtors are unable to recharacterize the transaction as a secured financing, because the minerals involved in the transaction are necessary to the operation of the Greencastle, Indiana and Pryor, Oklahoma plants, the Debtors would probably have to assume the relevant agreements including the marketing contract and in connection therewith make a payment of approximately $11 million to cure defaults thereunder (while simultaneously losing the benefits of the proposed settlement). Such payment would have a negative impact on the Debtors' projected cash flows as a result of the shorter maturity and amortization required under the terms of the existing agreements. Moreover, even if the Debtors were successful in litigation regarding the recharacterization of the transaction, in light of estimated recoveries under the Plan and given the costs of litigation, the Debtors do not believe the benefits gained from such litigation would be materially greater than those provided by the proposed settlement. The hearing respecting the motion to approve the production payment agreement in principle is currently scheduled for early November, 1993.

6. BAREBOAT CHARTER TRANSACTION

Prior to the Filing Date, NYTR Transportation Corp. ("NYTR") (a Debtor herein), Olive Leasing Corp. ("Olive"), Citicorp Industrial Credit Corp. ("Citicorp") and Lease Financing Corp. ("LFC") engaged in complex transactions respecting the sale for approximately $18,000,000 of 116 scows (the "Scows") by NYTR to Olive and the leaseback of such scows to NYTR. The purchase price was paid by Olive as follows: approximately $12,000,000 in cash and the remainder by a promissory note executed by Olive in favor of NYTR. As part of the security for such note, Olive executed a subordinated security agreement and a second preferred fleet mortgage in favor of NYTR which were both subordinate to a security agreement and fleet mortgage executed by Olive in favor of Citicorp.

Simultaneously with the Scow conveyance, Olive, as lessor, and NYTR, as lessee, entered into a charter agreement pursuant to which Olive leased the Scows back to NYTR for a term ending December 31, 1995, at which time, NYTR has the option of purchasing the Scows from Olive. Pursuant to the charter agreement, NYTR is required to pay all charter hire sums (i.e., rent) for use of the Scows directly to Olive.

In connection with this transaction, Citicorp advanced approximately $10,000,000 to Olive which was applied towards the purchase price of the Scows and Olive executed a note in the principal amount of $10,000,000 with interest payable at the rate of 16% due January 1, 1994. As security for this note, Citicorp and Olive entered into a security agreement and in connection therewith Olive executed and delivered a first preferred fleet mortgage to Citicorp.

Subsequent to the Filing Date, the Debtors determined that their continued use of the Scows was crucial to the ongoing operations of NYTR inasmuch as without the use of such Scows, the Debtors would not be able to continue operations which had historically been profitable. However, a dispute arose as to whether the Scow sale and leaseback transaction was a true sale or a conveyance for security. This dispute was temporarily resolved through stipulations approved by the Bankruptcy Court pursuant to which NYTR was authorized to continue to use the Scows and to make two advance payments of charter hire. These stipulations expressly reserved the rights of all parties-in-interest with respect to all issues surrounding the sale leaseback transaction and the payments made by NYTR.

Thereafter, the Debtors resolved this dispute by negotiating an amendment to the charter which, among other things, reduced the payments that NYTR was required to make thereunder. In order to assure that the Debtors would have continued use of the Scows and in order to ensure NYTR's ability to exercise the purchase option in the charter, the Debtors obtained entry of an order, on or about April 14, 1992, (i) approving the amendment to the charter, and (ii) authorizing the Debtors to assume the charter, as amended. Pursuant to the amended charter, the interest rate payable by Olive to Citicorp under its promissory note was reduced from 16% to 9.9%, which reduction, in turn, reduced NYTR's charter hire payments.(12) The terms of the Debtors' option to purchase the Scows were not affected by the amendments to the charter (i.e.,

approximately $5,000,000 upon expiration of the charter). The Debtors anticipate that during the

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12 To date, the terms of the amended Charter have resulted in a savings to the Debtors' estates of approximately $431,000.

remaining term of the charter, based upon current transportation volumes, NYTR's payment of charter hire will be, on average, approximately $3,700,000 per annum or approximately $8,900,000 in the aggregate over the term of the charter.

C. PRE-PETITION CAPITAL STRUCTURE

As of the Filing Date, Lone Star had approximately 16,560,000 shares of common stock, $1.00 par value per share, issued and outstanding. Lone Star's common stock is presently traded on the New York Stock Exchange.

In addition, Lone Star has two outstanding series of preferred stock. As of the Filing Date, the Company had 375,000 shares outstanding of its $13.50 cumulative convertible preferred shares, par value $1.00 per share, and 12,054 shares outstanding of its $4.50 cumulative convertible preferred shares, par value $1.00 per share. As of the Filing Date, the amount of the preferred shareholders' aggregate investment was approximately $37,700,000.

D. PRE-PETITION CASH MANAGEMENT SYSTEM

Prior to the Filing Date, Lone Star's treasury department effectively operated as a corporate bank to the Debtors. In this respect, the Debtors developed network banks throughout the United States to collect and disburse funds as needed in their ordinary course operations on a daily basis. Specifically, substantially all payments from customers were sent on a daily basis to approximately seven "lock box" accounts maintained by Lone Star. The "lock box" accounts were swept on a daily basis into a concentration account (the "Concentration Account") maintained at Sovran Bank (now NationsBank) in Richmond, Virginia.

With respect to the disbursement of funds, Lone Star maintained payroll facilities (which were funded in advance of payroll tax requirements and payroll checks being presented for payment) and controlled disbursement accounts. The disbursement accounts maintained zero balances and checks drawn against such accounts were funded from the Concentration Account as such checks were presented. To effectuate such funding, Lone Star was advised daily by various banks of the total dollar amount of the checks to be presented against each account that day.

Lone Star's cash management system has continued subsequent to the Filing Date pursuant to orders entered by the Bankruptcy Court (see pages 25 through 26 of this Disclosure Statement).

E. EVENTS PRECIPITATING CHAPTER 11 FILINGS

In November, 1989, in an effort to improve operating results and generate cash to pay certain maturing debt obligations, the Company implemented a restructuring program involving the sale of certain operations and facilities of the Affiliated Companies and the reduction of overhead expenses. Although progress had been made in implementing the restructuring program, due in part to depressed economic conditions and a shortage in financing available to potential purchasers in 1990, the Company was unable to complete the sale of all such assets within the projected time frame.

Additionally, business conditions in the Company's markets continued to deteriorate during 1990 and the Company's sources of financing grew increasingly restricted. Specifically, Lone Star's revolving credit agreement was terminated in November, 1990, and Lone Star was unable to negotiate a replacement credit agreement on acceptable terms. In addition, in November, 1990, certain banks which had been purchasing Lone Star's accounts receivable refused to extend the term of their existing agreement or enter into a new agreement. During the fourth quarter of 1990, the Company was unable to secure short-term borrowing arrangements on acceptable terms and conditions. Without a facility such as a multi-year revolving credit agreement or other sources of cash, the Company would, in the first quarter of 1991, probably have been in default under long-term debt agreements relating to the 8 3/4% Promissory Notes issued by Lone Star.

In addition to these financing problems, as more fully set forth in Section

III(G) of this Disclosure Statement, prior to the Filing Date, Lone Star, along with San-Vel and Lone Star Transportation Corporation (both Debtors herein) were defendants in seven lawsuits and one administrative proceeding brought against

them by certain railroad companies seeking damages of over $200,000,000 for alleged defects in concrete railroad cross-ties manufactured and/or sold by the Debtors between 1983 and 1989.

Furthermore, as of the Filing Date, the Debtors were subject to a number of pending proceedings involving federal and state regulatory agencies relating to environmental issues and certain of the Debtors had been named as potentially responsible parties by the United States Environmental Protection Agency (the "EPA") and other regulatory agencies for the environmental clean-up of certain sites. With respect to several of these sites, disputes had arisen concerning the respective liabilities of the Debtors and third parties for clean-up costs and other environmental enforcement and liability matters. Claims asserted in connection with these matters had the potential of aggregating tens of millions of dollars (see pages 47 through 52 of this Disclosure Statement).

In addition, the Debtors have significant contingent liabilities respecting retiree health, life insurance and other similar benefits. Specifically, the Debtors have approximately 7,000 participants under approximately forty different benefit plans, with the present value of liabilities estimated at approximately $140,000,000 as of January 1, 1992 (see pages 42 through 47 of this Disclosure Statement).

As a result of the foregoing matters, the Company determined that it was in its best interests to seek Bankruptcy Court protection to enable the Company to attempt to achieve a long-term solution to its financial, litigation and business problems.

III. THE CHAPTER 11 CASES

A. THE FILING OF THE PETITIONS

On December 10, 1990, the following eleven entities filed voluntary petitions for reorganization pursuant to Chapter 11 of the Bankruptcy Code:

Lone Star Industries, Inc.
New York Trap Rock Corporation
San-Vel Concrete Corporation
NYTR Transportation Corporation
Lone Star Cement Inc.
Construction Materials Company
I. C. Materials, Inc.
Lone Star Prestress Concrete, Inc.
Lone Star Properties, Inc.
Southern Aggregates, Inc.
Lone Star Transportation Corporation

Thereafter, on December 21, 1990, the following additional entities filed voluntary Chapter 11 petitions:

Lone Star Building Centers, Inc.
Lone Star Building Centers (Eastern) Inc.

The Debtors' cases were assigned to the Honorable Howard Schwartzberg, United States Bankruptcy Judge. The Chapter 11 filings did not apply to the other members of the Affiliated Companies (including foreign and domestic joint ventures) which were not materially affected by the financial difficulties being experienced by the Company prior to the Filing Date.

B. DESCRIPTION OF DEBTORS

The following is a brief description of each of the Debtors and their operations as of the Filing Date.

1. LONE STAR INDUSTRIES, INC.

Lone Star, a Delaware corporation, is the parent company of the Affiliated Companies. Its business operations include, but are not limited to, operation of the domestic cement plants and their related terminals and distribution systems,

operation of the ready-mixed concrete and aggregate operations located in Memphis, Tennessee, and overall administration of the operations of the Affiliated Companies through the corporate headquarters in Stamford, Connecticut and certain regional sales and administrative offices located throughout the United States.

Presently, approximately 3,730 claims have been filed or scheduled against Lone Star in these bankruptcy cases in an aggregate amount of approximately $1,733,319,000, plus unliquidated amounts.(13)

2. NEW YORK TRAP ROCK CORPORATION

New York Trap Rock Corporation ("Trap Rock"), a Delaware corporation, is a wholly-owned subsidiary of Lone Star whose primary operations include the manufacture and distribution of crushed stone from quarries located in or near West Nyack and Clinton Point, New York. Trap Rock is a major supplier of crushed stone to the metropolitan New York construction market.

Presently, approximately 470 claims have been filed or scheduled against Trap Rock in these bankruptcy cases in an aggregate amount of approximately $73,280,000, plus unliquidated amounts.

3. SAN-VEL CONCRETE CORPORATION

San-Vel, a Kansas corporation and wholly-owned subsidiary of Lone Star, has operated three primary businesses: (i) the mining of aggregates which are used in the manufacture of concretes, (ii) the production and delivery of ready-mix concrete to its customers, and (iii) the design and production of precast, prestressed concrete structures and products. The aggregates produced by San-Vel were sold to ready-mix companies, asphalt plants, construction companies and local municipalities primarily in New England. As set forth more fully below (see page 33), San-Vel's prestress concrete operations were discontinued prior to the Filing Date and its aggregates and ready-mix operations were sold in July, 1992.

Presently, approximately 510 claims have been filed or scheduled against San-Vel in these bankruptcy cases in an aggregate amount of approximately $81,367,000, plus unliquidated amounts.

4. NYTR TRANSPORTATION CORPORATION

NYTR, a Delaware corporation and a wholly-owned subsidiary of Trap Rock, operates a fleet of approximately 117 barges which deliver crushed stone to customers of Lone Star in the metropolitan New York area. Presently, approximately 250 claims have been filed or scheduled against NYTR in these bankruptcy cases in an aggregate amount of approximately $59,816,000, plus unliquidated amounts.

5. LONE STAR CEMENT INC.

Lone Star Cement Inc. ("LSC"), a New Jersey corporation, is a subsidiary of Lone Star. LSC owns a twenty-five percent interest in Kosmos Cement Company, a joint venture which produces cement at plants located in Kosmosdale, Kentucky and Pittsburgh, Pennsylvania. As of the Filing Date, LSC had approximately $18,872,000 of outstanding long-term debt.

Presently, approximately 310 claims have been filed or scheduled against LSC in these bankruptcy cases in an aggregate amount of approximately $69,626,000, plus unliquidated amounts.

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13 Except as otherwise noted, the number and amount of claims filed against Lone Star and each of the other debtor entities, as set forth in this Disclosure Statement, are inclusive of multi-debtor claims, i.e., claims filed by creditors against each of the debtor entities, although only one debtor entity may be liable on the claim.

6. CONSTRUCTION MATERIALS COMPANY

Construction Materials Company ("Construction Materials"), a Delaware corporation, is a wholly-owned subsidiary of Lone Star. Construction Materials operates a ready-mixed concrete and construction aggregates business serving the greater Peoria, Illinois construction market. Construction Materials owns and operates three (3) ready-mixed concrete plants and distributes products from these plants through a fleet of approximately thirty-seven (37) ready mixed

concrete trucks. In addition, Construction Materials owns and operates an aggregates quarry in Spring Bay, Illinois.

Presently, approximately 330 claims have been filed or scheduled against Construction Materials in these bankruptcy cases in an aggregate amount of approximately $59,452,000, plus unliquidated amounts.

7. I.C. MATERIALS, INC.

I.C. Materials, Inc. ("IC Materials"), an Illinois corporation, is a wholly-owned subsidiary of Lone Star. IC Materials operates a ready-mixed cement, concrete block and building material products business serving the Central and Southern Illinois construction markets. IC Materials owns and operates three (3) ready-mixed concrete plants, forty-six (46) ready mixed concrete trucks, two (2) concrete block plants and three (3) construction material warehouses and outlets.

Presently, approximately 600 claims have been filed or scheduled against IC Materials in these bankruptcy cases in an aggregate amount of approximately $59,498,000, plus unliquidated amounts.

8. LONE STAR PRESTRESS CONCRETE, INC.

Lone Star Prestress Concrete, Inc. ("LSPC"), a Texas corporation, is a wholly-owned subsidiary of Lone Star which manufactured prestressed concrete poles from a prestressed plant located in Houston, Texas. The prestressed concrete poles were sold primarily to electric utility companies in the Southern, Southeastern and Midwest United States. The prestressed plant was shut down in April, 1992, and the remaining real property owned by LSPC is in the process of being sold.

Presently, approximately 310 claims have been filed or scheduled against LSPC in these bankruptcy cases in an aggregate amount of approximately $59,216,000, plus unliquidated amounts.

9. LONE STAR PROPERTIES, INC.

Lone Star Properties, Inc. ("LS Properties"), a Delaware corporation, was formerly an active real estate development company. At present, LS Properties holds certain parcels of surplus real estate which are being held for sale.

Presently, approximately 250 claims have been filed or scheduled against LS Properties in these bankruptcy cases in an aggregate amount of approximately $59,129,000, plus unliquidated amounts.

10. SOUTHERN AGGREGATES, INC.

Southern Aggregates, Inc. ("Southern Aggregates"), a Mississippi corporation and a wholly-owned subsidiary of Lone Star, operates a sand and gravel quarry in Hernando, Mississippi and markets sand and gravel in the greater Memphis, Tennessee area. Southern Aggregates also supplies sand and gravel to Memphis Ready-Mix, a division of Lone Star. In March, 1993, the Debtors, with Bankruptcy Court approval, sold substantially all of Southern Aggregates' equipment and inventory and, as a result, Southern Aggregates' operations have been discontinued.

Presently, approximately 290 claims have been filed or scheduled against Southern Aggregates in these bankruptcy cases in an aggregate amount of approximately $58,864,000, plus unliquidated amounts.

11. LONE STAR TRANSPORTATION CORPORATION

Lone Star Transportation Corporation ("LSTC"), a Delaware corporation, is a wholly-owned subsidiary of Lone Star. LSTC formerly marketed concrete railroad cross-ties manufactured by San-Vel. As of the Filing Date, LSTC's major asset consisted of a fifty-percent (50%) ownership interest in LSM Concrete Tie Company, a joint venture that produces concrete railroad cross-ties in Denver, Colorado. In January, 1993, LSTC sold its ownership interest in LSM Concrete Tie Company to ROCLA Concrete Tie, Inc.

Presently, approximately 260 claims have been filed or scheduled against LSTC in these bankruptcy cases in an aggregate amount of approximately $70,290,000, plus unliquidated amounts.

12. LONE STAR BUILDING CENTERS, INC.

Lone Star Building Centers, Inc. ("Building Centers") is an inactive wholly-owned subsidiary of Lone Star which formerly operated a chain of wholesale and retail home building and home improvement centers in Texas, Oklahoma, Kansas, Wisconsin, Florida, California and Minnesota. Its subsidiaries included Lone Star Building Centers (Eastern) Inc. and G. M. Stewart Lumber Company, Inc. Substantially all of the assets of Building Centers were sold to several buyers in 1979.

Presently, approximately 250 claims have been filed or scheduled against Building Centers in these bankruptcy cases in an aggregate amount of approximately $88,149,000, plus unliquidated amounts.

13. LONE STAR BUILDING CENTERS (EASTERN) INC.

Lone Star Building Centers (Eastern) Inc. ("LSBCE") is an inactive wholly-owned subsidiary of Building Centers (which, as previously indicated, is also an inactive corporation). Formerly known as Lindsley Lumber Company, LSBCE operated wholesale and retail home building and home improvement centers in the state of Florida. Although LSBCE still owns certain real property, substantially all of the assets of this company were sold in 1979.

Presently, approximately 260 claims have been filed or scheduled against LSBCE in these bankruptcy cases in an aggregate amount of approximately $94,879,000, plus unliquidated amounts.

C. FUNDING OF POST-PETITION OPERATIONS

The Debtors' post-petition operations have been funded entirely from the continued operation of the Debtors' businesses and from cash on hand as of the Filing Date. Subsequent to the Filing Date, the Debtors explored the possibility of obtaining debtor-in-possession financing. However, the Debtors determined that such financing was not available on acceptable terms and conditions and, thus, such financing was not in the best interests of the Debtors' estates.

In connection with the funding of their post-petition operations, the Debtors, after consultation with the Committees, obtained, at various intervals, the entry of orders (the "Cash Management Orders") authorizing the Debtors to continue to utilize their pre-petition consolidated cash management system during the post-petition period (see page 21 of this Disclosure Statement).

Pursuant to the Cash Management Orders, the Debtors were authorized, for certain specified time periods, to effect inter-company cash transfers (up to certain specified dollar amounts) among the Debtor entities in order to ensure that sufficient funds were available to meet the operational needs of the various Debtor entities. The Cash Management Orders contemplate only upstream and downstream transfers. That is, pursuant to the Cash Management Orders, funds may only be transferred from Lone Star to the other Debtor entities or from the other Debtor entities to Lone Star. In addition, non-Debtors have transferred funds to

Lone Star, however, no funds are transferred from Debtors to non-Debtor entities within the Affiliated Companies.(14)

In order to protect the interests of the creditors of the respective Debtors, the Cash Management Orders provide that all net post-petition advances from Lone Star to any of the other Debtors and all net post-petition advances from any of the other Debtors to Lone Star (i) shall have priority over any and all administrative expenses (incurred by any of the Debtors) of the kind specified in Sections 503(b) and 507(b) of the Bankruptcy Code, (ii) shall be secured by duly perfected, non-voidable, first priority liens on and security interests in all the real and personal property of the Debtor receiving such net inter-Debtor advances, (iii) shall be subject to valid, non-voidable, unsubordinated and perfected existing liens and security interests, and (iv) subject to and subordinate to the amount of compensation allowed by the Bankruptcy Court under Sections 328, 330 or 331 of the Bankruptcy Code to any professional person retained by the Debtors or by any official committee appointed in these Chapter 11 cases. The Debtors anticipate obtaining additional orders authorizing the continued use of their consolidated cash management system as may be necessary throughout the remainder of their Chapter 11 cases.

The pattern of funds distributed between Lone Star and the other Debtors pursuant to the Cash Management System generally follows the seasonality of the construction industry. Typically, during the winter and early spring months activity in the construction industry is generally slow, and as a result, so are revenues from the Debtors' operations. During this period, funds typically flow down from Lone Star to the other Debtors to finance their production, storage

and maintenance costs and capital expenditures. However, during the summer and early fall months, when activity in the construction industry is high, revenues from operations increase and funds from the other Debtors flow up to Lone Star. Consistent with this pattern, as of June 30, 1993, the net post-petition advances made by Lone Star to the other Debtors was approximately $875,000. However, by year-end 1993, it is anticipated that such funds (and any additional advances after June 30, 1993) will be repaid to Lone Star.

D. OFFICIAL COMMITTEES

1. APPOINTMENT OF OFFICIAL COMMITTEES

Shortly after the commencement of the Debtors' Chapter 11 cases, on December 17, 1990, the United States Trustee for the Southern District of New York (the "United States Trustee")(15) appointed an Official Committee of Unsecured Creditors (the "Creditors' Committee") pursuant to Section 1102 of the Bankruptcy Code.(16) Thereafter, on February 12, 1991, the United States Trustee appointed the Equity Committee.(17)

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14 In specific instances, certain non-Debtor subsidiaries of Lone Star have transferred funds to other non-Debtor affiliates. All major transfers of funds were discussed with the Committees prior to their effectuation, and where appropriate, orders of the Bankruptcy Court were obtained.

15 The United States Trustee, which is part of the United States Department of Justice, supervises the administration of cases filed under Chapters 7, 9, 11 and 13 of the Bankruptcy Code. No trustee as defined in Section 1104 of the Bankruptcy Code has been appointed to operate the Debtors' businesses nor has the appointment of such a trustee been requested.

16 The current members of the Creditors' Committee are listed on Exhibit "B" annexed hereto. The Creditors' Committee is represented by the law firm of Wachtell, Lipton, Rosen & Katz, 299 Park Avenue, New York, New York 10171. The accountants for the Creditors' Committee are KPMG Peat Marwick, 345 Park Avenue, New York, New York. Additionally, the Creditors' Committee has retained D. Taura & Associates, Inc., 90 Montadale Drive, Princeton, New Jersey 08540, to provide specific accounting services which are not being performed by KPMG Peat Marwick. Smith Barney Upham & Co., Inc., 1345 Avenue of the Americas, New York, New York 10105 has also been retained as financial advisor to the Creditors' Committee.

17 The current members of the Equity Committee are listed on Exhibit "C" annexed hereto. The Equity Committee is represented by the law firm of Willkie Farr & Gallagher, 153 East 53rd Street, New York, New York 10022. The Argosy Group L.P., 1325 Sixth Avenue, New York, New York 10019, has been retained as financial advisor to the Equity Committee. In addition, the Equity Committee has retained Roy A. Grancher and Richard Entorf as cement industry consultants to perform industry specific valuations of the Debtors' assets.

The Creditors' Committee and the Equity Committee are designed to represent and protect the interests of their respective constituencies on matters arising in these Chapter 11 proceedings. As a result, the Committees play a significant role in the overall administration of these Chapter 11 cases. Throughout these proceedings, the Debtors have attempted to maintain a constructive dialogue with each of the committees appointed herein.

In addition to the Creditors' and Equity Committees, the Debtors, by notice of motion and application, sought and obtained entry of an order (the "Retiree Order") appointing an official committee of retired employees consisting of both union and non-union former Lone Star employees. The purpose of a retiree committee is to act as the authorized representative of a debtor's numerous retirees with respect to negotiations concerning reductions of a debtor's retiree benefit obligations.(18) However, while the retiree committee appointed pursuant to the Retiree Order was in the process of organizing, certain labor organizations appealed the Retiree Order and obtained a stay of the order pending such appeal. The unions' appeal asserted, among other things, that only the unions, and not the committee appointed by the Retiree Order, were authorized to negotiate with the Debtors with respect to retiree benefits provided by the collective bargaining agreements.

In July, 1992, in an effort to avoid the delays and uncertainties arising from such appeal, the parties negotiated a settlement of the issues raised by the appeal. Pursuant to this settlement, the retiree committee appointed under the Retiree Order was reconstituted so as to consist of only non-union members

(as reconstituted, the "Retiree Committee").(19) In addition, each union will independently act as authorized representative of its retired former members. Subsequently, the Debtors have provided information to the Retiree Committee and the unions and have met with representatives thereof concerning the extent and scope of the Debtors' retiree obligations. In November, 1992, the Debtors distributed a formal proposal to the Retiree Committee and the Unions with respect to the modification of the Retiree Benefits. Since such time, counterproposals have been submitted and negotiations have continued (see pages 42 through 47 of this Disclosure Statement).

E. DEBTORS' RETENTION OF PROFESSIONALS

By order dated December 10, 1990, the Bankruptcy Court authorized the retention of Proskauer Rose Goetz & Mendelsohn ("PRG&M") as bankruptcy and reorganization counsel to the Debtors. The Bankruptcy Court also authorized the retention of Coopers & Lybrand (the Debtors' principal independent accountants) to render necessary accounting, tax, auditing and consulting services in connection with the Debtors' day-to-day domestic operations. The Debtors were also authorized to retain the firm of Price Waterhouse to render necessary accounting, tax, auditing and consulting services in connection with the Debtors' international divisions, foreign subsidiaries and international joint ventures. In addition, in October, 1992, the Debtors were authorized to retain Blackstone as their financial advisor (see pages 70 to 71). Furthermore, on or about July 15, 1993, the Debtors were authorized to retain SCI as consultants in order to perform industry specific valuations of the Debtors' assets on a plant-by-plant basis and to assist with, among other things, preparation of the Debtors' liquidation analysis.

As is common in large and complex Chapter 11 cases such as these, the Bankruptcy Court has also authorized the Debtors to retain numerous special counsel to provide legal support for discrete matters or issues arising under non-bankruptcy law, or relating to non-bankruptcy pre-petition transactions and litigations. The Debtors have also employed certain collection agents, real estate brokers and other professionals consistent with Bankruptcy Court authorization and ordinary business practices.

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18 Lone Star's retiree benefits are described later in this Disclosure Statement in Section III(G).

19 The current members of the Retiree Committee are listed on Exhibit "D" annexed hereto. The Retiree Committee is represented by the law firm of Whitman & Ransom, 200 Park Avenue, New York, New York 10166. Rothschild, Inc., 750 Lexington Avenue, New York, New York 10020 has been retained as financial advisor to the Retiree Committee. Arthur Andersen & Co., 1345 Avenue of the Americas, New York, New York 10105 has been retained as accountants to the Retiree Committee.

F. OPERATIONS AS DEBTORS-IN-POSSESSION

Since the Filing Date, the Debtors, pursuant to Sections 1107 and 1108 of the Bankruptcy Code, have operated their businesses and managed their assets as debtors-in-possession. As part of the reorganization process, the Debtors have, among other things, sought rejections and/or modifications of various contracts and arrangements in order to preserve their estates and protect the interests of their creditors and stockholders. In addition, since commencing these Chapter 11 cases, the Debtors, with the assistance of their professional advisors, have embarked upon a program to substantially improve the operating procedures, controls, efficiency and profitability of their continuing operations.

As part of this program, the Debtors have closed certain facilities and sold certain assets. Such actions, as more fully described below, were deemed to be in the best interests of the Debtors, their creditors and their stockholders and, where appropriate, were approved by the Bankruptcy Court after hearings held upon appropriate notice to the Committees, the United States Trustee and other parties-in-interest.

1. MANAGEMENT OF THE DEBTORS AND RELATED ISSUES

a. Cahill Investigation

Prior to the Filing Date, allegations of mismanagement and possible violations of corporate policy at Lone Star were set forth in an article published in the November 5, 1990 issue of Business Week. The Audit Committee of Lone Star's Board of Directors, acting on behalf of the Board, determined that

the law firm of Cahill, Gordon & Reindel ("Cahill") should conduct an investigation into the matters mentioned in the article.

Immediately subsequent to the Filing Date, Mr. James E. Stewart, who had been Chairman of the Board and Chief Executive Officer of Lone Star since 1973, took a leave of absence from Lone Star. Mr. David W. Wallace (a member of the Board of Directors) was appointed as Acting Chairman and Chief Executive Officer. Thereafter, in January 1991, pursuant to a stipulation approved by the Bankruptcy Court, Mr. Stewart's employment with Lone Star ended permanently and Mr. Wallace became Chairman and Chief Executive Officer.

Upon completion of the Cahill investigation,(20) a written report (the "Cahill Report") was rendered detailing personal travel and entertainment expenses allegedly charged to Lone Star in violation of company policy by certain of Lone Star's officers and directors. Specifically, the Cahill Report alleged (subject to the assumptions and conditions contained therein) that personal expenses had been charged to Lone Star as follows: (i) Mr. James E. Stewart (former Chairman and Chief Executive Officer) -- $1,072,564, (ii) Mr. Sheldon Kaplan (a former outside director) -- $22,068, (iii) Mr. Robert Hutton (former Vice Chairman and a consultant) -- $136,240, (iv) Mr. Carmine Muratore (former Executive Vice President - Staff) -- $119,159 and (v) Mr. Rex Cross (a former Director) -- $66,282. Each of such persons has denied the allegations of the Cahill Report.

As a result of the Cahill Report, the Debtors obtained Bankruptcy Court authorization to commence litigation against Mr. Stewart and Mr. Muratore and continued to evaluate their options as to the other individuals named. Subsequently, the Debtors entered into settlement agreements with Mr. Stewart and Mr. Kaplan covering, among other things, the allegations against them contained in the Cahill Report (see pages 54 through 56 of this Disclosure Statement). Additionally, pursuant to a settlement concerning, among other things, the composition of the Debtors' Board of Directors and the voting rights of the respective classes of Lone Star's common and preferred shareholders, the Debtors released Mr. Cross from any claims by the Debtors against him, including those in the Cahill Report (see pages 62 through 63 of this Disclosure Statement). In addition, the Debtors recently reached an agreement in principle with Mr. Muratore, subject to Bankruptcy Court approval, regarding the settlement of claims asserted by and against him (including those set forth in the Cahill Report), pursuant to which Mr. Muratore is to pay Lone Star $100,000 over a two-year

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20 Pursuant to an order of the Bankruptcy Court, Cahill was retained as special counsel to the Debtors in these Chapter 11 proceedings to continue its investigation.

period. With respect to Mr. Hutton, who has asserted claims against Lone Star, the Debtors are considering the appropriate course of action. Prior to the Effective Date, the Debtors will either reach a settlement with Mr. Hutton with respect to the allegations of the Cahill Report or commence litigation against him.

b. Rejection and/or Termination of Employee-Related Contracts and Arrangements

Prior to the Filing Date, Lone Star was party to employment agreements, for terms ranging between two to five years, with fourteen employees whose annual base salaries under such agreements ranged from $53,000 to $325,000. In the aggregate, these employment contracts would have cost Lone Star more than $3,327,000 annually in base salaries, bonuses, perquisites and additional incentives including termination and severance benefits. Certain of these employees were party to change of control agreements with Lone Star, which, if triggered, would have cost Lone Star approximately $2,235,000 in the aggregate.

Additionally, as of the Filing Date, the Debtors were also parties to various written and oral compensation and/or pension arrangements with numerous former employees and the Debtors were also paying benefits to approximately twenty former employees under a Supplementary Retirement Plan for Designated Key Employees (the "SR Plan"). The SR Plan provided supplemental retirement benefits over and above those benefits provided under Lone Star's retirement plan for its salaried employees. The Debtors estimated that the cost of maintaining the SR Plan was in excess of $300,000 per annum.

Subsequent to the Filing Date, in an effort to reduce and eliminate unnecessary costs and expenses, the Debtors determined that it would serve the

best interests of their estates to reject all employment agreements and implement new employment policies and contractual arrangements which were more consistent with the Debtors' then business and financial circumstances. Consequently, the Debtors obtained entry of an order of the Bankruptcy Court authorizing, among other things, the rejection and/or termination of all employee-related contracts and arrangements (with the exception of indemnification arrangements). The rejected contracts and arrangements include employment and severance agreements, consulting arrangements, separation agreements, deferred compensation agreements, takeover severance agreements and supplemental benefit arrangements. In addition, the Bankruptcy Court authorized the rejection and/or termination of the SR Plan. Approximately 35 proofs of claim have been filed against the Debtors' estates based solely on the rejection of the SR Plan and specific similar arrangements (not including deferred compensation arrangements) which the Debtors estimate approximate $2 million (including estimates for unliquidated amounts). In addition, approximately 30 claims have been filed against the Debtors' estates based on the rejection of deferred compensation and similar arrangements which the Debtors estimate to be in the approximate amount of $1.88 million. The Debtors are evaluating both the SR Plan and deferred compensation related claims and anticipate that on or prior to Confirmation they will seek to have such claims fixed by the Bankruptcy Court in the respective amounts set forth above (i.e., $2 million and $1.88 million, respectively). Such amounts are included in the Debtors' estimates of Allowed Claims.

c. Post-Petition Management

As the Chapter 11 proceedings progressed, the Debtors believed that, in order to avoid a loss of key personnel and a resulting disruption in business operations, it was essential that the Debtors implement post-petition employment agreements with certain of the Debtors' senior executives as well as employment policies respecting key upper and mid-level management.

Accordingly, the Debtors obtained entry of orders (i) approving employment agreements with David W. Wallace, William M. Troutman and John J. Martin, and (ii) approving the terms of a separation pay and retention award policy for key upper and mid-level management.

(1) Mr. David W. Wallace

As stated above, immediately subsequent to the Filing Date, David W. Wallace became Acting Chairman and Chief Executive Officer of Lone Star. Thereafter, in January 1991, Mr. Wallace was appointed as Chairman and Chief Executive Officer and continues to serve the Debtors in these capacities.

Mr. Wallace has served as a director of Lone Star since 1970. Mr. Wallace was Chairman of the Board and Chief Executive Officer of Todd Shipyards Corporation during the pendency of its Chapter 11 case which began in 1987 and ensued with the approval of a plan of reorganization in late 1990. From 1973 to 1984, Mr. Wallace was the Chairman, President and Chief Executive Officer of Bangor Punta Corporation. From February 1960 to May 1969, he was the Chairman of the Executive Committee, Executive Vice President and Chief Operating Officer of United Brands. From 1954 to 1959, Mr. Wallace was the General Counsel and the Executive Vice President of Allegheny Corporation. Since 1985, Mr. Wallace has been Chairman of the Board of FECO Engineered Systems, Inc. Mr. Wallace was also Chairman of the Board of National Securities and Research Corporation from 1987 to 1993. Mr. Wallace also serves as Chairman of the Executive Committee of the Board of the Putnam Trust Company, and a director of Zurn Industries, Inc., UMC Electronics Corporation, and Holmes Protection Company.

As noted above, subsequent to the Filing Date, Mr. Wallace became Acting Chairman of the Board and Chief Executive Officer. Shortly thereafter, Mr. Wallace and the Debtors entered into an employment agreement pursuant to which he was formally appointed Chairman and Chief Executive Officer. This agreement was approved by the Bankruptcy Court in February, 1991, without objection from the Creditors' Committee (then the only appointed committee).

Pursuant to this employment agreement, Mr. Wallace received a salary of $250,000 per annum for the initial term which ended December 31, 1992. Since such time, the agreement has continued on the same terms and may be terminated by either party upon six months prior written notice. Pursuant to the employment agreement, Mr. Wallace is also eligible for an annual bonus to be determined by the Compensation and Stock Option Committee of Lone Star's Board of Directors and, to date, no such bonus has been granted. Mr. Wallace was also granted an option (exercisable by Mr. Wallace, his estate or his heirs) to purchase 100,000 shares of Lone Star common stock pursuant to Lone Star's 1989 Stock Option Plan at a price of $5 per share. Mr. Wallace also has the right to

apply to the Bankruptcy Court for a success bonus at the conclusion of the Debtors' Chapter 11 cases. Success bonuses, if any, will only be paid after approval by Lone Star's Board of Directors and authorization by the Bankruptcy Court obtained by motion upon appropriate notice and hearing.(21) In addition, Mr. Wallace retained his rights with respect to his filed claims for (i) $3,000 in unpaid pre-petition directors' fees and (ii) unliquidated amounts for contingent indemnification rights. Mr. Wallace is also a participant in Lone Star's retirement plan for outside directors.

(2) Mr. William M. Troutman

Mr. William M. Troutman has served as the President and Chief Operating Officer of Lone Star since 1986 and became a director of the Debtors in July, 1992.

On the Filing Date, Mr. Troutman was party to a 3 1/2 year employment contract with Lone Star at a base salary of at least $325,000 per year. Mr. Troutman's employment contract was rejected by the Debtors with his consent (see "Rejection and/or Termination of Employee Related Contracts and Arrangements"). In August, 1992, the Bankruptcy Court entered an order approving an employment contract between Lone Star and Mr. Troutman, pursuant to which Mr. Troutman will continue to serve in his capacity as President and Chief Operating Officer of Lone Star for an initial term of two years commencing as of August, 1992. As compensation Mr. Troutman shall continue to receive his present annual salary of $325,000 and will be considered for a success bonus at the conclusion of these Chapter 11 cases. Success bonuses, if any, will only be paid after approval by Lone Star's Board of Directors and authorization by the Bankruptcy Court obtained by motion upon appropriate notice and hearing.

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21 While the Debtors presently anticipate that they will seek to propose success bonuses for key individuals handling their reorganization efforts, no amounts have been determined nor have the debtors discussed such matters with their Board of Directors, the individuals involved, or any of the Committees or other parties-in-interest. Specific criteria for such bonuses have not yet been established but it is anticipated that relevant factors will include successful confirmation of a plan with significant recoveries to creditors, the lack of raises and bonuses for virtually all elected officers during the Chapter 11 proceedings, and individual time and effort devoted to the Debtors' reorganization. Authorization to pay any success bonuses would be sought upon motion to the Bankruptcy Court (following Board of Director approval) filed prior to Confirmation and returnable on or after Confirmation.

Pursuant to his employment contract, upon termination of such agreement other than for cause or good reason, Mr. Troutman shall be entitled to receive a severance payment equal to his salary for the period from the effective date of such termination through the later of (i) the expiration of the initial term of the employment contract, or (ii) the one year anniversary of the effective date of such termination. This severance payment shall be in lieu of severance pay pursuant to any Lone Star policy or other agreement except that Lone Star shall provide Mr. Troutman, for a specified period not to exceed the period used to calculate the severance payment set forth above, with life, health and medical insurance on the same basis as the coverage provided to him immediately prior to termination.

Mr. Troutman has filed proofs of claim in these proceedings asserting the following claims: (i) an unsecured claim of $4,770.83 respecting unpaid pre-petition salary, (ii) contingent and unliquidated claims resulting from the cancellation of his pre-petition employment and severance agreements, and (iii) contingent and unliquidated claims for indemnification. Pursuant to the post-petition employment contract, Mr. Troutman has agreed to waive his right to assert any claims in Lone Star's Chapter 11 case, including claims arising under his severance benefit agreement, with the exception of (i) any rights to indemnification (whether pursuant to an agreement or otherwise), (ii) his claim of $4,770.83 for unpaid pre-petition salary, and (iii) certain rights of and benefits to Mr. Troutman and his spouse relating to health benefits.

(3) Mr. John J. Martin

Mr. John J. Martin has been employed by Lone Star since 1979 and currently serves as Senior Vice President, General Counsel and Secretary.

On the Filing Date Mr. Martin was a party to a 3 year employment contract with Lone Star at a base salary of at least $245,000 per year. Mr. Martin's

employment contract was rejected by the Debtors with his consent (see "Rejection and/or Termination of Employee Related Contracts and Arrangements"). In August, 1992, the Bankruptcy Court approved an employment contract between Lone Star and Mr. Martin, pursuant to which Mr. Martin will continue to serve in his present capacities for an initial term ending May 1, 1994. As compensation, Mr. Martin shall continue to receive his present annual salary of $250,000 and will be considered for a success bonus at the conclusion of these Chapter 11 cases. Success bonuses, if any, will only be paid after approval by Lone Star's Board of Directors and authorization by the Bankruptcy Court obtained by motion upon appropriate notice and hearing.

Pursuant to his employment contract, upon termination of such agreement other than for cause or good reason, Mr. Martin shall be entitled to receive a severance payment equal to his salary for the period from the effective date of such termination through the later of (i) the expiration of the initial term of the employment contract, or (ii) the one year anniversary of the effective date of such termination. This severance payment shall be in lieu of severance pay pursuant to any Lone Star policy or other agreement except that Mr. Martin shall continue to participate in (i) all life, health and medical insurance maintained by Lone Star, and (ii) Lone Star's 401(K) savings plan and pension plan for salaried employees, for a specified period not to exceed the period used to calculate the severance payment set forth above.

Mr. Martin has filed proofs of claim in these proceedings asserting the following claims: (i) an unsecured claim of $3,208.33 respecting unpaid pre-petition salary, (ii) an unsecured claim of $20,000.00 for an unpaid bonus due under a pre-petition employment agreement, (iii) contingent and unliquidated claims under certain medical plans and letter agreements, including a severance benefit agreement, and (iv) claims for retirement benefits due under various agreements or plans. Pursuant to the employment contract, Mr. Martin has agreed to waive his right to assert any claims in Lone Star's Chapter 11 case, including claims arising under his severance benefit agreement, with the exception of (i) any rights to indemnification (whether pursuant to agreement or otherwise), (ii) his claim of $3,208.33 for unpaid pre-petition salary, (iii) rights and benefits pursuant to a certain retiree medical plan, and (iv) his $20,000.00 unsecured claim for an unpaid bonus.

d. Separation Pay and Retention Award Plan

The Debtors believed that their Chapter 11 filings and the uncertainties attendant thereto (including asset sales, plant closings, workforce reductions and the rejection of all employee-related agreements), created

a high degree of insecurity among their key employees comprising upper and middle management. These employees are directly responsible for the Debtors' overall operations, sales and marketing efforts and thus, form the core of the Debtors' reorganization efforts. Consequently, the Debtors developed a separation pay and retention award policy (the "Separation Pay Policy") pursuant to which the Debtors sought to make certain payments to their key employees which are designed to ensure that these employees remain with the Debtors to guide their operations through Confirmation and beyond. The Separation Pay Policy is comprised of two components, a separation pay component and a retention award component.

Pursuant to the separation pay component, in addition to the Debtors' standard severance benefits, upon involuntary termination of employment for reasons other than cause, the Debtors' key employees (with the exception of the three members of senior management who entered into post-Filing Date employment agreements) shall receive three months base salary in accordance with payroll practices applicable to active employees of Lone Star. The separation payments shall be made for involuntary terminations occurring during the period following the effectiveness of the Separation Pay Policy and up to the earlier of the one year anniversary of Confirmation or dismissal of the Debtors' Chapter 11 cases. Thus, the Debtors' key employees are provided with incentive to remain in the Debtors' employ during the crucial period immediately prior to Confirmation and beyond rather than seeking employment elsewhere since, in either case, they will be provided with sufficient post-employment salary continuation in the event of their involuntary termination. Pursuant to the retention award component, if an eligible key employee is an active employee with Lone Star or an affiliate on the date a plan of reorganization is confirmed, the key employee shall receive, on the effective date of such plan, a lump sum payment equal to six months of such employee's base salary.

In September 1992, the Bankruptcy Court entered an order approving the Separation Pay Policy pursuant to which the Debtors are authorized to make separation and retention award payments to certain key employees of the Debtors

as designated by a committee appointed by Lone Star's Board of Directors. Approximately thirty members of the Debtors' upper and middle management (but not Messrs. Wallace, Troutman or Martin) are participants in these programs. The aggregate cost of the Separation Pay Policy will be up to $2,400,000, of which the Debtors estimate approximately $1,800,000 will be for retention awards and approximately $600,000 will be for supplemental separation payments. As noted above, the Debtors believe that the payments which they are authorized to make under the Separation Pay Policy will enable them to retain essential key employees to guide their operations through Confirmation and beyond.

e. Resignations and Additions of Officers and Directors

Effective April 15, 1992, Joseph F. Smorada resigned as Senior Vice President and Chief Financial Officer of Lone Star. Mr. Smorada had been employed by the Company since September, 1988. Additionally, as described elsewhere in this Disclosure Statement (see pages 54 through 55), in January, 1991, pursuant to a stipulation approved by the Bankruptcy Court, Mr. James E. Stewart left his position as Chairman of the Board of Directors and Chief Executive Officer and retired as a director. In January, 1991, Mr. Sheldon Kaplan retired from the Board of Directors. In July, 1991, Mr. Robert S. Strauss retired from the Board of Directors. During 1992, Mr. Willard F. Rockwell, a director, passed away. At a Board of Directors meeting held on February 10, 1992, Mr. James E. Bacon and Dr. Jack R. Wentworth were elected to the Board. At a Board of Directors meeting held on July 2, 1992, Mr. William M. Troutman was elected to the Board. In August, 1993, Mr. Richard J. Neville resigned as Vice President and Treasurer. Mr. Neville had been employed by the Company since October, 1986.

In addition, as discussed in Section III(G)(4)(a) of this Disclosure Statement, in October 1992, the Debtors settled a dispute with various parties respecting, among other things, the holding of a shareholders' meeting and the scope of the voting rights of the respective classes of Lone Star's shareholders. Pursuant to this settlement, certain changes to the Debtors' Board were effectuated (see pages 62 through 63).

f. Pre-Confirmation Asset Dispositions

During the post-petition period, the Debtors continued to implement their pre-petition restructuring program which focused on the reinforcement and enhancement of their core domestic businesses. In this

respect, either pursuant to specific orders of the Bankruptcy Court or in accordance with procedures established by the Debtors and approved by the Bankruptcy Court, the Debtors engaged in a program of disposing of assets which the Debtors determined were not necessary for their effective reorganization. As of September, 1993, the Debtors' post-petition asset disposition program has brought in excess of $155,000,000 into the Debtors' estates. Set forth below is a summary of the major asset dispositions effectuated by the Debtors since the Filing Date.

(1) Sale of Stock of Compania Uruguaya de Cemento Portland

In November 1991, pursuant to Bankruptcy Court authorization, Lone Star sold all of its capital stock in Compania Uruguaya de Cemento Portland (a Uruguayan corporation engaged in the business of manufacturing cement) to Cementos Avellaneda, an Argentine corporation, for $4,335,000.

(2) Sale of Certain Real and Personal Property of San-Vel Concrete Corporation

In June 1992, pursuant to Bankruptcy Court authorization, San-Vel sold certain of its real and personal property relating to its aggregates and construction materials business to Aggregate Materials Corporation for approximately $5,575,000. Pursuant to a Bankruptcy Court approved settlement with the Massachusetts Bay Transportation Authority (the "MBTA"), approximately $4,000,000 of the net proceeds from this sale was placed in escrow to satisfy the MBTA's writs of attachment obtained against certain of San-Vel's real property in connection with certain litigation respecting concrete railroad ties (see Section III(G)(3)(a) of this Disclosure Statement). The net proceeds realized by the Debtors' estates, after satisfaction of the MBTA's writs, was approximately $1,575,000.

In addition, in August, 1993, San-Vel entered into a contract with MDSX, Inc. (an entity related to Aggregate Materials Corporation) pursuant to which MDSX, Inc. has agreed to purchase the remaining portion of San-Vel's prestress concrete plant (and approximately 190 acres of land upon which the plant is

located) in Littleton, Massachusetts for a cash price of $1,265,000 and assumption of all environmental liabilities. The Debtors expect to consummate this sale by the end of 1993 in accordance with administrative procedures orders described below.

(3) Sale of Stock of Compania Argentina de Cemento Portland

In August 1992, pursuant to Bankruptcy Court authorization, Lone Star sold all of its capital stock of its wholly-owned Argentine subsidiary, Compania Argentina de Cemento Portland S.A. ("CACP"), to Loma Negra Industrial Argentina S.A. ("Loma Negra"), an Argentine corporation, for $38,000,000. CACP's assets consist of (i) a 50% ownership interest in the capital stock of Cemento San Martin S.A. ("CSM"), an Argentine cement producer, and (ii) a 96.7% ownership interest in the outstanding capital stock of Canteras de Riachuelo S.A. ("Riachuelo"), a crushed stone producer located near Colonia, Uruguay.

Subsequent to such sale, the Debtors became aware of facts which they believed indicated that Loma Negra, another bidder and others had engaged in collusive bidding for the CACP stock. Consequently, in November, 1992, Lone Star commenced a lawsuit against these parties in the Bankruptcy Court asserting substantial compensatory and punitive damage claims arising out of such collusive conduct. On June 7, 1993, the Bankruptcy Court rendered a written decision in favor of the defendants. Lone Star has appealed this decision to the United States District Court for the Southern District of New York (see pages 64 through 65 of this Disclosure Statement for a more complete description of this lawsuit).

(4) Sale of Promissory Note Issued by Sunbelt Corporation

In October 1991, pursuant to Bankruptcy Court authorization, Lone Star sold a $20,000,000 promissory note executed by Sunbelt Corporation ("Sunbelt") (and guaranteed by Sunbelt's parent, Cemex, S.A.) in connection with Sunbelt's purchase of Lone Star's interest in an entity known as Pacific Coast Cement Corporation. Lone Star received $17,625,000 from the sale of this note.

(5) Sale of Certain Barges and Dredges

As of the Filing Date, Lone Star and Onoda Northwest, Inc. ("Onoda") were partners in Lone Star Northwest ("Northwest"), a general partnership formed under the laws of the State of Washington. As of the Filing Date, Lone Star owned certain tugs and barges (the "Barges") which were used by Northwest pursuant to a Contract of Private Carriage (the "Northwest Contract"). In addition, as of the Filing Date, Lone Star owned certain dredges (the "Dredges"), each of which was the subject of a Dredging Agreement between Lone Star and Northwest (collectively, the "Dredging Agreements") pursuant to which Lone Star agreed to use the Dredges to dredge sand and aggregates for Northwest.

Lone Star and Northwest also executed an option to purchase (the "Option") which provided that Northwest could, at its option, purchase the Barges and the Dredges from Lone Star for approximately $4,000,000. Thereafter, as part of a complex transaction to dissolve Northwest and restructure it as a corporation, Northwest informed Lone Star of its intent to exercise the Option. In March 1991, pursuant to Bankruptcy Court authorization, the Barges and Dredges were sold to Northwest for $3,977,000.

In addition, subsequent to such sale, a dispute arose between Lone Star, Northwest and Onoda in connection with, among other things, the restructuring of Northwest as a corporation and Lone Star's purchase of cement from a third party. Thereafter, Northwest and Onoda commenced arbitration proceedings against Lone Star. The parties reached a settlement of this arbitration (which was approved by the Bankruptcy Court) which provided for, among other things, Northwest's and Onoda's payment of $1,000,000 to Lone Star and the parties' release of claims against one another.

(6) Sale of Assets Located in Bonner Springs, Kansas

In May 1993, pursuant to Bankruptcy Court authorization, Lone Star sold its quarry and certain portions of its cement plant located in Bonner Springs, Kansas to Deffenbaugh Industries, Inc. for approximately $6,250,000. Lone Star retained the land and buildings necessary to continue operating the Kansas Plant as a cement distribution terminal and a clinker grinding facility.

(7) Sale of Stock of Companhia Nacional de Cimento Portland

In September 1993, pursuant to Bankruptcy Court authorization, Lone Star sold its 49.6% interest in the outstanding capital stock of Companhia Nacional

de Cimento Portland S.A. ("CNCP"), to Cemland Investment A.G. (a wholly-owned subsidiary of Lafarge Coppee ("Lafarge"), a French societe anonyme) for $69,629,130.73. CNCP, which was engaged in the manufacture and sale of Portland cement in Brazil, was a corporate joint venture between Lone Star and Lafarge. Prior to its purchase of Lone Star's interest in CNCP, Lafarge owned 49.9% of CNCP's outstanding capital stock with the remaining nominal amount of shares owned by a certain Lafarge subsidiary and by members of CNCP's board of directors.

(8) Miscellaneous Asset Sales Pursuant to Administrative Order of the Bankruptcy Court

During the course of these Chapter 11 cases, the Debtors recognized that in light of the vast number of assets contained within their estates, it would be uneconomical and administratively burdensome for the Debtors to seek Bankruptcy Court approval for each and every proposed asset sale regardless of how minor the value of such assets might be. Accordingly, during the initial phase of these cases, the Debtors obtained entry of an order (as amended, the "Administrative Procedures Order") which established an orderly and efficient procedure respecting such "minor" asset sales.

The Administrative Procedures Order, among other things, allows the Debtors to sell or otherwise dispose of real or personal property without a further order of the Bankruptcy Court where the gross sales price is between $300,000 and $3,000,000, so long as the Debtors have provided the Committees with ten days written notice of such sales and have not received objections thereto within such period. Where the gross sales price is below $300,000, the Debtors are authorized to sell property in the "ordinary course."

Since the Filing Date, the Debtors have received several million dollars from asset sales consummated in accordance with the Administrative Procedures Order. The following are certain of the assets which the Debtors have sold in accordance with the Administrative Procedures Order:

- PBI Plastibeton Inc. (a Canadian non-Debtor subsidiary) and a mortgage held by Lone Star on a facility owned by PBI were sold for $2,600,000 in November, 1991.

- Machinery and equipment relating to San-Vel's prestress concrete operations were sold in December, 1991 for $460,000.

- Equipment and inventory of the Lone Star Construction Products division in Nashville, Tennessee, were sold for $503,000 in January, 1992.

- A corporate airplane was sold for $2,943,875 during 1991.

- The Debtors' 50% ownership interest in LSM Concrete Tie Company was sold in January, 1993 for approximately $2,202,000.

- Certain equipment and inventory of Southern Aggregates was sold in March, 1993 for approximately $721,000.

- Equipment and inventory of LSPC were sold for $268,000 during 1992 and real estate of LSPC will be sold in 1993 for $500,000.

- Various parcels of surplus real estate were sold for an aggregate amount of approximately $5,000,000.

In addition to these sales, the Debtors have numerous miscellaneous parcels of surplus real property which they will attempt to sell prior to Confirmation in accordance to the terms of the Administrative Procedures Order. However, as noted above, in the event such sales are not consummated before Confirmation, the Debtors' interests in such real property will be transferred to NewCo to be sold following Confirmation.

g. Reduction of Expenses and Rejection or Modification of Contracts and Leases

Since the Filing Date, the Debtors have taken a variety of steps to reduce costs and eliminate unnecessary expenses. As part of such efforts, the Debtors have obtained numerous orders of the Bankruptcy Court authorizing the rejection of various executory contracts and unexpired leases which the Debtors determined were either unnecessary for their effective reorganization or required excessive and prohibitive costs. The Debtors have also obtained Bankruptcy Court approval of various modifications and amendments to certain executory contracts and/or unexpired leases where such action was determined to be economical and in the

best interests of the Debtors' estates. Set forth below is a summary of some of the more significant orders obtained by the Debtors in furtherance of their cost reduction efforts.

- Closing of the Houston Office: Among the major cost reduction steps taken by the Debtors was the closing of an office in Houston, Texas (where the Debtors' Management Information Systems Department was maintained) and consolidation of these operations with those maintained at the Debtors' corporate headquarters in Stamford, Connecticut. The Bankruptcy Court authorized the Debtors' rejection of this lease which resulted in an immediate savings of approximately $643,000 in remaining rental payments.

- Reduction of Indianapolis Office Space and Renegotiation of Lease Terms: As of the Filing Date, Lone Star leased 13,494 square feet of space in a building located in Indianapolis, Indiana pursuant to a commercial lease agreement (the "Indianapolis Lease") with Fortune Park Associates Building 10 Limited Partnership. Subsequent to the Filing Date, the Debtors negotiated an amendment to the Indianapolis Lease pursuant to which the amount of space leased by the Debtors was significantly reduced resulting in a reduction of rent by over $348,000. Pursuant to Bankruptcy Court authorization, the Debtors assumed the Indianapolis Lease as amended.

- Renegotiation of Stamford Office Lease: As of the Filing Date, Lone Star leased, as its corporate headquarters, 37,276 square feet of office space at 300 First Stamford Place in Stamford, Connecticut

pursuant to a commercial lease agreement (the "Headquarters Lease") with First Stamford Place Company ("First Stamford").

Subsequent to the Filing Date, Lone Star negotiated an amendment to the Headquarters Lease pursuant to which its aggregate fixed rent payable during the term of the Headquarters Lease (which expires in 1999) was reduced by approximately $825,000. Pursuant to Bankruptcy Court authorization, the Debtors assumed the Headquarters Lease as amended.

- Closing of Certain Unprofitable Operations: In addition to the foregoing, the Debtors shut down the pre-stressed concrete operations of San-Vel and LSPC which had been unprofitable.

- Savings in Connection With Waste Fuel Disposal: Like many other cement producers, Lone Star has implemented a program of burning waste fuels at its cement plants in Greencastle, Indiana, and Cape Girardeau, Missouri. Waste fuels are produced from combinations of excess materials produced in a variety of industries such as the paints, automotive, ink and plastics industries. The burning of waste fuel benefits Lone Star due to (i) substantial savings resulting from decreased use of purchased coal in its cement manufacturing process, and (ii) substantial fees received from generators of waste fuel materials who are prohibited from disposing of such waste by conventional means. Although the Debtors anticipate that the burning of waste fuels will continue to result in savings and benefits, changes in the environmental regulations, including their interpretation and enforcement by various federal and state environmental agencies, applicable to the use of such fuels, could prohibit their use or make their use uneconomic. (See page 52 for a discussion of recent action taken by the EPA respecting the burning of waste fuels at Lone Star's Greencastle cement plant.)

Prior to the Filing Date, in connection with the burning of waste fuels at the Greencastle cement plant, Lone Star and Systech Environmental Corporation ("Systech") entered into an agreement for the purchase and supply of waste fuel for use at the Greencastle plant. Pursuant to this agreement, Systech agreed to, among other things, supply certain waste fuel to Lone Star (as requested from time to time) and to operate an extensive storage system with respect to the waste fuel supplied to Lone Star. As compensation, Systech, among other things, (i) received payments from Lone Star equal to fifty percent (50%) of Lone Star's savings on coal purchases resulting from the substitution of waste fuels for coal, and (ii) shared fifty percent (50%) of the revenue received by Lone Star from the generators of waste materials.

Subsequent to the Filing Date, the Debtors evaluated this agreement and determined that, due to certain onerous terms including certain right of first refusal provisions and provisions relating to Systech's fees, Lone Star's continued performance thereunder was not in the best interests of its estates. Thereafter, the Debtors and Systech entered into negotiations which resulted in the execution of an amended agreement, subject to Bankruptcy Court approval. Pursuant to an order entered in November, 1992, the amended agreement was approved by the Bankruptcy Court and the Debtors were authorized to assume such

agreement.

The amended agreement is beneficial to the Debtors inasmuch as it provides for substantial savings and other benefits with respect to the purchase and supply of waste fuel. Specifically, the amended agreement eliminates Systech's right to share in Lone Star's savings from decreased coal consumption, which should amount to a savings of over $600,000 per year. In addition, the amended agreement eliminates certain rights of first refusal granted to Systech which Lone Star believes may, on several occasions, have prevented it from obtaining favorable contracts with other waste fuel suppliers at Lone Star's other cement plants.

- Reductions of MDFC Equipment Rent: Prior to the Filing Date, Lone Star and MDFC Equipment Leasing Corp. ("MDFC") entered into a certain lease agreement dated as of December 31, 1984, pursuant to which Lone Star agreed to lease from MDFC, from time to time, certain items of equipment, including front-end loaders and haul trucks, together with attachments, additions, components, parts and accessions. Thereafter, Lone Star sublet numerous items of the equipment to Tarmac Mid-Atlantic, Inc. ("Tarmac") and RMC. As a result of the equipment leased from MDFC, Lone Star only had use and possession of thirteen front-end loaders and/or haul trucks (the "Lone Star Equipment").

Pursuant to the terms of the MDFC equipment lease, by April 1, 1992, Lone Star was scheduled to make quarterly rental payments to MDFC in the approximate amount of $155,000 and was required to pay certain property taxes. Of this amount, approximately $72,000 was attributable to the Lone Star Equipment. Lone

Star passed those rent obligations and taxes relating to the subleased equipment through to Tarmac and RMC; in essence, Lone Star acted as a middleman with respect to these parties. As of April 1, 1992, Lone Star was indebted to MDFC for scheduled rent in the approximate amount of $1,330,563.

In an effort to resolve claims regarding Lone Star's non-payment of rent and certain controversies respecting the return condition of items of the equipment and to permanently settle and discharge the parties' obligations under the equipment lease and subleases, Lone Star, MDFC, RMC and Tarmac commenced negotiations. As a result, on or about July 17, 1992, the parties entered into a settlement agreement which was approved by the Bankruptcy Court on or about September 18, 1992.

Pursuant to this settlement agreement, with respect to the Lone Star Equipment, MDFC, among other things, (i) released Lone Star from payment of any pre-petition rent and property tax obligations in the approximate amount of $104,164.81; (ii) cut off post-petition rent as of March 1, 1992 and April 1, 1992, which resulted in administrative expense savings of $62,000; (iii) released Lone Star from payment of post-petition rent in the approximate amount of $770,000 representing (a) the lease of the Lone Star Equipment after the cut off dates and/or after certain items of equipment had come off the Lease, (b) deferred maintenance costs and (c) the casualty value for the loss of an equipment unit; (iv) allowed Lone Star to purchase the Lone Star Equipment at a savings of approximately $100,000; and (v) with respect to the subleased equipment, released Lone Star, Tarmac and RMC in connection with certain unpaid pre-petition rent obligations.

- Other Savings: In addition to the foregoing, the Debtors have obtained numerous orders of the Bankruptcy Court authorizing the rejection of executory contracts and unexpired leases or the modification and amendment of such contracts and leases. As noted above, the Debtors negotiated an amendment to a bareboat charter which, among other things, reduced interest payable on the Citicorp Note, which in turn reduced the Debtors' payments under such Charter. In this regard, the Debtors have been authorized to reject and/or modify and amend unexpired car leases, computer equipment leases, certain real property leases and other equipment leases, resulting in substantial savings to the Debtors' estates.

G. CLAIMS AGAINST THE DEBTORS' ESTATES AND OTHER LIABILITIES

1. GENERAL

Before the Debtors could begin their efforts to promulgate the Plan, the Debtors needed to determine the extent of their pre-petition liabilities. Consequently, subsequent to the Filing Date, the Debtors obtained entry of an order (the "Claims Bar Order") which, among other things, fixed October 15, 1991 as the deadline for the filing of proofs of claim against the Debtors' estates (the "Bar Date"), except for those entities whose deadline for filing claims against the Debtors was or would be fixed pursuant to other orders of the

Bankruptcy Court. In accordance with the Claims Bar Order, the Debtors sent out tens of thousands of Bar Date notices to the Debtors' creditors and other parties-in-interest. In response, the Debtors received approximately 5,454 proofs of claim. Additionally, the Debtors originally scheduled approximately 2,350 claims. In all, filed and scheduled claims against the Debtors' estates aggregated approximately $2,500,000,000, plus unliquidated amounts.

The Debtors completed a review and analysis of substantially all filed and scheduled claims asserted against the Debtors' estates, and all claims were entered onto a computer data base. During the course of these bankruptcy cases, the Debtors objected to numerous claims for various reasons, including that such claims were excessive, duplicative, amended, filed after the Bar Date, or improperly classified or prioritized. The Debtors are continuing to object to these claims, and, under the Plan, the Debtors retain the right to object to additional claims after Confirmation of the Plan.

2. CLAIM OBJECTIONS

As noted above, the Debtors concluded that, for a variety of reasons, a large portion of the claims filed against their estates were improper and should be objected to. Consequently, the Debtors prepared and filed numerous omnibus claim objection motions seeking the expungement, reduction or reclassification, as the case

may be, of various filed and scheduled claims. Specifically, from January 10, 1992 through October 15, 1993, numerous orders were entered by the Bankruptcy Court with respect to the Debtors' omnibus objections and individual objections pursuant to which, among other things, (i) approximately 2,500 claims were expunged or reduced in an aggregate amount of approximately $1,037,769,000 plus unliquidated amounts, and (ii) 105 claims in an aggregate amount of approximately $24,683,000 were estimated at zero dollars.

Presently, total allowed and unresolved claims against the Debtors' estates had been reduced to approximately $634,041,000 plus unliquidated amounts. As of the date hereof, the Debtors estimate that, upon final resolution of all Disputed Claims, the total amount of Allowed Claims against their estates should be approximately $579,807,000 including approximately $1,422,000(22) in principal amount of Secured Claims (including Secured Tax Claims), $6,885,000 in Priority and Administrative Claims and $571,500,000 of Unsecured Claims. The Debtors' estimates of the amounts of Allowed Claims in each class are based upon the present state of their claim objections and their analysis of the likely exposure with respect to remaining unresolved claims, taking into account the current status of negotiations concerning such claims.

3. SUMMARY OF MAJOR CLAIMS

a. Litigation and Settlement of Cross-Tie and Related Claims

Prior to the Filing Date, lawsuits were commenced by five railroads (collectively, the "Railroads"), against Lone Star, LSTC and San-Vel (collectively, the "Lone Star Group") seeking in excess of $200,000,000 for damages allegedly resulting from the alleged premature deterioration of concrete railroad cross ties manufactured by the Debtors and sold to the Railroads between 1983 and 1988 (the "Cross Tie Litigation"). In connection with their claims asserted in the Cross Tie Litigation, the Railroads filed proofs of claim in these bankruptcy cases aggregating in excess of $200,000,000. On June 13, 1991, the Bankruptcy Court lifted the automatic stay, on consent of all parties, in order to allow the Cross Tie Litigation to proceed to judgment.

After an extensive technical investigation, the Lone Star Group determined that the primary cause of the premature deterioration of the cross ties was defective cement supplied to San-Vel by a subsidiary of Lafarge Corporation ("Lafarge Corp."). Accordingly, Lone Star filed third party complaints against Lafarge Corp. in the plenary actions commenced by the Railroads, seeking full indemnification from LaFarge Corp. for damages due to the claims of the Railroads, and damages in excess of $25,000,000 for the destruction of San-Vel's business operations.

After extensive pre-trial discovery, settlement discussions with the Railroads were commenced in December, 1991. Subsequently, on September 30, 1992, and thereafter, Lone Star entered into settlement agreements (the "Cross Tie Settlement Agreements") with each of the Railroads, subject to Bankruptcy Court approval.

The Cross Tie Settlement Agreements provide, among other things, for the Railroad's release of all claims against Lone Star relating to the Cross Tie

Litigation. In exchange, the Debtors (i) made a $5,000,000 cash payment to the National Railroad Passenger Corporation ("Amtrak"), (ii) made a $4,427,868 cash payment to the Massachusetts Bay Transportation Authority (the "MBTA"), and (iii) allowed, in these bankruptcy cases, general unsecured claims in favor of the settling defendants, against Lone Star only, in an aggregate amount of $57,200,000.

In addition, the Cross Tie Settlement Agreements provide that, at the election of Amtrak, Lone Star shall pay to Amtrak 10% of any and all sums that Lone Star may recover from Lafarge Corp. or from any of Lafarge Corp.'s insurers (whether by judgment, settlement or otherwise) in connection with any or all of Lone Star's third party claims against Lafarge Corp. which payments, in the aggregate, shall not exceed $1,500,000 and shall reduce, dollar for dollar, the amount of Amtrak's claim allowed against Lone Star pursuant to the Cross Tie Settlement Agreements.

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22 Excludes approximately $22,593,000 of obligations which are to be assumed by Reorganized Lone Star primarily relating to the production payment (see pages 18 to 20) and a promissory note issued by the Debtors in favor of Dr. Richard C. Schaffer (see pages 85 through 86).

The Debtors believe that the Cross Tie Settlement Agreements were a reasonable alternative to the high cost of litigation and an uncertain outcome. Pursuant to the terms of the Cross Tie Settlement Agreements, in exchange for releases, the Debtors were able to substantially reduce the claims of the Railroads to $57,200,000, and were required to make cash payments in an aggregate amount of only approximately $9,430,000. The Cross Tie Settlement Agreements were approved by the Bankruptcy Court pursuant to orders entered in October and November, 1992.

The Cross Tie Settlement Agreements did not resolve the Cross Tie Litigation as it pertained to Lafarge Corp., and a trial with respect to the claims asserted by Lone Star against Lafarge Corp. was held in late 1992. On December 16, 1992, the jury returned a verdict in favor of Lone Star finding that Lone Star had proven its claim of fraudulent misrepresentation, breach of express warranty, breach of implied warranty of fitness for a particular purpose and negligence. However, Lone Star's recovery was limited to $1,213,000 because the District Court, over Lone Star's objection, instructed the jury that Lone Star could not recover the balance of the damages it sought (approximately $83,000,000) unless Lone Star had proved a special relationship with Lafarge Corp. and was not found to be negligent to any degree.

Thereafter, Lone Star filed a motion with the District Court seeking a new trial, asserting, among other things, that the District Court's jury charge improperly prevented the jury from awarding full consequential damages on Lone Star's fraud, breach of warranty and negligence claims. In addition, Lone Star asserted that because its claims were based on Lafarge Corp.'s commission of an intentional tort and other grounds including contract and economic loss, any liability based on an indemnitor/indemnitee relationship should not be vitiated by the purported negligence of Lone Star. Lafarge Corp. also moved for judgment as a matter of law or, in the alternative, a new trial.

A hearing to consider both Lone Star's and Lafarge Corp.'s motions was held on March 5, 1993, following which the District Court issued a written decision denying both Lone Star's and Lafarge Corp.'s motions. Both Lone Star and Lafarge Corp. have appealed this decision to the United States Court of Appeals for the Fourth Circuit.

Lone Star's appeal addresses the following major issues: (i) whether the District Court erred in refusing to allow the jury to consider Lone Star's settlement costs (approximately $67 million) and litigation expenses (approximately $16 million) in the railroad litigation as part of its consequential damages on its breach of warranty, fraud and negligence claims against Lafarge Corp.; (ii) whether the District Court erred in finding that Lone Star waived its right to pursue settlement costs and litigation expenses in the railroad litigation as part of its consequential damages on its breach of warranty, fraud and negligence claims against Lafarge Corp.; (iii) whether the District Court erred in denying Lone Star leave to amend its third-party complaint seventeen months prior to trial and more than one year prior to the close of discovery; and (iv) whether the District Court erred in withdrawing from the jury's consideration the evidence as to Lone Star's claims to asset write offs and future lost profits against Lafarge Corp. Lafarge Corp. has appealed the jury's liability verdict.

Both Lone Star and Lafarge Corp. have submitted briefs and oral argument is scheduled for early December, 1993. To date, there have been no settlement discussions between the parties since the appeals were filed. If Lone Star's appeal is successful, Lone Star has requested that a new trial on damages only (not Lafarge Corp.'s liability) be ordered.(23)

b. Claims By and Against Liberty Mutual Insurance Company/Settlement With Liberty Mutual

In connection with the Cross Tie Litigation, prior to the Filing Date, the Debtors commenced a civil action (the "Insurance Litigation") against Liberty Mutual Insurance Company ("Liberty Mutual") and various other insurance companies in the Superior Court of the State of Delaware (the "Delaware Court"). The Insurance Litigation sought, among other things, a declaratory judgment that Liberty Mutual was obligated to pay the Debtors' reasonable attorneys' fees, costs and expenses in connection with the Cross Tie

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23 In the event that the Debtors are ultimately successful in this action, any recoveries would be paid to NewCo to be used to satisfy the Asset Proceeds Notes. If additional funds remain after satisfaction of the Notes, such amount will be dividended to Reorganized Lone Star.

Litigation (the "Defense Costs") in accordance with the primary general liability insurance policies sold by Liberty Mutual to Lone Star. Subsequent to its examination of the issues, Liberty Mutual acknowledged the existence of a duty to reimburse the Debtors for their reasonable Defense Costs. Liberty Mutual maintained, however, that Lone Star's choice of counsel and the fees charged by such counsel were not reasonable.

Prior to the Filing Date, the Delaware Court entered an order finding that Liberty Mutual was required to defend the Debtors' interests in the Cross Tie Litigation and to pay the fees and expenses incurred for the "reasonable" services of attorneys and consultants. In addition, the Delaware Court capped the hourly fee of such "reasonable" legal services (the "Fee Cap") and scheduled a hearing to determine the reasonableness of the legal services performed.

In order to avoid the costs and uncertainty associated with a hearing on the reasonableness of the legal services, the Debtors and Liberty Mutual commenced negotiations to settle the issue. The aggregate amount of Defense Costs incurred by the Debtors in connection with the Cross Tie Litigation, as of the Filing Date, amounted to approximately $8,934,114. Of this amount, $6,865,002 had been paid by Lone Star (the "Paid PrePetition Defense Costs"). Pursuant to negotiations, Lone Star and Liberty Mutual agreed that certain services performed by Rogers & Wells did not relate directly to Lone Star's defense of the Cross Tie Litigation and, therefore, the cost of such services should not be included as reimbursable Defense Costs (the "Reduction"). After application of the Fee Cap, the Reduction, and certain payments made by Liberty Mutual, the amount of Paid Pre-Petition Defense Costs amounted to $3,505,522 (the "Adjusted and Paid Pre-Petition Defense Costs"). Proofs of Claim were filed in the Debtors' Chapter 11 cases by Rogers & Wells and various other counsel and consultants for the unpaid Pre-Petition Defense Costs in an aggregate amount of $2,069,112.

As of July 31, 1991, the aggregate amount of postpetition Defense Costs incurred by Lone Star was approximately $2,622,690 of which approximately $2,131,197 had been approved by the Bankruptcy Court and paid by Lone Star (the "Paid Post-Petition Defense Costs"). After application of the Fee Cap and Reduction, the amount of Paid Post-Petition Defense Costs is approximately $1,308,280 (the "Adjusted and Paid Post-Petition Defense Costs"). There is currently $590,560 in Post-Petition Defense Costs that have not been approved for payment by the Bankruptcy Court and, thus, have not been paid by Lone Star (the "Post-Petition Non-Approved Defense Costs").

On August 18, 1992, after extensive negotiations, Lone Star and Liberty Mutual entered into a settlement agreement, subject to Bankruptcy Court Approval, reconciling the extent to which the Cross Tie Litigation Defense Costs would be reimbursable (the "Liberty Mutual Settlement"). The Liberty Mutual Settlement provided, among other things, that reimbursable Cross Tie Litigation Defense Costs would consist of the Adjusted and Paid Pre-Petition Defense Costs ($3,505,522), and 76% of the allowed pre-petition bankruptcy claims of Rogers & Wells and certain other law firms and consultants ($1,620,811, if the bankruptcy claims are allowed in full). Assuming that all of the pre-petition bankruptcy claims are allowed in full by the Bankruptcy Court, the total amount of reimbursable Pre-Petition Cross Tie Litigation Defense Costs shall equal

approximately $5,126,330 (the "Reimbursable Pre-Petition Defense Costs").

Pursuant to the Liberty Mutual Settlement, the Reimbursable Pre-Petition Defense Costs will be set-off against or reduced by the general unsecured proof of claim filed by Liberty Mutual in the amount of $10,299,840.89 plus unliquidated amounts, against the estate of each of the Debtor entities herein (the "Liberty Mutual Claim").(24) The amount of any Reimbursable Pre-Petition Defense Costs remaining after the Liberty Mutual Claim is reduced to zero shall be paid, in cash, to Lone Star.

In addition, pursuant to the Liberty Mutual Settlement, reimbursable Defense Costs shall also consist of the Adjusted and Paid Post-Petition Defense Costs ($1,308,280), and 76% of the Post-Petition Non-

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24 The Liberty Mutual Claim is based on (i) alleged unpaid premiums and deductible reimbursements pursuant to the various insurance policies issued by Liberty Mutual on behalf of the Debtors, and (ii) fees and expenses allegedly owed by the Debtors to Helmsman Management Services Inc., an affiliate of Liberty Mutual, for services performed with respect to the administration of workers compensation claims. In addition, the parties are negotiating the amount of a portion of Liberty Mutual's claims based on retrospective insurance adjustments and a resolution thereof is expected in the near future.

Approved Defense Costs incurred through July 31, 1991 and ultimately allowed by the Bankruptcy Court ($448,825, if such unpaid Post-Petition Non-Approved Defense Costs are allowed in full). Assuming that the Post-Petition Non-Approved Defense Costs are allowed in full by the Bankruptcy Court, the total amount of reimbursable post-petition Cross Tie Litigation Defense Costs through July 31, 1991 is approximately $1,757,105 (the "Reimbursable Post-Petition Defense Costs").

An order approving the Liberty Mutual Settlement was entered by the Bankruptcy Court on January 29, 1993. The Debtors believe that the Liberty Mutual Settlement served the best interests of the Debtors' estates and their creditors because the Liberty Mutual Settlement (i) provided for a cash payment to the Debtors' estates, (ii) enabled the Debtors to recoup most of their Cross Tie Litigation Defense Costs, and (iii) avoided the high cost and uncertainty of allowing the Delaware Court to decide the issue of "reasonableness." Additionally, as a result of the Liberty Mutual Settlement, the Liberty Mutual Claim will be substantially reduced.

The Liberty Mutual Settlement only resolved outstanding issues through July 31, 1991. Accordingly, Liberty Mutual has not made any payments to the Debtors respecting reimbursement of post-July 31, 1991 Defense Costs. However, the parties have been negotiating and are close to a resolution of the coverage issues for this period. The total Defense Costs incurred by Lone Star during the post-July 31, 1991 period is approximately $18,188,000, of which approximately $12,160,000 has been paid by the Debtors and approved by the Bankruptcy Court (where applicable). The Debtors anticipate that a settlement respecting Liberty Mutual's obligation to reimburse Lone Star for these post-July 31, 1991 Defense Costs will be reached and submitted to the Bankruptcy Court for approval prior to the Effective Date.

The Insurance Litigation also sought a declaratory judgment that Liberty Mutual and the other insurance companies(25) were obligated to fully defend and indemnify the Debtors for the full damages assessed against them (or paid by the Debtors) in the Cross Tie Litigation in accordance with the respective insurance policy limits. The insurance companies disclaim liability for all amounts sought. The insurance companies' defense is based upon allegations that, among other things, (i) the damages incurred by the Debtors in the Cross Tie Litigation do not fall within the scope of coverage of their insurance policies, (ii) the liability was not incurred in a year covered by their policies, and (iii) the Debtors have not properly calculated each insurance company's allocable share of liability.

In May, 1993, the issues in the Insurance Litigation relating to indemnification were submitted to non-binding mediation and all pre-trial discovery in the Insurance Litigation was stayed pending the outcome of the mediation. As of the date of this Disclosure Statement, the mediation is still pending, although the Debtors have recently reached a settlement, in principle, of indemnification issues with some of the defendant insurance companies.(26) The Debtors are continuing to negotiate with those insurance companies who have not yet agreed, in principle, to the settlement. The Debtors anticipate that if

no settlement is reached with the remaining insurance companies by late December, 1993, the litigation respecting their indemnification obligations will intensify and a determination of the issues by the Delaware Court may be required. The Debtors' estimate of Cash available on the Effective Date includes an estimated recovery with respect to the Cross Tie Litigation Defense Costs.

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25 The other defendants in the Insurance Litigation are: The Aetna Casualty and Surety Company, Agricultural Excess and Surplus Insurance Company, Cigna Insurance Company, The Continental Insurance Company, Employers Insurance of Wausau, Federal Insurance Company, First State Insurance Company, Gibraltar Casualty Company, Government Employees Insurance Company, Granite State Insurance Company, Harbor Insurance Company, Hartford Accident and Indemnity Company, Highlands Insurance Company, International Insurance Company, Lexington Insurance Company, Meadows Syndicate, Inc., National Casualty Company, National Union Fire Insurance Company of Pittsburgh, PA, New England Insurance Company, Republic Insurance Company, Transco Syndicate #1, Ltd., Twin City Fire Insurance Company, Western Employers Insurance Company, and Zurich International Ltd.

26 Due to the sensitive nature of the Insurance Litigation, and the current status of negotiations, the Debtors are not disclosing the details of their agreement in principle with such insurance companies.

c. Retiree Benefit Obligations

As of the Filing Date, the Debtors were providing health and life insurance coverage and other similar benefits (all defined as retiree benefits under Section 1114 of the Bankruptcy Code) under approximately forty-three (43) different benefit plans (collectively, the "Benefit Plans") to approximately 5,100 retired union and non-union employees (collectively, the "Retirees") and their surviving spouses or eligible dependents.

The Debtors' coverage under the Benefit Plans vary substantially, with the majority providing basic hospital and surgical coverage, plus major medical and Medicare Part B premium reimbursement and life insurance for Retirees. The Benefit Plans are for the most part non-contributory, meaning that most of the participants in the Benefit Plans do not pay any portion of the costs associated therewith (exclusive of deductible amounts and co-payments). In addition, the deductibles of each of the Benefit Plans vary; some plans have a deductible per individual and others have a deductible based on all claims made within a year. The Benefit Plans have various levels of co-insurance coverage and differing maximums for major medical claims during a Retiree's lifetime.

The Debtors are currently spending approximately $10,000,000 to $11,000,000 pre-tax annually to provide health and life insurance benefits to the Retirees. These expenses represent approximately three and one-half percent of Lone Star's total sales. The Debtors estimate that, as of January 1, 1992, the present value of liability for their current employees for future post-retirement health and life insurance coverage and the present value of such liability with respect to Retirees for health and life insurance benefits is approximately $144,500,000. This estimate is based on an actuarial valuation using accepted methodologies and assumptions including, among others, demographic assumptions, medical cost inflation assumptions, and a discount rate of 8.5%.

In total, these obligations translate into approximately $100,000 in liability for each active Lone Star employee. Additionally, there are more than two Retirees for each active Lone Star employee. The Debtors maintain that this liability is a significant cost to the Debtors' estates and the Debtors' various agreements with the Creditors' Committee and other creditor constituencies regarding distributions under the Plan are predicated upon a reduction of retiree benefits. If the Debtors are unable to reduce their liability to the Retirees, as contemplated by the settlement with the non-Union Retirees and the discussions with the Debtors' Unions described below, the Debtors would have to reopen negotiations respecting a reorganization plan which could upset the consensus already achieved with the Debtors' creditor constituencies and prejudice plan efforts.

Furthermore, the projected financial statements set forth in Exhibit "F" to the Disclosure Statement reflect the Debtors' ability to satisfy financial obligations for the four-year period ending December 31, 1997. It must be noted, however, that the Debtors' businesses typically follow a five to seven year cycle which the Debtors believe began in 1992. The four-year projections set forth on Exhibit "F" reflect only the positive segment of the latest cycle and

do not include those future years in which the Debtors expect the business cycle to experience a downward trend. It is uncertain whether the Debtors would be able to maintain the pre-petition level of retiree benefits during such a downward trend, especially if medical costs continue to escalate. Thus, the Debtors believe that a modification of their Retiree benefit liability is necessary for their successful reorganization.(27)

Pursuant to Section 1114 of the Bankruptcy Code, before a debtor undertakes to reduce its retiree benefit obligations, it is necessary, among other things, to have a retiree committee appointed to represent the interests of that debtor's retirees. As noted in Section III(D) above, a Retiree Committee has been appointed. The Retiree Committee serves as the authorized representative of non-union retired employees (both hourly and salaried former employees of the Debtors, and their spouses and dependents receiving post-retirement medical benefits under any plan, fund or program maintained or established, in whole or in part, by the

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27 The Retiree Committee has contended that there are ample funds to pay all future retiree benefits and that given the projected recoveries to unsecured creditors under the Plan no modification is necessary.

Debtors prior to the Filing Date) (collectively, the "Salaried Retirees"). In addition, each of the Cement, Lime, Gypsum and Allied Workers Div., International Brotherhood of Boilermakers Union, AFL-CIO; the United Steelworkers of America, AFL-CIO; the United Paperworkers International Union, AFL-CIO; the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America, Local 445; the International Association of Machinists (Santa Cruz); the International Union of Operating Engineers, Locals 825, 825A, 825B, AFL-CIO; and the Laborers International Union of North America, Local 60, AFL-CIO (collectively referred to as the "Unions") will independently act as the authorized representative of each of their respective former members employed by the Debtors, and the spouses and dependents of such members receiving post-retirement medical benefits under any plan, fund or program maintained or established, in whole or in part, by the Debtors prior to the Filing Date or as otherwise agreed to between the Debtors and the Unions (collectively referred to as the "Hourly Retirees").

On or about November 9, 1992, the Debtors, in accordance with Section 1114 of the Bankruptcy Code, submitted a proposal (the "Retiree Proposal") to the Retiree Committee and the Unions. By the Retiree Proposal, the Debtors desired to establish pre-determined costs in providing post-retirement medical and life insurance benefits, thereby introducing stability and predictability into the financial expense associated with providing such benefits while providing the Retirees with financial ability to receive an equitable program of post-retirement welfare benefits. In addition, the Debtors desired to establish a more uniform benefit program to reduce the administrative costs associated with providing post-retirement medical and life insurance benefits under several dozen Benefit Plans. Finally, the Debtors sought to establish a partnership with the Retirees wherein all parties would share the cost of post-retirement welfare benefits through employee contributions, increased deductibles, and/or other modifications to the Benefit Plans which would allocate a greater portion of the costs associated with providing retiree benefits to the Retirees. Such a cost-sharing arrangement would enable the Debtors to reduce the financial burden associated with such benefits. Accordingly, the Debtors proposed to make specified cash contributions to a trust to be established for the purpose of providing benefits to the Retirees.(28)

Subsequently, in April, 1993, the Retiree Committee presented the Debtors with a counterproposal relating to the Debtors' entire Retiree liability, both Union and non-Union. The counterproposal disputed many of the computations, statements and conclusions in the Retiree Proposal and challenged the legal basis for the Debtors' proposed modifications. The Debtors determined that the counterproposal was unacceptable due largely to the fact that it essentially called for full payment of retiree benefits through a defined contribution plan funded by cash and securities of the Debtor. The Debtors believed that the counterproposal did not adequately address the Debtors' claim that certain post-1983 non-union retiree benefit plans, with obligations aggregating approximately $40,000,000 on a present value basis as of January 1, 1992, could be terminated pursuant to rights allegedly reserved in those plans.(29)

Since such time, the Debtors have worked diligently to reach a consensual resolution with the Retiree Committee and the Unions with respect to the modification of their retiree benefits. To this end, the Debtors and the Unions are discussing a settlement containing the following components: the Unions

would relinquish their rights to some portion of the welfare benefits for Union Retirees; an allowed unsecured claim would be granted for another relinquished portion of the welfare benefits for Union Retirees; and Reorganized Lone Star would retain obligations with respect to the remaining portion of post-retirement welfare benefits to Union Retirees.

On October 27, 1993, negotiations between the Debtors and the Retiree Committee produced an agreement in principle on an arrangement to provide post-retirement medical and life insurance and Medicare Part B premium reimbursement benefits to Salaried Retirees (the "Agreement"). The Agreement will be

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28 The Debtors' projections for this defined contribution plan included reasonable assumptions such as the rate of medical cost inflation. To the extent that the actual future Retiree benefit costs exceed the defined contribution, the difference would have to be made up through increased Retiree contributions and/or through decreased benefits.

29 According to the Debtors' records, generally these termination rights were reserved by the Debtors in all Benefits Plans available to employees who retired from employment on or after July 1, 1983 (the "Post-1983 Salaried Retirees"). (All other Salaried Retirees are sometimes referred to as the "Pre-1983 Salaried Retirees".)

embodied in a definitive document which is subject to the approval of the Bankruptcy Court, upon notice to all Salaried Retirees, in accordance with Section 1114 of the Bankruptcy Code. The general terms of the Agreement are described below.

In consideration for a release of all claims and causes of action by the Retiree Committee (on behalf of the Salaried Retirees) for the modification of retiree benefits (as defined under Section 1114 of the Bankruptcy Code), the Debtors have agreed that Reorganized Lone Star shall contribute quarterly payments to a voluntary employees' beneficiary association ("VEBA"), a tax-exempt trust to be established under Section 501(c)(9) of the Internal Revenue Code of 1986, producing a present value cash flow of $41.5 million, as of January 1, 1994 (using a discount rate of 8.5%).(30)

In the event that the VEBA's cash and marketable securities should fall below a certain amount, upon the request of the VEBA, Reorganized Lone Star will advance an amount equal to the next quarterly payment. This advance will not relieve Reorganized Lone Star of its obligation to make its next regularly scheduled payment.

In addition, under the Agreement, the VEBA or the Retiree Committee would receive (on behalf of the Salaried Retirees) a general unsecured claim in the amount of $8.2 million, which would be settled on the same recovery basis, and combination of cash and securities, as other general unsecured claims.

The Agreement includes all Salaried Retirees (including certain executives) who terminated active employment with the Debtors on or before the Effective Date, but the foregoing VEBA contributions and claim amounts are based on the number of Salaried Retirees as of January 1, 1993. The present value of cash payments to the VEBA and claim amounts described above will be adjusted to reflect any additional employees of the Debtors who retire after January 1, 1993 and on or before the Effective Date.

The VEBA is expected to be operational no later than four months after the Effective Date and will continue until December 31, 2069. However, upon the earlier of January 1, 2033 or the January 1st following the year in which there are less than 150 participants in the VEBA, at the election of the VEBA, Reorganized Lone Star's obligation to make payments to the VEBA shall cease and its only remaining obligation to the Salaried Retirees will be to provide them with the post-retirement welfare benefits available, if any, to its salaried employees retiring at that time. If the effective date of the VEBA occurs after the Effective Date, Reorganized Lone Star will continue to provide benefits to the Salaried Retirees under their existing Benefit Plans until the effective date of the VEBA, and there will be a ratable reduction in Reorganized Lone Star's initial quarterly payment to the VEBA based upon the number of days during the calendar quarter in which the effective date of the VEBA occurs, in which Reorganized Lone Star is required to maintain the existing Benefit Plans after the Effective Date. Reorganized Lone Star shall pay for all claims, including claims that are incurred, but not yet billed, under the existing Benefit Plans through the effective date of the VEBA.

The VEBA shall be administered by a Board of Trustees (the "Trustees") to be selected by the Retiree Committee (or the Salaried Retirees). The Trustees shall be responsible for instituting the health and life insurance benefit plans to be administered by the VEBA after its effective date (the "New Benefit Plans"). The New Benefit Plans will be subject to modifications by the Trustees based on the operating results of the VEBA and the rate of medical inflation. As a result of the modifications contemplated by the Agreement, the New Benefit Plans to be instituted by the VEBA will have higher deductibles and lesser benefits than the existing Benefit Plans in order to account for the reduced amount of Reorganized Lone Star's contributions to the VEBA as compared to the projected future value of the benefits under the existing Benefit Plans. Each Salaried Retiree's benefits will be covered under a New Benefit Plan which takes into account the present value of the Retiree's benefits under his or her existing Benefit Plan as well as the additional litigation risks associated with issues raised by the Debtors with respect to the post-1983 Benefit Plans. Accordingly, Salaried Retirees covered by post-1983 Benefit Plans will have a greater reduction in the present value of benefits

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30 The Debtors have estimated that, as of January 1, 1994, the present value of the liability for existing retirement health and life insurance coverage to the Salaried Retirees (using a discount factor of 8.5%) is approximately $57.5 million (excluding individuals who retired on or after January 1, 1993).

provided under the New Benefit Plans than that provided to Salaried Retirees covered under pre-1983 existing Benefit Plans.

Reorganized Lone Star's obligation to make contributions to the VEBA can be modified only in certain limited circumstances, as generally outlined below. First, as a general matter, the Debtors and the Retiree Committee have incorporated provisions in the Agreement in anticipation of future health care reform legislation. In this regard, Reorganized Lone Star may reduce its contribution to the VEBA to the extent that a tax or other cost relating to a health reform program, which results in a reduction of costs which would otherwise have been incurred by the VEBA under its New Benefit Plans, is incurred by Reorganized Lone Star. In such a case, Reorganized Lone Star's reduction in annual contribution in the quarter(s) following such a tax or cost will be limited to the lesser of the amount of the VEBA's savings or the tax or other costs incurred by Reorganized Lone Star associated with such savings. Determinations as to the amount of the VEBA's savings will be made annually, at Reorganized Lone Star's election, which, in the event of a dispute, will be made by an independent actuary, acting as an arbitrator, whose determination shall be binding upon the VEBA and Reorganized Lone Star.

Finally, at any time, Reorganized Lone Star has the right to prepay 110% of the outstanding balance of the contributions and claims due to the VEBA (using an annual discount factor of 8.5%).

In addition, Reorganized Lone Star may, at any time, terminate all of its obligations under the Agreement to continue to contribute to the VEBA and to resume provision of benefits to the Salaried Retirees directly, provided that it agrees to provide Salaried Retirees with substantially the same medical and life insurance and Medicare Part B premium reimbursements which such Salaried Retirees were entitled to receive prior to the modifications effectuated by the Agreement, except to the extent that such benefits had been terminated or otherwise diminished pursuant to an "allowed claim," "buy out" or other compensating event. Such a termination would be irrevocable by Reorganized Lone Star, and, except as provided below, the benefits provided by Reorganized Lone Star would thereafter be fully vested and not subject to reduction. Upon the exercise of its termination rights, Reorganized Lone Star will be able to benefit from remaining VEBA funds to provide benefits and to further substitute, integrate and/or coordinate any benefits provided by it with any form of health insurance programs which may become available. For example, as under the existing Benefit Plans the Agreement requires Salaried Retirees to enroll in any such health insurance programs or treat them as if they had enrolled. To the extent that Salaried Retirees enroll, Reorganized Lone Star agrees to pay the net cost of any premiums or deductibles, including enrollment fees.

The Agreement provides that payments by Reorganized Lone Star may be accelerated, upon the occurrence of certain "Events of Default," in which case the entire amount of Reorganized Lone Star's outstanding obligation will become due to the VEBA (using an annual discount factor of 8.5%). An Event of Default is defined as:

(A) Failure by Reorganized Lone Star to remit quarterly contributions within 10 days after receipt of written notice of non-payment by the Trustees;

(B) Reorganized Lone Star: (i) commences a voluntary case for relief under the Bankruptcy Code or any similar state or federal law; (ii) consents to the assignment of its assets for the benefit of creditors, or the appointment of a receiver, trustee, assignee, liquidator or similar official (each known as a "Custodian"), in each case, under any applicable bankruptcy or insolvency law; (iii) an order or decree under any applicable bankruptcy law for relief is entered against Reorganized Lone Star in any involuntary case; or (iv) an order or decree is entered by any court of competent jurisdiction appointing a Custodian for the liquidation of the assets of Reorganized Lone Star; and

(C) Any acceleration by the holders of the Senior Notes.

If the Senior Notes are no longer outstanding, Reorganized Lone Star is also obligated to prepay an amount equal to the next four quarterly contributions in cash (and reamortize the remaining quarterly contributions taking into account such prepayment) to the VEBA, in the event that Reorganized Lone Star's debt rating on its outstanding public debt, commercial paper, or bank debt falls below certain specified levels. In the event Reorganized Lone Star has no ratable debt, this prepayment obligation is not applicable.

The Agreement provides that all reasonable expenses incurred by the Retiree Committee (or the Trustees) in establishing the VEBA shall be reimbursed by Reorganized Lone Star, subject to a cap of $150,000 for any expenses incurred after the Effective Date.

The reductions in coverage to be implemented by the Agreement are contingent on Reorganized Lone Star instituting certain reductions in the post-retirement welfare benefits to its post-Effective Date retired salaried employees within 180 days of such Effective Date. Generally, these reductions will reduce the value of benefits available to such individuals by approximately 20%. To the extent such reductions are not timely implemented, the quarterly VEBA contributions and unsecured claim granted to the VEBA would be increased ratably.

In the event of a material adverse change to the treatment of Salaried Retirees in the Plan as a result of changes in the form or structure of the Debtors' Plan, the Agreement is to be renegotiated to the reasonable satisfaction of the Retiree Committee.

Under the Agreement, the Retiree Committee agrees to use its reasonable best efforts to ensure the VEBA's initial qualification and its continuing tax-exempt status, including obtaining any necessary rulings from the Internal Revenue Service and preparing information required under the Internal Revenue Code and ERISA.

In addition, the Trustees shall provide Reorganized Lone Star (its successors, assigns and agents) with such cost and census information concerning the new benefit plans, the VEBA and the Salaried Retirees as Reorganized Lone Star may reasonably request.

Reorganized Lone Star (its successors, assigns and agents) shall have the right to audit for compliance with the terms of the Agreement and to verify the accuracy of any notices provided to it by the Retiree Committee, the Trustees, or any agents or the successors of the same. The Retiree Committee, the Trustees, and any of their agents shall be obliged to cooperate with any such audits and verification efforts, including, but not limited to, promptly responding to reasonable information requests.

If a court ever determines that a Salaried Retiree is not bound by an order approving the Agreement, then the contributions to the VEBA and the claim amount shall be reduced proportionately.

Under the Agreement, Reorganized Lone Star has the right to assign all or any part of its obligations under the Agreement with advance written notice to the Trustees; provided, however, no such assignment shall prejudice any of the rights or remedies of the Trustees against Reorganized Lone Star. The Trustees may assign the right to receive any or all quarterly contributions from Reorganized Lone Star; provided that no such assignment shall have any effect on the obligations of Reorganized Lone Star.

Except as provided above, all disputes arising under the Agreement shall be resolved through binding arbitration.

The Debtors' projections provide sufficient cash payments to accommodate the terms of the Agreement and a consensual resolution of the outstanding issues with the Unions.(31) In addition, the Debtors' estimates of Allowed Claims described herein include contingencies which should sufficiently account for the claims granted to the Debtors' Retirees under the Agreement and the proposals discussed. Therefore, the Agreement and any settlement reached with the Unions should not have a material effect on cash flows, equity values, feasibility, or recoveries under the Plan.

Under the Agreement, and as part of the ongoing negotiations with the Unions, the Debtors have requested a waiver of Retirees' claims arising from a reduction of benefits which otherwise would be allowable. If the Agreement is not approved by the Bankruptcy Court and/or a settlement is not reached with the Unions, and Union or non-Union retiree benefits are ultimately modified in accordance with Section 1114(g) of the Bankruptcy Code, the modification could result in a general unsecured claim for the Salaried Retirees

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31 Assuming a settlement on the basis presently discussed, the Debtors estimate that the annual pre-tax cash cost to Reorganized Lone Star for post-Confirmation Retiree obligations will be approximately $9 million.

and for the Union Retirees in the amount of the reduction.(32) Such claims have not been included in the Debtors' analysis of estimated claims and, therefore, the Debtors' estimated to the extent such claims recoveries could be negatively impacted to the extent such claims do arise.

The Debtors believe that the Agreement with the Retiree Committee is fair and equitable to all parties. The Agreement fixes the Debtors' financial obligation associated with providing retiree benefits at a significantly reduced level while enabling Retirees to institute and administer valuable programs for postretirement medical and life insurance benefits. For these reasons, the Debtors, as well as the Retiree Committee, will seek the approval of the Agreement by the Bankruptcy Court prior to Confirmation. The Agreement is solely between the Debtors and the Retiree Committee. The Creditors' Committee (which, as noted below, must also be satisfied with the Agreement) has not had an opportunity to review the Agreement and, thus, has not indicated its position with respect thereto. The entry of a Final Order in form and substance reasonably satisfactory to the Retiree Committee and the Creditors' Committee, approving the Agreement pursuant to Section 1114 of the Bankruptcy Code, is a condition precedent to the effectiveness of the Plan.(33)

However, while the Debtors will continue to work toward the approval of the Agreement, and a consensual resolution with the Unions, if such approval is not achieved in a timely fashion, or if there is a breakdown in negotiations with the Unions, litigation respecting modifications of the Debtors' retiree benefits in accordance with Section 1114 of the bankruptcy code may be commenced prior to Confirmation.

Although litigation may become necessary, the Debtors cannot at this time estimate the costs associated therewith. Nevertheless, costs are likely to be substantial. In any event, the Debtors believe that litigation over retiree benefits may have an adverse impact on employee morale and publicity and, consequently, on operations. However, the Debtors will seek to limit the negative effects of any such litigation by, among other things, communicating to their present employees their efforts in trying to avoid litigation and the reasons why it nonetheless became necessary. In addition, any negative impact may be limited due to the widely publicized fact that many other companies have reduced or modified retiree benefits.

The Debtors have paid their retiree benefit obligations as they have become due since the Filing Date. Accordingly, no liability resulting from a modification of retiree benefits has yet arisen. As discussed above, the Retirees will only have claims if and when the Debtors' retiree benefit obligations are modified.

To the extent that any claims arise as a result of a modification of retiree benefits, and the amount of any such claim is not determined prior to Confirmation, a reserve will be established with respect to such claims, either in an amount agreed upon by the parties or established by the Bankruptcy Court after appropriate notice and a hearing.

d. Environmental Claims and Obligations

The Debtors and their affiliates operate facilities or conduct operations in numerous states, including cement plants, cement distribution terminals, land utilized for cement raw materials, aggregate quarries and reserves, ready-mixed concrete facilities, concrete block plants, prestressed concrete plants, architectural concrete plants, asphalt plants and building materials plants. In connection with such operations, the Debtors,

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32 The Debtors have maintained that if benefits for Post-1983 Salaried Retirees were modified in accordance with the terms of the Benefit Plans, these Retirees would not have general unsecured claims because, at all times, the Debtors have maintained the right to amend, modify or terminate post-retirement welfare benefits for the Post-1983 Salaried Retirees.

The Retiree Committee maintains that a threshold question of whether a modification is "necessary" would have to be decided, under Section 1114 of the Bankruptcy Code, before Benefit Plans for any Salaried Retirees could be terminated or otherwise modified, and only if that issue were resolved in the Debtors' favor could a court consider whether the Benefit Plans may be terminated or modified. The Retiree Committee maintains that (i) such modification would not be necessary and thus impermissible under section 1114; (ii) the Post-1983 Salaried Retirees have non-forfeitable rights to their benefits; and (iii) in any event, the modification or termination of the Benefit Plans for Post-1983 Salaried Retirees would constitute a modification of retiree benefits which would create a general unsecured claim.

33 The Agreement reserves the rights of the Retirees to vote on a plan of reorganization if the Agreement is not approved by the court or the Plan is not confirmed.

like most major cement suppliers, are subject to numerous local, state and federal environmental, zoning and land use laws and regulations, including special regulations respecting the use of waste fuels.

On the Filing Date, the Debtors were subject to a number of pending proceedings involving federal and state regulatory agencies relating to environmental issues and certain of the Debtors had been named by the United States Environmental Protection Agency (the "EPA") as Potentially Responsible Parties in administrative proceedings for the clean-up of Superfund Sites pursuant to the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"). With respect to several of these sites, there are pending disputes concerning respective liabilities of the Debtors and third parties for clean-up costs and other environmental enforcement and liability matters. In addition, certain of the Debtors have been and continue to be involved in administrative and other proceedings brought by state and local governmental authorities relating to state and local environmental and land use regulation compliance.

Since the Filing Date, the Debtors have been engaged in the ongoing review and analysis of their substantial environmental liabilities in light of the Chapter 11 filings. In addition, the Debtors have designed and implemented an extensive environmental audit program of their operating facilities in order to more efficiently evaluate their options with respect to their environmental obligations.

- Issues Respecting Property in Dania, Florida: Among the more significant of the environmental matters in which the Debtors have been involved are civil litigation and regulatory matters relating to land and improvements owned by one of the Debtors, LSBCE, located in the City of Dania in Broward County, Florida (the "Dania Site"). As of the Filing Date, the Dania Site was leased to NCL Corp. ("NCL"), which lease was rejected. As of the Filing Date, there was a lawsuit pending in the United States District Court for the Southern District of Florida, commenced by a predecessor of NCL pursuant to which Lone Star, Building Centers, LSBCE, NCL and Enviropact, Inc. (an environmental consultant retained by NCL), among others, were parties, concerning responsibility for the costs of cleaning up contaminants at the Dania Site (the "Dania Litigation"). Enviropact, Inc. has since been voluntarily dismissed from the litigation. LSBCE's position in this action is that the contamination was caused by either NCL or its predecessor. This action was stayed by the filing of these Chapter 11 cases. Thereafter, NCL filed a motion to lift the automatic stay to continue the Dania Litigation which was resolved pursuant to a stipulation providing that the automatic stay would be terminated on or about February 23, 1992.

In connection with the clean-up of the Dania Site and in accordance with the terms and conditions of an Administrative Order of Consent between LSBCE and the EPA, LSBCE agreed, among other things, to undertake the disposal and treatment of the contaminated soil and groundwater of the Dania Site (the "Removal Action"). In connection therewith, LSBCE entered into, subject to Bankruptcy Court approval, a Wet Excavation Contract and a Production Burn Contract (the "Contracts") with OHM Corporation ("OHM"), to facilitate the Removal Action. The Debtors believed that the Contracts would enable LSBCE to efficiently and cost effectively satisfy the requirements of the EPA regarding the clean-up of the Dania Site, while simultaneously preserving the Debtors' interests in such property. On or about March 4, 1992, an order was entered approving the Contracts with OHM. In October, 1992, the EPA-prescribed removal action aspect of the clean-up, involving soil and limited groundwater treatment, was substantially completed and LSBCE is preparing for negotiations with state or federal environmental authorities regarding further action that may be required to monitor and, if necessary, treat the groundwater and investigate other areas of the site to determine if further remediation may be required.

As of October, 1992, discovery in the NCL litigation, which had recommenced, was nearly complete and the parties had submitted all papers, motions and cross-motions for summary judgment. At a pretrial conference in May, 1992, the trial court granted NCL's motion to dismiss LSBCE's counterclaims on the basis that they did not survive the bankruptcy of the former lessee of the Dania Site (NCL's predecessor) (a ruling which the Debtors do not believe would affect LSBCE's affirmative defenses). Additionally, the court permitted LSBCE to file amended counterclaims pertaining to post-bankruptcy activities and NCL moved to strike these counterclaims as well. In response, Lone Star submitted additional papers moving for summary judgment and opposing NCL's motion to strike the counterclaims. A trial in the Dania Action was scheduled to commence November 29, 1993. However, the parties have reached a settlement, subject to Bankruptcy

Court approval, pursuant to which NCL will be granted an allowed general unsecured claim in the amount of $7,300,000, the Dania Action will be dismissed with prejudice and the parties (NCL, Building Centers, LSBCE and Lone Star) will release each other and their respective officers, directors, agents, employees and affiliates, and their successors and assigns from any and all causes of action arising out of the Dania Action, the Dania Site or the Dania lease.

The Debtors believe that the proposed settlement is in the best interests of their estates considering (i) the likelihood of NCL's success in recovering damages, costs and litigation expenses, (ii) the likelihood of the Debtors recovering from NCL on their counterclaims, and (iii) the anticipated expense of continued litigation. The proposed settlement is within the range of the Debtors' estimate of liability to NCL and, accordingly, the settlement will not have an adverse impact on the distributions proposed under the Plan. As of June, 1993, when the settlement in principle was reached, legal fees and costs (including those of expert witnesses) in connection with the NCL litigation were approximately $4,000,000. These fees include the cost of extensive investigations of complex environmental issues conducted in preparation of litigation and trial. The Debtors believe that these legal and expert fees and costs are comparable to the fees and costs incurred by NCL in connection with the litigation. It was anticipated that preparation for and trial of this matter would cost an additional $1,000,000 to $1,500,000.

- Issues Respecting Property in Salt Lake City, Utah: A second significant environmental matter involving Lone Star concerns five sites in the vicinity of Salt Lake City, Utah, on which cement kiln dust ("CKD") was deposited by a predecessor of Lone Star over many years. The sites are owned by third parties who permitted the CKD to be deposited. The EPA has listed two of these sites on the Superfund National Priority List ("NPL"). The remaining three sites have been investigated by and are of concern to federal, state and local environmental authorities. In that regard, claims have been filed by federal, state and local authorities as follows:

1. United States on behalf of the EPA -- claim for past (through March, 1991 for $410,981) and future (amount not specified) response costs relating to NPL and non-NPL Sites;

2. State of Utah/Utah Department of Environmental Quality -- claim for past ($70,824.44) and future (in excess of $58,877,000, total capital cost) response costs relating to NPL and non-NPL Sites, as well as a possible future claim for natural resource damages (amount not specified);

3. Davis County, Utah Health Department -- claim for future response costs relating to a non-NPL site located within Davis County, Utah (amount specified at $9,543,000);

4. Salt Lake City County, Utah Health Department -- claim for future response costs relating to two non-NPL sites located within Salt Lake County, Utah (amount not specified).

In addition, Lone Star has commenced litigation in the United States District Court, District of Utah, Central Division (the "Utah District Court") against the various owners of the NPL sites, known generally as the Horman Group and the Williamsen Group, seeking, among other things, contribution for response costs Lone Star had or would incur (the "Utah District Court Action"). Each of the Horman Group and Williamsen Group have filed counterclaims in the Utah District Court Action seeking, among other things, contribution for response costs as well as damages based upon various state law causes of action, including fraud, negligent misrepresentation, breach of contract, indemnification and various tort claims. In addition to a general denial of liability on the merits of the various claims, Lone Star asserted certain affirmative defenses, including assumption of the risk, statute of limitations, comparative negligence, estoppel and waiver. The automatic stay was modified by the Bankruptcy Court to allow the Utah District Court Action to proceed to trial.

The Horman Group filed a proof of claim seeking at least $3,000,000 plus additional damages, including punitive damages, to be determined by the Utah District Court. The Williamsen Group filed three unliquidated claims seeking $4,335,488.15, $6,628,416.17, and $5,905,984.82, respectively, plus unspecified attorneys' fees, costs, etc. In addition, two owners of the non-NPL sites, not parties to the Utah District Court Action, filed unliquidated claims against Lone Star seeking amounts of $1,216,666 and up to $8,000,000, respectively, plus unspecified attorneys' fees, costs, etc. Finally, an owner of property adjacent to the NPL site

has also filed a proof of claim in an amount "to be determined by the EPA." Accordingly, after revisions to reflect duplications in the amounts sought under the various governmental and private party claims, claims filed against Lone Star relating to the Utah matter aggregate approximately $115,000,000.

Lone Star has been working to resolve each of these claims, and has recently reached agreements in principle with the United States, and the state of Utah and the Williamsen Group. The essential terms of the settlement reached with the United States and the state of Utah include the allowance of a general unsecured claim in the amount of $18,500,000 in exchange for a complete release of all claims relating to both the NPL and non-NPL sites, including natural resource damages (whether asserted in the proofs of claim or not) and contribution protection and covenants-not-to-sue pursuant to CERCLA. The settlement agreement with the Williamsen Group provides, in pertinent part, for the dismissal of the Utah District Court Action with prejudice, the exchange of mutual releases and the allowance of a general unsecured claim in the amount of $250,000. An aggregate amount in excess of the proposed claims to be allowed pursuant to the settlements was included in the Debtors' estimates of Allowed Claims.

A draft of the settlement agreement is being prepared by the United States Department of Justice ("DOJ") attorney in Region VIII. Based on early settlement discussions, it is possible that, as part of this settlement, the DOJ will require some resolution of Lone Star's potential future liability at sites not specifically addressed above or identified in the governments' proofs of claim.

Lone Star expects to memorialize the agreed upon terms of these settlements and obtain the requisite Bankruptcy Court approvals prior to the Effective Date.

Lone Star will continue to work to resolve the remaining claims. In the event that the claim of the Horman Group is not resolved, trial is set for early November, 1993 before the Utah District Court. In addition, the Debtors believe they will be able to resolve the claims of the owners of the non-NPL sites and the owner of the property adjacent to the NPL site for relatively small sums. If the claims of the Horman Group or of the owners of the non-NPL sites or the site adjacent to the NPL site are not settled prior to the Effective Date, a reserve will be established to satisfy such claims, either in amounts agreed upon by the parties, or established by the Bankruptcy Court after notice and a hearing. The Debtors included amounts for claims arising from these matters in their estimates of Allowed Claims.

- Miscellaneous Environmental Matters: Other environmental matters

involving on-going or potential remediation of sites where the Company does not have current operations include:(34)

(i) a former woodtreating site in Dade County, Florida. At this site, removal activities involving contaminated soils have been completed; groundwater monitoring and possible groundwater treatment remain. State and County authorities and private parties have filed claims related to such activities against the Debtors' estates, and LSBCE has filed suit for contribution against certain of the private parties in the United States District Court for the Southern District of Florida. Although negotiations concerning the resolution of these claims are under way, the Debtors do not expect substantial liability to arise from these claims because the clean-up of the site has been completed;

(ii) a former woodtreating site in Minneapolis, Minnesota. This site was operated by a non-Debtor subsidiary whose indemnification obligations under the purchase and sale agreement for third party claims are purportedly guaranteed by Lone Star. A lawsuit brought by a property owner adjoining the site has resulted in a claim against the Debtors' estates by Shaw Acquisition Corporation ("Shaw") the purchaser of the property for, among other things, the clean-up of contamination allegedly spreading to adjoining real property and the remediation of the site. In addition, (i) Shaw has put the non-Debtor subsidiary and Lone Star on notice and is preparing to amend its claim with respect to an additional alleged claim by the Minnesota Pollution Control Agency concerning the investigation and remediation

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34 The Debtors believe that their potential liability with respect to these other environmental matters, collectively, will not materially impact upon recoveries to the holders of Allowed Claims because amounts respecting such claims are included in the amount of Allowed Claims estimated by the Debtors. In addition, the estimated amounts required to satisfy the continuing environmental obligations were considered by the Debtors when they calculated future cash flows.

of the site. Lone Star and its non-Debtor subsidiary have reached a settlement with Shaw regarding these claims and the related litigation, pursuant to which Shaw will enter into an agreement with the agency to remediate the site. In addition, (i) Shaw will be granted an allowed general unsecured claim in the amount of $3,400,000, the distributions of which will be placed in escrow to fund remediation of the site, (ii) the litigation will be dismissed with prejudice in exchange for a $280,000 cash payment to be made by the non-Debtor subsidiary, and the parties will exchange mutual releases and the indemnity and guaranty will terminate. Substantially all of the Allowed Claim to be granted to Shaw was included in the Debtors' estimates of Allowed Claims. The Debtors will seek to obtain Bankruptcy Court approval of this settlement prior to the Effective Date;

(iii) leaking underground fuel storage tanks on Company-owned sites in Dallas, Texas and Littleton, Massachusetts and on a site formerly owned by the Company in Salt Lake City, Utah. Clean-up or remediation at these sites are in various stages of investigation or clean-up under the jurisdiction of state environmental authorities. The Massachusetts environmental authorities have filed a claim against the Debtors' estates with respect to the Littleton site. The Debtors are in the process of selling the Littleton site and as part of the sale negotiations, the proposed purchaser has agreed to assume environmental liability related to the site. Accordingly, after the proposed sale is consummated, the Debtors intend to eliminate or reduce the claim of the Massachusetts environmental authorities to an amount that will not materially affect the Debtors' estimates of Allowed Claims;

(iv) property adjoining a former cement plant site in Houston, Texas which was contaminated with refinery wastes by a prior owner. The Company has instituted a lawsuit seeking contribution for clean-up costs and/or clean-up by the prior owner. State environmental authorities have been notified but to date have taken no action and have not filed any claims against the Debtors' estates;

(v) a former cement plant site located near Brandon, Mississippi which was sold in 1989. The current owner of this site notified the Company in October, 1992, that contamination requiring clean-up has been discovered on the site. Litigation respecting this and other matters relating to this

property is described in Section III(G)(4)(e) of this Disclosure Statement;

(vi) a portion of a cement plant site located in Davenport, California which is owned by a partnership formed in 1987 in which Trap Rock and a non-Debtor affiliate of the Company hold ownership interests along with a British corporation affiliated entity. Lone Star contributed to this partnership the land on which the cement plant is located and leased the plant to the partnership. Under a series of complex purchase agreements, leases and partnership agreements, it is probable that pre-1987 liabilities associated with the plant remain with Debtor Lone Star or other Debtor affiliates. In September, 1992, the Company was notified that the Santa Cruz County District Attorney's office was conducting an investigation of allegations by former employees of the partnership of improper waste disposal practices at the site over approximately twenty-five years ending in the mid 1980's. The Company has conducted an investigation of this matter and has been working with the Santa Cruz County District Attorney's office and the California Regional Water Quality Control Board Central Coast Region to resolve the alleged violations and determine if any remedial action may be required. Recently, the parties reached an agreement in principle respecting these issues pursuant to which Lone Star will grant an allowed administrative priority claim to be distributed among specified Santa Cruz County and state governmental entities and an application to approve such Agreement is pending before the Bankruptcy Court. The partnership and the Company's partner therein have filed general unsecured unliquidated claims against the Debtors' estates arising out of obligations under the various agreements and indemnification obligations contained therein which would include environmental claims. Lone Star is continuing to evaluate and resolve these claims; and

(vii) eight Superfund sites located in various states (other than those sites described above), as to which the Company or an affiliate has been named a Potentially Responsible Party ("PRP") by the EPA. In each case, the EPA has not filed claims against the Debtors' estates. Certain other PRP's have filed claims against the Debtors' estates and the Debtors are evaluating and seeking to resolve such

claims. The amounts of such claims are not significant, and were included in the Debtors' estimates of Allowed Claims.

- Recent Action Commenced By the EPA: In late September, 1993, the EPA, Region V, commenced a six count administrative enforcement action against Lone Star regarding the burning of hazardous waste fuels at its Greencastle, Indiana cement facility. The complaint seeks civil penalties totalling over $3,800,000 and certain affirmative injunctive relief contained in a proposed compliance order. The action against Lone Star is one of over thirty such actions (against a number of entities) brought as part of an EPA Headquarters Enforcement Initiative seeking aggregate fines in excess of $19,800,000. (See page 36 for a discussion of Lone Star's program of burning waste fuels at its Greencastle facility.)

In general, the EPA alleges violations by Lone Star of certain requirements of the Resource Conservation and Recovery Act as amended, 42 U.S.C. sec.6901 et seq. In particular, the largest portion of the civil penalties assessed against Lone Star, in excess of $3,000,000, involves a dispute over certain test data with respect to, and the handling of, cement kiln dust produced during hazardous waste fuel burning at the Greencastle facility. Lone Star believes that it has defenses to this count and the other counts in the EPA complaint.

Lone Star is currently evaluating the allegations contained in the EPA complaint and, if necessary, will vigorously defend such action. Furthermore, Lone Star will be participating in an informal settlement conference with the EPA, as contemplated by the procedural rules governing the administrative action, and may be able to resolve many or all of the allegations in that forum on a consensual basis.

However, in the event that Lone Star is ultimately required to pay all or any portion of this penalty, such payment could, depending upon the timing of its assessment and payment date, either decrease projected recoveries under the Plan or negatively impact upon the Debtors' projections and the ultimate value of Reorganized Lone Star.

e. Claims Respecting Industrial Revenue Bonds -- Settlements With Mitsubishi and CCF

As noted in Section II(B)(4) of this Disclosure Statement, prior to the Filing Date, Lone Star arranged for various Authorities to issue Bonds to

finance, among other things, the acquisition of pollution control facilities and other assets throughout the United States. Specifically, Bonds were issued with respect to (a) pollution control and other facilities in (i) Davenport, California, (ii) Cape Girardeau, Missouri, (iii) Pryor County, Oklahoma, and (iv) Oglesby, Illinois, and (b) dock, wharf facilities and other equipment located in New Orleans, Louisiana.

Lone Star is obligated under loan, sale, lease or guaranty agreements to pay the Indenture Trustees the amounts due on the outstanding Bonds over various periods of time. However, payment of the Bonds may be made by draws upon the Letters of Credit issued by Mitsubishi. On or prior to the issuance of the Letters of Credit, Mitsubishi sold to CCF a 44.35% undivided interest and participation in the Letters of Credit and the related obligations of Lone Star (Mitsubishi and CCF are hereinafter collectively referred to as the "Banks").

With respect to the Bonds issued in connection with Lone Star's New Orleans facilities (the "New Orleans Bonds") and the Pryor, Oklahoma facilities (the "Pryor Bonds"), disputes arose between Lone Star and the Banks. The lease respecting the New Orleans facility (the "New Orleans Lease") required, among other things, that Lone Star, as lessee, make quarterly payments of rent to the New Orleans Authority, as lessor, in an amount equal to the principal and interest that the Authority pays to the holders of the New Orleans Bonds. The leases respecting the Debtors' use of equipment at the Pryor facility (the "Pryor Leases") required, among other things, that Lone Star, as lessee, pay rent to the Pryor Authority, as lessor, equal to the principal and interest payable under the Pryor Bonds.

Commencing on the Filing Date, Lone Star discontinued payments under the New Orleans and Pryor Leases. The Banks objected to the Debtors' request for an extension of time to assume or reject the Leases pursuant to Section 365(d)(4) of the Bankruptcy Code unless the Debtors were directed to pay rent on the New Orleans and Pryor Leases. The Debtors opposed this objection on the grounds that Lone Star's obligation

under the Leases would be effectively satisfied by draws on Letters of Credit issued by the Banks to purchase the Bonds.

The Banks took the position that they had a lien on the New Orleans and Pryor facilities and that they could exercise any rights exercisable by the Bondholders. Pursuant to the terms of the respective Indentures, in the event of a default, the Indenture trustee, upon written request of a percentage of the Bondholders, shall declare all indebtedness due under the lease, and the Indenture trustee shall be obliged to exercise all of the rights and remedies of the Bondholders, including, without limitation, the rights under the Leases respecting the payment of rent, such as seeking to terminate the lease and to exclude Lone Star from possession.

On or about October 15, 1991, Mitsubishi filed a proof of claim in the amount of $26,363,795.27, alleging that $15,759,400.89 was secured and $10,604,394.38 was unsecured. CCF filed a similar claim in the amount of $20,946,407.59, alleging that $12,559,378.78 was secured and $8,387,028.81 was unsecured. Thus, the Banks filed claims based upon the Letters of Credit in the aggregate amount of $47,310,202.86.

In an effort to avoid costly and time consuming litigation respecting the relative rights of the parties to the facilities, and respecting the allowed amount and status of the Banks' claims, Lone Star and the Banks agreed to a settlement resolving complex issues respecting the status and priority of claims asserted by Mitsubishi and CCF, including their request for Lone Star's post-petition payment of rent under the New Orleans and Pryor Leases.

Pursuant to the settlement, among other things, the claims of Mitsubishi and CCF shall be allowed as general unsecured claims in the aggregate amount of $45,328,871.07. This amount represents principal and accrued interest on the Bonds secured by the Letters of Credit issued by the Banks as of the Filing Date, and is approximately $2,000,000 less than the amounts set forth in the Banks' proofs of claim. The Banks reserved their rights to assert claims for additional costs and expenses, and the Debtors reserved their rights to object to such assertion. However, the Banks agreed not to assert any claims for additional interest resulting from continuing draws on the Letters of Credit during the post-petition period. The Debtors shall on a continuing basis cooperate with the Banks in remarketing the Bonds, provided that all costs and expenses of such remarketing after the Filing Date are borne by the Banks.

In addition, the Debtors, in their sole discretion, may sell the New Orleans and Pryor facilities but, until sold, the Debtors shall maintain the

facilities at their sole cost and expense. The facilities are to be sold by the Debtors either at a sale price subject to the Bankruptcy Court's approval, or if such approval is not required, with the Banks' approval as to prices, which approval shall not be unreasonably withheld.

Pursuant to the settlement, the Banks shall be paid 35% of all proceeds of sale of the New Orleans facility remaining after deduction for the reasonably necessary costs and expenses of preserving or disposing of such facility recoverable pursuant to Section 506(c) of the Bankruptcy Code (the "New Orleans Facility Proceeds"). However, the maximum amount payable to the Banks respecting the New Orleans Facility Proceeds is $6,000,000.

Until the earlier of such time as the facilities covered by the Pryor Leases are sold or payments to the Banks under a plan of reorganization are completed, the Debtors shall pay to the Banks the sum of $.42 for each ton of cement processed through the plant with a minimum payment of $150,000 per year (the "Oklahoma Production Payments"). These Oklahoma Production Payments accrue from July 1, 1991, and are payable quarterly.

Any New Orleans Facility Proceeds or Oklahoma Production Payments received by the Banks prior to the confirmation of a plan of reorganization as hereinabove provided shall be applied in reduction of the allowed claims of the Banks on a dollar for dollar basis. If either the New Orleans facility or the Pryor facility is not sold by the Debtors prior to the Banks' receipt of the full distribution under the Plan, the Debtors' obligation to pay a portion of the sales proceeds to the Banks and to make the Oklahoma Production Payments shall terminate. Accordingly, upon distribution to the Banks of the Cash, Senior Notes, Asset Proceeds Notes, New Lone Star Common Stock and Reorganized Lone Star Warrants (if applicable) on the Effective Date, such obligations shall terminate. Any proceeds generated from a sale, subsequent to Confirmation, of the New

Orleans facility and any Oklahoma Production Payments shall be applied to reduce, on a dollar for dollar basis, Allowed Claims of the Banks.

The settlement with the Banks was approved by the Bankruptcy Court on April 14, 1992. As of July 31, 1993, the total amount of Oklahoma Production Payments made to the Banks amounted to approximately $610,224, and the remaining amount of the overall Allowed Claims of Mitsubishi and CCF with respect to these Letters of Credit was $44,718,646.

f. Claims Asserted by Credit Suisse

As discussed in Section II(B)(4) of this Disclosure Statement, Credit Suisse issued four separate irrevocable letters of credit, aggregating $17,199,580, to secure payment by the Company of principal and interest on various pollution control Bonds. Credit Suisse, Lone Star, and LSC entered into four separate reimbursement agreements pursuant to which LSC agreed, among other things, to pay to Credit Suisse an amount equal to all amounts advanced by Credit Suisse under the Credit Suisse letters of credit (the "Credit Suisse Letters of Credit") and Lone Star guaranteed payment to Credit Suisse of the amounts owed by LSC.

On or about October 15, 1991, Credit Suisse filed proofs of claim (the "Credit Suisse Claims") against Lone Star and LSC for unliquidated amounts in connection with potential payouts under the Credit Suisse Letters of Credit. On May 20, 1992, the Indenture Trustee with respect to these Bonds drew down on the Credit Suisse Letters of Credit to cover the principal and interest owing on the Bonds. The total amount of the draw was $16,448,004.32, although Lone Star disputed whether this amount exceeded what should have been drawn. During the course of these Chapter 11 cases, Credit Suisse asserted that it was entitled to post-petition interest on their claims arising from its Letters of Credit because they contended that LSC is solvent. In addition, Credit Suisse asserted that it relied on LSC's separate corporate existence in connection with its establishment of the Credit Suisse Letters of Credit and, therefore, would object to the substantive consolidation of the Debtors' estates (see pages 68 through 70 for a discussion of substantive consolidation). To resolve this issue and to avoid any uncertainty regarding the substantive consolidation of their estates, the Debtors have reached an agreement in principle with Credit Suisse, pursuant to which Credit Suisse will be granted an allowed general unsecured claim against LSC in an amount equal to the total amount drawn on the Credit Suisse Letters of Credit, including amounts drawn to pay interest on the Bonds prior to May 20, 1992. In addition, the Debtors also established a separate plan class for creditors of Debtors which are potentially solvent including LSC, of which Credit Suisse is a major creditor (see pages 86 through 87 for a discussion of the treatment of such claims). The Debtors anticipate a

stipulation approving the settlement with Credit Suisse will be approved by the Bankruptcy Court prior to the Effective Date.

Credit Suisse also asserts a claim against Lone Star with respect to a letter agreement between the parties and a corresponding promissory note executed by Lone Star on February 29, 1988, pursuant to which Credit Suisse loaned $25,000,000 to Lone Star. As of the Filing Date, the amount of principal and interest owed by Lone Star on this loan was $25,673,750.

g. Claims By and Against James E. Stewart

As discussed in Section III(F)(1)(a) of this Disclosure Statement, according to the findings of the Cahill Report, the value of personal expenses allegedly incurred by James E. Stewart, the former Chairman and Chief Executive Officer of Lone Star, and paid by the Debtors, was $1,072,564. On January 15, 1991, the Debtors and Mr. Stewart entered into stipulations, approved by the Bankruptcy Court (i) rejecting and terminating an employment agreement dated as of August 18, 1983 as amended and supplemented between Lone Star and Mr. Stewart, and providing that Mr. Stewart's relationship with Lone Star be irrevocably terminated (this stipulation reserved each party's rights respecting whether the termination was for cause); (ii) rejecting a deferred compensation agreement dated as of December 20, 1984, pursuant to which Mr. Stewart was to receive $1,000,000, in four consecutive annual installments (the first such installment had

been paid to Mr. Stewart on February 8, 1990); and (iii) rejecting an option agreement, pursuant to which Mr. Stewart was granted an option to purchase a corporate aircraft at book value.(35)

In May, 1991, Mr. Stewart filed a proof of claim against the Debtors' estates in the aggregate amount of $7,464,000, plus equity interests. Mr. Stewart's claim was for damages arising from the rejection of his employment agreement, deferred compensation agreement, and aircraft option agreement.

After extensive negotiations, during which Mr. Stewart consistently denied liability and asserted that all expenses billed to Lone Star were proper, Mr. Stewart indicated a willingness to settle all disputes with Lone Star by withdrawing his claims against the Debtors (other than his rights respecting indemnification, insurance coverage, annuity and pension payments, and Lone Star's executive medical plan) if Lone Star would agree to withdraw its claims against him.

After giving serious consideration to the merits of Mr. Stewart's claims, the Debtors, in the exercise of their reasonable business judgment, determined that a settlement with Mr. Stewart would be in the best interests of the Debtors' estates and creditors. Accordingly, in November, 1991, the Bankruptcy Court entered an order approving a settlement agreement between the Debtors and Mr. Stewart. Pursuant to the Bankruptcy Court's order, this settlement does not release Mr. Stewart from liability to parties other than the Debtors and their non-Debtor affiliates nor does the order waive or prejudice the rights of such third parties to seek subordination of Mr. Stewart's stock interests in Lone Star.

Pursuant to the terms of the settlement: Mr. Stewart and Lone Star released all claims against each other, except that Mr. Stewart retained his rights to his annuity and pension payments (aggregating approximately $345,000 per year) and Lone Star agreed to take no action to prevent Mr. Stewart from receiving any such payments.(36) Mr. Stewart retained approximately $145,000 being held by Lone Star in a plan established pursuant to section 401(k) of the Internal Revenue Code, and is entitled to participate in Lone Star's executive medical plan as in effect on the Filing Date, without prejudice to the Debtor's rights under Section 1114 of the Bankruptcy Code. Mr. Stewart is also entitled to continued coverage under whatever directors' and officers' liability policy Lone Star maintains as to its former officers and directors.

Mr. Stewart retained his rights of indemnification (except as limited with respect to a certain trust described hereinbelow), and the Debtors reserved their rights to oppose any assertion of indemnification rights. Otherwise, Mr. Stewart agreed to release all claims against Lone Star, its affiliates, present and former officers, directors, agents, servants and attorneys (including, without limitation, attorneys retained by Lone Star's board of directors, or any committee thereof).

Mr. Stewart is a beneficiary under a trust agreement between Lone Star and Sovran Bank N.A. (now NationsBank and hereinafter "Sovran"), as trustee, dated as of April 8, 1988 (the "Trust Agreement"). The Trust Agreement was established

over two years prior to the Filing Date to provide a source of funding for Lone Star's obligations to its non-employee directors to provide retirement benefits and indemnification for certain business acts. Mr. Stewart is not eligible for retirement benefits but is eligible for indemnification under the Trust Agreement. The funds subject to the Trust Agreement are separate from the Debtors' assets.

On or about September 9, 1991, Mr. Stewart sought payment from the trust for certain alleged indemnification obligations of Lone Star to wit, legal fees incurred by Mr. Stewart in connection with negotiating the stipulations rejecting his various contracts with Lone Star and the termination of his employment with Lone Star, and because of litigation commenced against Mr. Stewart by Low, Inc., the landlord under a lease pursuant to which a predecessor of Lone Star and Mr. Stewart are tenants (the "Low Lease"). This lease was rejected by Lone Star on or about February 19, 1991. Lone Star believed such reimbursement request was improper and so notified Sovran. Thereafter, Mr. Stewart commenced an action in the Florida State Court seeking an order compelling Sovran to make distributions to Mr. Stewart.

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35 The book value of the aircraft was approximately $2,090,000. The Debtors sold the corporate aircraft for approximately $2,940,000.

36 These payments are made by non-debtor third parties, and the Debtors believe that such payments may not be disrupted because of the conduct or bad acts of the recipient. However, the Debtors will not be required to make payment of the annuity and pension amounts if, for any reason, the third party obligers fail to make same.

As part of the settlement, Lone Star agreed to withdraw its objection to Mr. Stewart's indemnification request under the Trust Agreement. However, the parties agreed that Mr. Stewart may seek reimbursement under the Trust Agreement of no more than $280,000 with respect to claims against him made by Low, Inc. and certain other matters.

Except for that amount, Mr. Stewart waived and released any and all claims he has or may have against Lone Star respecting the Low Lease and for indemnification under the Trust Agreement up to the date of the Agreement and expressly agreed that he will not in the future seek reimbursement under the Trust Agreement for claims (including without limitation expenses incurred in connection with such claims) asserted against him by Lone Star, by him against Lone Star or for matters in any way related to the Low Lease.

In addition, Mr. Stewart agreed to indemnify the Debtors for any claims which may arise from Lone Star's failure to withhold any sums for income and social security taxes by reason of implementation of the settlement should it be ultimately determined that Lone Star had such requirement. Finally, Mr. Stewart retained his equity interest as a shareholder of Lone Star, and the Debtors agreed to take no action with respect to the priority of such equity interest vis a vis other shareholders.

h. Claims By and Against Sheldon Kaplan

Prior to the Filing Date, Mr. Sheldon Kaplan served as an outside member of the Debtors' Board of Directors. In addition, Mr. Kaplan is a member of the firm of Kaplan, Strangis & Kaplan, P.A. ("Kaplan, Strangis") which served as a principal outside counsel to Lone Star prior to the Filing Date. As discussed in Section III(F) of this Disclosure Statement, Mr. Kaplan was identified in the Cahill Report as allegedly charging $22,068 of personal expenses to Lone Star in violation of company policy.

On or about October 9, 1991, Kaplan, Strangis filed a proof of claim against the Debtors' estates asserting (i) a liquidated unsecured claim in the amount of $74,248 based on billed and unpaid fees and expenses for legal services rendered to Lone Star by Mr. Kaplan and his firm prior to the Filing Date, and (ii) an unliquidated claim for unbilled legal services rendered by Mr. Kaplan and his firm prior to the Filing Date. Mr. Kaplan asserted that the value of such unbilled services exceeded $200,000.

After extensive negotiations, in which Mr. Kaplan consistently denied liability and asserted that the expenses billed to Lone Star were authorized by Lone Star's former Chairman and therefore proper, Mr. Kaplan indicated a willingness to settle all disputes with Lone Star by withdrawing all claims against Lone Star and the Affiliated Companies held by Mr. Kaplan and his law firm, if Lone Star withdrew its claims against him and his firm including, those

claims set forth in the Cahill Report, and if the parties exchanged releases. In June, 1992, the Bankruptcy Court entered an order approving a settlement agreement between the Debtors, Mr. Kaplan and Kaplan, Strangis.

Pursuant to this settlement, (i) Mr. Kaplan and his law firm released all claims held against Lone Star, its affiliates, present and former officers, directors, agents, servants and attorneys (including, without limitation, attorneys retained by Lone Star's board of directors, or any committee thereof), except claims for indemnification, and (ii) Lone Star and its Affiliated Companies released Mr. Kaplan and his law firm from all claims they hold or may have held against Mr. Kaplan and his firm including all claims for improper expenses set forth in the Cahill report, except as provided below. However, the Debtors' release of Mr. Kaplan and his law firm pursuant to the Agreement did not release Mr. Kaplan or his firm from any liability to third parties. In addition, rights with respect to the assertion and defense of preference claims were reserved.

i. Employee And/Or Director Indemnification and Contribution Claims

Pursuant to the Plan, the obligations of the Debtors (i) to indemnify their directors, officers and employees serving after the Filing Date pursuant to any provisions of Debtors' charter, by-laws, and/or applicable state law, and (ii) pursuant to any agreements heretofore entered into between the Debtors and

their officers and directors will be assumed.(37) Thus, pursuant to the Plan, the Debtors' present indemnification obligations to both current and former directors, officers and employees will be assumed.

The Debtors believe that assumption of the indemnity obligations with officers, directors and employees who served the Debtors in the post-petition period is appropriate in view of the benefits accorded to the Debtors' estates by the services of the officers and directors. In light of the fact that Lone Star is a publicly traded company subject to various federal and state reporting and other requirements and in view of the large demands placed on the Debtors' officers and directors as a consequence of running such a large and complex operation and the accountability of such officers and directors to shareholders, many of the Debtors' officers and directors may be unwilling to serve post-confirmation without an assurance that they would be adequately protected from personal liability. In addition, any litigation with such officers, directors and employees would not only strain relationships between the Debtors and such key individuals, but would likely severely distract the attention of such individuals from their day-to-day responsibilities and, in turn, substantially hinder the Debtors' (or Reorganized Debtors') operations. Furthermore, liquidation of such indemnification claims would require a substantial amount of time, effort and cost which would further interfere with operations. Therefore, the Debtors believe that it is appropriate, necessary and reasonable to assume the entirety of their indemnification obligations. To this end, the Debtors have in place $5,000,000 of insurance coverage for indemnification obligations to current and former officers and directors of the Debtors and their affiliates for claims based on acts occurring after March 15, 1991 and through March 15, 1994.

At the present time the Debtors are only aware of the following pending lawsuits which could trigger the Debtors' indemnification obligations: William D. Kirkpatrick vs. Lone Star Industries, Inc. and James E. Stewart, Circuit Court of the 17th Judicial Circuit, Florida; Case No. 90-36275-11; Maurice Cohn vs. Lone Star Industries, Inc. and James E. Stewart, U.S. District Court, District of Connecticut; Civil Action No. B-89-617 (JAC); Andrew Garbarino, et al. v. James E. Stewart, U.S. District Court, District of Connecticut; Civil Action No. B-90-631 (JAC) (see page 63 for a discussion of the Cohn and Garbarino lawsuits).(38) The Debtors believe, however, that any indemnification obligations to which they may potentially be subjected will be of a type to be covered by the applicable indemnity insurance policies. If coverage is denied, the Debtors will exercise all reasonable diligence in contesting the denial as any litigation with directors, officers or employees respecting such claims would be time consuming and not serve the best interests of the Debtors' estates.

Since the commencement of these Chapter 11 proceedings, a large number of the Debtors' employees have filed claims in connection with the Debtors' indemnification obligations to them. After reviewing these claims, the Debtors have determined that (i) given their maintenance of directors and officers insurance, (ii) their belief that any such claims will be minimal at most, and (iii) the estimated level of recovery to holders of Allowed Unsecured Claims, it is in their estates' best interests to assume these obligations rather than incur the substantial expense of objecting to each claim individually.

Accordingly, the assumption of such obligations should have no material effect on the value of Reorganized Lone Star. Furthermore, the Debtors believe that assuming the indemnification obligations will benefit the Debtors in that it will enhance the morale of those officers, directors and employees who benefit from such obligations.

By assuming such indemnification obligations, claims asserted against the Debtors thereunder, would, to the extent valid, be paid in full by Reorganized Lone Star. The Equity Committee has asserted that absent the Debtors' assumption of such obligations, claims arising thereunder would otherwise be treated as general unsecured claims. While the issue is not entirely free from doubt, the Debtors believe that, even assuming the

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37 Included among such agreements is the Debtors' Trust Agreement with Sovran which was established to, among other things, satisfy indemnification obligations to beneficiaries thereof (See Section III(G)(3)(g) for a discussion of the Trust Agreement).

38 Kirkpatrick filed an action seeking damages in excess of $10,000 alleging the following: (i) breach of implied and express contracts concerning certain ownership rights; (ii) intentional infliction of emotional distress; (iii) fraud and misrepresentations respecting employment at Lone Star; and (iv) breach of implied and express contracts concerning insurance benefits. This action is presently stayed. Kirkpatrick has also filed proofs of claim against Lone Star based on, among other things, the allegations made in his lawsuit. Prior to the Effective Date, the Debtors will either reach a settlement with Mr. Kirkpatrick or file an objection to Mr. Kirkpatrick's proof of claim in the Bankruptcy Court.

Equity Committee's position is correct, assumption of these obligations is nonetheless appropriate for the reasons stated herein. The Equity Committee has indicated that it may object to this provision of the Plan and, if it does so, the Debtors intend to oppose any such objection.

In addition, pursuant to the Plan, on the Effective Date, all claims of present or former officers, directors and employees against the Debtors for contribution as may arise under applicable laws or agreements, in any case in connection with matters occurring on or prior to the Effective Date, shall be discharged and no distributions under the Plan shall be made on account thereof. This provision is designed to prevent any liability to the Debtors as a result of any payments made by the insurance companies in the Class Action Proceedings on behalf of any present or former officers or directors. In such litigations (which are described in Section III(G)(4)(b)), to the extent the insurance companies make any such payments, they may seek to subrogate themselves to the contribution rights, if any, of the Debtors' present or former directors or officers. Thus, the Debtors have included this provision in the Plan to make it clear that Reorganized Lone Star shall have no liability for any such claims or payments.

j. Potential Rancho Cordova Claim

In December, 1983, Lone Star sold certain real property located in Rancho Cordova, California ("Rancho Cordova") to a master trust, a co-mingled investment vehicle in which the assets of various tax qualified pension plans sponsored by Lone Star were invested for the benefit of various pension plans maintained for employees (the "Master Trust"). Northern Trust Company is the trustee of the Master Trust. Simultaneously with such sale, the Master Trust leased Rancho Cordova back to Lone Star pursuant to a certain lease agreement (the "Rancho Cordova Lease"). Rancho Cordova was one of four separate properties which were sold to the Master Trust and leased back to Lone Star. Each of these properties were deemed Qualified Employer Real Property ("QERP") under the Employee Retirement Income Security Act of 1974 (as amended, "ERISA") and were thus eligible for such sale-leaseback transactions. Of these four properties, two were later re-purchased by Lone Star. In addition, as a result of an assignment of the lease of the third parcel (which was consented to by the Master Trust), to Tarmac LoneStar, Inc. (a former affiliate), there existed a possibility that Rancho Cordova ceased to qualify as a QERP because the Master Trust's remaining investments no longer met ERISA geographic diversification requirements (which regulate transactions between a pension plan and members of the control group for the employees covered by the plan) and continuing to hold this property created the possibility of violations under ERISA and the Internal Revenue Code. Accordingly, Lone Star applied to the Department of Labor ("DOL") for an exemption with respect to this potential violation.

Previously, Lone Star had assigned the Rancho Cordova Lease to RMC LONESTAR, a joint venture in which Lone Star maintains a 50% interest, with the consent of the Master Trust. Under the Rancho Cordova Lease, RMC LONESTAR, as lessee, is authorized to mine the property and in turn pay a royalty on the aggregates produced. Pursuant to the Rancho Cordova Lease, there is a minimum guaranteed annual royalty through 1998 and non-guaranteed royalties from 1999 through 2003. If the non-guaranteed royalties are not paid on a monthly basis, the Master Trust may terminate the Rancho Cordova Lease.

After receiving Lone Star's application for an exemption, the DOL required Lone Star to appoint a special fiduciary to determine whether the terms of the Rancho Cordova Lease were fair and whether continuing such lease would be in the best interests of the Master Trust. In accordance with the DOL's instructions, a special fiduciary was appointed. After a review of the property and the Rancho Cordova Lease, the special fiduciary determined that the Rancho Cordova Lease terms were fair, but recommended that Lone Star guarantee a 12% internal rate of return on the Master Trust's investment by means of an option which would require Lone Star to purchase the property at the end of the Rancho Cordova Lease at a price which would assure this rate of return (the "Put Option"). Subsequent to the Filing Date, the special fiduciary revised its initial finding and recommended that the internal rate of return be raised to 14% (the "Guaranteed Yield") because of changes in the market for pension investments in real estate.

The Debtors determined that termination of the Rancho Cordova Lease would seriously impair RMC LONESTAR's source of minerals and aggregates utilized in its business operations and, in turn, would impair

the value of Lone Star's investment in this joint venture. Additionally, the inability of the Master Trust to continue to hold the Rancho Cordova property if it failed to qualify as a QERP, would adversely affect the Master Trust's ability to maximize the potential significant return available, thereby creating additional potential pension liabilities for Lone Star.

In light of the implications of continued potential ERISA and Internal Revenue Code violations, Lone Star and the Master Trust entered into an agreement dated December 18, 1992 (the "Rancho Cordova Agreement"), subject to Bankruptcy Court and DOL approval, in order to meet the requirements set forth by the special fiduciary for the continued lease of the Rancho Cordova property by the Master Trust and to facilitate obtaining the DOL exemption. In general, the purpose of the agreement is to provide the Master Trust with the Guaranteed Yield for its anticipated investment in the Rancho Cordova property which period coincides with the period in which RMC LONESTAR is expected to carry on commercial mining activities on the Rancho Cordova property (or any portion thereof). Specifically, the Rancho Cordova Agreement provides, among other things, for: (i) Lone Star to guaranty the Master Trust an internal rate of return in the Rancho Cordova property of not less than 14% per annum subject to a $10,000,000 limit on Lone Star's liability; (ii) the Master Trust to have a Put Option, secured by a letter of credit or cash collateral deposit in the initial amount of approximately $6,700,000, subject to annual adjustment; (iii) Lone Star to fund up to $200,000 per year to develop a program of soil remediation at the Rancho Cordova property; (iv) Lone Star to have a right to purchase the Rancho Cordova property at designated amounts; and (v) the Master Trust to receive an interest in the Rancho Cordova property should the amount that Lone Star has to pay exceed its $10,000,000 maximum liability.

Subsequent to entering into the Rancho Cordova Agreement, Lone Star determined that a current payment to the Master Trust would be preferable and more beneficial to its estate than would performance under such agreement. In particular, Lone Star's management believed that a payment to the pension fund, rather than a collateral deposit, would increase the level of funding for the pension plans and would assist in discussions with the Pension Benefit Guaranty Corporation respecting, among other things, potential underfunding of the Master Trust's participating pension plans and would enhance the value of Reorganized Lone Star. Accordingly, Lone Star, after discussions with the Master Trust, its trustee and the special fiduciary, proposed that in lieu of its performance under the Rancho Cordova Agreement, the Master Trust would release Lone Star from its obligations thereunder in consideration of a $6,000,000 administrative expense payment to the Master Trust (the "Release Agreement").

In general, the Debtors believe that the Release Agreement should provide the Master Trust with sufficient funds such that continuation of the Rancho Cordova Lease would serve the best interests of the pension plans participating in the Master Trust. Moreover, any payments made to the Master Trust by Lone Star would benefit Lone Star inasmuch as the assets of the pension plans maintained by the Master Trust would be increased. This in turn would reduce

obligations, if any, of Lone Star in the event such pension plans were underfunded (for a discussion of potential claims relating to pension plans see Section III(G)(3)(k) below). Moreover, the Release Agreement will allow Lone Star to seek to obtain exemption from the DOL's prohibited transaction rules.

Recently, after a review of the Release Agreement, the special fiduciary to the Master Trust determined that Lone Star's proposed payment would be in the best interests of participants and beneficiaries in the pension plans participating therein. The special fiduciary also opined that acceptance of the Release Agreement, in lieu of performance under the Rancho Cordova Agreement, is in the best interests of participants and beneficiaries of the pension plans that are invested in the Master Trust. Accordingly, the Debtors have prepared an application to approve the Release Agreement, which should be filed with the Bankruptcy Court in the near future. However, if the application is not approved by the Bankruptcy Court and/or a DOL exemption is not obtained on or prior to Confirmation, the rights, if any, of Northern Trust Company to assert any existing claims against the Debtors (including claims set forth in proofs of claim timely filed by Northern Trust Company) and the Debtors' rights to object to any such claims shall be expressly preserved. In addition, Northern Trust Company asserts that any order entered approving the Release Agreement should also provide that Lone Star's obligations, if any, under the Rancho Cordova Lease which was assigned to RMC LONESTAR would be assumed by Lone Star and continue.

k. Pension Benefit Guaranty Corporation Claims

On the Filing Date, the Debtors sponsored the following pension benefit plans (collectively, the "Pension Plans"): (i) Lone Star Industries, Inc. Salaried Employees Pension Plan, (ii) New York Trap Rock Corporation Pension Plan for Hourly Paid Employees, (iii) Lone Star Industries, Inc. Amended Pension Plan for Hourly Employees; (iv) Pension Plan for Hourly Employees of Lone Star Industries, Inc. at Pryor, Oklahoma and New Orleans, Louisiana; (v) Marquette Cement Manufacturing Company Division Wage Employees Revised Pension Plan; (vi) Pension Plan for Hourly Paid Employees of Lone Star Industries, Inc. at Dixon, Illinois; (vii) Marquette Company Pension Plan for Hourly Employees at the Memphis Distributing Terminal; (viii) Lone Star Industries, Inc. Pension Plan for Hourly Employees at Salt Lake City, Utah; (ix) I.C. Materials, Inc./Traver Supply Company Pension Plan; and (x) LoneStar Florida Cement, Inc. Pension Plan for Hourly Employees. The Pension Plans are covered by ERISA and in accordance therewith, the Debtors and all members of their controlled groups are obligated to contribute to the plans the amounts required to satisfy certain minimum funding standards. Throughout these Chapter 11 cases the Pension Plans have remained active and, as of the date hereof, the Debtors have met substantially all of their payment obligations with respect to such Pension Plans in accordance with the Internal Revenue Code of 1986 (as amended, the "Revenue Code") and ERISA.

The Pension Benefit Guaranty Corporation (the "PBGC"), a United States government wholly-owned corporation which administers and enforces the defined benefit pension plan termination insurance program under ERISA, filed three separate proofs of claim against the Debtors' estates on or about October 15, 1991 with respect to certain of the Pension Plans. The PBGC's claims consist of (i) a claim for $196,129.79 based upon the Debtors' alleged failure to pay annual premiums to the PBGC, together with interest and penalties thereon, with respect to certain of the Pension Plans; (ii) a claim for $2,318,288 based upon the Debtors' alleged failure, in the event of a termination of certain of the Pension Plans, to meet the minimum funding requirements under the Revenue Code; and (iii) a contingent claim for $61,066,255 based upon the Debtors' potential liability should the Pension Plans be terminated with insufficient assets to satisfy all benefit liabilities.

The Pension Plans may be terminated if certain statutory requirements of ERISA are met. In the event of a termination of the Pension Plans and absent substantive consolidation, the Debtors and all members of their controlled group would be jointly and severally liable for the unfunded benefit liabilities of such plans. The PBGC now asserts that, in the event the Pension Plans are terminated, such underfunding would be approximately $73,000,000.

The PBGC has informed the Debtors of its concern that because the Plan contemplates the distribution of cash and the proceeds of sales of certain assets for the benefit of holders of the Asset Proceeds Notes, significant value will leave the Debtors' estates which might otherwise be available to Reorganized Lone Star's Pension Plans to satisfy future underfunding claims and because the Senior Notes represent additional obligations that may impair PBGC's recoveries in the event of a future termination of the Plans. Furthermore, the PBGC has advised the Debtors of its belief that the transactions proposed in the

Plan may result in an unreasonable increase in the PBGC's risk of long run loss. The Debtors strongly dispute such assertions. Finally, the PBGC has indicated that unless the Pension Plans are adequately protected, it may be compelled to seek to terminate the Pension Plans prior to Confirmation of the Plan. The Debtors intend to oppose any such attempted termination.

The Debtors dispute the PBGC's assessment of the underfunding liability and assert, instead, that given their intent to assume the Pension Plans' obligations, the underfunding should be calculated on a going forward basis and on that basis more closely approaches approximately $23,500,000. In general, the Debtors calculated this liability by ascertaining the fair market value of the Pension Plan's assets and deducting from such amount the present value of the projected pension liabilities discounted at an appropriate rate.

As more fully described below, the Plan provides for the substantive consolidation of the Debtors' estates (see Section IV(B)). In connection with this proposed consolidation, the PBGC has stated that it does not believe, in the absence of a settlement between the PBGC and the Debtors, the Debtors may substantively consolidate their estates given PBGC's right, in the event of a termination of the Pension Plans, to seek joint and several liability against each and every Debtor for the satisfaction of unfunded benefit liabilities. In this

regard, the PBGC had indicated its intent to oppose the Debtors' efforts to substantively consolidate their estates if no settlement were reached. As more fully described herein, the Debtors believe that substantive consolidation is appropriate in these cases.

The Debtors have reached an agreement in principle with the PBGC settling these issues and, assuming the agreement is consummated, the PBGC will not seek a termination of the Pension Plans. Pursuant to the proposed settlement, Lone Star will grant the PBGC a first priority lien on their Oglesby, Illinois cement plant and on the Debtors' interest in the Kosmos Cement Company joint venture to secure any underfunding obligations which may arise in the event of a future termination of the Pension Plans. In addition, on the Effective Date, the Debtors will contribute to the underfunded Pension Plans approximately $13 million above the Plans' minimum funding requirements, in the form of Allowed Unsecured Claims or Asset Proceeds Notes.

The liens granted pursuant to the agreement with the PBGC will last for at least five years and will be released in the event the Debtors meet certain financial tests to be agreed upon based on the Debtors' projections. In addition, if the Debtors provide security at some future time to the holders of the Senior Notes, then the Debtors will provide PBGC a pro rata share of such security on a pari passu basis to secure any underfunding obligations which may arise in the event of a future termination of the Pension Plans. In the event of a future termination of the Pension Plans, PBGC's claims against the Debtors will not be limited to the security described above.

The PBGC is preparing a settlement agreement to carry out the proposed settlement, and the Debtors anticipate obtaining approval of such agreement on or prior to the Confirmation Date. The economic effect of the settlement of the PBGC matters as described above will not materially affect the value of the Debtors' estates because, in preparing their projections, the Debtors assumed the payment of ongoing Pension Plan funding obligations. In addition, the Debtors do not believe that the liens to be granted pursuant to this settlement will affect their valuation of Reorganized Lone Star.

l. Other Unsecured Claims Disputed By The Debtors

(i) Personal Injury Claims: As part of its general business operations, Lone Star supplied sand to various customers for use in their operations. Some persons alleged that exposure to respirable free silica in the sand caused physical injuries, including silicosis. In addition, certain of the Debtors' business activities pose a certain risk of injury to equipment operators and other persons in the work area. As a result, certain of the Debtors' employees or subcontractors, as well as certain non-employee third parties claim to have suffered various injuries at or near the Debtors' manufacturing and distribution plants and facilities. Over 200 claims (the "Personal Injury Claims") were filed against the Debtors' estates in connection with pre-petition personal injury claims and personal injury lawsuits arising from such activities. The Personal Injury Claims were filed in the aggregate amount of $22,952,000 plus unliquidated amounts. The automatic stay was lifted as it applied to many of the Personal Injury Claims and, consequently, approximately 75 such claims were settled.

The Debtors believe that there is sufficient coverage pursuant to their personal injury liability insurance policies to pay any liability or obligation that may ultimately arise with respect to the remaining Personal Injury Claims. Accordingly, by an application filed on or about August 4, 1993, the Debtors also seek to expunge those Personal Injury Claims that have been settled and estimate the remaining Personal Injury Claims at zero dollars for purposes of voting on the Plan and for determining the feasibility of the Plan. A hearing to consider this application is scheduled for October 12, 1993.

(ii) Monarch Related Pension Claims: Over 100 claims were filed in unliquidated amounts against the Debtors' estates relating to alleged pension benefit liability by former employees of Marquette Company ("Marquette") at a cement plant formerly owned by Marquette. Marquette sold the plant to Monarch Cement Company ("Monarch") in 1979. In 1982, Lone Star acquired Marquette and assumed Marquette's pension liability. In 1987, Monarch substantially closed the cement plant, thereby triggering certain subsidized pension benefit obligations.

Both prior and subsequent to the Filing Date, Lone Star and Monarch engaged in litigation as to the apportionment of the pension benefit liability arising from different interpretations of the pension sharing arrangement contained in the cement plant sale agreement between Marquette and Monarch. The litigation was determined in Monarch's favor, which decision was affirmed by the United States Court of Appeals for the Tenth Circuit. An amount representing the Debtors' estimates of their ultimate liability with respect to such pension benefits is included in the estimates of Allowed Claims.

(iii) Other Unsecured Claims: In addition to those unsecured claims discussed in detail herein, there remains unresolved approximately 67 unsecured claims filed in the aggregate amount of approximately $21,500,000 (plus unliquidated amounts), which are disputed to some extent by the Debtors.(39) These claims include, among others, certain workers compensation claims and claims relating to rejected leases, executory equipment leases and other contracts, and outstanding surety bonds. In each case, the Debtors intend to negotiate a consensual resolution of their dispute. However, where negotiations are unsuccessful, the Debtors will object to such claims and in the event such objections are not resolved prior to the Effective Date, deposit an amount of Cash and Securities respecting such Disputed Claims into the Reserve in an amount agreed to by the parties or, where no agreement can be reached, in an amount as determined by the Bankruptcy Court after notice and a hearing. The Debtors estimate that these unresolved unsecured claims will ultimately be allowed in the aggregate amount of approximately $11,600,000.

4. OTHER LEGAL PROCEEDINGS

a. Litigation Respecting Lone Star's Board of Directors

On or about February 10, 1992, the Equity Committee commenced an adversary proceeding in the Bankruptcy Court seeking to compel the Debtors to call a shareholders meeting for the purpose of electing directors. Thereafter, the Debtors undertook efforts to resolve the issues respecting this adversary proceeding in a consensual manner. Ultimately, after extensive negotiation and litigation, a resolution and settlement was reached (as amended, the "Adversary Settlement"). The Adversary Settlement became effective upon its approval by the Bankruptcy Court pursuant to an order dated October 13, 1992 (the "Approval Date") and terminates on the earlier of November 20, 1993 or 60 days after Confirmation (the "Termination Date"). Set forth below is a summary of the material terms of the Adversary Settlement.

Pursuant to the Adversary Settlement, commencing on October 28, 1992 (the "Implementation Date"), and continuing through and including the Termination Date, Lone Star's Board of Directors is to be constituted as follows: (a) David W. Wallace, Allen E. Puckett and William M. Troutman shall remain and continue to serve as class III directors, (b) Meyer Luskin and Lawrence Ramer shall serve as class II directors and Kenneth Y. Knight shall serve as a class I director, (c) James E. Bacon and Jack R. Wentworth shall remain on the Board and serve as class I directors (the "Other Class I Directors") for the period prescribed for directors elected under Article IV, Section 4.7(g)(4) of Lone Star's Certificate of Incorporation by vote of the $4.50 Preferred and the $13.50 Preferred (voting together as a single class) and shall resign at the end of such term, (d) Theodore F. Brophy shall be elected by the $13.50 Preferred (the "$13.50 Preferred Director") and serve for the period prescribed for directors elected under Article IV, Section 4.8(11)(c) of Lone Star's Certificate of Incorporation, and (e) any person named in subparagraphs (a) through (d) immediately above who serves on any of the official committees appointed in the Debtors' Chapter 11 cases, shall resign from such committee on the Implementation Date. In the event that any of the directors identified above

leave Lone Star's Board prior to the Termination Date, he may only be replaced in the manner provided in the Adversary Settlement. In addition, through the Termination Date, one of the directors designated by the Equity Committee and one of the Other Class I Directors or the $13.50 Preferred Director shall have the right to be included on each committee of Lone Star's Board of Directors.

Additionally, prior to the Termination Date, no meeting of common or preferred stockholders shall be held (except as provided for the replacement of certain directors appointed by the preferred shareholders) and

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39 Where a creditor filed a claim against more than one Debtor entity but the Debtors believe such claim is based on a single liability, only a single claim has been included in these figures.

no party to the Adversary Settlement shall take (or acquiesce in) any action to seek, prior to the Termination Date, any meeting of, or written consents or proxies from, any preferred or common stockholder of Lone Star other than in connection with the Confirmation of a plan of reorganization.

In addition, pursuant to the Adversary Settlement, an adversary proceeding commenced against Lone Star by Lacos Land Company ("Lacos"), the Chairman of the Equity Committee, and an adversary proceeding commenced by Lone Star against Lacos and others (the "Securities Action") were dismissed with prejudice and the parties to the Securities Action exchanged general releases among the parties thereto and in favor of Lone Star's directors and officers as of September 23, 1992. In addition, Dwayne O. Andreas, Rex D. Cross and David J. Mahoney resigned as directors and each was provided a general release from the Debtors.(40) However, the Adversary Settlement expressly provides that a breach of the settlement by any signatory shall result in the release and dismissal of the Securities Action as to such signatory being rendered null and void. Moreover, a breach of the Adversary Settlement by Lone Star shall result in the nullification of the releases in favor of its then serving directors and officers.

b. Class Action Shareholder Litigations

Two class action shareholder lawsuits respecting the purchase of Lone Star common stock are currently pending. Specifically, (i) in November, 1989, a lawsuit (the "Cohn Action") was commenced by Maurice Cohn on behalf of persons who purchased Lone Star common stock between February 8, 1988 and November 16, 1989 and (ii) in December, 1990, a lawsuit (the "Garbarino Action" and together with the Cohn Action, collectively, the "Class Action Proceedings") was commenced by Andrew Garbarino and Madeline Garbarino on behalf of persons who purchased Lone Star common stock between November 16, 1989 and December 9, 1989.

The Cohn Action is presently pending only against Lone Star and James E. Stewart, formerly an officer and director (all other directors of the Company originally named having been dismissed from the action) and the Garbarino Action is presently pending only against Mr. Stewart (the Court having dismissed from the case all other directors originally named, including six directors who left Lone Star's Board, certain of Lone Star's present and former officers and Lone Star's principal independent accountants). Both actions have been consolidated in the United States District Court for the District of Connecticut (the "Connecticut District Court"). The complaints in these shareholder actions allege that the defendants issued a series of public statements which were materially false and misleading which artificially inflated the market price of the common stock of Lone Star in violation of the Securities Exchange Act of 1934. The complaints also assert claims of common law fraud and negligent misrepresentation. The complaints seek, among other things, damages in an amount allegedly sustained by plaintiffs and members of the purported classes. Proofs of claim were filed against Lone Star on behalf of the Cohn and Garbarino plaintiffs. Such claims are included as claims in Class 7 under the Plan (see pages 90 to 91).

As to Lone Star, the Cohn Action is stayed. However, the automatic stay was lifted by the Bankruptcy Court to allow discovery to proceed in the consolidated action. In August, 1992, a discovery schedule was established by agreement of the parties. The discovery period, originally scheduled to end in April, 1993, was extended through July, 1993 for the purpose of taking depositions. A settlement magistrate was appointed by the Connecticut District Court for all pre-trial purposes. On August 30, 1993 the plaintiffs filed a motion seeking suspension of all pre-trial discovery. This motion states that the plaintiffs have reached an agreement in principle with the defendant directors for settlement of both the Cohn and Garbarino Actions.

c. Litigation with the Internal Revenue Service

Lone Star and its affiliated domestic corporations constitute an affiliated group as defined in Section 1504 of the Internal Revenue Code of 1986, as amended (the "Revenue Code"). Lone Star and its affiliated domestic corporations filed consolidated federal income tax returns for taxable years ending December 31,

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40 The release granted pursuant to the Overall Settlement Agreement included a release of all claims allegedly held by Lone Star against Rex Cross as identified by the Cahill Report (see Section III(F)(1)(a) of this Disclosure Statement).

1985 and December 31, 1986 with the Internal Revenue Service in Andover, Massachusetts (the "IRS"). On September 12, 1989, Lone Star timely filed a claim for an income tax refund on form 1120X for $3,651,649 of taxes paid with respect to its 1985 tax year (the "First Refund Claim"). Lone Star's First Refund Claim was based upon the application of Temporary Treasury Regulation Section 1.58-9T that applied to Lone Star's 1985 tax year, but was issued subsequent to the filing of Lone Star's tax return for its 1985 tax year.

In addition, on September 14, 1990, Lone Star timely filed a claim for refund on Form 1120X for $511,641 of taxes paid with respect to its 1986 tax year (the "Second Refund Claim"). The Second Refund Claim is based upon the same regulation and grounds as the First Refund Claim.

Despite repeated inquiries, for over six months after the First and Second Refund Claims were filed, Lone Star did not receive any indication from the IRS respecting the allowance or disallowance of its refund claims. Consequently, on or about December 11, 1991, Lone Star commenced an adversary proceeding against the IRS seeking a judgment ordering the IRS to pay to Lone Star the full amount of the First and Second Refund Claims, plus all interest accrued thereon as provided by law. The IRS submitted an answer to Lone Star's complaint and a trial was scheduled for January 31, 1992. However, the trial was adjourned to allow settlement discussions between the parties. Thereafter, the IRS agreed to allow both of Lone Star's refund claims and, to date, Lone Star has received approximately $6,000,000 (representing the full amount of the 1985 refund claim plus interest). The 1986 refund claim is still being held by the IRS pending a resolution of claims filed against Lone Star's estate by the United States Government.

d. Litigation Respecting Sale of CACP Stock

As described in Section III(F)(1)(f) above, pursuant to Bankruptcy Court authorization, Lone Star sold its shares of stock in CACP, a wholly-owned Argentine subsidiary, to Loma Negra for $38 million. Subsequent to this sale, Lone Star learned that Compania Naviera Perez Companc, S.A.C.F.I.M.F.A. ("Perez Companc"), the corporate parent of Invesora Patagonica S.A. ("Patagonica") and the owner of the remaining 50% in CSM (who had previously submitted a bid to purchase the CACP stock for $36 million) had secretly entered into an agreement with Loma Negra, pursuant to which Perez Companc had agreed to sell its 50% interest in CSM to Loma Negra for $55 million and drop out of the bidding.

As a result, on November 20, 1992, Lone Star filed a lawsuit in the Bankruptcy Court asserting that this collusive conduct (which Lone Star alleged was fraudulently concealed from both it and the Bankruptcy Court) allowed Loma Negra to purchase the CACP stock for $38 million, $17 million less than it paid Perez Companc for an equivalent amount of CSM stock. Lone Star also alleged that Patagonica breached the by-laws of CSM by failing to provide CACP (its partner) the opportunity to purchase Patagonica's 50% interest in CSM prior to consummating the sale of such interest to Loma Negra. In addition, Lone Star alleged that Loma Negra and Perez Companc tortiously interfered with and induced Patagonica to breach the CSM by-laws. Lone Star sought compensatory damages of at least $17 million (plus costs, attorneys' fees and other expenses) and punitive damages of at least $10 million.

In early 1993, the defendants filed motions to dismiss Lone Star's complaint and to stay discovery. Lone Star, in turn, filed a motion in opposition to defendants' motion and a cross-motion for partial summary judgment against the defendants. All motions were heard by the Bankruptcy Court on May 20, 1993. Thereafter, on June 7, 1993, the Bankruptcy Court rendered a written decision resolving this lawsuit against the Debtors and in favor of the defendants on all grounds.

Lone Star has appealed this decision to the United States District Court for the Southern District of New York. The major legal issues raised in this appeal include, among others, whether there was collusive bidding among the defendants in contravention of Section 363(n) of the Bankruptcy Code and whether it was erroneous for the Bankruptcy Court to dismiss Lone Star's complaint prior to the commencement of formal discovery. Lone Star's reply brief must be filed with the District Court on or prior to October 27, 1993 and the Debtors intend to continue to vigorously pursue this action. In addition, the District Court has requested that the parties attempt to reach a settlement of the action. To date, no significant settlement negotiations have

occurred. In any event, should the Debtors be successful in their appeal, it is likely that their complaint would be reinstated and formal discovery would ensue.(41)

e. Litigation with Rankin County Economic Development District

Prior to the Filing Date, Lone Star acquired title to a certain parcel of land located in the City of Brandon, Rankin County, Mississippi (the "Marquette Property"). In 1989, Lone Star entered into a contract with the Rankin County Economic Development District (the "District") whereby Lone Star agreed to sell, and the District agreed to buy, the Marquette Property for $1,500,000. The purchase price was to be paid in installments with a final payment of $412,500 due on November 6, 1992 (the "Final Payment"). Subsequently, the District defaulted on its obligation to make the Final Payment.

The Marquette Property was sold in 1989 to the District (a body politic created by the Rankin County Board of Supervisors (the "Board")) "as is," and Lone Star expressly made no representations or warranties as to the environmental condition of the property. Both the District and Lone Star acknowledged in the contract of sale that the Marquette Property might contain environmental hazards and conditions. The contract authorized the District to conduct any inspections, surveys, or tests of the Marquette Property it desired and, if the District discovered any environmentally unacceptable conditions, it could (without penalty, except for the cost of a survey) cancel the contract. Further, the contract obligated the District to indemnify Lone Star from any claims or liabilities thereafter associated with the environmental condition of the Marquette Property.

As a result of the District's default on the Final Payment, Lone Star commenced an adversary proceeding in the Bankruptcy Court against the District on several grounds including turnover, breach of contract, breach of a promissory note and a claim for money due and owing. The District filed an answer and asserted counterclaims and has also made a motion to withdraw the Bankruptcy Court's reference and to transfer this adversary proceeding to the United States District Court for the Southern District of Mississippi.

In addition to the above action, on February 17, 1993, the Board commenced a lawsuit in Mississippi seeking monetary damages against Lone Star for environmental response costs in relation to the Marquette Property under CERCLA (the "Mississippi Action"). Thereafter, the Debtors filed an adversary proceeding in the Bankruptcy Court seeking to permanently enjoin the Board from taking any further action against Lone Star in the Mississippi Action.

Subsequently, the Board filed a motion in the Bankruptcy Court for an order permitting it to file a late proof of claim with respect to the CERCLA claim which is the subject of the Mississippi Action. In response to this motion, the Debtors maintained that the Board could not meet the standard for showing "excusable neglect" to be allowed to file a late claim and that allowing the filing of a late claim would have a deleterious effect on the Debtors' reorganization efforts. After hearings in March and April, 1993, on May 3, 1993, the Bankruptcy Court issued a decision which denied the Board's request to file a late proof of claim holding that the delay of the Board in seeking to file a claim was inexcusable and that to allow the filing of such claim would have a disruptive effect on the Debtors' reorganization efforts. On May 21, 1993, the Bankruptcy Court signed an order denying the Board leave to file a late claim and enjoining the continuation of the Mississippi Action. Thereafter, on June 1, 1993, the Board filed a Notice of Appeal to the United States District Court for the Southern District of New York.

Recently, in order to avoid further protracted litigation, cost or expense, Lone Star, the Board and the District agreed to a settlement in principle resolving all claims and controversies asserted in the aforementioned actions and proceedings, subject to Bankruptcy Court approval. In essence, this settlement provides for (i) the payment to Lone Star of $537,176.61,

representing the Final Payment due under the contract respecting the Marquette Property, plus interest and a collection fee contemplated by the contract, and (ii) a dismissal with prejudice of the various outstanding actions and proceedings between the parties, and release,

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41 In the event that the Debtors are ultimately successful in this action, any recoveries would be paid to NewCo to be used to satisfy the Asset Proceeds Notes. If additional funds remain after satisfaction of the Notes, such amount will be dividended to Reorganized Lone Star.

discharge and waiver of the claims asserted therein. The settlement also contemplates that the terms and conditions of the contract with the District (which would include the District's indemnification of Lone Star) shall survive unless otherwise expressly provided for in the settlement. In addition, as part of the settlement, the Board will agree to direct and control the investigation and remediation of the Marquette Property without any cost or expense to Lone Star.

H. AVOIDANCE ACTIONS AND RELATED MATTERS

Subsequent to the Filing Date, the Debtors, with assistance from their professional advisors, examined their records and developed a comprehensive system to identify payments made by the Debtors prior to the Filing Date which potentially could be avoided as preferential and/or fraudulent transfers pursuant to Sections 547 and 548 of the Bankruptcy Code. As a result, the Debtors identified approximately ninety entities who received payments prior to the Filing Date which, subject to a variety of potential defenses, could possibly be avoided by the Debtors. In general, these entities were largely financial institutions which had received payments made on account of long and short term borrowings, employees who received certain employment related payments (including, but not limited to, consulting fees, severance, and bonuses) and consultants and other professionals who had received payments for services rendered.

Thereafter, the Debtors met and reviewed their findings with representatives of the Creditors' Committee. Notwithstanding these findings, the Debtors, in an effort to minimize administrative expenses of their estates, determined not to formally commence potentially costly and time consuming litigation with respect to the individual payments identified (except in certain situations where commencement of actions was deemed appropriate) until such time as it could be determined with a greater degree of certainty (i) whether, in light of potential recoveries under a plan of reorganization, there would be material benefits to the Debtors' estates from avoidance of such payments inasmuch as any such recoveries would give rise to increased claims against the Debtors' estates, and (ii) the likelihood of successfully recovering such payments.

However, despite this decision to delay the commencement of avoidance actions, the Debtors were faced with a possible limitations period for the commencement of such actions under Section 546(a) of the Bankruptcy Code. Pursuant to this section, an action to avoid, among other things, preferential transfers or fraudulent conveyances "may not be commenced after the earlier of--

(1) two years after the appointment of a trustee; or

(2) the time the case is closed or dismissed."

11 U.S.C. sec.546(a). In light of recent case law, an argument could be made that the two-year time period contained in Section 546(a) of the Bankruptcy Code is equally applicable to debtors-in-possession from the filing of a Chapter 11 petition. The Debtors' two-year anniversaries occurred, respectively, on December 10 and 21, 1992.

As a result of this potential limitations period, in November, 1992, the Debtors prepared and circulated among the parties identified as having received potentially voidable transfers, a tolling stipulation which, among other things, extended the Debtors' time to commence avoidance actions in the event the Debtors were subject to the time limit contained in Section 546(a) of the Bankruptcy Code until June 10, 1993 (as same may have been amended or superseded, the "Tolling Stipulations"). Approximately 54 of such transferees executed a Tolling Stipulation.

However, with respect to certain transferees, the Debtors, in order to

preserve their rights, filed complaints prior to the expiration of the two-year anniversary of these Chapter 11 cases seeking to, among other things, avoid and recover the property transferred. Subsequent to the commencement of these actions, the various defendants executed standstill agreements and, as a result, these actions are stayed. At present, the Debtors are parties to the following stayed preference actions:

- Lone Star Industries, Inc. v. Aid Association for the Lutherans, Congress Life Insurance Company, Connecticut Mutual Life Insurance Company, Regan & Co., First Trust Company, Home Life Insurance Company, Kentucky Central Life Insurance Company, National Travelers Life Company, Pan American Life

Insurance Company, Pan American Assurance Company, Reserve Life Insurance Company, State Mutual Life Assurance Company of America, SMA Life Assurance Company, Sun Life Assurance Company of Canada and Tandem Insurance Group, Inc., Ad. Pro. No. 92-5443A (United States Bankruptcy Court, Southern District of New York). By this action, Lone Star is seeking to avoid and recover as preferential transfers, interest payments totaling $1,750,000 made on account of certain 8 3/4% promissory notes issued pursuant to a note purchase agreement dated March 26, 1987 (as amended).

- Lone Star Industries, Inc. v. The Minnesota Mutual Life Insurance Company, Royal Tandem Life Insurance Company, State Mutual Life Assurance Company of America, SMA Life Assurance Company, Ad. Pro. No. 92-5444A (United States Bankruptcy Court, Southern District of New York). By this action, Lone Star is seeking to avoid and recover as preferential transfers, interest payments in the amount of $633,750 made on account of certain 9 3/4% promissory notes issued pursuant to a note purchase agreement dated May 3, 1988.

- Lone Star Industries, Inc. v. Farmers Group, Inc. and Gibson, Dunn & Crutcher, Ad. Pro. No. 92-5445A (United States Bankruptcy Court, Southern District of New York). By this action, Lone Star is seeking a judgment declaring that, in connection with its transfer of its Tarmac America, Inc. ("Tarmac") preferred stock to Tarmac for $147,000,000, the defendants maliciously interfered with such sale and made false misrepresentations to Tarmac in order to reap an undeserved windfall from Lone Star. Lone Star alleges that such actions resulted in fraudulent and voidable transfers. In addition, Lone Star is seeking to avoid and recover as preferential transfers certain payments made to such defendants in connection with Lone Star's transfer of the Tarmac preferred stock. Finally, Lone Star is seeking compensatory damages or the imposition of a constructive trust and punitive damages for tortious interference in business relations and injurious falsehood. In total, Lone Star is seeking $745,956.03 (not including punitive damages).

- Lone Star Industries, Inc. v. Morgan Guaranty Trust Company of New York, et al., Ad. Pro. No. 92-5446A (United States Bankruptcy Court, Southern District of New York). By this action, Lone Star is seeking to avoid and recover as preferential transfers, certain principal and interest payments totaling $120,879,149.81 paid to Morgan Guaranty Trust Company of New York, as agent, pursuant to a certain credit agreement dated as of April 28, 1988 (as amended) and a certain agreement to purchase receivables dated as of September 1, 1985 (as amended). For a further discussion of the agreement to purchase receivables see Section II(B)(2) of this Disclosure Statement.

- Lone Star Industries, Inc. v. The Prudential Insurance Company of America, Ad. Pro. No. 92-5447A (United States Bankruptcy Court, Southern District of New York). By this action, Lone Star seeking to avoid and recover as a preferential transfer, an interest payment in the amount of $1,093,750 made on account of certain 8 3/4% promissory notes issued pursuant to a note purchase agreement dated March 26, 1987 (as amended).

- Lone Star Industries, Inc. v. Tom Gunnewig, Ad. Pro. No. 93-5201A (United States Bankruptcy Court, Southern District of New York). By this action, Lone Star is seeking to avoid and recover as preferential transfers certain payments totaling $192,861 paid pursuant to an employment contract buy-out agreement dated October 2, 1990.

Subsequently, with respect to the executed Tolling Stipulations, the Debtors determined that many of the transferees which were parties to such stipulations could assert viable defenses in the event the Debtors commenced preference actions. Specifically, the Debtors determined that the transferees with respect to interest payments on both long and short term borrowings and payments to employees and professionals for services rendered and/or pursuant to contractual obligations would likely be successful in asserting ordinary course and other viable defenses set forth in the Bankruptcy Code. Accordingly, the Debtors determined not to pursue many of these preference claims. However, with

respect to eighteen of the transferees who had previously entered into Tolling Stipulations, the Debtors determined that further review of such pre-petition transfers was warranted. Accordingly, in order to further toll their time to commence avoidance actions through November 10, 1993, the Debtors entered into additional Tolling Stipulations with the following eighteen (18) entities: Commerzbank AG, NY Branch, The Bank of New York, Den Danske Bank, Salomon Brothers Inc., Ford Motor Credit Company, Rogers & Wells, Wiss, Janney, Elstner Associates, Inc.,

Professional Corporation of America, Inc., Morgan Lewis & Bockius, Coopers & Lybrand, Brown & Caldwell, Brown, Rudnick, Freed & Gesmer, P.C., RMC LONESTAR, Carmine J. Muratore, John J. Martin, Robert Hutton, Jerome Bennett, and Orrick, Herrington & Sutcliffe.

Since commencing the avoidance actions and entering into such additional Tolling Stipulations, the Debtors continued to analyze and evaluate the relevant pre-petition transfers, the potential for avoiding such transfers (including possible defenses) and the conceivable benefits to be obtained by their estates in light of the proposed recoveries under the Plan.(42) Presently, the Debtors are continuing to review the relevant transfers and it is uncertain whether the transfers at issue will be further pursued or whether there will be any recoveries.

IV. THE PLAN OF REORGANIZATION

A. INTRODUCTION

This Disclosure Statement relates to the Plan proposed by the Debtors. The Debtors are submitting the Plan to all classes of Claims and Stock Interests which shall, for purposes of this Disclosure Statement, be deemed impaired by the Plan, for their acceptance or rejection, prior to seeking Confirmation of the Plan by the Bankruptcy Court. This Disclosure Statement is designed to provide adequate information to enable each holder of a Claim and/or Stock Interest to make an informed judgment as to whether to vote to accept or reject the Plan. A copy of the Plan is attached as Exhibit "A" to this Disclosure Statement.

B. SUBSTANTIVE CONSOLIDATION

Substantive consolidation is the merging of the assets and liabilities of affiliated entities in a bankruptcy proceeding so that the combined assets and liabilities are treated as though held and incurred by a single entity. The consolidated assets create a single fund from which all claims against the consolidated debtors are to be satisfied.

The substantive consolidation of interrelated Chapter 11 cases has no express statutory basis in the Bankruptcy Code. Rather, courts have found the power to substantively consolidate interrelated debtors' assets in a bankruptcy court's general equitable powers which are set forth in Section 105 of the Bankruptcy Code. The two key factors which courts focus on in deciding the question of substantive consolidation are: (i) whether creditors dealt with the debtor entities as a single economic unit and did not rely on their separate identities in extending credit, and (ii) whether the affairs of the debtors are so entangled that the consolidation will benefit all creditors of the debtors' estates. Within this framework, other factors which courts have looked to include: (i) the presence or absence of consolidated financial statements; (ii) the existence of inter-company guarantees or loans; (iii) the unity of interests and ownership between the various corporate entities; (iv) the transfer of assets without formal observance of corporate formalities; (v) the degree of difficulty in segregating and ascertaining individual assets and liabilities; (vi) the parent, its affiliates and the subsidiaries having common directors and/or officers; (vii) the parent or its affiliates financing one another; and (viii) the commingling of assets and business functions.

The Debtors believe that substantive consolidation of the Debtors' estates will facilitate confirmation of the Plan and that, consistent with the reasoning described above, cause for substantive consolidation exists for the following reasons:

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42 Pursuant to Section 502(h) of the Bankruptcy Code, if the Debtors were successful in avoiding these transfers, each transferee would be granted an unsecured claim in the amount of its avoided transfer, which would increase the aggregate amount of claims against their estates.

- Creditors Dealt with the Debtors as a Single Economic Unit and did not Rely on Separate Identities in Extending Credit

In general, in making a determination respecting the extension of credit to any particular Debtor entity, creditors dealt with the Debtors as a single economic unit and did not rely on their separate corporate identities. Rather, in extending credit, creditors did so based on Lone Star's credit. In particular, Lone Star would provide creditors with Lone Star's consolidated financial data rather than the entities' consolidated financial statements. Thus, both trade and bank creditors relied on Lone Star's consolidated financial soundness in making a determination as to the extension of credit. In addition, with respect to certain significant debt, Lone Star guaranteed the debt of the other Debtor entities.

The foregoing conclusion is further supported by the fact that Lone Star, and not the other Debtor entities, was clearly identified on substantially all customer invoices regardless of which entity the creditor actually dealt with. In making payments to vendors on account of such invoices, checks bearing Lone Star's name or checks of a Debtor entity clearly identifying such entity as a wholly-owned subsidiary of Lone Star were generally used.

The Debtors' management also contemplated one economic unit. Specifically, the Debtors' management consistently prepared all filings with the SEC and reports for the Board of Directors on a consolidated basis. Additionally, financial reporting has not been done on a specific legal entity basis, but rather, pursuant to the geographic location of groups of entities within the Lone Star group. Furthermore, Lone Star and the other Debtor entities had and continue to have common officers and directors.

Other factors which indicate a single economic unit as opposed to separate entities include the fact that (i) Lone Star holds 100% of the outstanding stock of all of the Debtor entities (with the exception of Lone Star Cement in which it holds 99% of such stock), and (ii) that Lone Star maintains a centralized accounting, management information systems, tax and treasury function at its corporate headquarters which provides Lone Star and the other Debtors with the greatest cost savings. Significantly, the costs of these centralized functions are absorbed by Lone Star and not allocated among the other Debtor entities.

- The Affairs of the Debtors are so Entangled That Consolidation Will Benefit All Creditors

Pursuant to the Debtors' cash management system (see Section II(D) of this Disclosure Statement), the cash receipts of all of the Debtor entities are deposited and commingled into Concentration Accounts maintained by Lone Star. In addition, creditors generally made payment checks payable to Lone Star rather than the particular Debtor entity with which it had conducted business. Within the framework of the cash management system, Lone Star provides working capital and funds needed for capital projects to the various Debtor entities on an as needed basis. Such funds are made available by wire transfer from Lone Star's Concentration Accounts. Furthermore, disbursements are made either using Lone Star's checks or checks which clearly identify Lone Star as the parent corporation and are generally signed by a Lone Star corporate officer.

Additionally, Lone Star does not maintain an accounting allocation among the various Debtors for general corporate overhead costs of such entities. Rather, the costs of these functions are entirely absorbed by Lone Star without a corresponding allocation to the respective Debtors.

Furthermore, an argument may be raised as to whether such intercompany indebtedness should be properly classified as true indebtedness or equity. In this regard, an analysis of the millions of dollars of intercompany debt would be required. Certain factors which may be relevant in making such a determination could include: (i) the capitalization of the particular Debtor entities; (ii) the expectation of repayment; (iii) the availability of funding from outside sources; and (iv) the existence of promissory notes or other debt instruments.

In light of the foregoing, the Debtors believe that it would be a very time consuming and costly process to accurately analyze the intercompany indebtedness and could conceivably cost the Debtors (and thus, their estates) millions of dollars. Accordingly, any benefit to creditors which could be achieved by such an undertaking would be substantially outweighed by the time and substantial cost to the estates.

Thus, as part of the Confirmation Order, the Debtors will seek to include, among other things, the following provisions: (i) all intercompany Claims by and among the Debtors will be eliminated; (ii) except as otherwise provided in the Plan, all assets and all proceeds thereof and all liabilities of the Debtors will be merged or treated as though they were merged; (iii) any obligation of any Debtors and all guarantees thereof executed by any of the Debtors will be deemed to be one obligation of the consolidated Debtors; (iv) any Claims filed or to be filed in connection with any such obligation or guarantee will be deemed one Claim against the consolidated Debtors; (v) each and every Claim filed in the individual case of any of the Debtors will be deemed filed against the consolidated Debtors in the consolidated case; and (vi) for purposes of determining the availability of the right of set-off under Section 553 of the Bankruptcy Code, the Debtors shall be treated as one entity so that, subject to the other provisions of Section 553 of the Bankruptcy Code, debts due to any of the Debtors may be set off against the debts of any of the Debtors. In addition, except as expressly provided in the Plan, the Debtors shall continue to maintain their separate corporate existences for all purposes other than the treatment of Claims under the Plan.

C. DEVELOPMENT OF THE PLAN

As a result of the post-petition efforts described above, the Debtors focused their efforts on finalizing a business plan which would form the basis of a plan of reorganization. Accordingly, the Debtors developed and analyzed various preliminary scenarios respecting a plan of reorganization.

However, in light of the size and magnitude of the Debtors' Chapter 11 cases, the Debtors determined that in order to ensure that maximum values would be achieved for the benefit of the Debtors' creditors and shareholders, it was necessary to retain a financial advisor to assist the Debtors in their efforts to promulgate a plan of reorganization. In this respect, on or about August 12, 1992, the Bankruptcy Court entered an order authorizing the Debtors to retain Blackstone as their financial advisor to, among other things, review, evaluate and prepare financial data including data relating to the development and financial foundation of a plan of reorganization and consult with the Debtors as to all financial matters relating to the Debtors' Chapter 11 cases and a plan of reorganization.

1. CORE VS. NON-CORE ASSETS

As part of their efforts to promulgate a plan of reorganization and to successfully emerge from these Chapter 11 proceedings, the Debtors developed a business plan pursuant to which the Debtors would reorganize their operations around their core domestic cement, construction aggregates and ready-mixed operations. In developing their business plan, the Debtors took into account the fact that cement shipments are both highly seasonal and cyclical and that during 1991 domestic cement consumption was at its lowest level since the early 1980's.(43) However, industry experts are forecasting significantly increased demand for cement shipments in the future as economic prospects improve and the United States rebuilds its infrastructure.(44) Further, projections provided by the Portland Cement Association (the "PCA") in November, 1992 (which reflected a more conservative forecast than previous projections which were initially used by the Debtors in developing their business plan) suggest that the cement consumption cycle reached its lowest point in 1991 and is expected to rebound through 1997. In developing their business plan, the Debtors have assumed that the cement consumption cycle will generally follow PCA forecasts. In general, the Debtors are projecting higher sales and production volumes consistent with projected consumption growth resulting in significantly improved profit margins. This projected increase in demand, sales and production volumes has been included in the Debtors' financial projections upon which the values contained in the Plan are based. Specifically, in light of the projected increased demand, the Debtors' projections assume that Reorganized Lone Star will

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43 The cyclical nature of cement shipments is reflected in an industry-wide survey for the past 10 years published by the Portland Cement Association which are set forth in the financial projections annexed hereto as Exhibit "F." The Debtors' cement shipments have generally followed the PCA survey. In addition, cement shipments are seasonal because construction activity generally increases in the summer months and early fall.

44 Among other things, the Intermodel Surface Transportation Efficiency Act of 1991 provides for approximately $150 billion in infrastructure spending over the next five years.

operate at substantially full capacity. In addition, the Debtors' financial projections assume higher pricing due to increased demand for cement (see Exhibit "F" annexed hereto for a detailed discussion of the Debtors' financial projections and the assumptions upon which they are based).

A reorganization around the Debtors' core domestic operations was based on the Debtors' determination, in the exercise of their business judgment, that emerging from Chapter 11 as a vertically integrated domestic cement, aggregate and ready-mixed company would maximize value for their estates and provide a strong competitive posture. Furthermore, the Debtors determined that their interests in substantially all joint ventures and operations outside of the United States, as well as certain domestic operations, either required extensive capital investments or did not generate a sufficient return to justify a continued interest in such operations. The Debtors also concluded that continued participation in most joint ventures would detract from their efforts to concentrate on core domestic operations because, with respect to most of these joint ventures, the Debtors had a minimal role in management and day-to-day operations. As a result, the Debtors determined to divest themselves of their interests in these joint ventures and other operations and to dispose of such interests and operations. If such dispositions were not possible with respect to non-joint venture operations as going concerns, the Debtors determined to discontinue such operations and dispose of the assets thereof.

As stated above, after Confirmation, Reorganized Lone Star will be a vertically integrated cement, construction aggregates and ready-mixed concrete company. Reorganized Lone Star's operations will be based primarily in the Middle and Southwestern United States and on the East Coast and Reorganized Lone Star should have a strong competitive posture in the markets it will continue to serve. In addition, Reorganized Lone Star's operations will include facilities containing sufficient raw materials to enable such facility to operate efficiently and cost effectively. In addition, the Debtors' business plan contemplates that the Debtors shall obtain a working capital facility secured by inventory or receivables in order to ensure adequate funding is available to meet operational and other needs.

Set forth below is a brief description of the Debtors' primary Core Assets which will form the basis of Reorganized Lone Star as well as a description of the primary Non-Core Assets which will be transferred to NewCo. In addition, following such descriptions is a summary of the more significant anticipated capital expenditures and labor relations issues related to the assets. The capital expenditures described are contemplated by the financial projections annexed hereto as Exhibit "F."

a. Description of Core Assets

The following cement, construction aggregates, and ready-mixed concrete operations are the principal Core Assets which will form the basis of Reorganized Lone Star's operations following Confirmation. The Debtors believe that, generally, these sites have sufficient raw material reserves to sustain their operations.

- Greencastle Complex

Lone Star operates a cement complex in Greencastle, Indiana (the "Greencastle Complex"). At the Greencastle Complex, Lone Star owns and operates a cement plant with an annual rated capacity of 752,000 tons of cement. Lone Star also produces Pyrament(R) cement at the Greencastle Complex. The Greencastle Complex serves the cement markets in Illinois, Indiana, Northern Kentucky, Wisconsin and Southern Michigan. A substantial amount of the minerals used at the Greencastle Complex for the production of cement are subject to the Production Payment discussed in Section II(B)(5) of this Disclosure Statement.

During the past few years, Lone Star has implemented a program of burning waste fuels at the Greencastle Complex which has resulted in a substantial savings to Lone Star from decreased coal consumption. In addition, the use of waste fuels has also provided substantial savings for the Debtors in that they pay less to have such waste materials removed from the Greencastle Complex. (See page 36 for a discussion of the benefits of waste fuel and uncertainties surrounding future use thereof.)

- Maryneal Complex

Lone Star operates a cement complex in Maryneal, Texas (the "Maryneal Complex"). At the Maryneal Complex, Lone Star owns and operates a cement plant

with an annual rated capacity of 520,000 tons of cement. The Maryneal Complex primarily produces Portland cement. It also produces cement which is generally used in the construction of oil wells. The Maryneal Complex principally serves the cement markets in Central and Western Texas and Eastern New Mexico.

- Cape Girardeau Complex

Lone Star operates a cement complex in Cape Girardeau, Missouri (the "Cape Complex"). At the Cape Complex, Lone Star owns and operates a cement plant with an annual rated capacity of 1,200,000 tons of cement.

The Cape Complex cement plant is a modern facility. Lone Star recently completed a kiln gas recovery construction project at the Cape Complex which involved the modification of the cement plant in order to recycle and neutralize gases produced by the plant's cement kiln and clinker cooler. The modifications are designed to increase plant capacity, reduce fuel consumption and reduce costs.

The Cape Complex has key distribution terminals in Memphis, Nashville, St. Louis and New Orleans and primarily serves the cement market in Missouri, Tennessee, Northern Kentucky, Louisiana, Northern and Central Mississippi and Eastern Arkansas. The Cape Complex also utilizes a barge fleet for water distribution. Lone Star is burning waste fuels at the Cape Complex in order to further reduce costs and increase revenues. (See page 36 for a discussion of the benefits of waste fuel and uncertainties surrounding future use thereof).

- Oglesby Complex

Lone Star operates a cement complex in Oglesby, Illinois (the "Oglesby Complex") at which it owns and operates a cement plant with an annual rated capacity of 600,000 tons of cement.

The Oglesby Complex primarily serves cement markets throughout Illinois and Wisconsin. Recently, Lone Star completed a modernization project of the raw and finish mill system at the Oglesby Complex. Specifically, this project involved the replacement of certain old grinding mills with a new modern roller mill system.

- Pryor Complex

Lone Star operates a cement complex in Pryor, Oklahoma (the "Pryor Complex"). At the Pryor Complex, Lone Star owns and operates a cement plant with an annual rated cement capacity of 725,000 tons. The Pryor Complex primarily produces Portland cement as well as cement which is used in the construction of oil wells. The Pryor Complex primarily serves the cement market in Oklahoma, Texas and Kansas. A substantial amount of the minerals used at the Pryor Complex for the production of cement are subject to the Production Payment note discussed in Section II(B)(5) of this Disclosure Statement.

- New York Trap Rock Corporation

Trap Rock is a wholly-owned subsidiary of Lone Star whose primary operations include the production and distribution of crushed stone from quarries located in or near West Nyack and Clinton Point, New York. The Debtors believe that Trap Rock, with two plants north of New York City and over 500 million tons of reserves, is an important source of aggregates for the New York metropolitan market including parts of New Jersey and Connecticut. While operating results have been unsatisfactory in recent years principally due to a very weak construction market, longer term prospects are encouraging. Demand for aggregates is expected to increase as the construction industry improves. Plans to improve profitability include an expenditure of approximately $20 million to build a new aggregates plant to replace the old, high cost West Nyack facility, and approximately $5 million to purchase leased barges which are used to transport aggregates on the Hudson River from Clinton Point to customers in the New York metropolitan market.

- Construction Aggregates Limited

Construction Aggregates Limited ("Construction Aggregates") is a wholly-owned subsidiary of Lone Star which operates a stone quarry and plant in Mulgrave, Nova Scotia. The stone produced by Construction Aggregates is supplied to Trap Rock and sold to customers in local Canadian markets, the East and Gulf Coasts of the United States and the Caribbean.

- Construction Materials Co.

Construction Materials operates a ready-mixed concrete and construction aggregates business serving the greater Peoria, Illinois construction market. Lone Star, through Construction Materials, owns and operates three ready-mixed concrete plants and transports the product from these plants through a fleet of approximately 37 ready-mixed concrete trucks.

- I.C. Materials, Inc.

IC Materials operates a ready-mixed concrete, concrete block and building material products business serving the Central and Southern Illinois construction markets. Lone Star, through IC Materials, owns and operates three ready-mixed concrete plants, forty-six ready-mixed concrete trucks, two concrete block plants and three construction material warehouses and outlets.

- Memphis Ready-Mixed Division

Lone Star's Memphis Ready-Mixed Division operates a ready-mixed concrete business serving the Memphis, Tennessee area, Shelby and Fayette counties in Tennessee and Hernando County in Mississippi. This division is comprised of 12 ready-mixed concrete plants and delivers its products to customers through a fleet of 88 ready-mixed concrete trucks.

- Kosmos Cement Company

Kosmos Cement Company is a Kentucky partnership which is 25% owned by Lone Star and 75% owned by Southdown, Inc. Kosmos Cement Company operates a cement plant in Kosmosdale, Kentucky, 15 miles south of Louisville, and another cement plant in Pittsburgh, Pennsylvania. The Kosmosdale cement plant has an annual rated cement capacity of 650,000 tons. The Kosmosdale plant serves Kentucky, Southern Ohio, West Virginia and parts of Tennessee. The Pittsburgh cement plant has an annual rated cement capacity of 370,000 tons. Kosmos Cement Company has cement distribution terminals in South Charleston, West Virginia; Cincinnati, Ohio; Evansville, Indiana; Indianapolis, Indiana; and Huntington, West Virginia.

- Pennsuco Cement Plant

Lone Star owns a cement plant located in Medley, Florida (the "Pennsuco Plant"). Lone Star's investment is limited solely to the fixed assets of the plant. Lone Star has no investment in the land upon which the plant is situated or the mobile equipment located at the plant.

The Pennsuco Plant is one of two cement plants in south Florida. The Pennsuco Plant has three kilns and has an annual rated capacity of 1,200,000 tons of cement. The Pennsuco Plant has a major railroad siding and ships cement up the entire east coast of Florida.

The Pennsuco Plant is situated on land owned by a third party. The land is leased to Lone Star for $8,000 per year until December 31, 2012 and the lease may be extended at Lone Star's option for an additional twenty-five years. The land is subleased by Lone Star back to the third party. The Pennsuco Plant is leased to the same third party until 2007 at an annual rent of $2,500,000. At the expiration of this lease, the third party has the option to purchase this plant at fair market value.

b. Description of Non-Core Assets to be Transferred to NewCo

The Debtors' Non-Core Assets primarily consist of the Debtors' interests in: (i) the RMC LONESTAR partnership, a cement plant in Santa Cruz, California and certain promissory notes executed by RMC LONESTAR, (ii) Lone Star-Falcon, (iii) Hawaiian Cement, (iv) a cement plant located in Nazareth, Pennsylvania, (v) the Riedel Note and (vi) certain surplus real estate. Also to be included among the Non-Core Assets to be transferred to NewCo are miscellaneous litigation settlements and insurance claims. These include the Debtors' interest in any and all actions to avoid and recover transfers of property (see Section III(H)), litigation respecting the sale of the CACP stock (see Section III(G)(4)(d)), litigation with Lafarge Corp. respecting cement used in allegedly defective concrete railroad ties (see Section III(G)(3)(a)), and litigation with Liberty Mutual and certain other insurance companies related to the Cross-Tie Litigation (see Section III(G)(3)(b)). Minimum target prices will not be set in connection with the disposition of the Non-Core Assets.(45) However, notice of each proposed asset sale will be provided to any post-Confirmation committee. The Debtors estimate that dispositions of the Non-Core Assets will generate gross proceeds of between approximately $118,000,000 and $180,000,000.(46)

The estimated aggregate values to be derived from the disposition of Non-Core Assets were determined by the Debtors' management after consultation

with Blackstone and SCI and are based upon appraisals (where available), a discounted cash flow analysis of the projected cash flows of such Non-Core Assets, as well as examination and analysis of other factors relevant to value, such as benefits or impediments contained in agreements, if any, respecting such assets. Furthermore, the Debtors anticipate that it will take up to twenty-four months following the Effective Date for such dispositions to be completed. Such period will afford the Debtors a reasonable opportunity to take advantage of any upswing in market conditions rather than forcing immediate dispositions, and should provide sufficient time to effectively market such assets, allow interested parties to conduct due diligence investigations, and to negotiate the terms of any proposal. Thus, this twenty-four month period is an estimate of the amount of time which the Debtors, in their business judgment, believe will be necessary to maximize the value for such Non-Core Assets, although dispositions of such Non-Core Assets could be completed before or after such period. The timing for the disposition of each particular asset as discussed in the paragraphs below was estimated by the Debtors' management based on experience, market conditions and past and present marketing efforts. The assumptions with respect to the timing of such dispositions were taken into account in connection with the estimated recoveries to holders of Allowed Unsecured Claims.

Both the estimated timing of such dispositions and the estimated values to be derived therefrom are reflected in the terms of the Asset Proceeds Note Indenture and Reorganized Lone Star Guarantee (see Section IV(E)(5) for a discussion of these documents) which govern repayment of the Asset Proceeds Notes to be issued to holders of Allowed Unsecured Claims.

- RMC LONESTAR and Santa Cruz Cement Plant

RMC LONESTAR is a California partnership which is 50% owned by Lone Star and 50% owned by a United States subsidiary of RMC Group, p.1.c., a British corporation. RMC LONESTAR is one of the largest vertically integrated cement, aggregate and concrete producers in California. RMC LONESTAR produces and markets cement, sand, gravel, crushed stone, asphalt and ready-mixed concrete.

RMC LONESTAR's operations include production of sand, gravel and crushed stone in Northern California. Ready-mixed concrete is produced at twenty-nine (29) plants in the San Francisco Bay area and the central valley from Sacramento to Palmdale. The ready-mixed cement operations also include a fleet of

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45 The establishment and disclosure of definitive minimum target prices could create a ceiling on the prices offered and received for such assets. However, the existence of the Reorganized Lone Star Guarantee and the bonus plan respecting the disposition of the Non-Core Assets provide sufficient incentive to ensure that the values obtained for such assets will be maximized.

46 In the event any of the Non-Core Assets are disposed of prior to Confirmation, the net proceeds therefrom shall reduce, on a dollar for dollar basis, the principal amount of the Asset Proceeds Notes and the level of the Reorganized Lone Star Guarantee pursuant to their terms.

approximately 394 ready-mixed concrete trucks. RMC LONESTAR also operates a cement plant in Santa Cruz, California (the "Santa Cruz Plant") which is owned by Lone Star and leased to RMC LONESTAR pursuant to a 20-year lease agreement dated as of December 31, 1987, with an option for an additional five years (the "Santa Cruz Lease"). The land underlying this cement plant is owned by RMC LONESTAR.

Pursuant to the terms of the Santa Cruz Lease, commencing as of January 1, 1992, Lone Star receives $10,048,000 from RMC LONESTAR in annual rent for the next five years and, thereafter, $8,548,000 per annum throughout the remainder of the lease term. For the five year option period, the annual rent is approximately $3,548,000.

RMC LONESTAR finances its operations through a $110,000,000 term credit agreement (the "Credit Facility"). Approximately $48,000,000 was owed under the Credit Facility as of August 31, 1993. RMC LONESTAR also maintains a $35,000,000 working capital facility (the "Working Capital Facility") which provides for the advancement of funds and issuance of letters of credit as required by RMC LONESTAR's operations. Both the Credit Facility and the Working Capital Facility are guaranteed by an affiliate of the other partner in the joint venture. The Working Capital Facility is scheduled to expire on December 31, 1994 and as of August 31, 1993 the amount owed under this facility was approximately $35,000,000.

In 1981, Lone Star transferred the federal income tax benefits on a substantial portion of the assets making up the Santa Cruz Plant under "Safe Harbor Lease" provisions of the Internal Revenue Code, as in effect on November 9, 1981 to a third party ("Tax Lessor"). The Tax Lessor has filed a notice with the Bankruptcy Court as prescribed by Treasury Regulations causing any buyer of the Santa Cruz Plant to take the property subject to such Safe Harbor Lease provisions. These provisions will cause a delay in income tax deductions by the buyer and such restrictions may reflect themselves in the purchase price ultimately realized on the sale of this facility.

In addition, subsequent to the Filing Date, it became apparent to Lone Star and its partner that, at various intervals, RMC LONESTAR would require additional short-term financing to sustain operations and that they were the only available source of such financing. Consequently, Lone Star (after consultation with the Committees) and its partner caused advances of approximately $7,500,000 each to RMC LONESTAR during 1991 and 1992, evidenced by unsecured promissory notes bearing interest at the rate of LIBOR + 1/2% per annum. Approximately $8,000,000 of such advances were repaid by RMC LONESTAR leaving an outstanding balance to both partners of approximately $3,500,000 each. During January, 1993, Lone Star (with Bankruptcy Court approval) made additional advances and agreed to defer approximately $4,200,000 million in rental payments due from RMC LONESTAR under the Santa Cruz Lease for the period February 1, 1993 to June 30, 1993, and its partner caused $4,200,000 in advances to be made to RMC LONESTAR for such period. Thereafter, Lone Star (with Bankruptcy Court approval) agreed to defer an additional approximately $1,660,000 in rental payments due under the Santa Cruz Lease for the period July 1, 1993 to August 31, 1993, and its partner caused approximately $1,660,000 in advances to be made to RMC LONESTAR for such period. Such deferrals and advances were evidenced by unsecured promissory notes bearing interest at the rate of LIBOR + 1/2% per annum (the "RMC LONESTAR Notes") which notes shall also be transferred to NewCo.

The Debtors anticipate that a disposition of their interests in RMC LONESTAR and the Santa Cruz Plant will be consummated in 1995.

- Lone Star-Falcon

Lone Star-Falcon ("LSF") is a Texas partnership between Lone Star (which owns a 50% interest), Falcon Investments, Inc. (which owns a 49% interest), and InterRedec, Inc. (which owns a 1% interest). LSF owns cement terminals located in Houston and Corpus Christi, Texas which are leased to Gulf Coast Portland Cement ("Gulf Coast"). The Houston cement terminal is located on ten acres of land along the Houston ship channel and has an annual rated capacity of 1,000,000 tons of cement. Pursuant to the lease with Gulf Coast, LSF will receive annual rental payments of $1,500,000 through the lease term which expires in December, 1994. Upon termination, Gulf Coast is obligated to purchase the Houston and Corpus Christi cement terminals for $18,000,000 subject to compliance with the filing requirements of the Hart-Scott-Rodino Anti-

Trust Improvements Act of 1976. The Corpus Christi terminal is located on approximately 2.2 acres of land which is leased from a local authority. The Debtors anticipate that the proceeds from Gulf Coast's purchase of the Houston and Corpus Christi cement terminals upon termination of the lease will be received in 1995.

- Hawaiian Cement

Hawaiian Cement is a Hawaiian partnership which is owned equally by Lone Star and Adelaide Brighton Cement Holdings Ltd., an Australian corporation. Adelaide Brighton has the right to supply the partnership with any cement or clinker imported by the partnership (at market prices). Hawaiian Cement supplies cement to each of the six major islands in the state of Hawaii. Hawaiian Cement also produces and sells aggregates on the islands of Oahu and Maui and ready-mixed concrete on the islands of Oahu, Maui and Hawaii. Hawaiian Cement's assets include one operating cement plant, one grinding facility, six ready-mixed concrete plants, and two aggregates quarries. The Debtors anticipate that a disposition of their interests in Hawaiian Cement will be consummated during 1994.

- Nazareth Cement Plant

Lone Star owns a cement plant located in Nazareth, Pennsylvania (the "Nazareth Plant") in the Lehigh Valley. Lone Star also owns the land on which this plant is situated. The Nazareth Plant was built in the late 1800's and has been modernized several times. It presently has an annual rated capacity of

658,000 tons per year. In order for the Nazareth Plant to remain competitive, the Debtors would have to make substantial capital improvements at significant expense. Consequently, the Debtors determined that the Nazareth Plant should be sold. The Nazareth Plant has significant excess finished grinding capacity. The Debtors anticipate that a disposition of the plant will be consummated during 1994.

- The Riedel Note

Pursuant to a purchase agreement dated March 3, 1987, by and among Lone Star, as buyer, Riedel International, Inc. ("International"), as seller, Riedel Resources, Inc. and Arthur A. Riedel ("Riedel"), Lone Star agreed to purchase all of the assets of International, except for certain land and improvements thereon which were to be purchased by Riedel. In consideration of Riedel's commitment to purchase certain assets of International, Lone Star loaned him $10,000,000. In connection with this loan, on or about April 8, 1987, Riedel executed and delivered a $10,000,000 promissory note (the "Riedel Note") payable to Lone Star. The Riedel Note is secured by certain real property located in Oregon and Washington (the "Secured Properties"). These properties are covered by a deed of trust dated April 7, 1987, between Riedel, as grantor, Ticor Title Insurance Company, as trustee, and Lone Star, as beneficiary.

As of the Filing Date, the outstanding principal balance of the Riedel Note, plus accrued and unpaid interest thereon, was $10,027,123.29. Subsequent to the Filing Date, Riedel sold two of the Secured Properties and applied the net proceeds therefrom to reduce both interest and principal under the Riedel Note. No interest payments have been made on the Riedel Note since March, 1992, and the note is in default. The Debtors have undertaken a comprehensive review of the Secured Properties and are considering the best course of action, including the commencement of a lawsuit against Riedel for collection of the outstanding balance of the Riedel Note. As of June 1, 1993, the outstanding principal balance of the Riedel Note (which remains secured by two parcels of real estate), plus accrued and unpaid interest thereon, was approximately $7,000,000. The projected aggregate proceeds from Non-Core Asset dispositions by NewCo include an estimate of the projected recovery with respect to the Riedel Note. The Debtors anticipate that a disposition of their interests in the Riedel Note will occur by 1995.

- Surplus Real Property

The Debtors own various parcels of unimproved real property which they have determined are not required for their operations (the "Surplus Real Property"). The Surplus Real Property is comprised of the following sites: 127 acres located in Irving, Texas (Las Colinas); 182 acres in Fort Worth, Texas (which is subject to a lien of Dr. Richard C. Schaffer, see page 85); 515 acres in Dallas, Texas (Echo Valley); 7 acres in

North Miami, Florida; 16 acres in Tampa, Florida; 44 acres in Dania, Florida (currently the subject of litigation, see pages 48 to 49); 126 acres in Ayer, Massachusetts (Stoney Brook); 561 acres in Groton, Massachusetts; 190 acres in Littleton, Massachusetts (San-Vel Prestress building) (currently under contract for $1,265,000); 255 acres in Henrico County, Virginia (currently under contract for $320,000); 147 acres in Colonial Heights, Virginia; 90 acres in Prince Georges County, Maryland; 9 acres in Dallas, Texas (Lone Star Park) (4 of which have been sold); 13 acres in Houston, Texas (Pole Plant Site) (currently under contract for $500,000); 13 acres in New Orleans, Louisiana; 170 acres in Ayer, Massachusetts (Long Pond); and 8 acres in Minneapolis, Minnesota (Eagan) (currently under contract for $160,000).

Many of these parcels were originally acquired for limestone or aggregate reserves, but are no longer required in Lone Star's core businesses. Other surplus parcels include (i) sites of ready-mixed cement facilities or lumber yards which are no longer active and (ii) certain parcels that had been acquired by the Debtors for investment purposes. The Debtors anticipate that dispositions of all of their Surplus Real Property will be completed by the end of 1995.

c. Capital Expenditures Related to Core Assets

As part of the financial projections annexed hereto as Exhibit "F," Lone Star included the capital expenditures necessary, in its judgment, to maintain the facilities of Reorganized Lone Star in good working condition (see Section IV(C)(1)(a) for a discussion of the primary Core Assets of Reorganized Lone Star). In addition to routine capital expenditures, Lone Star has included provisions for four large capital projects that, in Lone Star's judgment, will need to be completed during the years 1994-1997. These projects are as follows: (1) modification/replacement of the precipitator at the Greencastle plant, at a

cost of approximately $6,000,000, in order to increase production volumes and to remain in compliance with environmental regulations regarding air emissions; (2) replacement in 1996 of the clinker cooler at the Pryor cement plant, at a cost of approximately $5,000,000, to remain in compliance with air emission regulations; (3) exercise by Trap Rock of its purchase option to acquire the leased barges used to transport crushed stone from the Clinton Point plant to the metropolitan New York area for approximately $5,000,000, resulting in significant savings; and (4) replacement in 1994/1995 of the existing plant at West Nyack by a modern low cost facility which will make West Nyack more cost competitive and will have the capability to produce products not currently produced. The cost of the new facility is expected to be $20,000,000 and Lone Star is investigating financing methods for this project.

d. Labor Relations Issues Related to Core and Non-Core Assets

Lone Star and its Affiliated Companies had at year-end 1992 approximately 1,500 domestic employees of whom 1,000 were members of various labor unions. The hourly employees at Lone Star's cement plants and certain of its terminals are represented by three unions. The International Brotherhood of Boilermakers represents the hourly employees at Lone Star's Greencastle, Indiana; Oglesby, Illinois; Pryor, Oklahoma; Milwaukee, Wisconsin; and Bonner Springs, Kansas facilities. Negotiations with this union recently resulted in a new three-year labor contract. The United Paperworkers International Union represents hourly employees at Lone Star's cement plants in Nazareth, Pennsylvania and Cape Girardeau, Missouri, as well as its alternative fuels operations in Nashville, Tennessee; Paducah, Kentucky; and Brandon, Mississippi. A labor contract for the Nazareth employees was recently renewed for an additional three years. Negotiations are currently under way for new labor agreements with the paperworkers' unions for the remaining hourly employees. The United Steelworkers of America represents the hourly employees at Lone Star's Maryneal, Texas; Dallas; Texas; and Memphis, Tennessee cement facilities. The labor agreements covering the employees at the Maryneal, Texas and Dallas, Texas facilities will be coming up for renewal within the next year, while a new three-year agreement has recently been reached with the union representing the Memphis, Tennessee facility hourly employees.

Three year agreements for the hourly employees at Trap Rock's West Nyack and Clinton Point aggregates facilities were entered into earlier this year with the International Brotherhood of Teamsters, Operating Engineers and Laborers Unions. A new three year agreement was also negotiated with the union who represents the hourly employees at Construction Aggregates Ltd. in Nova Scotia, Canada. Employees at

the other Lone Star ready-mixed concrete and aggregate operations are represented by various unions. Only a few labor agreements with these unions are scheduled to expire in the near term.

There have been no labor disruptions at any of Lone Star's facilities during 1992, nor have there been any during 1993. In addition, in recent rounds of collective bargaining, Lone Star has been able to secure concessions from the unions in several areas, including retirees. For example:

(a) In Lone Star's 1992-1995 contract negotiations with the United Paperworkers International Union, representing its Nazareth, Pennsylvania cement plant hourly employees, Lone Star secured a concession providing that the insurance and health agreements applicable to all post-petition and future hourly retirees would be appropriately modified pursuant to the outcome of Lone Star's current efforts pursuant to Section 1114 of the Bankruptcy Code with respect to pre-petition hourly retirees.

(b) In Lone Star's 1993-1996 contract negotiations with the International Brotherhood of Boilermakers, representing hourly employees, at Lone Star's Greencastle, Indiana, Oglesby, Illinois and Pryor, Oklahoma cement plants and its Milwaukee, Wisconsin and Bonner Springs, Kansas cement terminals, Lone Star negotiated annual increases in employee contributions toward medical insurance equal to $.11, $.05 and $.05 per hour respectively, in the 1st, 2nd and 3rd years of the contract; a $20,000 annual ($50,000 lifetime) aggregate limitation on payments for in-hospital treatment of mental and nervous disorders and alcohol and drug abuse related problems; a pre-admission certification program for all non-emergency outpatient surgical procedures performed in a setting or facility outside a doctor's office; and starting April 1, 1993, pre-age 65 retiree contributions to be the same as active employees, with age 65 and over retiree contributions subject to further increase tied to medical inflation, plus 5%;

(c) In Lone Star's negotiations regarding a three-year agreement with the

three unions representing the hourly employees at its Trap Rock subsidiary, Lone Star was able to secure "plant disposition" language suspending the eligibility of retirees for retiree insurance in the event of their re-employment at the employees' facility following its sale, lease or other disposition; a "freezing" of Medicare Part B reimbursement at the level in effect at the beginning of next year; a $20,000 annual ($50,000 lifetime) aggregate limitation on payments for in-hospital treatment of mental and nervous disorders and alcohol and drug abuse related programs; and a pre-admission certification program on a wide range of medical services, including non-emergency outpatient surgical procedures performed in a setting or facility outside a doctor's office, with a reimbursement penalty for non-compliance effective in the second year of the arrangement.

2. POTENTIALLY SOLVENT DEBTORS

As discussed in Section III(G)(3)(f) of this Disclosure Statement, Credit Suisse has asserted that LSC is solvent and that in extending credit to LSC it relied on LSC's separate corporate existence. Accordingly, Credit Suisse informed the Debtors that it would object to a substantive consolidation of the Debtors' estates. After reviewing extensive financial information and evaluating the claims asserted against their estates, the Debtors determined that to resolve this dispute, and to avoid uncertainty surrounding the substantive consolidation of their estates, they would establish a separate classification in the Plan for holders of Allowed Unsecured Claims against all potentially solvent Debtors, including LSC. Thus, in addition to LSC, a separate Plan classification (Class 4A) has been created for holders of Allowed Unsecured Claims against Construction Materials Company, I.C. Materials, Inc., New York Trap Rock Corporation and Southern Aggregates, Inc.

D. GENERAL REQUIREMENTS RESPECTING CONFIRMATION OF THE PLAN

The following contains a brief summary of the provisions of the Bankruptcy Code relating to the requirements for confirmation of a plan of reorganization. It is not intended to be exhaustive, and creditors and interest holders are referred to the relevant provisions of the Bankruptcy Code and are encouraged to review the Plan and this Disclosure Statement with their own counsel.

Section 1123 of the Bankruptcy Code provides that a plan of reorganization shall classify the claims of a debtor's creditors and interest holders. As detailed more fully below, the Plan divides the known Claims and

Stock Interests of the Debtors into nine classes and sets forth the treatment afforded each class. Section 101(5) of the Bankruptcy Code defines "claim" as a "right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured" or a "right to an equitable remedy for breach of performance if such breach gives rise to a right to payment whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured." An interest is an equity interest.

In order for the holder of a Claim or Stock Interest to participate in a reorganization plan and receive the treatment offered to the class in which it is classified, its Claim or Stock Interest must be allowed. A Claim or Stock Interest is "allowed" under the Bankruptcy Code and the Plan (hereinafter an "Allowed Claim" or "Allowed Stock Interest") if such Claim or Stock Interest or portion thereof (i) has been scheduled by the debtor and is not scheduled as disputed, contingent or unliquidated and as to which no objection timely filed by any party-in-interest is pending, or (ii) which has been filed with the Bankruptcy Court and as to which no objection to the allowance thereof has been interposed within the period of time therefor fixed by the Bankruptcy Code, Bankruptcy Rules or order of the Bankruptcy Court, or as to which any objection has been determined by a final order of the Bankruptcy Court allowing such portion.

Any person who holds Allowed Claims in more than one class is required to vote separately with respect to each class in which that person holds Allowed Claims. Thus, for instance, if a holder of both an Allowed Unsecured Claim and an Allowed Stock Interest executes a Ballot accepting the Plan for its Allowed Stock Interest but does not execute a Ballot with respect to its Allowed Unsecured Claim, such holder's vote will count only as the vote of a holder of an Allowed Stock Interest and will not count as the vote of a holder of an Allowed Unsecured Claim.

1. CLASSIFICATION OF CLAIMS AND STOCK INTERESTS UNDER THE PLAN

The Company is required under Section 1122 of the Bankruptcy Code to classify the Claims and Stock Interests of its creditors and interest holders into classes that contain Claims and Stock Interests that are substantially similar to the other Claims or Stock Interests in such class. While the Debtors believe that they have classified all Claims and Stock Interests in compliance with the provisions of Section 1122, it is possible that a creditor or interest holder may challenge the Debtors' classification of Claims or Stock Interests and the Bankruptcy Court may find that a different classification is required for the Plan to be confirmed. In such event, it is the present intention of the Debtors, to the extent permitted by the Bankruptcy Court, to make such reasonable modifications of the classification of Claims or Stock Interests under the Plan to provide for whatever reasonable classification might be required by the Bankruptcy Court for Confirmation and to use the properly completed Ballots for the purpose of obtaining the approval of the class or classes of which such creditor or interest holder is ultimately deemed to be a member. Any such reclassification of Claims or Stock Interests could adversely affect the class in which such creditor or interest holder was initially a member, or any other class under the Plan, by changing the composition of such class and the required vote thereof for approval of the Plan. Further, a reclassification of Claims or Stock Interests after approval of the Plan might necessitate a re-solicitation of acceptances to the Plan.

TO THE EXTENT PERMITTED BY THE BANKRUPTCY CODE AND BANKRUPTCY RULES, ACCEPTANCE OF THE PLAN BY ANY CREDITOR OR INTEREST HOLDER PURSUANT TO THIS SOLICITATION WILL BE DEEMED TO BE THE ACCEPTANCE OF THE PLAN'S TREATMENT OF SUCH CREDITOR OR INTEREST HOLDER REGARDLESS OF WHICH CLASS SUCH CREDITOR OR INTEREST HOLDER IS ULTIMATELY DEEMED TO BE A MEMBER.

Only Allowed Claims and Allowed Stock Interests are entitled to receive distributions under the Plan. The following sets forth the classification of Claims and Stock Interests under the Plan:

- Class 1 consists of all Allowed Priority Claims.

- Class 2 consists of all Allowed Secured Claims.

- Class 3 consists of all Allowed Convenience Claims.

- Class 4 consists of all Allowed Unsecured Claims that are not Allowed Convenience Claims, Intercompany Claims or Allowed Claims in Class 7. Class 4 Claims are classified further into the following subclasses: (i) Class 4A consists of all Allowed 4A Unsecured Claims, and (ii) Class 4B consists of all Allowed 4B Unsecured Claims.

- Class 5 consists of all Allowed Preferred Stock Interests.

- Class 6 consists of all Allowed Common Stock Interests.

- Class 7 consists of all Claims for rescission of a purchase or sale of Common Stock or for damages arising from the purchase or sale of Common Stock, including all claims relating to the Class Action Proceeding discussed above.

- Class 8 consists of all Allowed Equity Interests Subsidiaries.

- Class 9 consists of all Intercompany Claims.

2. VALUATION

As part of the Plan development process, the Debtors were required to value their businesses to determine the allocation of Cash, Senior Notes, Asset Proceeds Notes, New Lone Star Common Stock and Reorganized Lone Star Warrants to be distributed pursuant to the Plan among various constituencies. The Debtors have been advised in this regard by Blackstone. For purposes of Plan negotiations, the reorganization equity value of the Debtors, net of debt and other liabilities assumed to be outstanding as of January 3, 1994 (the assumed Effective Date), was estimated by the Debtors, based on advice from Blackstone, at approximately $176.7 million.(47) Such valuation represents the midpoint of the range of valuations (approximately $149 million to $204 million) as of the assumed Effective Date prepared by Blackstone in respect of the Debtors' businesses, based upon a number of assumptions, including but not limited to, a successful reorganization of the Debtors' finances in a timely manner, the continuation of current market conditions, access to working capital financing by the Debtors and the achievement of the forecasts reflected in the Debtors' business plan and set forth in Exhibit "F" annexed hereto. Some assumptions may not materialize and unanticipated events and circumstances may affect the

Debtors' actual financial results and status. Therefore, the actual results achieved may vary from the projected results underlying such valuations and such variations may be material.

The valuation analysis is predicated in part on the Debtors' forecasts of unleveraged, after-tax cash flows calculated for each year over the four-year period from 1994 to 1997, the capitalization of average projected earnings before interest, depreciation and taxes at a multiple selected to value earnings and cash flows beyond 1997, and the discounting of the resulting amounts to present value at a rate selected by the Debtors and Blackstone to approximate the Debtors' projected weighted average cost of capital. The techniques employed in valuing the Debtors' businesses (i.e., discounted cash flow analysis, multiples of comparable publicly traded companies) are standard and widely used in financial analysis and are typically the methods used in valuing companies emerging from Chapter 11. Although Blackstone conducted a review and analysis of the Debtors' businesses, assets, liabilities and business plan, Blackstone assumed and relied on the accuracy and completeness of all the financial and other information furnished to it by the Debtors. In addition, Blackstone did not independently verify management's forecast in connection with the foregoing valuations.

Blackstone's valuation represents a hypothetical reorganization value which was developed solely to formulate and negotiate a plan of reorganization and analyze the relative recoveries to creditors and other parties-in-interest. Specifically, in addition to the Cash to be distributed under the Plan, for purposes of estimating the recovery percentages to holders of Allowed Unsecured Claims in Class 4, the Debtors have ascribed a value to the Senior Notes equal to the face amount of such securities. The value ascribed to the Asset Proceeds Notes of between $99.8 million and $138.1 million represents, at the low end, estimates of the

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47 The valuation represents a hypothetical reorganization equity value which was derived through the application of various techniques and does not purport to reflect or constitute an estimate or opinion of the actual market value of the New Lone Star Common Stock.

cash flow and net proceeds from disposition of the Non-Core Assets and, at the high end, the face value of such notes. The value of the New Lone Star Common Stock to be issued to Classes 4, 5 and 6 was based upon an assumed reorganization equity value of $149,247,000 to $204,247,000. Such valuations reflect computations of the estimated intrinsic value of the Debtors' businesses derived through the application of various valuation techniques and do not purport to reflect or constitute an estimate or opinion of the actual market value of any security to be issued pursuant to the Plan.

As set forth in Section I(A)(5) of this Disclosure Statement, the Equity Committee disputes the Debtors' valuation of their assets. Based on valuations conducted by Argosy off the Debtors' own projections, which the Equity Committee believes are overly conservative, the Equity Committee believes the reorganization equity value of the Debtors under the Plan would be between $265.7 million and $383.8 million -- approximately 83% greater than the reorganization equity value derived by Blackstone and used by the Debtors to formulate the Plan. Based on the discrepancies described above, the Equity Committee believes the Plan is not fair and equitable to equity security holders. The Debtors believe their valuation is sound and the Plan can be confirmed notwithstanding the Equity Committee's objection.

In addition to determining the enterprise value of Reorganized Lone Star and the reorganization equity value of the Debtors, the Debtors also were required to value their assets to determine the possible recoveries to creditors and equity security holders in a hypothetical liquidation of the Debtors under Chapter 7 of the Bankruptcy Code. Such analysis of a hypothetical liquidation is required to demonstrate the Plan is in the best interests of all creditors and equity security holders and meets the requirements of Section 1129(a)(7) of the Bankruptcy Code. (See Section V(B)(2) and Exhibit "E" to the Disclosure Statement for discussion of the Debtors' liquidation analysis.)

To prepare their liquidation analysis, the Debtors were guided by the valuation conclusions of Strategic Capital Incorporated ("SCI"), a valuation consultant engaged by the Debtors. SCI performed a going concern valuation for each of the Debtors' principal operating facilities and joint ventures on an asset by asset basis using a discounted cash flow analysis of projected cash flows independently generated by SCI. Based in part on SCI's analysis, the Debtors believe the disposition of their assets in a liquidation under Chapter 7

would result in gross proceeds of approximately $464 million.

In addition to the work performed by SCI and the Debtors, valuations of the Debtors on an asset by asset basis were performed by Argosy, Glassman-Oliver (on behalf of Lawrence Ramer, a major Lone Star common stockholder and Equity Committee designee to Lone Star's Board), and Messrs. Roy Grancher and Dick Entorf (consultants retained by the Equity Committee). These valuations reflect each consultant's conclusion regarding the going concern value of the Debtors' assets in a hypothetical liquidation of the Debtors' estates. As set forth in the following table, each expert did not value the same group of assets or apply the same valuation methodologies.

Based on these valuations, the Equity Committee may dispute that the Plan is in the best interests of equity security holders. However, the Debtors believe the methodologies used to derive the valuations relied upon by the Equity Committee are flawed. The Debtors believe the valuations determined by SCI more accurately reflect the hypothetical value of the Debtors' assets in a liquidation.

The following table was included at the request of the Equity Committee to highlight the difference in the conclusions reached by the various experts with respect to the liquidation values of the Debtors' assets. The Debtors maintain that, because different assets are valued, and different methodologies were employed, comparability is lacking.

COMPARISON OF VALUATIONS OF
DEBTORS' ASSETS IN HYPOTHETICAL LIQUIDATION

<TABLE>
<CAPTION>

CONSULTANT	VALUATION METHODOLOGY	AGGREGATE ESTIMATED VALUE OF ASSETS (EXCLUDING CASH ON THE CONVERSION DATE) (MILLIONS OF DOLLARS)	EXCLUSIONS
<S>	<C>	<C>	<C>
SCI.....	Discounted cash flow analysis based on independently-generated cash flow projections for all operating assets and joint venture interests. Expenses excluded retiree benefit obligations and corporate level general and administrative expenses.	$390	Does not include the value of non-operating assets including the Pennsuco lease, surplus real estate, Lone Star-Falcon, the Riedel Note, anticipated recoveries from Cross-tie and Argentina related litigation or the Debtors' tax attributes.
Glassman-Oliver.....	Replacement value analysis, discounted cash flow analysis (based on the Debtors' October 1992 projected operating results excluding corporate level general and administrative expenses) and comparable asset sales analysis.	$690.0-$753.8	Does not include the value of the Debtors' interests in RMC LONESTAR, anticipated recoveries from insurance and Argentina related litigation, the Debtors' tax attributes or Hawaiian Cement real estate holdings.
Grancher & Entorf.....	Value per ton of production capacity derived through analysis of plant capacity, efficiency, technology, costs, regional market conditions, customer relations, product quality and comparable acquisitions, among other factors.	$575.5-$671.0	Does not include value of surplus real estate, Lone Star-Falcon, Reidel Note, anticipated litigation recoveries or tax attributes.
Argosy.....	Discounted cash flow analysis (excluding corporate level general and administrative expenses, retiree benefit obligations and pension liabilities), EBITDA analysis, adjustments based on factors used by Grancher &	$730.1-$865.2	Excludes tax attributes

Entorf.
</TABLE>

The Debtors utilized SCI's valuations in their liquidation analysis because SCI used a discounted cash flow analysis, a standard valuation technique, while Argosy, Grancher & Entorf and Glassman-Oliver used methodologies based on production capacity, comparable asset sales and other factors which the Debtors believe are inappropriate.

3. TREATMENT OF CLAIMS AND STOCK INTERESTS UNDER THE PLAN

Set forth below is a summary of the Debtors' Plan, a copy of which is annexed hereto and to which reference is made. This summary is qualified in its entirety by the full text of such document. In the event of an inconsistency between the Plan and the description contained herein, the terms of the Plan shall govern. The Debtors' Plan is complicated and substantial. Time should be allowed for its analysis; consultation with a legal and/or financial advisor is recommended and should be considered.

ADMINISTRATIVE EXPENSES

Administrative Expenses include the actual and necessary costs and expenses of the Debtors' Chapter 11 cases including expenses respecting the Production Payment. Such expenses may include costs incurred in the operation of the Debtors' businesses after the Filing Date, the actual, reasonable fees and expenses of

professionals retained by the Debtors as approved by the Bankruptcy Court, and the actual, reasonable fees and expenses incurred during the Chapter 11 cases by any statutory committees appointed to serve in these cases as approved by the Bankruptcy Court, and certain other obligations incurred during the pendency of these Chapter 11 cases.

Pursuant to the Plan, all Allowed Administrative Claims shall be paid by the Debtors in full, in Cash, in such amounts as are incurred in the ordinary course of business by the Debtors, or in such amounts as such Administrative Claims are allowed by the Bankruptcy Court (a) upon the later of the Effective Date or the date upon which the Bankruptcy Court enters a Final Order allowing such Administrative Claim or (b) upon such other terms as may exist due to the ordinary course of the business of the Debtors or (c) as may be agreed upon between the holders of such Administrative Claims and the Debtors.

All payments to professionals and all payments to reimburse expenses of members of statutory committees will be made in accordance with the procedures established by the Bankruptcy Code and the Bankruptcy Rules promulgated thereunder regarding the payment of interim and final compensation and expenses. The Bankruptcy Court will review and determine all requests for compensation and reimbursement of expenses.

As of the date hereof, the Debtors estimate that, on the Effective Date, the total amount of Administrative Claims (including estimates for Disputed Claims) will be $738,000 (excluding amounts for Professional Fee holdbacks currently estimated to be $8,100,000, $2,400,000 for a management retention program previously approved by the Bankruptcy Court, and $1,600,000 for estimated severance payments). In addition, other Administrative Claims which arise in the ordinary course of the Debtors' business shall be paid on ordinary business terms.

PRIORITY AND SECURED TAX CLAIMS

Priority Tax Claims include the allowed unsecured Claims of governmental units entitled to a priority in right of payment under the Bankruptcy Code. Secured Tax Claims include the allowed Claims of governmental units secured by property of the Debtors' estates.

Pursuant to the Plan, all Allowed Tax Claims of governmental units entitled to priority under Section 507(a)(7) of the Bankruptcy Code shall be paid by the Debtors in full, in Cash, on the Effective Date or upon such other terms as may be agreed to between the Debtors and any holder of an Allowed Tax Claim; provided, however, that (i) (a) the Debtors may, at their option, in lieu of payment in full on the Effective Date of the Allowed Tax Claims, make cash payments respecting Allowed Tax Claims, deferred to the extent permitted by Section 1129(a)(9) of the Bankruptcy Code and, in such event, interest shall be paid on the unpaid portion of such Allowed Tax Claim at the statutory rate or at a rate to be agreed to by the Debtors and the appropriate governmental unit or, if they are unable to agree, to be determined by the Bankruptcy Court; and (b)

if such Allowed Tax Claim is for a tax assessed against property of the estate, such Claim does not exceed the value of the interest of the estates in such property, and (ii) in the event an Allowed Tax Claim may also be classified as an Allowed Secured Claim, the Debtors may, at their option, elect to treat Allowed Tax Claims as Secured Claims. All Allowed Tax Claims that by their terms become due and payable after the Confirmation Date shall be paid when due.

As of the date hereof, the Debtors estimate that, on the Effective Date, the total amount of Priority Tax Claims (including estimates for Disputed Claims) will be $3,991,000 and that Secured Tax Claims (including estimates for Disputed Claims) will be $684,000 (in principal amount).

UNIMPAIRED CLASSES UNDER THE PLAN

Class 1 -- Allowed Priority Claims

Class 1 consists of Allowed Claims which are entitled to a priority in right of payment under the Bankruptcy Code. Examples of such Allowed Priority Claims include, without limitation, (i) unsecured Claims for accrued employees compensation, including vacation, severance, and sick-leave pay, earned within the 90 days prior to the Filing Date, to the extent of $2,000 per employee, and (ii) contributions to employer

benefit plans arising from services rendered within the 180-day period next preceding the Filing Date, but only for such plans to the extent of (a) the number of employees covered by such plans multiplied by $2,000, less (b) the aggregate amount paid to such employees for accrued compensation.

Pursuant to the Plan, all Allowed Priority Claims shall be paid in full, in Cash, as soon as practicable after:

(a) the later of the Effective Date, or the date of a Final Order allowing any such Claim in Class 1; or

(b) upon such other terms as may be agreed to between the Debtors and any holder of a Class 1 Claim.

As of the date hereof, the Debtors estimate that, on the Effective Date, the total amount of Allowed Priority Claims (including estimates for Disputed Claims) will be $2,156,000.

Class 3 -- Allowed Convenience Claims

On the Effective Date, each holder of an Allowed Convenience Claim shall receive on account of such Claim a Cash payment equal to one hundred percent (100%) of its Allowed Convenience Claim. Allowed Convenience Claims consist of all Allowed Unsecured Claims in Class 4 that (i) are either $5,000 or less, or (ii) exceed $5,000 but as to which the holder thereof elects to reduce such Claim to $5,000. The Debtors estimate that on the Effective Date, subject to those Claimants who may elect to have their Allowed Unsecured Claims treated as Convenience Claims, the aggregate amount of Allowed Convenience Claims will be approximately $2,600,000.

Class 8 -- Allowed Equity Interests in Subsidiaries

Each holder of an Allowed Equity Interest in Subsidiaries shall continue to hold such interests, which equity interests shall continue to be evidenced by the capital stock held by such record holders in the Subsidiary or Subsidiaries as of the Effective Date.

As a result of the substantive consolidation of the Debtors' estates, the Allowed Equity Interests in Subsidiaries would be maintained whether or not provided for in the Plan. Thus, the establishment of a separate Class for such interests provides no greater rights than those to which the interest holders would already be entitled. The creation of Class 8, therefore, is merely a way of formalizing in the Plan the effect of substantive consolidation on Allowed Equity Interests in Subsidiaries.

The claimants in the Class Action Proceedings have asserted that the retention of all Allowed Equity Interests in Subsidiaries under the Plan without impairment constitutes a violation of the requirements of Section 510(b) of the Bankruptcy Code and is a bar to confirmation of the Plan pursuant to Sections 1129(a) and 1129(b) of the Bankruptcy Code, and that such claimants intend to oppose confirmation of the Plan on that basis. However, the Debtors believe that the treatment of Allowed Equity Interests in Subsidiaries under the Plan is in accordance with, and does not violate, Section 510(b) of the Bankruptcy Code,

and that they will be able to confirm the Plan notwithstanding any opposition by the claimants in the Class Action Proceedings.

CLASSES IMPAIRED UNDER THE PLAN

Class 2 -- Allowed Secured Claims

Pursuant to the Plan, as to each Allowed Secured Claim, at the Debtor's option, either:

(a) (i) any default, other than of the kind specified in Section 365(b)(2) of the Bankruptcy Code, shall be cured, provided that any accrued and unpaid interest, if any, which the Debtors may be obligated to pay with respect to such default shall be at the contract rate and not at any default rate of interest;

(ii) the maturity of the Claim shall be reinstated as the maturity existed before any default;

(iii) the holder of the Claim shall be compensated for any damage incurred as a result of any reasonable reliance by the holder on any provision that entitled the holder to accelerate maturity of the Claim; and

(iv) the other legal, equitable, or contractual rights to which the Claim entitles the holder shall not otherwise be altered; provided, however, that as to any Allowed Secured Claim which is a nonrecourse claim and exceeds the value of the collateral securing the Claim, the collateral may be sold at a sale at which the holder of such Claim has an opportunity to bid; or

(b) on the Effective Date, or on such other date thereafter as may be agreed to by the Debtors and the holder of such Claim, the Debtors shall abandon the collateral securing such Claim to the holder thereof in full satisfaction and release of such Claim; or

(c) on the Effective Date, the holder of such Claim shall receive, on account of such Claim, Cash equal to its Allowed Secured Claim, or such lesser amount to which the holder of such Claim shall agree, in full satisfaction and release of such Claim; or

(d) the holder of such Claim shall receive on account of such Claim, deferred Cash payments, pursuant to Section 1129(b)(2)(A)(ii)(II) of the Bankruptcy Code, totalling at least the Allowed Amount of such Claim, of a value, as of the Effective Date, of at least the value of such holder's interest in the Debtors' interest in such property.

As of the date hereof, the Debtors estimate that, on the Effective Date, the amount of Allowed Secured Claims will be approximately $1,422,000, in principal amount. Approximately $558,000 of such amount relates to the estimated principal amount of Allowed Secured Tax Claims. Additionally, approximately $500,000 relates to the estimated amount of holders of mechanic's and materialman's liens.(48) The balance of the Debtors' estimates relate to several other secured claims.

Excluded from the Debtors' estimate of Allowed Secured Claims above are approximately $22,593,000 of secured obligations which will either be assumed by Reorganized Lone Star or which relate to real property which will be transferred to NewCo. These primarily consist of (i) approximately $21,800,000 of obligations relating to the Production Payment transaction (see pages 18 to 20 for a discussion of the treatment of claims related to this transaction), and (ii) the claim of Dr. Richard C. Schaffer arising out of an all-inclusive promissory note in favor of Dr. Schaffer in the principal amount of $1,084,923, executed in connection with the purchase of certain real property located in Denton County, Texas. As of the Filing Date, Dr. Schaffer was owed $969,873.14 under such note (consisting of $916,823 in principal and $53,050.14 in interest). Pursuant to a stipulation and order dated January 8, 1993, by and between Lone Star and Dr. Schaffer, Lone Star, among other things, (i) made a payment of $110,000 to reduce accrued post-petition interest and (ii) agreed to make monthly payments of $10,000 to be applied to further reduce accrued post-petition interest.

Lone Star and Dr. Schaffer have reached an agreement in principle pursuant to which, among other things, (i) the terms of the promissory note and all security documents underlying this claim will be reinstated and the legal, equitable or contractual rights to which the holder of such claim is entitled

shall not otherwise be altered, (ii) all defaults under the promissory note in respect of such claim shall be cured (with any accrued and unpaid interest to be paid through the Effective Date at the contract rate (plus $10,000) and not at any default or penalty rate), and (iii) the reasonable legal fees of Dr. Schaffer shall be satisfied by Reorganized Lone Star. The Debtors anticipate that amounts necessary to cure defaults under the promissory note shall be at least $360,000, depending upon the Effective Date of the Plan. Upon reinstatement of the promissory note, the obligations to Dr. Schaffer shall consist of the principal balance of $723,282 and interest accrued after the Effective Date. As set forth in the Plan, the property securing this claim is to be transferred

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48 The Debtors expect to file an application with the Bankruptcy Court in the near future seeking authorization to pay prior to Confirmation Allowed Secured Claims relating to tax obligations and mechanic's and materialman's liens, conditioned upon a waiver by the holders of such claims of their rights, if any, to postpetition interest and other fees and costs. In those instances where such a waiver cannot be obtained, the Debtors intend to treat such Claims as otherwise provided in the Plan.

to NewCo and such transfer will be subject to the perfected first priority lien of Dr. Schaffer and any liens thereafter granted shall be subordinated to Dr. Schaffer's lien.

Class 4 -- Allowed Unsecured Claims

Class 4 consists of all Allowed Unsecured Claims. As of the date hereof, the Debtors estimate that, on the Effective Date, the aggregate outstanding amount of Allowed Unsecured Claims will be approximately $571,500,000 (including estimates for Disputed Claims). Class 4 Claims are classified further into the following subclasses (i) Class 4A shall consist of all Allowed 4A Unsecured Claims, and (ii) Class 4B shall consist of all Allowed 4B Unsecured Claims. As of the date hereof, the Debtors estimate that, on the Effective Date, the aggregate amount of (i) Allowed 4A Unsecured Claims will be $23,165,000 (including estimates for Disputed Claims), and (ii) Allowed 4B Unsecured Claims will be approximately $548,335,000 (including estimates for Disputed Claims).(49)

The Debtors anticipate that on January 3, 1994, they will have approximately $238,172,000 in Cash.(50) From this amount, the following will be deducted: approximately $26,000,000 to fund working capital requirements of Reorganized Lone Star, $2,400,000 to fund a Court approved management retention and separation program, $1,600,000 for estimated severance payments in accordance with Lone Star policy, amounts to satisfy Professional Fee holdbacks (currently estimated to be approximately $8,100,000), $5,000,000 to capitalize NewCo and $1,500,000 for certain post-Effective Date Chapter 11 costs. Accordingly, Lone Star estimates that on January 3, 1994, after deduction of Cash to be distributed to holders of Administrative Claims, Allowed Convenience Claims, Allowed Priority Claims, Allowed Secured Claims and Allowed Tax Claims, Cash available for distribution to holders of Allowed Unsecured Claims will be approximately $183,096,000.

CLASS 4A

Under the Plan, on the Effective Date, each holder of an Allowed 4A Unsecured Claim shall receive on account of such Claim:

(a) its Pro Rata share of 4.7% of Available Cash (currently estimated to be $8,629,000 and subject to increase by 1.8% of the aggregate net proceeds from disposition of Non-Core Assets consummated prior to Confirmation); provided, however, that (i) if Allowed 4A Unsecured Claims exceed $22,700,000 in the aggregate, the Cash distributions to Class 4A shall be increased in an amount equal to such excess up to $500,000, and (ii) Available Cash allocated to Disputed Claims will not be distributed, but will be held by the Escrow Agent to be distributed in accordance with Section 6.8 of the Plan; plus

(b) its Pro Rata share of $6,471,000 of Senior Notes (subject to the provisions of Sections 5.9 and 5.10 of the Plan) issued pursuant to the Senior Note Indenture;(51) provided, however, that the Senior Notes allocated to Disputed Claims will not be distributed, but will be held by the Escrow Agent to be distributed in accordance with Section 6.8 of the Plan; plus

(c) its Pro Rata share of 1.8% of Asset Proceeds Notes (subject to the provisions of Sections 5.9 and 5.10 of the Plan) issued pursuant to the Asset Proceeds Note Indenture; provided, however, the Asset Proceeds Notes allocated to Disputed Claims will not be distributed, but will be held by the Escrow Agent to be distributed in accordance with Section 6.8 of the Plan; plus

(d) its Pro Rata share of 321,600 shares of the New Lone Star Common Stock issued pursuant to the Lone Star Charter; provided, however, that New Lone Star Common Stock allocated to Disputed Claims will not be distributed, but will be held by the Escrow Agent to be distributed in accordance with

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49 These estimates also include estimated amounts for Allowed Convenience Claims.

50 This anticipated amount of cash is subject to increase by the aggregate net proceeds from the disposition of the Non-Core Assets consummated prior to Confirmation.

51 The form of Senior Note Indenture is annexed hereto as Exhibit "L."

Section 6.8 of the Plan. The New Lone Star Common Stock issued to holders of Allowed 4A Unsecured Claims pursuant to the Plan will represent 2.68% of the outstanding shares of New Lone Star Common Stock; provided, however, that the percentage of New Lone Star Common Stock issued to holders of Allowed 4A Unsecured Claims pursuant to Section 5.2.1(iv) of the Plan is subject to (i) dilution in accordance with the Stock Option Plans (the forms of which are annexed hereto as Exhibit "T"), shares of New Lone Star Common Stock issued as a result of the exercise of the Reorganized Lone Star Warrants and such other shares as may be authorized and issued pursuant to the Reorganized Lone Star Charter or (ii) increase as set forth immediately below.

In the event holders of Allowed Preferred Stock Interests do not accept the Plan, then, in addition to the above, each holder of an Allowed 4A Unsecured Claim shall also receive its Pro Rata share of an additional .48% of the New Lone Star Common Stock (or 57,600 additional shares) which would have otherwise been distributed to the holders of Allowed Preferred Stock Interests and Allowed Common Stock Interests. In such event, the Reorganized Lone Star Warrants shall not be issued and the Warrant Agreement shall not be effective.

In the event holders of Allowed Preferred Stock Interests accept the Plan, and holders of Allowed Common Stock Interests do not accept the Plan, then, in addition to the above, each holder of an Allowed 4A Unsecured Claim shall also receive its Pro Rata share of an additional .15% of the New Lone Star Common Stock issued on the Effective Date (or an additional 570,000 shares) which would have otherwise been distributed to the holders of Stock Interests pursuant to the Plan.

Overall, based upon the Cash to be distributed, the principal amount of the Senior Notes, the amount of the Asset Proceeds Notes and the estimated reorganization value of the New Lone Star Common Stock, and the projected amount of Allowed 4B Unsecured Claims, the Debtors estimate that, under the Plan, holders of Allowed 4A Unsecured Claims shall receive a recovery on account of such Claims of approximately 92.2% to 101.8% in the event of a consensual confirmation, or 93.2% to 103.1% in the event of a non-consensual confirmation where Class 5 accepts the Plan and Class 6 rejects the Plan, or 95.3% to 106.1% in the event of a nonconsensual confirmation where Class 5 rejects the Plan.

CLASS 4B --

Under the Plan, on the Effective Date, each holder of an Allowed 4B Unsecured Claim shall receive on account of such Claim:

(a) its Pro Rata share of Available Cash remaining after distributions of Cash on the Effective Date to holders of Allowed Claims in Class 4A pursuant to Section 5.2.1 of the Plan have been completed; provided, however, that Available Cash allocated to Disputed Claims will not be distributed, but will be held by the Escrow Agent to be distributed in accordance with Section 6.8 of the Plan; plus

(b) its Pro Rata share of $68,529,000 of Senior Notes (subject to the provisions of Sections 5.9 and 5.10 of the Plan) issued pursuant to the

Senior Note Indenture; provided, however, that the Senior Notes allocated to Disputed Claims will not be distributed, but will be held by the Escrow Agent to be distributed in accordance with Section 6.8 of the Plan; plus

(c) its Pro Rata share of 98.2% of Asset Proceeds Notes issued pursuant to the Asset Proceeds Note Indenture (subject to the provisions of Sections 5.9 and 5.10 of the Plan); provided, however, that Asset Proceeds Notes allocated to Disputed Claims will not be distributed, but will be held by the Escrow Agent to be distributed in accordance with Section 6.8 of the Plan; plus

(d) its Pro Rata share of 9,878,400 shares of the New Lone Star Common Stock issued pursuant to the Lone Star Charter; provided, however, that New Lone Star Common Stock allocated to Disputed Claims will not be distributed, but will be held by the Escrow Agent to be distributed in accordance with Section 6.8 of the Plan. The New Lone Star Common Stock issued to holders of Allowed 4B Unsecured Claims pursuant to the Plan will represent 82.32% of the outstanding shares of New Lone Star Common Stock; provided, however, that the percentage of New Lone Star Common Stock issued to holders of Allowed Unsecured Claims pursuant to Section 5.2.2(iv) of the Plan is subject to (i) dilution in

accordance with the Stock Option Plans (the forms of which are annexed hereto as Exhibit "T"), shares of New Lone Star Common Stock issued as a result of the exercise of the Reorganized Lone Star Warrants(52) and such other shares as may be authorized and issued pursuant to the Reorganized Lone Star Charter or (ii) increase as set forth immediately below.

In the event holders of Allowed Preferred Stock Interests do not accept the Plan, then, in addition to the above, each holder of an Allowed 4B Unsecured Claim shall also receive its Pro Rata share of an additional 14.52% of the New Lone Star Common Stock (or 1,742,400 additional shares) which would have otherwise been distributed to the holders of Allowed Preferred Stock Interests and Allowed Common Stock Interests. In such event, the Reorganized Lone Star Warrants shall not be issued and the Warrant Agreement shall not be effective.

In the event holders of Allowed Preferred Stock Interests accept the Plan, and holders of Allowed Common Stock Interests do not accept the Plan, then, in addition to the above, each holder of an Allowed 4B Unsecured Claim shall also receive its Pro Rata share of an additional 4.6% of the New Lone Star Common Stock issued on the Effective Date (or an additional 552,000 shares) which would have otherwise been distributed to the holders of Stock Interests pursuant to the Plan plus its Pro Rata share of 2,083,333 Reorganized Lone Star Warrants which would have otherwise been distributed to holders of Allowed Common Stock Interests.

Overall, based upon the Cash to be distributed, the principal amount of the Senior Notes, the amount of the Asset Proceeds Notes, the estimated reorganization value of the New Lone Star Common Stock and the Reorganized Lone Star Warrants (where applicable), and the projected amount of Allowed 4B Unsecured Claims, the Debtors estimate that, under the Plan, holders of Allowed 4B Unsecured Claims shall receive a recovery on account of such Claims of approximately 84.9% to 100.0% in the event of a consensual confirmation, or 86.7% to 102.3% in the event of a non-consensual confirmation where Class 5 accepts the Plan and Class 6 rejects the Plan, or 88.8% to 105.5% in the event of a nonconsensual confirmation where Class 5 rejects the Plan.

Class 5 -- Allowed Preferred Stock Interests

Lone Star has two outstanding series of preferred stock, 375,000 shares of $13.50 cumulative convertible preferred stock and 11,083 shares of $4.50 cumulative convertible preferred stock. Both series of preferred stock have substantially similar rights. Specifically, both series (i) are convertible into common stock of Lone Star, (ii) rank equally as to the payment of dividends and the distribution of assets upon the dissolution, liquidation or winding up of Lone Star, and (iii) have the same liquidation preference upon the involuntary liquidation, dissolution or winding up of the affairs of Lone Star ($100 per share plus accrued and unpaid dividends). Additionally, pursuant to the terms of Lone Star's certificate of incorporation, the holders of each series are provided the same rights with respect to the election of directors to Lone Star's Board upon the failure to pay dividends for specified periods. Accordingly, the Debtors have classified both series of preferred stock into a single class under the Plan.

(a) Treatment if Class 5 Accepts the Plan. All Preferred Stock shall be canceled, annulled and extinguished as of the Effective Date, and each

holder of an Allowed Preferred Stock Interest shall receive, on the later of the Effective Date or the date of surrender to Reorganized Lone Star for cancellation of the certificates representing Preferred Stock (or if such certificates have been stolen, lost, or destroyed, in lieu thereof (i) a lost security affidavit and (ii) a bond if reasonably required by Reorganized Lone Star), its Pro Rata share of 1,260,000 shares of New Lone Star Common Stock issued pursuant to the New Lone Star Charter plus its Pro Rata share of 1,250,000 Reorganized Lone Star Warrants; provided, however, that in the event holders of Allowed Common Stock Interests do not accept the Plan, each holder of an Allowed Preferred Stock Interest shall instead receive its Pro Rata share of 1,230,000 of the New Lone Star Common Stock pursuant to the New Lone Star Charter plus its Pro

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52 The Reorganized Lone Star Warrants shall be issued pursuant to the Warrant Agreement, the form of which is annexed hereto as Exhibit "S."

Rata share of 1,250,000 Reorganized Lone Star Warrants.(53) When the distributions are completed, the New Lone Star Common Stock issued to holders of Allowed Preferred Stock Interests pursuant to Section 5.3(a) of the Plan will represent (i) 10.5% of the outstanding shares of New Lone Star Common Stock on the Effective Date if holders of Allowed Common Stock Interests accept the Plan, or (ii) 10.25% of the outstanding shares of New Lone Star Common Stock on the Effective Date in the event holders of Allowed Common Stock Interests do not accept the Plan (subject to dilution as described above). Based upon the estimated reorganization value of the New Lone Star Common Stock and the Reorganized Lone Star Warrants, holders of Allowed Preferred Stock Interests would receive an aggregate range of value of $17,546,000 to $23,321,000 if holders of Allowed Common Stock accept the Plan, or $17,173,000 to $22,810,000 if holders of Allowed Common Stock do not accept the Plan.

The Debtors estimate that the aggregate range of recovery to holders of Allowed Preferred Stock Interests on account of their investment would be 45.0% to 59.8% if holders of Allowed Common Stock Interests accept the Plan, or 44.1% to 58.5% if holders of Allowed Common Stock interests do not accept the Plan.(54)

The Debtors believe that the treatment afforded holders of Allowed Preferred Stock interests under the Plan is fair and equitable with respect to such holders because, in the event of a cramdown pursuant to Section 1129(b) of the Bankruptcy Code (see Section V(B)(2) for a discussion of cramdown), holders of Allowed Unsecured Claims could assert that they must receive (in addition to the amount of their Allowed Claims as of the Filing Date) post-petition interest on such claims from the Filing Date to the date of payment before preferred shareholders receive any distribution. Since under the Plan, except under the most optimistic valuation, holders of Allowed Unsecured Claims will receive only a small portion of post-petition interest (and in less optimistic scenarios, none), holders of Allowed Preferred Stock interests would not, in a cramdown, be entitled to any distribution. Accordingly, the Debtors believe that the projected recoveries to holders of Allowed Preferred Stock Interests are fair and equitable to such holders.

(b) Treatment Under Nonconsensual Plan if Class 5 Rejects the Plan. All Preferred Stock shall be cancelled, annulled and extinguished as of the Effective Date and each holder of an Allowed Preferred Stock Interest shall not be entitled to receive or retain any property or interest in property on account of such Preferred Stock Interest under the Plan and the Reorganized Lone Star Warrants shall not be issued and the Warrant Agreement shall not become effective. In addition, holders of Allowed Common Stock Interests shall be treated as set forth in Section 5.4(b) of the Plan.(55)

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53 This reduction in the recovery to holders of Preferred Stock in a non-consensual confirmation is a result of the Debtors' negotiations with the Creditors' Committee and the holder of over 70% of the Debtors' Preferred Stock, both of whom have agreed to such treatment.

54 The estimated recoveries to holders of Allowed Preferred Stock Interests are calculated as a percentage of such holders' investment as of the Filing Date (which includes accrued and unpaid dividends as of such date). For purposes of a cramdown of common equity and satisfaction of the absolute priority rule

contained in Section 1129(b) of the Bankruptcy Code (and, in particular, the fair and equitable requirements -- see Section V(B)(2)) the liquidation preference of both series of the Debtors' Preferred Stock which includes accrued and unpaid dividends (both pre - and post-petition) must be included in determining the aggregate amount of obligations of preferred shareholders which must be satisfied before common shareholders could receive any distribution or retain any property. The amount of accrued and unpaid pre-petition and projected post-petition dividends respecting the Debtors' Preferred Stock is $1,220,000 and $15,619,000, respectively. If all accrued and unpaid dividends are included in the calculation, the estimated recovery to preferred shareholders under a non-consensual plan is 32.1% to 42.7%.

55 The Debtors believe that this treatment is fair and equitable and in the best interests of their estates in light of the midpoint in the range of recoveries to unsecured creditors under the Plan (less than 100%) and the fact that the unsecured creditors will not receive post-petition interest on their claims. Thus, unsecured creditors could argue that holders of both Preferred and Common Stock should not be entitled to receive, in a cramdown, any distribution until the holders of allowed unsecured claims receive recoveries equal to 100% of their allowed claims plus post-petition interest calculated from the Filing Date through the date of payment.

In any event, the Plan reflects that in accordance with the absolute priority rule contained in Section 1129(b)(2)(C) of the Bankruptcy Code, in the event holders of Preferred Stock reject the Plan, holders of Common Stock do not receive any distribution respecting their interests.

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(c) Effect of Alternative Treatment for Nonconsensual Confirmation on Holders of Preferred Stock Interests. In the event that holders of Allowed Preferred Stock Interests do not accept the Plan by the requisite statutory majorities provided in Section 1126(c) of the Bankruptcy Code, the treatment provision of Section 5.3(a) of the Plan relating to such Stock Interests shall be null and void and of no further force and effect and holders of Allowed Preferred Stock Interests shall be treated in accordance with Section 5.3(b) of the Plan.

Class 6 -- Allowed Common Stock Interests

(a) Treatment if Class 6 Accepts the Plan. All Common Stock shall be canceled, annulled and extinguished as of the Effective Date, and each holder of an Allowed Common Stock Interest shall receive, on the later of the Effective Date or the date of surrender to Reorganized Lone Star for cancellation of the certificates representing Common Stock (or if such certificates have been stolen, lost, or destroyed, in lieu thereof (i) a lost security affidavit and (ii) a bond if reasonably required by Reorganized Lone Star), its Pro Rata share of 540,000 shares of New Lone Star Common Stock issued pursuant to the New Lone Star Charter, and its Pro Rata share of 2,083,333 Reorganized Lone Star Warrants issued pursuant to the Warrant Agreement; provided, however, that in the event holders of Allowed Preferred Stock Interests do not accept the Plan, in accordance with Section 1129(b)(2)(C) of the Bankruptcy Code, all Common Stock shall be cancelled, annulled and extinguished as of the Effective Date and each holder of an Allowed Common Stock Interest shall not be entitled to receive or retain any property or interest in property on account of such Common Stock Interest under the Plan. The New Lone Star Common Stock issued to holders of Allowed Common Stock Interests pursuant to Section 5.4(a)(i) of the Plan will represent 4.5% of the outstanding shares of New Lone Star Common Stock when the distributions described in the Plan are completed (subject to dilution as described above). Based upon the estimated reorganization values of the New Lone Star Common Stock and the Reorganized Lone Star Warrants, holders of Allowed Common Stock Interests pursuant would receive an aggregate range of value of $9,841,000 to $12,316,000 pursuant to Section 5.4(a)(i) of the Plan.

(b) Treatment Under Nonconsensual Plan if Class 6 Rejects the Plan. All Common Stock shall be cancelled, annulled and extinguished as of the Effective Date and each holder of an Allowed Common Stock Interest shall not be entitled to receive or retain any property or interest in property on account of such Common Stock Interest under the Plan.(56)

(c) Effect of Alternate Treatment for Nonconsensual Confirmation on Holders of Common Stock Interests. In the event that holders of Allowed Preferred Stock Interests or Allowed Common Stock Interests do not accept the Plan by the requisite statutory majorities provided in Section 1126(c) of the Bankruptcy Code, the treatment provision of Section 5.4(a) of the Plan (consensual Confirmation) relating to such Stock Interests shall be

null and void and of no further force and effect and holders of Allowed Common Stock Interests shall be treated in accordance with Section 5.4(b) of the Plan (nonconsensual Confirmation).

Class 7 -- Rescission and Damage Claims Respecting Common Stock

Class 7 Claims include all claims relating to the Class Action Proceedings discussed above in Section III(G)(4)(b) and all rescission and damage claims otherwise arising from an alleged loss or investment in Lone Star's common stock. Each holder of an Allowed Unsecured Claim in Class 7, shall retain all proceeds derived from any litigation instituted by any such holder or on his behalf against any entity other

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56 The Debtors believe that this treatment is permitted under the Bankruptcy Code. This treatment was developed as part of negotiations with the Creditors' Committee respecting the Plan in order to give common shareholders incentive to vote in favor of the Plan so as to achieve a consensual confirmation. However, during negotiations, the Creditors' Committee insisted that common shareholders not receive any distribution should they reject the Plan and burden the Debtors' estates with the expense and delay of a contested Confirmation pursuant to the cramdown provisions of Section 1129(b) of the Bankruptcy Code (see Section V(B)(2)). Furthermore, this type of treatment has been upheld by the United States District Court for the Southern District of New York. See In re Drexel Burnham Lambert Group, Inc.,138 B.R. 714 (Bankr. S.D.N.Y.), aff'd, 140 B.R. 347 (S.D.N.Y. 1992).

than the Debtors (but not any proceeds from any of the property or assets of any of the Debtors) but shall receive no distribution under this Plan from the Debtors or Reorganized Debtors. Thus, with respect to claims asserted in connection with the Class Action Proceedings described in Section III(G)(4)(b), holders of such Claims shall not receive any distribution under the Plan from the Debtors or Reorganized Debtors. However, the Plan will not affect the ability of such claimants to derive any recovery from non-Debtor parties in the Class Action Proceedings.(57)

Pursuant to the Bankruptcy Code, classes which shall not receive a distribution under a plan of reorganization are deemed to reject such plan. Accordingly, the Debtors will not solicit votes of holders of Claims in Class 7. The claimants in the Class Action Proceedings believe the deemed rejection of the Plan by Class 7 will require that the Debtors seek confirmation of the Plan pursuant to the "cramdown" provision of Section 1129(b) of the Bankruptcy Code. (See Section V(B)(2)(d)).

Class 9 -- Intercompany Claims

On the Effective Date, all Intercompany Claims shall be expunged, released and discharged and holders of such Claims shall receive no distributions of any kind under this Plan. The treatment of Intercompany Claims in Class 9 will affect the claims, rights or interests of Lone Star arising from intercompany transfers of cash pursuant to the Cash Management Orders (see Section III(C) for a discussion of the Cash Management Orders) because when the Debtors emerge from Chapter 11 following Confirmation such items are eliminated from their books and records to reflect the substantive consolidation of their estates and the treatment of Intercompany Claims under the Plan. As of the date hereof, the Debtors estimate that, on the Effective Date, the aggregate amount of Intercompany Claims will be $869,566,809.

E. MEANS OF EXECUTION RESPECTING THE PLAN

1. FUNDING OF THE PLAN

The funds necessary to make the payments required under the Plan will be supplied from revenues generated from operations and from asset sales consummated prior to Confirmation. In addition, the Plan will also be funded from post-Confirmation sales of the Debtors' Non-Core Assets. As set forth more fully in subsection 2 immediately below, following Confirmation of the Plan, the Debtors' interests in any remaining Non-Core Assets will be transferred to NewCo and will be administered by NewCo until sold. The Debtors anticipate that it will take approximately 24 months following the Effective Date to complete the disposition of the Non-Core Assets and that such sales will generate gross proceeds of between approximately $118.0 to $180.0 million.

2. POST-CONFIRMATION ASSET DISPOSITIONS

a. Transfer of Non-Core Assets to NewCo

Following Confirmation, in order to facilitate dispositions of the Debtors' remaining Non-Core Assets and in order to ensure maximum returns to creditors, on the Effective Date of the Plan, the Debtors will transfer

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57 The claimants in the Class Action Proceedings have asserted that the treatment of their claims under the Plan violates Section 510(b) of the Bankruptcy Code. These claimants assert that under that Section, their claims must be treated equally with the interests of holders of common stock. The Debtors dispute this assertion and contend that Section 510(b) only requires that the claims related to or arising from the Class Action Proceedings receive the same priority as common stock interests. Therefore, the Debtors believe that, as long as all senior classes of claims or interests receive their full distributions under the Plan before the claimants in the Class Action Proceedings or the holders of common stock interests receive any distribution, the Plan complies with Section 510(b) of the Bankruptcy Code. In addition, because the claimants in the Class Action Proceedings may look to certain non-Debtor third party sources to satisfy their claims, the Debtors believe there is a reasonable basis to provide separate treatment for such claimants under the Plan. However, the claimants in the Class Action Proceeding believe that the satisfaction of their claims which were asserted against non-Debtor parties in the Class Action Proceedings does not constitute a basis for depriving Class 7 of a distribution under the Plan, and have advised the Debtors that they intend to oppose confirmation of the Plan on this basis. As noted, the Debtors believe that the treatment of Class 7 under the Plan is reasonable and appropriate and believe that they can confirm the Plan despite any such opposition.

their interests in any remaining Non-Core Assets (including liabilities associated therewith and subject to valid and perfected existing liens and security interests) to NewCo. As set forth in the Plan, among other things, holders of Allowed Unsecured Claims will receive their Pro Rata shares of Asset Proceeds Notes issued pursuant to the Asset Proceeds Note Indenture, the form of which is annexed hereto as Exhibit "M". Disposition of the Non-Core Assets will be administered by NewCo and the proceeds therefrom will be used to satisfy the obligations under the Asset Proceeds Notes.

The Debtors believe that transferring the Non-Core Assets to NewCo (which will be a subsidiary of Reorganized Lone Star) is administratively more efficient than would Reorganized Lone Star's retention of such assets and will assist in enhancing the value of Reorganized Lone Star. In particular, the transfer of such assets to NewCo will provide a clearer demarcation between Reorganized Lone Star and the Non-Core Assets which are effectively being held for the benefit of holders of Allowed Unsecured Claims. As such, any party conducting an analysis of the ongoing enterprise will be able to clearly understand the structure, assets and liabilities of Reorganized Lone Star rather than having to evaluate it by categorizing it into ongoing and liquidating components. Furthermore, the Debtors do not believe that there will be additional significant costs arising as a result of this structure nor should such structure expose Reorganized Lone Star to any increased liability (except in connection with its guarantee of the Asset Proceeds Notes as described at page 98) since it is anticipated NewCo will maintain all corporate formalities required by law (i.e., maintenance of books and records, meetings of directors, etc.).

As described in Subsection (c) below, Reorganized Lone Star and NewCo will enter into an agreement pursuant to which Reorganized Lone Star will make management personnel available to market and seek to dispose of the Non-Core Assets on NewCo's behalf. Such personnel will consist primarily of those members of the Debtors' management who presently oversee the Debtors' post-petition asset disposition program which, to date, has brought in excess of $155,000,000 into the Debtors' estates. These individuals are most familiar with the Non-Core Assets and are presently engaged in efforts to dispose of same. Thus, the Debtors believe it is logical and more efficient to have such individuals administer the disposition of the Non-Core Assets by NewCo.(58) Furthermore, since certain of the Non-Core Assets include interests in joint ventures, the Debtors believe that their relationship with their joint venture partners will facilitate the disposition of such interests.(59)

NewCo's sources of cash to pay the Asset Proceeds Notes and to operate (including the payment of its expenses), maintain and market the Non-Core Assets shall include a $5 million cash capitalization from Reorganized Lone Star on the Effective Date, revenues and distributions from operation of the Non-Core Assets

and Cash received from asset dispositions after the Effective Date. The $5 million to be transferred to NewCo on the Effective Date was determined by the Debtors' management, in their business judgment, as being that amount of cash which would be reasonably necessary to sustain NewCo's operations based upon an analysis of NewCo's anticipated revenues and expenditures.

b. Security for NewCo Notes

The Asset Proceeds Notes will be secured by first priority liens and security interests, as the case may be, on all of the assets of NewCo (i.e., the Non-Core Assets which will be transferred to NewCo on the Effective Date) pursuant to a Collateral Agency Agreement, the form of which is annexed hereto as Exhibit "G". In addition, on the Effective Date, Reorganized Lone Star shall execute the Reorganized Lone Star Guarantee in

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58 The Debtors have not ruled out the possibility of retaining an investment banking firm to coordinate and oversee the disposition of all or certain Non-Core Assets. However, given the efforts and experience of the individuals currently overseeing the Debtors' asset disposition program, and the success of such program, the Debtors believe it is logical for such individuals to manage NewCo's asset disposition program. Contributing to this determination is the fact that, prior to the Filing Date, the Debtors had retained an investment banking firm to dispose of certain assets but, after incurring substantial fees, such firm's efforts proved to be largely unsuccessful. Furthermore, retention of such a firm, at least initially, could delay efforts to dispose of the NonCore Assets since any such firm would need a period of time to become familiar with the assets which, in turn, would necessarily require significant input from management of Reorganized Lone Star.

59 Indeed, due to the nature of such ventures, the Debtors' partners may be the likely purchasers of the Debtors' interests therein.

the form annexed hereto as Exhibit "N", pursuant to which Reorganized Lone Star shall guarantee certain of the obligations of NewCo under the Asset Proceeds Notes.

Specifically, Reorganized Lone Star shall guarantee only the Covered Deficiency and recourse against Reorganized Asset Proceeds Notes, Reorganized Lone Star shall either (i) pay the Asset Proceeds Note Trustee, in Cash, an amount equal to the Covered Deficiency, or (ii) issue unsecured promissory notes in the amount of the Covered Deficiency as provided in the Reorganized Lone Star Guarantee. Additionally, the Reorganized Lone Star Guarantee shall be secured by Reorganized Lone Star's pledge of its right, title and interest in all issued and outstanding common stock of NewCo pursuant to the Pledge Agreement, the form of which is annexed hereto as Exhibit "R".

c. Procedures and Related Matters Respecting Dispositions of Non-Core Assets

It is expected that Reorganized Lone Star and NewCo will enter into a management services agreement, to be effective upon the Effective Date, pursuant to which Reorganized Lone Star would agree to furnish services to NewCo including financial, tax, data processing, insurance, human resources, legal, technical and cash management. Under the management services agreement, Reorganized Lone Star will be compensated by NewCo for any out-of-pocket expenses incurred in connection with NewCo's business and Reorganized Lone Star will be paid a quarterly fee based on Reorganized Lone Star's selling, general and administrative expenses relating to the assets owned by NewCo during the quarter.

In addition, as noted in Subsection (a) above, Reorganized Lone Star and NewCo will enter into a separate agreement(60) (also to be effective on the Effective Date), pursuant to which management personnel of Reorganized Lone Star experienced in the disposition of assets will actively seek to dispose of the Non-Core Assets for NewCo on the best terms available.(61) In connection therewith, the Non-Core Assets will be marketed by preparing financial and marketing information and contacting potential buyers, including cement and construction companies (both domestic and foreign), and, if appropriate, financial buyers.

Reorganized Lone Star's services on behalf of NewCo will be subject to review by the Board of Directors of NewCo and will be terminable by either party upon ninety days notice to the other. The Debtors believe that this ninety day

period should provide NewCo with sufficient time to locate another entity to provide such financial, tax and other services which will be provided by Reorganized Lone Star under the management services agreement.

The Board of Directors of NewCo shall consist of executives of Reorganized Lone Star who shall be designated and identified on or prior to Confirmation. As Non-Core Assets are disposed of by NewCo and other funds are received by it, payments will be made on the Asset Proceeds Notes. Upon full payment of the interest and principal of such notes, funds of NewCo will be dividended to Reorganized Lone Star (after deduction of amounts necessary to satisfy incentive bonuses, if any).

Additionally, in connection with post-Confirmation Non-Core Asset dispositions, the Debtors are in the process of developing an incentive plan for the benefit of those key individuals who will market the Non-Core Assets in order to help ensure that values obtained for the Non-Core Assets are maximized. The Debtors will file appropriate documentation respecting this incentive plan with the Bankruptcy Court prior to Confirmation. Such documentation shall be in a form reasonably acceptable to the Creditors' Committee. In general, it is anticipated that this plan will be based upon the attainment of a certain minimum level of proceeds from dispositions of the Non-Core Assets. Incentive payments will be made only after the Asset Proceeds Notes have been paid in full.

Participants in the incentive plan being developed by the Debtors will include key Reorganized Lone Star executives. NewCo's Board of Directors would be able to expand the initial list of participants should

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60 The form of this agreement and the management services agreement will be filed with the Bankruptcy Court prior to Confirmation and shall be reasonably acceptable to the Creditors' Committee.

61 Any fees under such agreement shall be paid to Reorganized Lone Star and not the individuals who will manage NewCo's asset disposition program.

circumstances warrant. Mr. Wallace, the Debtors' Chairman, will not be eligible to receive incentive payments.

After payment of the Asset Proceeds Notes in full, a pool of 20% of the net proceeds from remaining Non-Core Asset dispositions, up to a maximum of $5 million, will be available for distribution among eligible individuals. Reorganized Lone Star's Board of Directors will determine the recipients and amounts of the incentive payments. No individual will be able to receive greater than 15% of the aggregate funds awarded. In addition, an individual would not be eligible to receive an incentive payment unless he/she was employed by Reorganized Lone Star on the date(s) such payments are to be distributed.

3. TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Pursuant to the Plan, all executory contracts and unexpired leases, other than those relating to Non-Core Assets, which have not been rejected and disaffirmed prior to the Confirmation Date (or that are not at the Confirmation Date the subject of pending applications to reject and disaffirm) shall be deemed assumed by the Debtors. In addition, all obligations and agreements respecting the Debtors' retirement plan for outside directors will be assumed pursuant to the Plan.

Exhibit "O" annexed hereto lists those executory contracts or unexpired leases which will be assumed pursuant to the Plan with respect to which the Debtors believe that defaults exist which must be cured. In accordance with Section 1123(a)(5)(G) of the Bankruptcy Code, all defaults respecting such executory contracts or unexpired leases shall be cured by (i) making a Cash payment of only those amounts set forth in proofs of claims or where no such claim has been filed, as determined by the Debtors without objection by the Creditors' Committee, or (ii) on such other terms as agreed to in writing between the Debtors and such claimants, but in neither event greater than the amounts set forth on Exhibit "O" annexed hereto; unless an objection is filed with the Bankruptcy Court and served on counsel to the Debtors and counsel to the Committees on or prior to the date set by the Bankruptcy Court for filing objections to Confirmation of the Plan, and the Court after notice and hearing determines that the Debtors are obligated to pay a different amount as cure under Section 365 of the Bankruptcy Code. In addition, executory contracts (including, without limitation, partnership agreements) and unexpired leases as identified on Exhibit "A" to the Plan respecting those Non-Core Assets which are

to be transferred to NewCo pursuant to the Plan, shall, as of the Effective Date, be deemed assumed by the Debtors and assigned to NewCo pursuant to Section 365 and 1123 of the Bankruptcy Code and defaults thereunder, if any, will be cured in the manner set forth above.

4. RELEASES

The Plan provides that on the Effective Date, in consideration for past and future services, and other valuable consideration, all of the Debtors' present and former officers, directors, agents, employees, Professionals and counsel, and the Committees, and their respective members, agents, Professionals and counsel (collectively, the "Released Parties"), shall be deemed discharged and released from any and all claims asserted or assertable by any Person arising in any way out of such Person's relationship with or work performed for the Debtors on or prior to the Effective Date; provided, however, that the foregoing discharge and release shall only apply to those claims for which the Released Parties are entitled to indemnification by the Debtors pursuant to applicable laws or as provided in any of (i) Lone Star's Restated Certificate of Incorporation in effect prior to or as of the date hereof, (ii) Lone Star's by-laws in effect prior to or as of the date hereof, (iii) any agreement with Lone Star, or (iv) the certificates of incorporation, by-laws or similar documents or agreements of any of Lone Star's subsidiaries as in effect prior to or as of the date hereof, in each case with respect to matters occurring on or prior to the Effective Date. Because the Debtors intend to assume their indemnification agreements, as discussed above, the Debtors believe that the release provisions are appropriate because such releases will free the Debtors from indemnity claims which may otherwise be

asserted by the Debtors' officers, directors, agents and employees if claims were asserted against such persons.(62)

However, pursuant to the Plan, the foregoing discharge and release shall not apply to (i) any individuals or entities which have been released prior to the Effective Date by order of the Bankruptcy Court and as to such individuals or entities, the terms of their respective releases shall govern, (ii) any individuals or entities which are the subject of a proceeding to recover property or money commenced by the Debtors prior to the Effective Date or (iii) any claims asserted or assertable by or against any of the Debtors' present or former officers or directors in the Class Action Proceedings described in Section III(G)(4)(b) of this Disclosure Statement.(63)

The Equity Committee has indicated its belief that the release provisions are too broad and violate the Bankruptcy Code. The Equity Committee has further indicated that it intends to object to the release provisions of the Plan at Confirmation. The Debtors, however, believe that such release provisions are appropriate and do not violate the Bankruptcy Code. If this issue cannot be resolved consensually, the Bankruptcy Court may have to resolve the dispute. Ultimately, if a decision is rendered in favor of the Equity Committee, the Plan's release provisions may have to be modified.

5. DESCRIPTION OF DOCUMENTS TO BE ENTERED INTO IN CONNECTION WITH THE PLAN

Provided below is a brief summary of the salient provisions of each of the documents contemplated to be entered into in connection with the implementation of the Plan, forms of which are annexed as exhibits hereto.

a. Reorganized Lone Star Charter and By-Laws

As previously noted, Reorganized Lone Star will be a Delaware corporation. In order to facilitate the establishment of Reorganized Lone Star, on or about the Confirmation Date, Lone Star's Certificate of Incorporation (the "Certificate") shall be amended and restated in order to reflect certain changes arising in connection with such reorganization. In particular, the amended Certificate will authorize Reorganized Lone Star's issuance of 25,000,000 shares of common stock, par value of $1. A copy of the amended and restated Certificate is annexed hereto as Exhibit "H."

Additionally, in connection with the amendment of the Charter, on or about the Effective Date, Reorganized Lone Star will adopt new by-laws, the form of which is annexed hereto as Exhibit "I." The salient provisions of the by-laws are as follows:

- Number of Directors on Board. Subject to the requirements of the laws of the State of Delaware and the amended Certificate, Reorganized Lone Star's Board of Directors may determine the number of directors, which number shall not be

less than three but not more than 18 directors. Directors need not be stockholders.

- Election and Removal of Directors. At each annual meeting of stockholders, directors shall be elected. If a stockholder intends to nominate a candidate for election to the Board of Directors at such meeting, such stockholder must deliver notice to the Secretary of Reorganized Lone Star setting forth, among other things, (i) the name, business addresses and residence of each nominee the stockholder wishes to nominate for election or reelection as a director, (ii) the class and number of shares of capital stock of Reorganized Lone Star beneficially owned by both the nominee and the stockholder and (iii) any other information required under the rules and regulations of the Securities Exchange Commission. Any director or all of the Directors may be removed from office at any time, with or without cause.

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62 The Debtors are not aware of any claims of non-Debtor parties, either direct or indirect, which would be released pursuant to the Plan. In addition, the Debtors do not anticipate requesting that parties execute releases.

63 Thus, among others, the releases granted pursuant to the Plan are not applicable to individuals listed in the Cahill Report with whom the Debtors have achieved a settlement or against whom the Debtors shall commence litigation.

- Action by Consent. Any action required or permitted to be taken at any meeting of Reorganized Lone Star's Board of Directors may be taken by unanimous written consent of the directors and the writings are filed with the minutes of the proceedings.

- Remuneration. Unless expressly provided by resolution adopted by the Board of Directors, none of the directors shall receive any stated compensation for his or her services. However, the Board of Directors may, by resolution, provide that a specified sum shall be paid to any director of Reorganized Lone Star, either as annual compensation as a director or member of any committee.

- Election and Removal of Officers. Officers shall be elected annually by Reorganized Lone Star's Board of Directors. In addition, any officer may be removed, with or without cause, by a vote of a majority of the whole Board of Directors.

- Indemnification Rights. Reorganized Lone Star shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of Reorganized Lone Star) by reason of the fact that such person is or was a director, officer, employee or agent of Reorganized Lone Star. With respect to actions by or in the right of Reorganized Lone Star, Reorganized Lone Star shall indemnify such individuals if such individuals acted in good faith and in a manner reasonably believed to not be opposed to the best interests of Reorganized Lone Star.

b. NewCo Charter and By-Laws

In connection with the implementation of the Plan, on or about the Confirmation Date NewCo will be incorporated pursuant to the laws of the State of Delaware. Pursuant to its certificate of incorporation, among other things, NewCo shall have the authority to issue one thousand shares of common stock, par value $1. The form of NewCo's certificate of incorporation is annexed hereto as Exhibit "P."

In connection with the incorporation of NewCo and pursuant to the laws of the State of Delaware, on or about the Confirmation Date, NewCo shall adopt by-laws, the form of which is annexed hereto as Exhibit "Q." The salient provisions of such by-laws are as follows:

- Number of Directors. The NewCo Board of Directors shall consist of at least three but not more than 18 executives of Reorganized Lone Star to be designated and identified on or prior to Confirmation. The number of directors may be changed by a resolution of a majority of the Board of Directors.

- Election and Removal of Directors. Directors of NewCo shall be elected at each annual meeting of stockholders by a plurality of the votes cast and shall hold office until the next annual meeting of stockholders. Any or all of the directors may be removed from office at any time, with or without cause.

- Compensation. Directors shall receive such compensation as the NewCo Board of Directors shall determine, together with reimbursement of their reasonable expenses incurred in connection with the performance of their duties.

- Election and Removal of Officers. Officers shall be elected annually by the NewCo Board of Directors. In addition, any officer may be removed, with or without cause, by a vote of a majority of the whole Board of Directors.

- Indemnification Rights. NewCo shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that such person is or was a director, officer, employee or agent of NewCo.

c. Senior Note Indenture

The Senior Note Indenture, the form of which is annexed hereto as Exhibit "L", is the indenture to be dated as of the Effective Date, between Reorganized Lone Star and the Senior Note Trustee, pursuant to which Reorganized Lone Star shall issue the Senior Notes. As previously noted, the Senior Notes shall be

issued in the aggregate principal amount of $75,000,000, shall bear simple interest at the rate of ten percent (10%) per annum payable in semi-annual installments, shall mature on July 31, 2003 and shall be the subject of a guarantee to be executed by certain affiliates of Reorganized Lone Star. In addition to the foregoing, the Senior Note Indenture contains, among others, the following salient provisions:

- Mandatory Redemption Upon Disposition of Assets. Upon the disposition of a material amount of assets (as such term is used in the Senior Note Indenture), the net proceeds of such disposition, after setting aside a certain amount of such proceeds, are to be deposited with the Senior Note Trustee to be used to redeem outstanding Senior Notes at a price equal to the redemption price plus accrued and unpaid interest. However, should Reorganized Lone Star, in good faith, determine to reinvest such net proceeds contemporaneously with their receipt (defined as 2 years from sale date of the acquisition or improvement of assets), the net proceeds realized from such disposition will not be required to be used to redeem the Senior Notes.

- Sinking Fund. Reorganized Lone Star shall make three annual payments of $10,000,000 each into a sinking fund account commencing in the year 2000 for redemption of the Senior Notes. The amount of such required sinking fund payments may be reduced by the principal amount of any Senior Notes which Reorganized Lone Star redeemed or purchased on the open market prior to such dates.

- Covenants and Events of Default. The Senior Note Indenture includes standard covenants and covenants for public debt including, but not limited to, (i) restrictions in Reorganized Lone Star's ability to declare dividends (other than dividends payable solely in common stock of Reorganized Lone Star) on any of its common stock or make any payment on account of the purchase, redemption or other retirement of any shares of such stock or make any distribution in respect thereof and (ii) limitations on Reorganized Lone Star's total borrowed funds and liens.

d. Asset Proceeds Note Indenture

The Assets Proceeds Note Indenture, the form of which is annexed hereto as Exhibit "M", is the indenture to be dated as of the Effective Date, between NewCo and the Asset Proceeds Note Trustee, pursuant to which NewCo shall issue the Asset Proceeds Notes. As previously noted, the Asset Proceeds Notes are those notes to be issued by NewCo in the aggregate principal amount of $138,118,000 less an adjustment to reflect the aggregate net proceeds received from disposition of the Non-Core Assets consummated prior to the Effective Date. The Asset Proceeds Notes shall bear simple interest at the rate of ten percent (10%) per annum payable in cash or additional Asset Proceeds Notes in semi-annual installments and shall mature on July 31, 1997. In addition to the foregoing, the Asset Proceeds Notes Indenture contains, among others, the following salient provisions:

- Redemption Upon Non-Core Asset Dispositions. Following each disposition of Non-Core Assets by NewCo, the net proceeds received as a result of such disposition (after setting aside Cash reserves such that NewCo shall have Cash equal to at least $5,000,000) shall be deposited into a cash collateral account, which account shall be established in accordance with the Collateral Agency

Agreement, executed contemporaneously therewith and so long as there is at least $5,000,000 in such account after deposit of the net proceeds. All amounts in this cash collateral account shall be used to redeem the Asset Proceeds Notes at the then current redemption price.

- Covenants and Restrictions. NewCo shall not declare any dividends (other than dividends payable solely in common stock of NewCo) on its common stock or make any payment on account of the purchase, redemption or other retirement of any shares of such common stock or make any distribution in respect thereof.

- Limitation on Additional Indebtedness and Liens. NewCo shall not directly or indirectly create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable with respect to any indebtedness other than Permitted Indebtedness or allow to exist any liens on its assets other than the Permitted Liens (as defined in the indenture to include, among other liens, liens which may be granted to secure and/or maintain a working capital loan and liens existing on the Effective Date).

- Guarantee. A portion of NewCo's obligations under such indenture shall be guaranteed by the Reorganized Lone Star Guarantee and shall be secured by the Pledge Agreement and Collateral Agency Agreement (all as described below).

e. Collateral Agency Agreement

The Collateral Agency Agreement, the form of which is annexed hereto as Exhibit "G", is the agreement to be dated as of the Effective Date, between NewCo and the Asset Proceeds Note Trustee, pursuant to which NewCo shall pledge and grant liens and security interests in all of the assets of NewCo in order to secure its obligations under the Asset Proceeds Notes. In addition to the foregoing, the Collateral Agency Agreement contains, among others, the following salient provisions:

- Release of Pledged Collateral. NewCo may dispose of the pledged assets (i.e., Non-Core Assets) in any transaction or series of transactions approved by its Board of Directors whereupon the assets disposed of shall be released from the security interests created by this agreement. The Cash proceeds of such sale shall be held in the cash collateral account established pursuant to this agreement from which net proceeds, in excess of $5,000,000, shall be used to redeem or retire the Asset Proceeds Notes. In the event that such proceeds are non-Cash, such proceeds shall be held as pledged collateral under this agreement.

f. Reorganized Lone Star Guarantee

The Guarantee Agreement, the form of which is annexed hereto as Exhibit "N", provides for Reorganized Lone Star's guarantee of certain obligations of NewCo under the Asset Proceeds Note Indenture. This guarantee shall be secured by a pledge of Reorganized Lone Star's right, title and interest in all issued and outstanding common stock of NewCo pursuant to a Pledge Agreement (described below) and which guarantee shall provide that recourse against Reorganized Lone Star shall be limited to the Covered Deficiency (an amount not to exceed $20,000,000 plus interest). Upon maturity of the Asset Proceeds Notes (or any extension thereof pursuant to its terms) Reorganized Lone Star shall, if necessary, (i) pay to the Asset Proceeds Note Trustee, in Cash, an amount equal to the Covered Deficiency, and/or (ii) issue promissory notes in the amount of the Covered Deficiency, which notes shall mature on July 31, 2002 and shall bear interest at the rate of 300 basis points above the then current yield for five year U.S. Treasury obligations as of the date of the issuance of such deficiency. Also as provided in the Asset Proceeds Note Indenture, upon maturity of such notes, the Asset Proceeds Note Trustee may either (i) (a) enforce the Reorganized Lone Star Guarantee and, upon the payment or issuance of promissory notes of Reorganized Lone Star pursuant to the terms of such guarantee, there shall be a corresponding reduction of the Asset Proceeds Notes and b) enforce its rights against the Non-Core Assets to satisfy the remaining obligations, if any, under the Asset Proceeds Notes, or (ii) defer, with the approval of the requisite percentage of the holders of such notes, enforcing the Reorganized Lone Star Guarantee and its rights under the Asset Proceeds Note Indenture for up to three one-year periods from the original maturity date of such notes.

g. Pledge Agreement

The Pledge Agreement, a form of which is annexed hereto as Exhibit "R", is the agreement, dated as of the Effective Date, between Reorganized Lone Star, the Asset Proceeds Note Trustee and the Collateral Agent, pursuant to which Reorganized Lone Star, in order to secure its obligations under the Reorganized Lone Star Guarantee, shall pledge its right, title and interest in all issued

and outstanding common stock of NewCo.

h. Warrant Agreement

The Warrant Agreement, a form of which is annexed hereto as Exhibit "S", is the agreement, dated as of the Effective Date, between Reorganized Lone Star and a warrant agent, pursuant to which Reorganized Lone Star shall issue warrants to purchase 3,333,333 shares of New Lone Star Common Stock. The Warrant Agreement sets forth the terms and conditions respecting the exercise of the Reorganized Lone Star Warrants including establishing the exercise price of such warrants at $19.75 and providing that such warrants shall be

exercisable until December 31, 1998. The $19.75 warrant exercise price was designed to provide equity holders $5,000,000 of value (based on the Debtors' valuation).64 The Reorganized Lone Star Warrants were valued at $5,000,000 using the Black Sholes option valuation formula, a widely used method for valuing warrants. The Reorganized Lone Star Warrants would have significantly more value if the Argosy valuation ranges ultimately prove to be correct.

In addition to the foregoing, the Warrant Agreement contains the following salient provisions:

- Call Provisions. Reorganized Lone Star shall have the right to redeem any or all of the Reorganized Lone Star Warrants, at $0.01 per Warrant, subject to adjustment, on or after December 31, 1996, in the event that the closing price of Reorganized Lone Star Common Stock for any thirty consecutive trading days exceeds $23.70.(65)

- Adjustments. The number of shares of Reorganized Lone Star Common Stock purchasable upon the exercise of each Warrant and the Warrant price shall be subject to adjustment if Reorganized Lone Star (i) pays a dividend in shares of Reorganized Lone Star common stock, (ii) subdivides its outstanding shares of common stock, (iii) combines its outstanding shares of common stock into a smaller number of common stock, or (iv) issues by reclassification or recapitalization of its shares of common stock, other securities of Reorganized Lone Star. An adjustment will not result from Reorganized Lone Star's sale of its common stock on the open market and the declaration of cash dividends.

i. Management Stock Option Plan

In order to provide the officers and key management (the "Employees") of Reorganized Lone Star with an increased incentive to make significant contributions to the performance and growth of Reorganized Lone Star and its subsidiaries, to increase stock ownership of employees, and to attract and retain employees of exceptional ability, Reorganized Lone Star shall establish a management stock option plan. In accordance with the provisions of this management stock option plan, as described below, the plan shall be administered by a compensation committee of Reorganized Lone Star's Board of Directors consisting of non-inside directors. This committee shall have complete discretion and authority to, among other things, authorize the grant of options, determine the number of options to be granted (but not to exceed the maximum amount specified below) and determine when such options shall be granted. However, there is no assurance that options will be granted pursuant to this plan. In addition, assuming options are granted, the value thereof cannot presently be determined because such value will be based upon market factors existing at the time such options are granted and exercised. The form of management stock option plan is annexed hereto as Exhibit "T." Following are, among others, the salient provisions of the management stock option plan:

- Administration. The plan shall be administered by a compensation committee of Reorganized Lone Star's Board of Directors appointed by such Board consisting of two or more members who shall be "disinterested persons" within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934. This committee shall have authority in its discretion to, among other things, (i) grant options under this plan, (ii) select employees to receive options, and (iii) determine the number of options to be granted to each employee.

- Eligibility and Participation. The class of employees eligible to receive stock options under such plan are officers and other key management employees who shall be selected by the committee from those employees who, in the opinion of the Committee are in positions which enable them to make significant contributions to the performance and growth of Reorganized Lone Star and its subsidiaries.

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64 In addition, the exercise price was negotiated by the Debtors and the Creditors' Committee in order to allow the aggregate recovery to holders of Allowed Unsecured Claims (at the midpoint) to approximate 100% of such Allowed Claims before any value would inure to holders of Stock Interests through the exercise of the Reorganized Lone Star Warrants.

65 Such provisions are not uncommon with respect to warrants. Furthermore, Reorganized Lone Star's right to redeem the warrants should help preserve and protect the value of the New Lone Star Common Stock by adding certainty and finality respecting the exercise of such warrants. In addition, the Debtors believe that the terms of such warrants provide the holders thereof with sufficient time to determine whether to exercise such warrants.

- Determination of Option Price. The option price of a share of common stock covered by each stock option shall be determined by the committee but shall not be less than the fair market value of a share of common stock on the date of grant of such stock option. The fair market value shall be the average of trading prices of a share of common stock on the date of grant of the stock option.

- Stock Options. Subject to adjustment, the aggregate number of shares of Reorganized Lone Star Common Stock which may be issued under options and which shall be reserved for purposes of this plan shall be 700,000.(66) Stock options to purchase full shares of common stock, par value $1 per share, of Reorganized Lone Star may at the discretion of the committee be Incentive Stock Options (as defined in Section 422(A) of the Internal Revenue Code).

- Option Agreements. Each stock option shall be evidenced by an option agreement containing such terms and conditions, consistent with the provisions of such plan, as the committee shall from time to time determine. Such terms and conditions, at the discretion of the committee, may include, without limitation, provisions with respect to the time or times at which the stock option is exercisable, the effect of termination of employment upon right of exercise, the manner of exercise of such stock option, and payment of income tax withholding requirements in connection with the exercise of a Non-Incentive Stock Option.

- Option Term. The term within which each stock option is exercisable shall be for such period as the committee may determine, but such term shall not exceed a period of ten years in the case of Incentive Stock Options and ten years and one day in the case of Non-Incentive Stock Options from the date of grant of an option.

- Adjustments Upon Changes in Capitalization. In the event of changes in Reorganized Lone Star's common stock by reason of stock dividends, stock-splits, recapitalization, mergers, consolidations, combinations or exchanges of shares and the like, the maximum number of shares of common stock subject to the management stock option plan and the number of shares and option price per share of all stock subject to outstanding options shall be adjusted as necessary to maintain the proportionate interests of the options and preserve, without exceeding, the value of the options.

- Limit on Value of Stock Options. The aggregate fair market value (determined as of the time the option is granted) of common stock with respect to which Incentive Stock Options are exercisable for the first time by an employee during any calendar year shall not exceed $100,000. There is no limit on value of non-incentive stock options.

- Termination of Employment. During its term, an option may be exercised both while the holder thereof continues to be an employee and during the three month period following termination of employment. Such three month period shall be one year in the case of disability or of death.

j. Directors' Stock Option Plan

In order to attract ownership in Reorganized Lone Star by outside directors of Reorganized Lone Star whose continued services are considered essential to Reorganized Lone Star's growth and progress, and to provide them with a further incentive to continue as directors, Reorganized Lone Star shall establish a directors' stock option plan. The salient provisions of this plan are as follows:

- Participation in the Plan. Each non-employee member of the Board of Directors shall be a participant in the Plan. No person who is also an employee of Reorganized Lone Star or one of its subsidiaries shall be a participant except with respect to any options received prior to becoming an employee.

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66 In the event such options are granted, it could result in a dilution of the aggregate amount of New Lone Star Common Stock to be issued pursuant to the Plan of approximately 5.5% (based upon the maximum number of shares which could be issued pursuant to this stock option plan). The Debtors believe that any such dilution is justified since the stock option plan is designed, among other things, to provide incentive to the management of Reorganized Lone Star to make significant contributions to the performance and growth of Reorganized Lone Star. The Equity Committee reserves its right to object to the stock options to be granted pursuant to the Plan.

- Stock Options. Commencing in 1994 and continuing each year thereafter, each director who was not an employee of Reorganized Lone Star or one of its subsidiaries during the six month period preceding the date options are distributed shall receive, on the first business day following the first meeting of the Board of Directors to occur after Confirmation and thereafter on the first business day following the final adjournment of Reorganized Lone Star's annual meeting of stockholders (commencing with the annual meeting of stockholders held during the first calendar year beginning after the Board of Directors meeting resulting in the initial grant of options and continuing thereafter during the term of this Plan) an option to purchase 1,000 shares of Reorganized Lone Star's common stock, par value $1 per share, provided there is a sufficient number of shares available; otherwise the number of shares subject to such option shall be prorated among the eligible directors. Subject to adjustment, the aggregate number of shares of Reorganized Lone Star Common Stock which may be issued under options and which shall be reserved for purposes of this plan shall be 50,000.

- Determination of Option Price. The option price of a share of common stock covered by each stock option shall be the fair market value of a share of Reorganized Lone Star's common stock on the date of the grant of such stock option. Such fair market value shall be the average of the high and low prices of a share of common stock in the New York Stock Exchange composite market transactions on the date of the grant of the stock option. In no event shall the purchase price be less than the par value of the shares.

- Option Term. Stock options shall be exercisable for ten (10) years from the date of distribution.

- Adjustments Upon Changes in Capitalization. In the event of changes in Reorganized Lone Star's common stock by reason of stock dividends, stock splits, recapitalization, mergers, consolidations, or exchanges of shares and the like, the maximum number of shares of common stock subject to this plan and the number of shares and option price per share of all stock subject to outstanding options shall be adjusted as shall be necessary to maintain the proportionate interests of the options.

V. CONFIRMATION OF THE PLAN OF REORGANIZATION

The following is a brief summary of the provisions of the Bankruptcy Code respecting acceptance and confirmation of a plan of reorganization. Creditors and interest holders are encouraged to review the relevant provisions of the Bankruptcy Code and/or to consult their own attorneys.

A. ACCEPTANCE

This Disclosure Statement solicits Ballots for the acceptance of the Plan. The Bankruptcy Code defines acceptance of a plan of reorganization by a class of claims as acceptance by holders of at least two-thirds in dollar amount, and more than one-half in number, of the claims of that class allowed under the Bankruptcy Code that have actually voted or are deemed to have voted to accept or reject the plan.

The Bankruptcy Code defines acceptance of a plan of reorganization by a class of interests (equity securities) as acceptance by at least two-thirds in amount of the interests of that class allowed under the Bankruptcy Code that have actually voted or are deemed to have voted to accept or reject the plan.

ONLY HOLDERS OF CLAIMS OR STOCK INTERESTS IN IMPAIRED CLASSES WHOSE CLAIMS ARE ALLOWED AS OF THE DATE INDICATED IN THE DISCLOSURE STATEMENT APPROVAL ORDER SHALL BE ENTITLED TO VOTE ON THE PLAN. HOLDERS OF DISPUTED CLAIMS OR STOCK INTERESTS AS OF THE DATE OF THE DISCLOSURE STATEMENT APPROVAL ORDER SHALL NOT BE ENTITLED TO VOTE ON THE PLAN. HOWEVER, IN ACCORDANCE WITH THE BANKRUPTCY CODE AND AS PROVIDED IN THE DISCLOSURE STATEMENT APPROVAL ORDER, PRIOR TO SUCH DATE, HOLDERS OF DISPUTED CLAIMS OR STOCK INTERESTS MAY SEEK AN ORDER OF THE

BANKRUPTCY COURT ESTIMATING AND ALLOWING SUCH CLAIMS OR STOCK INTERESTS IN A SUM CERTAIN AMOUNT SOLELY FOR PURPOSES OF VOTING ON THE PLAN, AND IN SUCH EVENT, SUCH CLAIMANTS OR HOLDERS OF STOCK INTERESTS SHALL BE ENTITLED TO VOTE THEIR CLAIMS OR STOCK INTERESTS IN THE AMOUNT DETERMINED BY THE BANKRUPTCY COURT.

A HOLDER OF A CLAIM OR STOCK INTEREST WHO EXECUTES A BALLOT AND WHO FAILS TO INDICATE ON SUCH BALLOT WHETHER IT ACCEPTS OR REJECTS THE PLAN WILL BE DEEMED TO HAVE VOTED TO ACCEPT THE PLAN.

A HOLDER OF A CLAIM OR STOCK INTEREST WHO FAILS TO EXECUTE THE BALLOT FOR SUCH CLAIM OR INTEREST WILL NOT BE COUNTED AS EITHER ACCEPTING OR REJECTING THE PLAN WITH RESPECT TO SUCH CLAIM OR STOCK INTEREST.

A VOTE MAY BE DISREGARDED IF THE BANKRUPTCY COURT DETERMINES, AFTER NOTICE AND A HEARING, THAT SUCH ACCEPTANCE OR REJECTION WAS NOT MADE OR SOLICITED OR PROCURED IN GOOD FAITH OR IN ACCORDANCE WITH THE PROVISIONS OF THE BANKRUPTCY CODE.

If one or more impaired classes rejects the Plan, the Debtors may in their discretion nevertheless seek Confirmation of the Plan if the Debtors believe they will be able to meet the requirements of Section 1129(b) of the Bankruptcy Code for Confirmation of the Plan (which are set forth in the following section of this Disclosure Statement), despite lack of acceptance by all impaired classes. The claimants in the Class Action Proceedings believe that the treatment of Class 7 under the Plan will prevent the Debtors from satisfying the requirements of Section 1129(b) of the Bankruptcy Code and such claimants have advised the Debtors that they intend to oppose confirmation of the Plan on this basis. The Debtors believe that the treatment of Class 7 under the Plan is in accordance with Section 1129(b) of the Bankruptcy Code and that they will be able to confirm the Plan despite any such opposition.

B. CONFIRMATION AND CONSUMMATION

1. CONFIRMATION HEARING

If sufficient acceptances are received and the Debtors determine to go forward with the Plan, the hearing on Confirmation of the Plan will take place on January 5, 1994 at 10:00 a.m.

2. STATUTORY REQUIREMENTS FOR CONFIRMATION OF THE PLAN

At the Confirmation Hearing, the Bankruptcy Court shall determine whether the requirements of Section 1129 of the Bankruptcy Code have been satisfied. If so, the Bankruptcy Court shall enter an order confirming the Plan. Section 1129 of the Bankruptcy Code requires that:

- The plan satisfies the applicable provisions of the Bankruptcy Code.

- The debtor has complied with the applicable provisions of the Bankruptcy Code.

- The plan has been proposed in good faith and not by any means forbidden by law.

- Any payment made or promised by the debtor under the plan for services or for costs and expenses in, or in connection with, the Chapter 11 Case, or in connection with the plan and incident to the case, has been disclosed to the Bankruptcy Court, and any such payment made before the confirmation of the plan is reasonable, or if such payment is to be fixed after confirmation of the plan, such payment is subject to the approval of the Bankruptcy Court as reasonable.

- The debtor has disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the plan, as a director, officer, or voting trustee of the debtor, an affiliate of the debtor participating in the plan with the debtor, or a successor to the debtor under the plan. The appointment to, or continuance in, such office of such individual, is consistent with the interests of creditors and equity security holders and with public policy, and the debtor has disclosed the identity of any insider that the reorganized debtor will employ or retain, and the nature of any compensation for such insider.

- With respect to each class of impaired claims or interests, either each holder of a claim or interest or such class has accepted the plan, or will receive or retain under the plan on account of such claim or interest, property of a value, as of the effective date of the plan, that

is not less than the amount that

such holder would receive or retain if the debtor was liquidated on such date under Chapter 7 of the Bankruptcy Code.

- Each class of claims or interests has either accepted the plan or is not impaired under the plan.

- Except to the extent that the holder of a particular claim has agreed to a different treatment of such claim, the plan provides that administrative expenses and priority claims (other than tax Claims) will be paid in full on the effective date and that priority tax Claims will receive on account of such claims deferred cash payments, over a period not exceeding six years after the date of assessment of such claim, of a value, as of the effective date, equal to the allowed amount of such claim.

- At least one impaired class of claims has accepted the plan, determined without including any acceptance of the plan by any insider holding a claim of such class.

- Confirmation of the plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the debtor or any successor to the debtor under the plan.

Subject to receiving the requisite votes in accordance with Section 1129 of the Bankruptcy Code, the Debtors believe (i) that the Plan satisfies all of the statutory requirements of Chapter 11 of the Bankruptcy Code, (ii) they have complied or will have complied with all of the requirements of Chapter 11, and (iii) the proposal of the Plan is made in good faith. Set forth below is a more detailed summary of the salient statutory confirmation requirements.

a. Best Interests of Creditors Test

Before the Plan may be confirmed, the Bankruptcy Court must find (with certain exceptions) that the Plan provides, with respect to each class, that each holder of a Claim or Stock Interest in such class either (a) has accepted the Plan or (b) will receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the amount that such person would receive or retain if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code.

Annexed hereto as Exhibit "E" is a Liquidation Analysis which demonstrates that, in the opinion of the Debtors and their financial advisor, the Debtors' creditors and shareholders will receive more under the Plan than such creditors and shareholders would receive from a liquidation of the Debtors' estates. Specifically, subject to the assumptions and other conditions set forth therein, the Debtors' Liquidation Analysis provides that on liquidation the Debtors would have proceeds available for satisfaction of claims of $592,870,000, on the low end, and $684,655,000 on the high end. Based on such proceeds, as reflected in the tables accompanying the Liquidation Analysis, unsecured creditors would obtain a 78.8% (mid-point) recovery in a liquidation as compared to a 92.5% recovery under the Plan (on a fully consensual basis), while holders of Allowed Preferred Stock Interests would not receive any distribution in a liquidation as compared to a 52.3% (midpoint) recovery under the Plan. Based on this information, the Debtors believe that the best interest test will be satisfied under the Plan.

b. Financial Feasibility

The Bankruptcy Code requires the Bankruptcy Court to find, as a condition to Confirmation, that Confirmation is not likely to be followed by the liquidation of the Debtors or the need for further financial reorganization. Included in the financial information annexed hereto as Exhibit "F" is a pro-forma balance sheet of the Debtors prior to consummation of the Plan, and a separate pro-forma balance sheet of the Debtors following consummation of the Plan. In addition, included in Exhibit "F" are projections of the Debtors' operations. Subject to the assumptions contained therein and the discussions set forth herein and therein, these documents indicate that Confirmation of the Plan is not likely to be followed by the liquidation of the Debtors or the need for further financial reorganization following the consummation of the Plan. Thus, the Debtors believe that the Plan complies with the financial feasibility standard required for Confirmation.

c. Acceptance by Impaired Classes

The Bankruptcy Code requires, as a condition to Confirmation, that each class of Claims or Stock Interests that is "impaired" under the Plan accept the Plan, with the exception described in the following section. A class that is not "impaired" under a plan of reorganization is deemed to have accepted the plan and, therefore, solicitation of acceptances with respect to such class is not required. A class is "impaired" under a plan unless the plan (i) leaves unaltered the legal, equitable and contractual rights to which the claim or interest entitles the holder of such claim or interest; (ii) cures any default and reinstates the original terms of the obligation; or (iii) provides that on the consummation date, the holder of the claim or interest receives cash equal to the allowed amount of such claim or, with respect to any interest, any fixed liquidation preference to which the interest holder is entitled or any fixed price at which the debtor may redeem the security.

d. Confirmation Without Acceptance by All Impaired Classes

Section 1129(b) of the Bankruptcy Code allows a Bankruptcy Court to confirm a plan, even if such plan has not been accepted by all impaired classes entitled to vote on such plan, provided that such plan has been accepted by at least one impaired class. If one or more impaired classes reject the Plan, the Debtors may seek to confirm the Plan pursuant to Section 1129(b) of the Bankruptcy Code. In such event, the Bankruptcy Court will determine at the Confirmation Hearing whether the Plan meets the requirements for confirmation pursuant to Section 1129(b) of the Bankruptcy Code.

Section 1129(b) of the Bankruptcy Code states that notwithstanding the failure of an impaired class to accept a plan of reorganization, the plan shall be confirmed, on request of the proponent of the plan (in a procedure commonly known as "cram-down") so long as the plan does not "discriminate unfairly," and is "fair and equitable" with respect to each class of claims or interests that is impaired under and has not accepted the plan. According to established legal precedent, a plan of reorganization does not discriminate unfairly within the meaning of the Bankruptcy Code if no class receives more than it is legally entitled to receive for its claims.(67)

With respect to a non-accepting class of impaired secured Claims, "fair and equitable" means either (i) each holder of a Claim in such class retains its liens to the extent of its allowed Claim and receives deferred cash payments at least equal to the allowed amount of its Claim with a present value as of the Effective Date at least equal to the value of such creditor's interest in the property securing its liens, (ii) property subject to the lien of such holder is sold free and clear of that lien, with that lien attaching to the proceeds of the sales, and such lien proceeds must be treated in accordance with clauses (i) or (iii) hereof, or (iii) the impaired secured Creditor realizes the "indubitable equivalent" of its Claim under the Plan.

With respect to a non-accepting class of impaired unsecured Claims, "fair and equitable" means either (i) each impaired unsecured creditor receives or retains property of a value equal to the amount of its allowed Claim, or (ii) the holders of Claims and interests in classes that are junior to the Claims of the dissenting class will not receive any property under the Plan.(68)

With respect to a non-accepting class of impaired equity interests, "fair and equitable" means either (i) each holder of an impaired interest in such class receives or retains property of a value equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled, or the value of such interest or (ii) the holders of all interests that are junior to the interests of the dissenting class will not receive any property under the Amended Plan.

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67 The claimants in the Class Action Proceedings contend that established legal precedent with respect to the absence of unfair discrimination also requires that classes of the same priority receive equal treatment under a plan of reorganization. The Debtors, however, believe that under established legal precedent, classes of the same priority may be classified and treated differently under a plan of reorganization.

68 The claimants in the Class Action Proceedings contend that the Debtors' definition of "fair and equitable" fails to encompass a broader meaning of such term under the Bankruptcy Code.

In the event that Allowed Common Stock Interests in Class 6 elect to reject the Plan, the Debtors believe that they will be able to Confirm the Plan despite such rejection in accordance with the cramdown provisions contained in Section 1129(b) of the Bankruptcy Code. However, the Equity Committee has indicated that it believes the Debtors will not be able to confirm the Plan if Allowed Common Stock Interests elect to reject the Plan. In addition, the claimants in the Class Action Proceedings have indicated that they believe the treatment of Class 7 is a bar to confirmation of the Plan under Section 1129(a) of the Bankruptcy Code, that the Debtors will be unable to satisfy the requirements of Section 1129(b) of the Bankruptcy Code, and that such claimants intend to oppose confirmation of the Plan on such bases. The Debtors believe that they will be able to confirm the Plan despite any opposition of the Equity Committee and the claimants in the Class Action Proceedings.

3. RESOLUTION OF CLAIMS

Virtually all of the approximately 7,804 filed and scheduled Claims aggregating approximately $2.5 billion (plus unliquidated amounts) have been or will shortly be addressed by the entry of orders, reconciliation with the Debtors' books and records, or by stipulations which have been or will be executed by the interested parties. As of the date hereof, the Debtors estimate that, on the Effective Date, Allowed Claims against their estates (including estimates for Disputed Claims) will be as follows:

<TABLE>
<CAPTION>

TYPE OF CLAIM	AGGREGATE ESTIMATED ALLOWED AMOUNT(69)
<S>	<C>
Secured Claims(70)	$ 1,422,000(71)
Administrative Claims	$ 738,000(72)
Priority Claims	$ 6,147,000(73)
Unsecured Claims	$ 571,500,000
TOTAL CLAIMS	$ 579,807,000

</TABLE>

With respect to any Claims which remain Disputed, the Plan envisions the establishment of a reserve which may be established by the Debtors at or prior to Confirmation. Such fund would be utilized to satisfy Disputed Claims when and if they are Allowed. Notwithstanding the establishment of such fund, the Debtors shall, in good faith, attempt to resolve all Disputed Claims prior to Confirmation of the Plan, and in any event, on an expedited basis. The Debtors anticipate that all major Disputed Claims will be resolved prior to the Effective Date. However, as to any Disputed Claims which remain, the Debtors believe that such claims will be resolved within approximately twelve to eighteen months following Confirmation (see Section IX(C) for a discussion of the Reserve to be established for Disputed Claims pending on the Effective Date).

C. EQUITY COMMITTEE'S OBJECTION TO THE PLAN

The Equity Committee has requested that the following statement concerning its objections to the Plan be included in the Disclosure Statement:

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69 Includes estimated amounts for Disputed Claims which will ultimately be Allowed.
70 Inclusive of the principal amount of Secured Tax Claims.
71 Does not include approximately $22.6 million in secured obligations which are expected to be assumed either by Reorganized Lone Star or NewCo.
72 Excludes amounts for Professional Fee holdbacks and management severance and retention payments.
73 Inclusive of Priority Tax Claims.

The Plan contains provisions which operate such that:

(a) the holders of Class 5 Allowed Preferred Stock Interests will receive a reduced distribution if the holders of Class 6 Allowed Common Stock Interests reject the Plan, even if holders of Class 5 Allowed Preferred Stock Interests

accept the Plan;

(b) the holders of Class 5 Allowed Preferred Stock Interests will receive no distribution if they vote against the Plan;

(c) the holders of Class 6 Allowed Common Stock Interests will receive no distribution if they vote against the Plan;

(d) regardless of whether they accept the Plan, holders of Class 6 Allowed Common Stock Interests will receive no distribution if holders of Class 5 Allowed Preferred Stock Interests vote against the Plan.

The Equity Committee believes that the Plan treats shareholders in an unfair and discriminatory manner and that the Plan is unconfirmable because it violates the Bankruptcy Code. The Equity Committee's reasons for opposing the Plan include the following:

- The Equity Committee's belief that the Plan is not fair and equitable to shareholders. As set forth in Section IV (D)(2) of this Disclosure Statement, the Plan is based on the Debtors' valuation of their assets. Even based on the Debtors' valuation, the Equity Committee believes that unsecured creditors may receive in excess of 100% of the allowed amount of their claims. Moreover, the Equity Committee believes the Debtors' valuation severely understates the actual value of the Debtors' assets. Based on valuations supported by the Equity Committee, the Equity Committee believes unsecured creditors' recoveries under the Plan would exceed the allowed amount of their claims in violation of the Bankruptcy Code. If the Bankruptcy Court finds unsecured creditors would be paid more than the full amount of their claims under the Plan,(74) the Plan cannot be confirmed without the acceptance of preferred and common stockholders.

- The Equity Committee believes that shareholders would receive more if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code than shareholders would receive under the Plan. If the Bankruptcy Court finds that shareholders would receive more value in a liquidation than under the Plan, the Plan cannot be confirmed.

- In view of the Equity Committee's belief regarding the undervaluation of the Debtors' assets, the treatment provisions of the Plan regarding shareholders listed in items (a) -- (d) immediately above give shareholders the unfair option of either: (i) accepting the Plan, in which case the Equity Committee believes shareholders will be undercompensated based on the Equity Committee's valuation of the Debtors' assets; or (ii) receive no distribution if the provisions listed in items (a) -- (d) above are upheld.

The Equity Committee intends to argue to the Bankruptcy Court that the Plan should not be confirmed and the provisions listed in items (a) -- (d) above should be invalidated. However, one recent decision by the Bankruptcy Court for the Southern District of New York, which was affirmed on appeal by the United States District Court for the Southern District of New York, permitted a debtor to include somewhat similar provisions in a plan of reorganization and wipe out a dissenting class of equity security holders. See In re Drexel Burnham Lambert Group, Inc., 138 B.R. 714, 717 (Bankr. S.D.N.Y.), aff'd, 140 B.R. 347 (S.D.N.Y. 1992) ("Drexel"). Although the Equity Committee believes that the provisions upheld under the facts of the Drexel case can be distinguished from the provisions in the Plan, the Drexel case was decided by the same District Court having appellate jurisdiction over the Debtors' cases and accordingly, such decision may be followed by the Bankruptcy Court herein. Thus, there can be no assurance that the provisions in the Plan will be stricken or avoided. Despite its view that the Plan is flawed and unfair, the Equity Committee urges all equity security holders to consider carefully the risks attendant to rejection of the Plan because the Equity

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74 In calculating the full amount of allowed unsecured claims for this purpose, the Debtors believe that, in addition to the face amount of such claims, post-petition interest on such claims through the date of payment should be included.

Committee cannot assure that the Plan will be defeated or that the provisions will be invalidated. If the provisions listed in items (a) -- (d) above are upheld, rejection of the Plan by classes of equity holders may mean that equity security holders will receive no distribution under the Plan.

The following is the Debtors' position with respect to the Equity Committee's objections to the Plan which are stated immediately above:

Among other things, the Debtors disagree with the Equity Committee because the Debtors believe that the treatment of Stock Interests under the Plan is not unfairly discriminatory and is fair and equitable based on their valuation. Based on the Debtors' valuation, classes senior to such interests will not receive distributions sufficient to fully satisfy such claims and interests.(75) Pursuant to Section 1129(b) of the Bankruptcy Code, absent the consent of such senior classes, no distributions could be made to shareholders unless the claims of senior classes were fully satisfied.

Under the Plan, holders of Stock Interests will receive, in the event of a consensual Confirmation, their Pro Rata share of a percentage of New Lone Star Common Stock and Reorganized Lone Star Warrants. The inclusion of any distribution for Stock Interests was the result of intensive negotiation with representatives of creditors and senior interest holders. However, such parties' consent to a distribution to Stock Interests was conditioned upon a consensual Confirmation; such parties have indicated that they will oppose the Plan if shareholders choose to reject the Plan and subject the Debtors' estates to the delay, costs and expenses associated with a non-consensual Confirmation.

Furthermore, the Debtors believe the Plan is fair and equitable to holders of Allowed Common Stock Interests because no interest junior to such interest shall receive any distribution under the Plan and because, under the Debtors' Liquidation Analysis and based on the Debtors' valuation, holders of such stock interests will receive more under the Plan than they would in a liquidation pursuant to Chapter 7 of the Bankruptcy Code. (See Exhibit "E" annexed hereto).

Finally, the Debtors believe that the provisions of the Plan listed in items (a) -- (d) above, are valid and do not violate the Bankruptcy Code. As the Equity Committee indicates, similar provisions were upheld in the Drexel case by the Court having immediate appellate jurisdiction over the Debtors' Chapter 11 cases. The Debtors believe that the reasoning underlying the validation of such provisions in the Drexel case is equally applicable to the similar provisions contained in the Debtors' Plan and, therefore, that case is controlling.

D. RISK FACTORS

The securities to be issued pursuant to the Plan are subject to a number of material risks, including those enumerated below. The risk factors enumerated below assume Confirmation and the consummation of the Plan and the transactions contemplated by the Plan and do not include matters that are conditions precedent to the effectiveness of the Plan (see Section IX(D) for a discussion of the conditions precedent to the effectiveness of the Plan). Prior to voting on the Plan each holder of a Claim or interest against the Debtors should carefully consider the risk factors enumerated or referred to below as well as all of the information contained in this Disclosure Statement, including the exhibits hereto.

1. CEMENT INDUSTRY CONDITIONS

As discussed in Exhibit "F" annexed hereto, Lone Star developed its financial projections under the assumption that the cement consumption will increase from the low consumption level experienced in 1991. This assumption is supported by current projections for the demand of cement prepared by the PCA. Should

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75 This is especially true since the Debtors believe that in calculating the full amount of Allowed Unsecured Claims which must be satisfied under the Plan, in addition to the face amount of such claims, post-petition interest on such claims through the date of payment should be included. In addition, for the purposes of cramdown on common equity and satisfaction of the absolute priority rule contained in Section 1129(b) of the Bankruptcy Code, the liquidation preference of both series of the Debtors' preferred stock which includes accrued and unpaid dividends (both pre-and post-petition) must be included in determining the aggregate amount of obligations to preferred shareholders which must be satisfied before common shareholders could receive any distribution or retain any property.

the economic climate not follow the slow growth/low inflation scenario used by the PCA it is possible that the assumed recovery of the construction industry will not reach the levels included in Lone Star's projections.

Imports of cement have fallen dramatically from a peak level of approximately 18 million tons in 1987 (representing 20% of cement consumption) to an expected level of 7 million tons (representing 8% of cement consumption) in 1993. While imports are expected to increase over the next 4 years, the financial projection does not contemplate that they will return to the levels experienced in the late 1980's. Should imports increase over the levels assumed, they could result in lower cement prices.

2. ENVIRONMENTAL REGULATIONS

Existing and future environmental regulations can be anticipated to have an impact which may be significant on both the operating and capital costs of Lone Star's operations, particularly cement manufacturing. Compliance with the 1990 amendments to the Federal Clean Air Act and state regulations thereunder will require significant capital expenditures at several of the Company's cement plants during the 1990's. It is possible that future regulation of air emissions, such as a current proposal to tax carbon dioxide emissions, may significantly increase operating or capital costs. In addition, it is likely that, beginning in the mid-1990's, handling and disposal of cement kiln dust, a waste by-product of cement manufacturing, will be subject to more stringent regulations under the Federal Resource Conservation and Recovery Act and analogous state laws and regulations. Such new regulation is expected to increase operating costs and may require additional capital expenditures to address both newly generated and formerly disposed of cement kiln dust produced by Lone Star's cement plants. Finally, those cement plants that burn waste fuels as an economic substitute for conventional fuels are impacted and will continue to be impacted by increasingly stringent federal and state regulation of fuel handling, fuel burning and waste management and disposal practices. Lone Star's Greencastle, Indiana and Cape Girardeau, Missouri plants currently handle and burn waste fuels as an integral part of their operations. Onerous regulations may result in costs outweighing savings, in which event Lone Star may determine to cease or curtail its waste fuel burning activities (see page 36).

The Company believes that its environmental program is generally equal to those of its domestic competitors and that its competitive position as to those competitors will not be adversely affected by compliance with regulations currently in effect. To the extent that foreign producers of cement do not have to meet the same environmental standards as domestic producers, the domestic producers, including Lone Star, are adversely affected by the need to comply with such regulations.

3. LIQUIDITY AND LEVERAGE

Based on the projected financial information set forth in Exhibit F -- "Financial Information", and subject to the assumptions and limitations set forth therein, including consummation of the transactions contemplated by the Plan in accordance with its terms and the achievement of the Debtors' business plan for 1993, as of the Effective Date, Lone Star would have projected (i) total debt (including current portions) of approximately $201.5 million (as determined for financial reporting purposes), and (ii) total shareholders' equity (as determined for financial reporting purposes) of approximately $101.6 million. Accordingly, Lone Star will have a high degree of leverage after the Effective Date. This high degree of leverage will pose substantial risks to holders of the Senior Notes, New Lone Star Common Stock and Reorganized Lone Star Warrants and could have material adverse effects on the marketability, price, and future value of such securities. Among other consequences, the high degree of leverage may result in the impairment of the Company's ability to obtain additional financing in the future, to make acquisitions, and to take advantage of significant business opportunities that may arise. This high degree of leverage will also increase the vulnerability of Reorganized Lone Star (and its affiliates) to adverse general economic and industry conditions and to increased competitive pressures (especially price pressure from less highly leveraged competitors). In addition, in the event the Reorganized Lone Star Guarantee was enforced pursuant to its terms, it would increase the leverage of Reorganized Lone Star at such time.

4. LITIGATION RISKS

Other than the outcome of any litigation which may be instituted in connection with the Confirmation of the Plan (i.e., litigation concerning valuations, cramdown, etc.), the Debtors do not believe there are any litigation risks which could significantly or materially impact upon the Plan.

5. PROJECTIONS

The financial projections included in this Disclosure Statement are dependent upon the reliability of the assumptions contained therein (see Exhibit F -- "Financial Information"). These projections reflect numerous assumptions, including Confirmation and consummation of the Plan in accordance with its terms, the anticipated future performance of the Reorganized Debtors, industry performance, general business and economic conditions and other matters, most of which are beyond the control of Lone Star and some of which may well not materialize. In addition, unanticipated events and circumstances occurring subsequent to the preparation of the projections may affect the actual financial results of the Reorganized Debtors. Therefore, the actual results achieved throughout the periods covered by the projections may vary from the projected results. These variations may be material.

6. CERTAIN TAX MATTERS

The Plan is subject to substantial uncertainties regarding the application of federal income tax laws, as well as state and local tax laws, to various transactions and events contemplated therein. The cash position of Lone Star, and its corresponding ability to meet its obligations on the Senior Notes and the Reorganized Lone Star Guarantee may depend in substantial part on the availability to Lone Star and to other members of Lone Star's consolidated tax group of certain tax benefits in the nature of net operating losses and tax credit carryforwards. The availability of such tax attributes, however, may be significantly reduced or restricted as a result of various transactions and events that have already occurred or that will occur subsequent to the Effective Date or which are otherwise contemplated pursuant to the Plan. In addition, any change in the tax laws may impact upon such matters.

7. DIVIDEND POLICIES

Lone Star does not anticipate paying any dividends on the New Lone Star Common Stock in the foreseeable future. In addition, the covenants in certain debt instruments to which Lone Star will be a party will restrict the ability of Lone Star to pay dividends. Certain institutional investors may only invest in dividend-paying equity securities or may operate under other restrictions which may prohibit or limit their ability to invest in New Lone Star Common Stock.

8. ABILITY TO SERVICE DEBT

In order to generate funds sufficient to make interest and principal payments and necessary capital expenditures, Lone Star will have to improve significantly its operating results and cash flows from historical levels. However, there can be no assurance that improvements sufficient to generate adequate funds for these purposes will be achieved. If they are not, funds will have to be derived from alternative sources such as asset sales, additional financing, or reductions in capital expenditures. Unfavorable conditions in the financial markets and the cement industry, the high degree of leverage on Reorganized Lone Star, restrictive covenants contained in its debt instruments, liens granted on assets, and various other factors may limit the ability of the Company to successfully undertake any such actions and no assurance can be given as to the availability of feasible alternative sources of funds. Any utilization of alternative sources of funds may impair the competitive position of Reorganized Lone Star, reduce its cash flow or have other adverse consequences, including imposition of burdensome covenants, security interests, or other obligations, increasing the risk of defaults under applicable debt instruments and other unforeseeable consequences that could be adverse to Reorganized Lone Star and to the holders of the Senior Notes, the Asset Proceeds Notes, the New Lone Star Common Stock, and the Reorganized Lone Star Warrants.

9. LACK OF ESTABLISHED MARKET FOR SENIOR NOTES, ASSET PROCEEDS NOTES, NEW LONE STAR COMMON STOCK AND REORGANIZED LONE STAR WARRANTS

The valuations used to calculate recoveries under the Plan are not estimates of the prices at which the Securities to be distributed under the Plan may trade in the market. There is currently no existing market for the Senior Notes, Asset Proceeds Notes, New Lone Star Common Stock and Reorganized Lone Star Warrants and there can be no assurances that an active market will develop or as to the degree of price volatility in any such particular market. Accordingly, no assurance can be given that a holder of the Senior Notes, Asset Proceeds Notes, New Lone Star Common Stock or Reorganized Lone Star Warrants will be able to sell such securities in the future or as to the price at which any such sale may occur. If such markets were to exist, such securities could trade at prices higher or lower than the face amount thereof, depending upon many factors, including prevailing interest rates, markets for similar securities, industry conditions, and the performance of, and investor expectations for, Reorganized Lone Star.

It is currently contemplated that the New Lone Star Common Stock will be traded on a national securities exchange. The New Lone Star Common Stock will be issued pursuant to the Plan to pre-petition creditors, some of whom may prefer to liquidate their investments rather than to hold it on a long-term basis. Accordingly, it is anticipated that the market for New Lone Star Common Stock will be volatile, at least for an initial period after the Effective Date. Moreover, while the Plan was developed based upon an assumed midpoint reorganization equity value of $14.68 per share of New Lone Star Common Stock, such valuation was not an estimate of prices at which the New Lone Star Common Stock may trade in the market, and the Debtors have not attempted to make any such estimate in connection with the development of the Plan. No assurance can be given as to the market prices that will prevail following the Effective Date.

10. RISKS RESPECTING DISPUTED CLAIMS

A number of Disputed Claims are material and the total amount of all Claims, including Disputed Claims, is materially in excess of the estimated total amount of Allowed Claims assumed in the development of the Plan. It is a condition to the effectiveness of the Plan that the aggregate amounts of Allowed Claims be estimated or finally determined in amounts satisfactory to the Debtors. The ultimate aggregate amount of Allowed claims in any class may differ from the Debtors' estimates. Accordingly, the distributions that will ultimately be received by any particular holder of any Allowed Claim in Class 4 may be adversely affected by the aggregate amount of Claims ultimately allowed in Class 4.

VI. ALTERNATIVES TO THE PLAN

The possible alternatives which might arise if this Plan is rejected or if the Court refuses to confirm the Plan include (i) the conversion of the Debtors' Chapter 11 cases to liquidation cases under Chapter 7 of the Bankruptcy Code, or (ii) the filing of competing plans of reorganization.

A. CHAPTER 7 LIQUIDATION

If no plan can be confirmed the Debtors' Chapter 11 cases may be converted to cases under Chapter 7 of the Bankruptcy Code. A Chapter 7 case requires liquidation of a debtor's assets by an impartial trustee. The Chapter 7 trustee is prohibited from continuing to operate a debtor's business. By contrast, a Chapter 11 case is designed to permit a debtor time to formulate a plan of reorganization while continuing in the operation of its business thereby realizing the value of its operations on a going concern basis under the supervision and protection of the Bankruptcy Court.

In Chapter 7 liquidation cases, unsecured creditors and stockholders of a debtor are paid from available assets generally in the following order, with no lower class receiving any payments until all amounts due to senior classes have been paid fully or payment provided for:

1. Secured creditors (to the extent of the value of their collateral).

2. Priority creditors.

3. Unsecured creditors.

4. Debt expressly subordinated by its terms or by order of the Bankruptcy Court.

5. Stockholders.

The Debtors believe that a Chapter 7 liquidation would result in recoveries substantially less than the recoveries expected to be received pursuant to the Plan and that these reduced recoveries would be received at a much later time. Additional administrative expenses would result from the appointment of a trustee or trustees and corresponding professionals. Furthermore, the Debtors believe that substantial additional claims would result from cessation of their operations. These include employee severance claims, claims of Retirees, claims of the PBGC, contract and lease rejection claims and environmental claims (see the Liquidation Analysis annexed hereto as Exhibit "E").

B. THE FILING OF COMPETING PLANS OF REORGANIZATION

In the event the Plan is not confirmed on the Confirmation Date, the Debtors or other interested parties, could formulate and propose alternative plans of reorganization. Such plans might involve either a reorganization or

liquidation of the Debtors' businesses, or a combination of the two. Taking into account the current cash position of the Debtors, the complexity of their estates, the expense and delay involved in formulating, proposing and negotiating alternative plans at this juncture, and the difficulty of managing the administration of these estates if competing plans were submitted, the Debtors believe that a substantial portion of the value of these estates would be drained resulting in substantially less returns to holders of Allowed Claims and Stock Interests than under the present Plan.

With respect to the filing of alternative plans, in July, 1993, the Debtors sought a further extension of their exclusive period to solicit acceptances to the Plan which was scheduled to terminate in early August, 1993. The Equity Committee objected, although the Creditors' and Retiree Committees and other parties-in-interest supported the requested extension. The Equity Committee also sought to postpone the hearing (then scheduled for September 8, 1993) to consider approval of this Disclosure Statement. At a hearing held on July 29, 1993, the Debtors elected to consent to a termination of their exclusive solicitation period so long as the hearing on their Disclosure Statement was not postponed. Accordingly, as a result of the Debtors' consent to the termination of exclusivity, the Equity Committee's application to postpone the hearing on the Disclosure Statement was denied. Thus, on August 7, 1993, the Debtors' exclusivity period terminated and, as a result, other parties can file a plan of reorganization. However, upon approval of this Disclosure Statement, pursuant to Bankruptcy Rule 3016(a), a party-in-interest, other than the Debtors, may not file a plan unless confirmation of the Plan has been denied or the Bankruptcy Court otherwise directs.

VII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A. INTRODUCTION

The following discussion addresses certain material federal income tax consequences of the Plan to the holders of Allowed Unsecured Claims, holders of Allowed Preferred Stock Interests and holders of Allowed Common Stock Interests (collectively, the "Holders") and to the Debtors. This discussion does not purport to set forth all aspects of federal income taxation that may be relevant to particular Holders in light of individual circumstances or to certain types of Holders (e.g., life insurance companies, tax-exempt organizations and foreign persons) subject to special treatment under the Revenue Code, and does not discuss any aspects of state, local or foreign tax laws.

The analysis and conclusions set forth in this discussion are based upon the interpretation of applicable provisions of the Revenue Code, final and proposed Treasury regulations promulgated thereunder, and rulings and judicial decisions in effect as of the date hereof, all of which are subject to change (possibly with retroactive effect). It should be noted, that certain tax consequences of the Plan are unclear under existing law. Proposed regulations are, in some instances, subject to varying interpretations and do not address all of

the issues relevant to the Debtors or Holders. In addition, final Treasury regulations relating to a specific issue may differ from the proposed regulations and may retroactively affect tax consequences of the Plan.

This discussion of federal income tax consequences is not binding on the Internal Revenue Service (the "Service"). Therefore, there can be no assurance that the Service will not take a different position regarding the consequences of the Plan or that any such position would not be sustained. The Debtors have not obtained and do not intend to seek any advance rulings from the Service with respect to any federal income tax matter and have not requested or obtained any opinion of counsel with respect to any federal tax matter.

B. FEDERAL INCOME TAX CONSEQUENCES TO HOLDERS

1. OVERVIEW

The Plan contemplates that each Holder of an Allowed Unsecured Claim will receive its share, as set forth in the Plan, of the following consideration on the Effective Date: (i) Cash; (ii) Senior Notes bearing interest at 10% per annum payable semi-annually and maturing on July 31, 2003; (iii) Asset Proceeds Notes bearing interest at 10% per annum payable semi-annually and maturing on July 31, 1997, and, except with respect to Holders of Allowed 4A Unsecured Claims, and (iv) 85 percent of the New Lone Star Common Stock (subject to dilution for stock options and the Reorganized Lone Star Warrants, or increased in the event of a non-consensual Confirmation) plus, in the event of a non-consensual confirmation, a certain amount of Reorganized Lone Star Warrants.

In the event of a consensual Confirmation, holders of Allowed Preferred Stock Interests will receive 10.5 percent of the New Lone Star Common Stock plus 1,250,000 Reorganized Lone Star Warrants and Holders of Allowed Common Stock Interests will receive 4.5 percent of the New Lone Star Common Stock and 2,083,333 Reorganized Lone Star Warrants (all subject to dilution for certain stock options). The following discussion of the tax consequences to the Holders of Allowed Unsecured Claims, Allowed Preferred Stock Interests and Allowed Common Stock Interests is based on the assumption that the Confirmation of the Plan is consensual.

2. GAIN OR LOSS TO HOLDERS OF ALLOWED UNSECURED CLAIMS

a. Realization of Gain or Loss on the Effective Date

On the Effective Date, gain or loss will be realized by each Holder of an Allowed Unsecured Claim to the extent of the difference between (i) the sum of the amount of Cash, the "issue price" of the Senior Notes (although a cash method taxpayer possibly could use the fair market value of the notes, if different from issue price), the fair market value of the New Lone Star Common Stock, the fair market value of the Reorganized Lone Star Warrants in the event of a non-consensual Confirmation, and the fair market value of the Asset Proceeds Notes received by such Holder (other than the portion of such consideration allocated to unpaid interest that has economically accrued during the Holder's holding period with respect to its Allowed Unsecured Claim) and (ii) the adjusted tax basis of such Holder's Allowed Unsecured Claim (other than the portion of such claim representing such accrued but unpaid interest). Because a Holder will receive the Asset Proceeds Notes from Lone Star rather than from NewCo, the fair market value of such obligations rather than their issue price will govern the amount of gain or loss realized by a Holder from the exchange of its Allowed Unsecured Claim.

The issue price of the Senior Notes will be determined under the following rules incorporated in recently released proposed Treasury regulations. If the Senior Notes are traded on an established securities market at any time during the 60-day period ending 30 days after the date such notes are issued, their issue price will be equal to their fair market value (probably the mean between the highest and lowest quoted selling prices) as of the issue date. The Debtors' financial advisors have advised the Debtors that they believe the Senior Notes will trade at a price equal to their face amount. If the Senior Notes are not publicly traded within this 60-day period, their issue price will be equal to their face amount provided the Senior Notes bear interest equal to or greater than the "applicable federal rate" (the "AFR"). The Debtors do not anticipate that the Senior Notes will bear interest at a rate less than the AFR.

b. Recognition of Gain or Loss on the Effective Date

The extent to which gain or loss realized on the Effective Date is recognized for federal income tax purposes will depend on whether a Holder's Allowed Unsecured Claim and the Senior Notes each constitute a "security" of Lone Star for federal income tax purposes. Whether a debt instrument constitutes a security is based on the facts and circumstances surrounding the origin and nature of the debt and its maturity date. Generally, claims arising out of the extension of trade credit have been held not to be securities. Instruments with a five-year term or less also rarely qualify as securities. On the other hand, bonds or debentures with an original term of at least ten years have generally been considered to be securities. Holders of Allowed Unsecured Claims are advised to consult with their advisors to determine whether their claims are securities. While the issue is not free from doubt, the Debtors believe that the Senior Notes are securities, and the following discussion is based upon that treatment.

(1) Allowed Unsecured Claims Not Constituting Securities of Lone Star

A Holder of an Allowed Unsecured Claim that is not a security of Lone Star for tax purposes will recognize gain or loss equal to its realized gain or loss as described above.

Such Holder that, under its accounting method, was not required to include in income unpaid interest that has accrued during the Holder's holding period with respect to its Allowed Unsecured Claim will be treated as receiving ordinary interest income to the extent consideration received is allocable to such interest. This treatment applies regardless of whether the Holder realizes an overall gain or loss as a result of the exchange of its Allowed Unsecured Claim. A Holder that had previously included in income accrued but unpaid interest attributable to its claim will recognize a loss (generally deductible against ordinary income) to the extent such interest is not satisfied in full.

The Plan provides that payments to a holder of an Allowed Claim with respect to which there was accrued but unpaid interest as of the Filing Date shall be allowed first to the principal amount of the Allowed Claim and then to such accrued but unpaid interest to the extent that the amount of the payments under the Plan to such a Holder exceeds the principal amount of such claim. However, it is not entirely clear how a Holder receiving consideration that is less than the amount of its Allowed Unsecured Claim should allocate such consideration between principal and interest. The IRS may require that the consideration be allocated proportionately between the portion of the Allowed Unsecured Claim representing principal and the portion of such claim representing interest.

(2) Allowed Unsecured Claims Constituting Securities of Lone Star

A Holder of an Allowed Unsecured Claim qualifying as a security of Lone Star for federal income tax purposes will not recognize any loss from the exchange of its Allowed Unsecured Claim, but realized gain will be recognized to the extent of the amount of Cash, the fair market value of the Asset Proceeds Notes, and the fair market value of the Reorganized Lone Star Warrants in the event of a non-consensual Confirmation, received by such Holder (other than the portion of such property allocated to unpaid interest that has accrued during the Holder's holding period with respect to its Allowed Unsecured Claim). Thus, such a Holder should recognize gain (but not loss) on the exchange equal to the lesser of (i) the sum of the Cash and fair market value of the Asset Proceeds Notes received by a Holder (other than the portion of such property allocated to such accrued but unpaid interest) or (ii) the excess, if any, of the sum of amount of Cash, the fair market value of the New Lone Star Common Stock, the issue price of the Senior Notes, the fair market value of the Asset Proceeds Notes, and the fair market value of the Reorganized Lone Star Warrants in the event of a non-consensual Confirmation, received by a Holder of an Allowed Unsecured Claim (other than the portion of such consideration allocated to such accrued but unpaid interest) over the adjusted tax basis of its Allowed Unsecured Claim (other than the portion of such claim representing such accrued but unpaid interest).

While the exchange of an Allowed Unsecured Claim qualifying as a security for New Lone Star Common Stock and Senior Notes will be treated as a tax-free recapitalization, the nonrecognition rules generally applicable to tax-free reorganizations will not apply to the extent such consideration received by a Holder is attributable to unpaid interest that has accrued during such Holder's holding period with respect to its Allowed Unsecured Claim. The tax treatment of such a Holder with respect to the portion of the New Lone

Star Common Stock and Senior Notes allocated to such accrued but unpaid interest is as described above with respect to Holders of Allowed Unsecured Claims not qualifying as securities.

c. Character of Gain or Loss

The character of any gain or loss as capital or ordinary gain or loss and, in the case of capital gain or loss, as short-term or long-term, will depend on a number of factors, including: (i) the nature and origin of the Allowed Unsecured Claim; (ii) the tax status of the Holder of the Allowed Unsecured Claim; (iii) whether the Allowed Unsecured Claim is a capital asset in the hands of the Holder; (iv) whether the Allowed Unsecured Claim has been held for more than one year; (v) the extent to which the Holder previously claimed a loss, bad debt deduction or charge to a reserve for bad debts with respect to the Allowed Unsecured Claim; and (vi) the application of the "market discount" rules.

d. Basis and Holding Period of Property Received

In the case of a Holder of an Allowed Unsecured Claim qualifying as a security of Reorganized Lone Star, a Holder's aggregate adjusted tax basis in its New Lone Star Common Stock and Senior Notes (other than the portion of such consideration allocated to unpaid interest that has accrued during the Holder's holding period with respect to its claim) will be equal to the Holder's adjusted tax basis in its Allowed Unsecured Claim (other than the portion of such claim in respect of such accrued but unpaid interest), decreased by the sum of the amount of Cash, fair market value of Asset Proceeds Notes and the fair market value of the Reorganized Lone Star Warrants in the event of a non-consensual Confirmation (other than the portion of such property allocated to such accrued but unpaid interest), received and increased by any gain recognized on the exchange. This aggregate basis will, in turn, be allocated between the New Lone Star Common Stock and the Senior Notes in proportion to the relative fair market value of the stock and issue price (or possibly fair market value) of the debt immediately after the exchange. The holding period for the New Lone Star Common Stock and Senior Notes (other than the portion of such consideration allocated

to such accrued but unpaid interest) will include the period during which a Holder held the Allowed Unsecured Claim exchanged therefor, provided such claim was held as a capital asset on the date of the exchange. If a Holder of an Allowed Unsecured Claim does not hold such claim as a capital asset, the holding period for the New Lone Star Common Stock and Senior Notes will begin on the day immediately after the exchange.

A Holder's initial tax basis in the Asset Proceeds Notes and the Reorganized Lone Star Warrants in the event of a non-consensual Confirmation will be equal to the fair market value of such notes and warrants on the Effective Date. The Holder's holding period for such Asset Proceeds Notes and Reorganized Lone Star Warrants should begin on the day after the date of the exchange.

A Holder's initial tax basis in New Lone Star Common Stock and Senior Notes allocated to unpaid interest that accrued after the commencement of the Holder's holding period with respect to its Allowed Unsecured Claim should be the amount allocated to such accrued interest. The Holder's holding period for such New Lone Star Common Stock and Senior Notes should begin on the day after the date of the exchange.

The basis in New Lone Star Common Stock received by a Holder of an Allowed Unsecured Claim not constituting a security of Lone Star will be equal to the fair market value of such stock on the Effective Date. The tax basis of the Senior Notes received by such a Holder will be equal to its issue price (or possibly fair market value, if less, in the case of a cash method taxpayer).

e. Market Discount on Resale

A Holder of an Allowed Unsecured Claim may be subject to the market discount provisions of the Revenue Code. The Revenue Code generally requires a holder of a "market discount bond", as defined below, to treat as interest income any gain recognized on the disposition of such bond to the extent of the market discount accrued during the holder's period of ownership (unless such holder had elected to include market discount in income on a current basis). In the case of an Allowed Unsecured Claim that constitutes a security of Lone Star and is a market discount bond, a Holder will be required to treat accrued market discount as ordinary income only to the extent that it recognizes gain under the rules discussed above. Any accrued

market discount not treated as ordinary income because of the non-recognition treatment afforded to the receipt of New Lone Star Common Stock and Senior Notes will carry over to such non-recognition property. On disposition of any such New Lone Star Common Stock or Senior Notes, any gain recognized generally will be treated as ordinary income to the extent of the amount of accrued market discount carried over thereto.

The accrued market discount generally equals a ratable portion of the amount of the obligation's market discount, based on the number of days the holder has held the obligation at the time of such disposition, as a percentage of the number of days from the date the holder acquired the obligation to its maturity. A "market discount bond" is a debt obligation purchased at market discount (subject to a statutory de minimis exception).

An Asset Proceeds Note will be treated as a market discount bond in the hands of a Holder if the fair market value of such obligation on the Effective Date is less than its issue price. The Debtors anticipate that the Asset Proceeds Notes will not be publicly traded within the 60-day period referred to above. As a result, the issue price of such obligations will be equal to their face amount, whether interest is paid in cash or notes, assuming their interest rate will not be less than the AFR.

f. Effect of Original Issue Discount

The Debtors do not anticipate that the Senior Notes will be issued with original issue discount ("OID"), which is the excess of a debt instrument's "stated redemption price at maturity" over its issue price. However, because interest on the Asset Proceeds Notes will be paid in the form of additional notes if there is not adequate cash flow to pay interest, a Holder receiving notes will be required to include amounts in income in advance of cash payments. In the unlikely event Senior Notes are issued with OID, a Holder will also be taxed on amounts without a corresponding cash payment, except that the OID includable in income by a Holder may be reduced or eliminated to the extent a Holder's tax basis in the Senior Note exceeds the issue price.

3. GAIN OR LOSS TO HOLDERS OF ALLOWED PREFERRED STOCK AND ALLOWED COMMON

STOCK INTERESTS

A Holder of an Allowed Preferred Stock Interest or Allowed Common Stock Interest will not recognize gain or loss on the exchange of its stock for New Lone Star Common Stock because such exchange will qualify as a tax-free recapitalization, except that a Holder will recognize gain, if any, to the extent of the fair market value of any Reorganized Lone Star Warrants received. A Holder's tax basis in the New Lone Star Common Stock received will equal its basis in the stock exchanged, decreased by the fair market value of any Reorganized Lone Star Warrants received and increased by any gain recognized on the exchange. Its holding period for the New Lone Star Common Stock will include the holding period for such stock exchanged. A Holder's tax basis in Reorganized Lone Star Warrants will be equal to the fair market value on the Effective Date, and the holding period for the Reorganized Lone Star Warrants should begin on the day after the date of the exchange.

C. FEDERAL INCOME TAX CONSEQUENCES TO DEBTORS

1. OVERVIEW

The Debtors are members of an affiliated group of corporations filing a consolidated federal income tax return (the "Debtor Group"). The Debtor Group's NOL carryovers for regular federal income tax and alternative minimum tax ("AMT") purposes, as of January 1, 1993, are estimated to be $126 million and $37 million, respectively. It is noted that the Service has not audited the Debtor Group's tax returns for taxable years ending subsequent to December 31, 1982. If these returns were audited and the Service were to review the Debtor Group's NOL carryovers, there can be no assurance that such NOLs would not be reduced and that the courts would not sustain such reduction.

2. DEBT RESTRUCTURING

a. Discharge of Indebtedness

Under the Plan, it is expected that Allowed Unsecured Claims will be satisfied at a discount. Generally, the retirement of debt at a discount will result in income from the cancellation of debt ("COD Income") to the debtor equal to the excess of (i) the principal amount (as determined for federal income tax purposes) of the debt retired, plus any previously accrued but unpaid interest (unless such interest was not deducted by the debtor), over (ii) the amount of cash, issue price of new debt and/or the fair market value of other property given in satisfaction of such retired debt.

However, under Section 108 of the Revenue Code, if the discharge of the debtor's indebtedness is pursuant to a plan approved by a bankruptcy court in a Title 11 case, the debtor's COD Income is not required to be included in gross income. Instead, the amount of COD Income that would otherwise be required to be included in income is applied to reduce certain tax attributes of the debtor in the following order: NOL carryovers, certain credit carryovers, capital loss carryovers, the basis of the debtor's property (but not below its liabilities after the discharge) and foreign tax credit carryovers. A judicially-developed rule known as the "stock-for-debt" exception, now reflected in Section 108(e)(10) of the Revenue Code, generally provides, however, that the exchange of stock for debt by a corporation in a Chapter 11 proceeding where COD Income is otherwise realized will not result in tax attribute reduction or income recognition.

In order for the stock-for-debt exception to apply, stock (excluding any disqualified stock under Section 108 of the Revenue Code) issued in exchange for the debt must meet the following two "de minimis" tests: (i) the "nominal-or-token" test and (ii) the "proportionality" test. For the reasons discussed below, the stock-for-debt exception should apply to the exchange of New Lone Star Common Stock for Allowed Unsecured Claims in Lone Star under these tests.

The Service has recently issued proposed regulations which, unlike the proposed regulations issued in 1990, provide that the relevant facts and circumstances must be considered in determining whether stock issued for debt is nominal or token and do not base this determination on a specified list of factors. In addition, this determination is made on an aggregate basis with respect to all common stock issued for unsecured indebtedness in the Title 11 case. In light of the fair market value and percentage of New Lone Star Common Stock to be issued to Holders of Allowed Unsecured Claims pursuant to the Plan, the amount of such stock should not be considered nominal or token under these proposed regulations. A second "de-minimis" requirement that must be met for the stock-for-debt exception to apply to an unsecured creditor's indebtedness is

that the ratio of the value of the stock received by such creditor to the amount of debt cancelled or exchanged in consideration thereof cannot be less than 50 percent of a similar ratio computed for all unsecured creditors participating in the workout (whether or not they receive stock). The New Lone Star Common Stock issued under the Plan to each Holder of an Allowed Unsecured Claim should satisfy this requirement.

It is unclear whether the stock-for-debt exception will apply to the exchange of New Lone Star Common Stock for an Allowed Unsecured Claim that is an obligation of a Debtor other than Lone Star. If this exception does not apply, COD Income will be realized (but not recognized because the Debtors are in Chapter 11) in an amount equal to the excess of (i) the amount of such Allowed Unsecured Claims over (ii) the sum of the Cash, issue price of the Senior Notes, the fair market value of the Asset Proceeds Notes, and the fair market value of the New Lone Star Common Stock distributed with respect to such Allowed Unsecured Claims. It is also unclear whether the reduction of NOLs and other tax attributes applies on a separate company or affiliated group basis.

The Omnibus Budget Reconciliation Act of 1993, enacted on August 10, 1993, repealed the stock-for-debt exception, effective with respect to stock transferred after December 31, 1994, in satisfaction of any indebtedness, unless the transfer is in a bankruptcy case filed on or before December 31, 1993. This legislation will not apply to Reorganized Lone Star because its bankruptcy case was filed on December 10, 1990, prior to the effective date of this legislation.

b. Future Utilization of NOL Carryovers

Under Section 382 of the Revenue Code, a corporation's utilization of NOL carryovers may be restricted if the corporation undergoes (or previously has undergone) an "ownership change." A corporation will be considered as undergoing an ownership change if at any time during a rolling three-year period (the "testing period") the percentage of stock owned by one or more five-percent shareholders or deemed five-percent shareholders (as defined under technical rules under Section 382) increases by more than 50 percentage points over the lowest percentage of stock owned by each of such shareholders during the testing period. As a result of the exchange of New Lone Star Common Stock for Allowed Unsecured Claims, the Debtor Group will undergo an ownership change on the Effective Date with the result that its NOL carryovers will be subject to limitation under Section 382 of the Revenue Code as discussed below.

Unless a debtor elects for it not to apply, Section 382(l)(5) of the Revenue Code provides that in the case of a debtor under the jurisdiction of a bankruptcy court in a Title 11 case, the annual formula limitations imposed by Section 382 of the Revenue Code (as discussed below) will not apply to any ownership change resulting from such a proceeding if qualifying creditors and shareholders (determined immediately before such ownership change) own, after such ownership change as a result of being shareholders or creditors immediately before such change, 50 percent or more of the stock of the loss corporation. "Qualifying creditors" are persons that were creditors as of a date eighteen months before filing of the petition under Title 11 or persons whose claims arose in the ordinary course of the trade or business of the loss corporation (and were at all times beneficially owned by such persons). It should be noted, however, that if the loss corporation undergoes a subsequent ownership change within the two-year period following an ownership change with respect to which it avails itself of Section 382(l)(5) of the Revenue Code, its NOL carryovers are eliminated.

A cost of applying Section 382(l)(5) of the Revenue Code is that NOL carryovers must be reduced by the sum of: (1) any deduction for interest claimed by the loss corporation, with respect to any indebtedness converted into stock, for any taxable year ending during the three-year period preceding the taxable year of the ownership change and the portion of the year of the ownership change prior to the date of the ownership change, and (2) 50 percent of the excess of the discharged debt (other than the interest taken into account above) over the value of the stock and other property transferred to creditors in a transfer qualifying for the stock-for-debt exception described above.

The Debtor Group expects that it will elect not to apply the Section 382(l)(5) exception. (If it sought to apply Section 382(l)(5), it would have to determine whether the requirements to the application of Section 382(l)(5) were met.) Assuming the Debtor Group elects not to apply Section 382(l)(5), the NOL carryovers available each year to offset income would, in general, then be limited to the product of (i) the fair market value of the Debtor Group immediately after the ownership change (reflecting the increase in value as a result of the exchange of the Allowed Unsecured Claims) and (ii) the federal long-term tax-exempt interest rate in effect on the date of the ownership change

(currently approximately 5.49 percent), plus the portion of any such limitation amount not utilized in prior years. Even this limitation would not be available if the Debtor Group failed to conduct its historic business at all times during the two-year period following the date of the ownership change.

In addition, NOL carryovers otherwise available may be used without restriction during a five-year period (the "recognition period") subsequent to the ownership change to offset "built-in gains" (generally the excess of the fair market value of the assets of the Debtor Group over their adjusted tax basis) existing at the time of the ownership change and realized during the recognition period, up to the amount of the net built-in gain on the date of the ownership change, provided that on the date of the ownership change the amount of built-in gain with respect to the assets of the Debtor Group (excluding cash, cash equivalents and certain other assets) exceeds the lesser of $10 million or 15 percent of the fair market value of such assets. The Debtor Group believes that its assets contain an amount of built-in gain sufficient to satisfy this threshold and, as a result, it will be able to apply its NOL carryovers against all or a portion of gains arising from the sale of certain assets during that five-year period.

Special rules apply to the allocation of taxable income to "pre-change" and "post-change" periods of the tax year in which an ownership change occurs. Generally, taxable income for the year is allocated to each period on a pro rata basis. Built-in gains (or losses) recognized on or after the ownership change date (in an amount not exceeding the "net unrealized built-in gain" (or "loss")) are not prorated, but are allocated to the post-change period. In the case of built-in gains subject to the above rule, the Debtor Group's Section 382 limitation will be increased by a like amount.

c. Alternative Minimum Tax

A corporation is liable for AMT of 20 percent of alternative minimum taxable income ("AMTI") if such tax exceeds its regular tax liability. In addition, a corporation must separately compute and carry forward AMT NOL deductions. AMTI is generally calculated by making a series of adjustments to regular taxable income. An AMT NOL carryover cannot offset more than 90 percent of AMTI for any taxable year.

THE FOREGOING SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION PURPOSES ONLY. ACCORDINGLY, EACH HOLDER SHOULD CONSULT WITH SUCH HOLDER'S TAX ADVISOR AS TO THE SPECIFIC TAX CONSEQUENCES TO SUCH HOLDER OF THE PLAN AND THE OWNERSHIP AND DISPOSITION OF NEW LONE STAR COMMON STOCK, SENIOR NOTES AND ASSET PROCEEDS NOTES, INCLUDING THE APPLICATION AND EFFECT OF STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX LAWS.

VIII. APPLICABILITY OF FEDERAL AND OTHER SECURITIES LAWS

The Plan contemplates the issuance of certain securities to holders of Allowed Claims and Allowed Stock Interests. Section 1145 of the Bankruptcy Code creates certain exemptions from the registration and licensing requirements of federal and state securities laws with respect to the issuance and distribution of securities by a debtor under a plan of reorganization to holders of claims or interests wholly or principally in exchange for those claims or interests.

A. ISSUANCE OF SECURITIES UNDER THE PLAN

Section 1145 of the Bankruptcy Code exempts the issuance of securities under a plan of reorganization from registration under the Securities Act of 1933, as amended (the "Securities Act"), and under state securities laws if three principal requirements are satisfied: (i) the securities must be issued "under a plan" of reorganization by the debtor or its successor under a plan or an affiliate participating in a joint plan of reorganization with the debtor; (ii) the recipients of the securities must hold a claim against the debtor, an interest in the debtor or a claim for an administrative expense against the debtor; and (iii) the securities must be issued entirely in exchange for the recipients' claim against or interest in the debtor, or principally in such exchange and partly for cash or property. The Debtors believe that the contemplated issuance of New Lone Star Common Stock, Senior Notes, Asset Proceeds Notes and Reorganized Lone Star Warrants under the Plan satisfies all these conditions and, therefore, is exempt from registration under federal and state securities laws, although, as discussed in subsection B below, under certain circumstances, subsequent transfers of such securities may be subject to registration requirements under such securities laws.

B. SUBSEQUENT TRANSFERS OF SECURITIES ISSUED UNDER THE PLAN

Although the Debtors believe the subsequent sale or transfer of the New Lone Star Common Stock, Senior Notes, Asset Proceeds Notes and Reorganized Lone Star Warrants by recipients thereof would be exempt from registration under the Securities Act and not subject to related holding period requirements in most circumstances, certain recipients of the securities -- those recipients who are deemed "underwriters" as defined under Section 1145(b) of the Bankruptcy Code -- will be unable to resell such securities, except with respect to ordinary trading transactions of an entity that is not an issuer, absent registration of securities under the Securities Act and applicable state law or absent an exemption therefrom.

Section 1145(b) of the Bankruptcy Code defines four types of "underwriters": (1) a person who purchases a claim against, an interest in or a claim for administrative expense against the debtor, with a view to distributing any security received in exchange for such a claim or interest; (2) a person who offers to sell securities offered under a plan for the holders of such securities; (3) a person who offers to buy such securities for the holders of such securities, if the offer is (a) with a view to distributing them or (b) made under a distribution agreement; and (4) a person who is an "issuer" with respect to the securities, as the term "issuer" is defined in Section 2(11) of the Securities Act. Under Section 2(11) of the Securities Act, an "issuer" includes any person directly or indirectly controlling or controlled by the debtor, or any person under direct or indirect common control with the debtor.

Whether or not any particular person would be deemed to be an "underwriter" with respect to any security to be issued pursuant to the Plan would depend upon various facts and circumstances applicable to that person. Accordingly, the Debtors express no view as to whether any person would be an "underwriter" with respect to any security to be issued pursuant to the Plan.

GIVEN THE COMPLEX, SUBJECTIVE NATURE OF THE QUESTION OF WHETHER A PARTICULAR PERSON MAY BE AN UNDERWRITER, THE DEBTORS MAKE NO REPRESENTATIONS CONCERNING THE RIGHT OF ANY PERSON TO TRADE IN THE SECURITIES TO BE DISTRIBUTED PURSUANT TO THE PLAN. THE DEBTORS RECOMMEND THAT POTENTIAL RECIPIENTS OF SECURITIES UNDER THE PLAN CONSULT THEIR OWN COUNSEL CONCERNING WHETHER THEY MAY FREELY TRADE SUCH SECURITIES.

IX. POST CONFIRMATION MATTERS

A. OFFICERS AND DIRECTORS

There is presently no plan to change the current operational management of the Debtors following Confirmation. A determination has not yet been made with respect to post-Confirmation directors but, in accordance with Section 1129(a)(5) of the Bankruptcy Code, such information shall be disclosed on or prior to the Confirmation Date.

B. RETENTION OF JURISDICTION

From and after the Confirmation Date and until such time as all payments and distributions required to be made and all other obligations required to be performed under the Plan have been made and performed by the Debtors or Reorganized Debtors, the Bankruptcy Court shall retain such jurisdiction as is legally permissible, including, but not limited to, the following purposes:

(i) to hear and determine any and all objections to the allowance of a Claim or Stock Interest or any controversy as to the classification of Claims or Stock Interests or the Reserve, provided that only the Debtors and the Creditors' Committee may file objections to Claims;

(ii) to hear and determine any and all applications by Professionals for compensation and reimbursement of expenses;

(iii) to hear and determine any and all pending applications for the rejection and disaffirmance of executory contracts and unexpired leases and fix and allow any Claims resulting therefrom;

(iv) to enable the Debtors, NewCo or any party acting on behalf of NewCo to prosecute any and all proceedings which may be brought prior to the Effective Date to set aside liens or encumbrances and to recover any transfers, assets, properties or damages to which the Debtors (or NewCo) may be entitled under applicable provisions of the Bankruptcy Code or any other federal, state or local laws except as may be waived pursuant to the Plan;

(v) to liquidate any disputed, contingent or unliquidated Claims or

interests;

(vi) to enforce the provisions of the Plan and the injunction and releases provided for in the Plan;

(vii) to correct any defect, cure any omission, or reconcile any inconsistency in the Plan or in the Confirmation Order as may be necessary to carry out its purpose and the intent of the Plan;

(viii) to hear and determine any and all pending actions pursuant to Sections 544, 547, 548 and 550 of the Bankruptcy Code to set aside and recover (if applicable) any transfers determined to be preferential or fraudulent;

(ix) to determine any Tax Claim which the Estates may incur as a result of the transactions contemplated by the Plan; and

(x) to determine such other matters as may be provided for in the Confirmation Order confirming the Plan or as may be authorized under the provisions of the Bankruptcy Code.

C. ADMINISTRATION OF DISPUTED CLAIMS RESERVE -- ESCROW AGENT

With respect to Disputed Claims pending on the Effective Date, a Reserve will be established. Specifically, pursuant to Section 6.8 of the Plan, Cash, or with respect to Disputed Claims in Class 4 Cash and Securities, respecting Disputed Claims pending on the Effective Date shall not be distributed, but, if necessary, shall be deposited by the Debtors with the Escrow Agent on the Effective Date in the full amount of all Disputed Claims; provided, however, that if a holder of a Contingent or unliquidated claim is not receiving a distribution under the Plan and such Contingent or unliquidated claim is not being discharged by the Plan or is assumed by a Reorganized Debtor, the Debtors shall not be required to reserve any Cash or Securities with respect thereto.

For purposes of effectuating the Reserve provisions of the Plan and the distributions to holders of Allowed Claims, the Bankruptcy Court, on or prior to the Effective Date or such date or dates thereafter as the Bankruptcy Court shall set, may fix or liquidate the amount of Disputed Claims pursuant to Section 502(c) of the Bankruptcy Code, in which event the amounts so fixed or liquidated shall be deemed the amounts of the Disputed Claims pursuant to Section 502(c) of the Bankruptcy Code for purposes of distribution under the Plan. In lieu of fixing or liquidating the amount of any Disputed Claim, the Bankruptcy Court may determine the amount to be reserved for such Disputed Claim, or such amount may be fixed by agreement in writing by and between the Debtors and the holder thereof.

When a Disputed Claim becomes an Allowed Claim, there shall be distributed to such Allowed Claim, in accordance with the provisions of the Plan, Cash and/or Securities where applicable, equal to the amount of such Allowed Claim plus any Net Income earned thereon since the Effective Date.

No holder of a Disputed Claim shall have any Claim against the Cash and Securities reserved with respect to such Claim until such Disputed Claim shall become an Allowed Claim. In no event shall any holder of any Disputed Claim be entitled to receive (under the Plan or otherwise) from the Debtors or the Reserve, any payment (in Cash, Securities or other property) which is greater than the amount reserved for such Claim pursuant to Section 6.8 of the Plan plus any Net Income earned thereon since the Effective Date. In no event shall the Debtors or Reorganized Debtors have any responsibility or liability for any loss to or of any amount reserved under the Plan.

To the extent a Disputed Claim ultimately becomes an Allowed Claim in an amount less than the amount reserved for such Disputed Claim, then the resulting surplus of Cash and Securities (together with any Net Income thereon) shall be retained in the Reserve and shall be distributed on each Reserve Surplus Distribution Date or the Final Reserve Surplus Distribution Date, as the case may be, Pro Rata among holders of Allowed Unsecured Claims and Disputed Claims in Class 4; provided, however, that (a) except for the Final Reserve Surplus Distribution Date, no distribution shall be made on a Reserve Surplus Distribution Date unless, on such date, the aggregate amount, determined as of the Effective Date, of Cash and Securities to be distributed from the Reserve is at least $1,000,000, and (b) upon termination of the Reserve, any such surplus remaining after satisfaction of all Allowed Unsecured Claims shall revert to, and be retained by, Reorganized Lone Star.

D. CONDITIONS PRECEDENT TO EFFECTIVENESS OF THE PLAN(76)

The following provisions shall be the conditions precedent to the effectiveness of the Plan. In general, the Debtors believe that such conditions will be satisfied by effectuating settlements of claims and through additional claim objections and as a result of projected Cash that will be available on the Effective Date from operations and from asset dispositions.

(a) The aggregate amount of Allowed Administrative Claims (other than those arising in the ordinary course of business and Professional Fees), Allowed Tax Claims, and Allowed Priority Claims shall not exceed $8,000,000 (exclusive of amounts required to cure defaults in executory contracts or unexpired leases to be assumed pursuant to the Plan);

(b) The aggregate amount of Allowed Secured Claims shall not exceed $4,000,000;

(c) The aggregate amount of Allowed Unsecured Claims and the amounts to be reserved for Disputed Claims shall not exceed $577,000,000, of which the aggregate amount of Allowed 4A Unsecured Claims shall not exceed $23,200,000;

(d) On the Effective Date, the Debtors shall have no less than $238,172,000 in Cash;

(e) The Substantive Consolidation Order shall contain substantially the provisions set forth in Section 7.1 of the Plan;

(f) Final Orders, in form and substance reasonably acceptable to the Creditors' Committee, shall be entered with respect to (i) the treatment of Claims in respect of Retiree Benefits (including modifications of plans or contracts pursuant to Section 1114 of the Bankruptcy Code) as set forth in the settlement respecting such Retiree Benefits described in Section III(G)(3)(c) of this Disclosure Statement; provided, however, that solely with respect to matters referred to in this clause (i), any Final Order shall also be in form and substance reasonably satisfactory to the Retiree Committee, (ii) treatment of all claims of (A) the PBGC, and (B) the United States Environmental Protection Agency, and (iii) claims and obligations arising under, in connection with or related to an Amended and Restated Conveyance of Production Payment Agreement dated as of September 1, 1988, by and between Lone Star and John Fouhey, as Trustee for Selleck Hill Trust; provided, however, that solely with respect to matters referred to in this clause (iii), any Final Order shall also be in form and substance reasonably satisfactory to the lenders under the Amended and Restated Term Loan Agreement dated as of September 1, 1988 among John Fouhey as Trustee for Selleck Hill Trust, the lenders thereunder and Morgan Guaranty Trust Company of New York, as Agent;

(g) All documents contemplated to be executed or implemented in connection with the Plan including, without limitation, Exhibits G, H, I, L, M, N, P, Q, R, S, and T annexed to this Disclosure Statement, shall be in a form reasonably satisfactory to the Official Committee of Unsecured Creditors; and

(h) The Debtors expressly reserve the right to waive any of the conditions set forth in Article IX of the Plan, except that no such condition may be waived without the consent of the Creditors' Committee and, solely with respect to clause (iii) of Section 9.6 of the Plan, the lenders under the Amended and Restated Term Loan Agreement dated as of September 1, 1988 among John Fouhey, as Trustee for Selleck Hill Trust, the lenders thereunder and Morgan Guaranty Trust Company of New York, as Agent.

In addition, while the Debtors anticipate that the Effective Date will occur in January, 1994, besides the conditions precedent to the Plan's effectiveness discussed above, in the event an appeal is taken to the Confirmation of the Plan, the effectiveness of the Plan could be delayed if the party appealing obtains a stay of the Confirmation order pending the determination of its appeal.

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76 The form and substance of certain documents and orders respecting the treatment of claims must be approved by the Creditors' Committee because the holders of Allowed Unsecured Claims in Class 4 will collectively own at least 85% of the New Lone Star Common Stock and it is essentially their recoveries that would be impacted by the terms of such documents and jeopardized by excessive claims of the relevant constituencies.

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E. DISSOLUTION OF COMMITTEES

Each committee shall dissolve and all powers of each such committee shall terminate as follows: (a) with respect to the Equity Committee, on the Confirmation Date (except with respect to motions pending as of such date), (b) with respect to the Retiree Committee, on the later of (i) the Effective Date, or (ii) the date an order of the Bankruptcy Court respecting the treatment of those Retiree Benefits of persons represented by such committee becomes a Final Order; and (c) with respect to the Creditors' Committee, on the Final Reserve Surplus Distribution Date. The Debtors believe that the respective termination dates are in accordance with the Bankruptcy Code and are appropriate based on the interests represented by each of the committees.

X. CONCLUSION

For the reasons set forth herein, the Debtors urge all holders of Claims or Stock Interests which are or may be impaired under the Plan to vote to accept the Plan, and to evidence such acceptance by returning their Ballots so that they will be duly and timely received in the manner prescribed herein.

Dated: New York, New York
November 4, 1993

LONE STAR INDUSTRIES, INC., ET AL.
Debtors and Debtors-in-Possession

By: /s/ DAVID W. WALLACE
David W. Wallace,
Chairman and Chief Executive Officer

PROSKAUER ROSE GOETZ & MENDELSOHN
Counsel to the Debtors and
Debtors-in-Possession

By: /s/ ALAN B. HYMAN
Alan B. Hyman, Esq. (AH 6655)
A Member of the Firm
1585 Broadway
New York, New York 10036
(212) 969-3000

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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	
NEW YORK TRAP ROCK CORPORATION, LONE STAR INDUSTRIES, INC., SAN-VEL CONCRETE CORPORATION, NYTR TRANSPORTATION CORPORATION, LONE STAR CEMENT INC., CONSTRUCTION MATERIALS COMPANY, I.C. MATERIALS, INC., LONE STAR PRESTRESS CONCRETE, INC., LONE STAR PROPERTIES, INC., SOUTHERN AGGREGATES, INC., LONE STAR TRANSPORTATION CORPORATION, LONE STAR BUILDING CENTERS, INC. and LONE STAR BUILDING CENTERS (EASTERN) INC.,	Chapter 11
Debtors.	Case Nos. 90 B 21276 to 90 B 21286, 90 B 21334 and 90 B 21335 (HS) (Jointly Administered)

DEBTORS' MODIFIED AMENDED CONSOLIDATED PLAN OF REORGANIZATION

Dated: November 4, 1993
New York, New York

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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	)	Chapter 11
NEW YORK TRAP ROCK CORPORATION, LONE STAR INDUSTRIES, INC., et al.,	)	Case Nos. 90 B 21276 to 90 B 21286, 90 B 21334 and 90 B 21335 (HS)
Debtors.	)	(Jointly Administered)

DEBTORS' MODIFIED AMENDED CONSOLIDATED PLAN OF REORGANIZATION

Lone Star Industries, Inc., New York Trap Rock Corporation, San-Vel Concrete Corporation, NYTR Transportation Corp., Lone Star Cement Inc., Construction Materials Company, I.C. Materials, Inc., Lone Star Prestress Concrete, Inc., Lone Star Properties, Inc., Southern Aggregates, Inc., Lone Star Transportation Corporation, Lone Star Building Centers, Inc. and Lone Star Building Centers (Eastern) Inc. propose the following Modified Amended Consolidated Plan of Reorganization pursuant to Section 1121(a) of the Bankruptcy Code:

ARTICLE I

DEFINITIONS

For purposes of this Modified Amended Consolidated Plan of Reorganization, the following terms shall have the meanings herein set forth. Unless otherwise indicated, the singular shall include the plural. Capitalized terms shall at all times refer to the terms as defined in this Article.

1.1 "Administrative Claim" shall mean a Claim for any cost or expense of administration of the Reorganization Cases, allowed under Section 503(b) of the Bankruptcy Code that is entitled to priority under Section 507(a)(1) of the Bankruptcy Code, including, without limitation, fees and expenses of Professionals to the extent allowed by the Bankruptcy Court under Sections 330,

331, or 503 of the Bankruptcy Code and all fees and charges assessed against the Debtors' Estates pursuant to 28 U.S.C. sec. 1930.

1.2 "Allowed Claim" shall mean a Claim: (a) that has been scheduled by the Debtors pursuant to Section 521(1) of the Bankruptcy Code and Bankruptcy Rule 1007 and (i) is not scheduled as disputed, contingent or unliquidated, and (ii) is not a Claim as to which a proof of Claim has been filed; (b) is a Claim, or a portion of a Claim (if applicable), as to which a timely proof of Claim has been filed as of the Bar Date and no objection thereto (or, if an objection has been made only to a portion of a Claim, the portion as to which no objection has been made), or application to equitably subordinate or otherwise limit recovery (or, if such application relates only to a portion of a Claim, the portion to which the Application does not relate), has been made on or before any applicable deadline; or (c) has been allowed by a Final Order. "Allowed Claim" shall not include interest on the amount of any Claim except with respect to an Allowed Secured Claim as permitted by Section 506(b) of the Bankruptcy Code.

1.3 "Allowed Common Stock Interest" shall mean any interest in the Common Stock, $1.00 par value, exclusive of any shares of such stock held in treasury (other than Claims for rescission and damages respecting the purchase of Common Stock), which is registered as of the Record Date in such stock register as may be maintained by or on behalf of Lone Star, and to which no objection has been made on or before any applicable deadline, or which has been allowed as a Final Order.

1.4 "Allowed Convenience Claim" shall mean Allowed Unsecured Claims of a single holder that are either (i) $5,000 or less in the aggregate, or (ii) greater than $5,000 in the aggregate but as to which the holder thereof elects to reduce to $5,000 in the manner set forth on the ballot for accepting or rejecting the Plan, and the effect of which election is described in Section 6.16 of this Plan.

1.5 "Allowed Equity Interests in Subsidiaries" shall mean all equity interests held by any Debtor and/or any third parties in any of the Debtors' subsidiaries.

1.6 "Allowed 4A Unsecured Claim" shall mean an Allowed Unsecured Claim against any of the following Debtors that is not an Intercompany Claim, Allowed Convenience Claim or an Allowed Claim in Class 7 of this Plan: (i) Construction Materials Company, (ii) I.C. Materials, Inc., (iii) Lone Star Cement Inc., (iv) New York Trap Rock Corporation, or (v) Southern Aggregates, Inc.

1.7 "Allowed 4B Unsecured Claim" shall mean any Allowed Unsecured Claim that is not an Allowed 4A Unsecured Claim, Intercompany Claim, Allowed Convenience Claim or an Allowed Claim in Class 7 of this Plan.

1.8 "Allowed Preferred Stock Interest" shall mean any interest in the Preferred Stock, and any Claims arising thereunder, including, without limitation, the par value and the accrued and unpaid dividends thereon whether or not declared, which interests are registered on the Record Date in such stock register as may be maintained by or on behalf of Lone Star, and as to which no objection has been made on or before any applicable deadline, or which has been allowed by a Final Order.

1.9 "Allowed Priority Claim" shall mean that portion of an Allowed Claim, if any, entitled to priority under Section 507(a) of the Bankruptcy Code, exclusive of Allowed Tax Claims and Allowed Administrative Claims.

1.10 "Allowed Secured Claim" shall mean that portion of an Allowed Claim, equal to the value, as determined by the Bankruptcy Court pursuant to Section 506(a) of the Bankruptcy Code and Bankruptcy Rule 3012, of the interest of the holder of the Allowed Secured Claim in the property of any of the Debtors securing such Allowed Secured Claim.

1.11 "Allowed Tax Claim" shall mean that portion of an Allowed Claim entitled to priority under Section 507(a)(7) of the Bankruptcy Code.

1.12 "Allowed Unsecured Claim" shall mean any Allowed Claim that is not an Allowed Administrative Claim, an Allowed Priority Claim, an Allowed Secured Claim or an Allowed Tax Claim.

1.13 "Asset Proceeds Note Indenture" shall mean the indenture pursuant to which the Asset Proceeds Notes will be issued, to be in the form annexed to the Disclosure Statement as Exhibit "M", with such deletions, additions, modifications or other revisions as shall be negotiated between the Debtors and the Official Committee of Unsecured Creditors to their mutual satisfaction.

1.14 "Asset Proceeds Note Trustee" shall mean such entity selected by the Debtors and reasonably acceptable to the Official Committee of Unsecured Creditors who shall act as indenture trustee under the Asset Proceeds Note Indenture and who will maintain the register respecting the Asset Proceeds Notes.

1.15 "Asset Proceeds Notes" shall mean the notes of NewCo in the aggregate principal amount of $138,118,000 less, on a dollar for dollar basis, the aggregate net proceeds from disposition of the Non-Core Assets consummated prior to the Effective Date, in $1,000 increments, issued pursuant to the Asset Proceeds Note Indenture, which shall mature on July 31, 1997 without prior amortization other than with respect to net proceeds of Non-Core Asset dispositions, and which shall be (i) the subject of the Reorganized Lone Star Guarantee, and (ii) secured by first priority liens and security interests, subject to valid and perfected existing

liens and security interests, as the case may be, on all of the assets of NewCo pursuant to the Collateral Agency Agreement; provided, however, that, upon maturity of the Asset Proceeds Notes, the Asset Proceeds Note Trustee may either (i)(a) enforce the Reorganized Lone Star Guarantee and, upon payment under such guarantee or the issuance of promissory notes of Reorganized Lone Star pursuant to the terms of such guarantee, there shall be a corresponding reduction of the Assets Proceeds Notes and (b) enforce its rights against the Non-Core Assets, but only to the extent of the outstanding obligations under the Asset Proceeds Notes after deduction of payments made under the Reorganized Lone Star Guarantee, or (ii) defer, with the approval of a requisite percentage of the holders of the Asset Proceeds Notes, enforcing the Reorganized Lone Star Guarantee and its rights under the Asset Proceeds Notes and the Asset Proceeds Notes Indenture for up to three one-year periods from the original maturity date of such notes. The Asset Proceeds Notes shall bear simple interest at the rate of ten percent (10%) per annum payable in semi-annual installments; provided, however, that NewCo may, if it does not have sufficient cash, pay all or a portion of such interest when due (or within any applicable grace period) by the issuance of additional Asset Proceeds Notes (which additional notes shall, in all respects, contain the same terms and maturity as those Asset Proceeds Notes issued on the Effective Date).

1.16 "Available Cash" shall mean all Cash of the Debtors on the Effective Date after deduction of (i) amounts to be distributed to the Professional Fee Reserve (currently estimated to be $8,100,000), (ii) $26,000,000 for working capital requirements of Reorganized Lone Star, (iii) $2,400,000 for a Bankruptcy Court approved retention program, (iv) $1,600,000 for estimated severance payments, (v) $5,000,000 to capitalize NewCo, (vi) $1,500,000 for certain post-Effective Date Chapter 11 costs, and (vii) Cash to be distributed to holders of Administrative Claims, Allowed Convenience Claims, Allowed Priority Claims, Allowed Secured Claims, and Allowed Tax Claims pursuant to this Plan.

1.17 "Bankruptcy Code" shall mean the Bankruptcy Reform Act of 1978, 11 U.S.C. sec.sec. 101 et seq. as in effect on the Filing Date, as the same thereafter has been and may be amended.

1.18 "Bankruptcy Court" shall mean the United States Bankruptcy Court for the Southern District of New York or such other court as may hereafter be granted primary jurisdiction over the Reorganization Cases.

1.19 "Bankruptcy Rules" shall mean the Federal Rules of Bankruptcy Procedure, effective August 1, 1991 in accordance with the provisions of 28 U.S.C. sec. 2075 as the same thereafter has been and may be amended.

1.20 "Bar Date" shall mean October 15, 1991, which is the date fixed by order of the Bankruptcy Court by which all Persons asserting a Claim against the Debtors must have filed a proof of claim or be forever barred from asserting a Claim against the Debtors or their property, and from voting on the Plan and/or sharing in distribution thereunder or such other date as may have been fixed by order of the Bankruptcy Court.

1.21 "Business Day" shall mean any day other than a Saturday, Sunday or legal holiday as such term is defined in Bankruptcy Rule 9006.

1.22 "Cash" means cash, cash equivalents (including personal checks drawn on a bank insured by the Federal Deposit Insurance Corporation, certified checks and money orders) and other readily marketable direct obligations of the United States of America and certificates of deposit issued by banks.

1.23 "Claim" shall mean a Claim against the Debtors as defined in Section

101(5) of the Bankruptcy Code, to wit:

(a) a right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured; or

(b) a right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured.

1.24 "Claimant" shall mean the holder of a Claim.

1.25 "Class" shall mean a category of Claimants holding Claims or holders of Stock Interests which are substantially similar in nature to the Claims of the other Claimants or the Stock Interests of other holders in such Class, as classified pursuant to the Plan.

1.26 "Collateral Agency Agreement" shall mean the agreement respecting the granting of liens and security interests on all of the assets of NewCo to secure the obligations of NewCo under the Asset Proceeds Notes, to be in the form annexed to the Disclosure Statement as Exhibit "G", with such deletions, additions, modifications or other revisions as shall be negotiated between the Debtors and the Official Committee of Unsecured Creditors to their mutual satisfaction.

1.27 "Committees" shall mean, collectively, the Official Committee of Unsecured Creditors, the Official Committee of Equity Security Holders and the Official Committee of Retired Employees appointed in the Reorganization Cases as the same may be constituted from time to time.

1.28 "Common Stock" shall mean the presently authorized $1.00 par value per share common stock of Lone Star, exclusive of any shares of such stock held in treasury.

1.29 "Confirmation" shall mean entry of an order by the Bankruptcy Court confirming the Plan pursuant to Section 1129 of the Bankruptcy Code.

1.30 "Confirmation Date" shall mean the date upon which the Confirmation Order is entered by the Bankruptcy Court. The Confirmation Date may be adjourned by the Bankruptcy Court from time to time without further notice other than the announcement of the adjourned date at the hearing to consider Confirmation of the Plan.

1.31 "Confirmation Order" shall mean the order of the Bankruptcy Court confirming the Plan pursuant to Section 1129 of the Bankruptcy Code.

1.32 "Contingent Claim" shall mean any Claim for which a proof of claim has been filed with the Bankruptcy Court but was not filed in a sum certain and which Claim has not been fixed by the Bankruptcy Court at a sum certain.

1.33 "Core Assets" shall mean the Debtors' interests in all assets other than the Non-Core Assets, including, without limitation, the following:

(i) cement plants located in Greencastle, Indiana; Medley, Florida; Cape Girardeau, Missouri; Pryor, Oklahoma; Maryneal, Texas; and Oglesby, Illinois and related terminals;

(ii) Construction Materials Company;

(iii) I.C. Materials, Inc.;

(iv) Memphis Ready Mix, a division of Lone Star;

(v) Kosmos Cement Company;

(vi) New York Trap Rock Corporation; and

(vii) Construction Aggregates Limited.

1.34 "Covered Deficiency" shall mean the excess, if any, of (a) the sum of (i) $88,118,000 less, on a dollar for dollar basis, the aggregate net proceeds from dispositions of the Non-Core Assets consummated prior to Confirmation, plus (ii) interest accrued on such amount (reduced from time to time by all payments (principal and interest) made by the obligor under the Asset Proceeds Notes and by the amount (principal and accrued interest) of any Asset Proceeds Notes

redeemed or otherwise purchased by such obligor or its affiliates) from the Effective Date to the date in respect of which the calculation of Covered Deficiency is to be made, at the rate of 10% per annum compounded every six months over (b) the sum of all amounts paid (principal and interest) to the Asset Proceeds Note Trustee with respect to the Asset Proceeds Notes by the obligor thereunder and the amount of Asset Proceeds Notes redeemed or otherwise purchased by such obligor or its affiliates (other than from the obligor or its affiliates) on or prior to the date in respect of which the

calculation of Covered Deficiency is to be made; provided, however, that in no event shall the Covered Deficiency exceed $20,000,000 plus interest accrued thereon from the Effective Date to the date in respect of which the calculation of Covered Deficiency is to be made, at the rate of 10% per annum, compounded every six months.

1.35 "Debtors" shall mean, collectively, New York Trap Rock Corporation, Lone Star Industries, Inc., San-Vel Concrete Corporation, NYTR Transportation Corp., Lone Star Cement Inc., Construction Materials Company, I.C. Materials, Inc., Lone Star Prestress Concrete, Inc., Lone Star Properties, Inc., Southern Aggregates, Inc. and Lone Star Transportation Corporation, all of which filed their respective voluntary petitions for reorganization pursuant to Chapter 11 of the Bankruptcy Code on December 10, 1990, and Lone Star Building Centers, Inc. and Lone Star Building Centers (Eastern) Inc., both of which filed their respective voluntary petitions for reorganization pursuant to Chapter 11 of the Bankruptcy Code on December 21, 1990.

1.36 "Disclosure Statement" shall mean the Disclosure Statement respecting the Plan filed by the Debtors in the Reorganization Cases and approved by order of the Bankruptcy Court as containing adequate information in accordance with Section 1125 of the Bankruptcy Code.

1.37 "Disputed Claim" shall mean (i) any Claim as to which an objection to the allowance thereof has been interposed as of the Effective Date or any date fixed by order of the Bankruptcy Court or, if the objection is to a portion of a Claim, the portion of a Claim to which the objection is made and which objection has not been determined by a Final Order, or (ii) a Contingent Claim.

1.38 "Effective Date" shall mean the first Business Day following the date upon which the Confirmation Order becomes a Final Order, or a date as soon as practicable thereafter that the Debtors are able to effectuate the distributions described in this Plan, but such date shall in no event be (i) earlier than January 3, 1994, or (ii) later than January 31, 1994 unless extended by order of the Bankruptcy Court.

1.39 "Escrow Agent" shall mean the bank, trust company, or other organization independent of the Debtors, selected by the Debtors and reasonably acceptable to the Official Committee of Unsecured Creditors pursuant to an agreement approved by the Bankruptcy Court, designated to act as escrow agent with respect to the Reserve contemplated by Section 6.8 of this Plan.

1.40 "Estates" shall mean the estates created in the Reorganization Cases by Section 541 of the Bankruptcy Code.

1.41 "Filing Date" shall mean, with respect to each of the Debtors, the date upon which such Debtor filed its voluntary Chapter 11 petition pursuant to Chapter 11 of the Bankruptcy Code.

1.42 "Final Order" shall mean an order or judgment of the Bankruptcy Court which has not been reversed, stayed, modified or amended and as to which the time to appeal or seek review, rehearing, reargument or certiorari has expired or as to which any right to appeal or to seek certiorari, review, or rehearing has been waived.

1.43 "Final Reserve Surplus Distribution Date" shall mean the first Business Day occurring thirty (30) days, or as soon as practicable thereafter, after the date upon which the last Disputed Claim becomes an Allowed Claim or is expunged or, if later, the last date on which Cash or Securities may be claimed under Section 6.10 of this Plan.

1.44 "Intercompany Claim" shall mean all claims and obligations by and among the Debtors and between any of the Debtors and their (either direct or indirect) non-Debtor subsidiaries.

1.45 "Litigations" shall mean the Debtors' interests in the following litigations: (i) Lone Star Industries, Inc. v. Compania Naviera Perez Companc; S.A.C.F.I.M.F.A., et al., Case No. 93CIV.5480 (VLB) (United States District

Court, Southern District of New York); (ii) any and all actions which have been or may be commenced by the Debtors to avoid and recover transfers of property pursuant to Sections 544, 547, 548 and 550 of the Bankruptcy Code including, without limitation, the following: (a) Lone Star Industries, Inc. v. Aid Association for the Lutherans, et al.; Ad. Pro. No. 92-5443A (United States Bankruptcy Court,

Southern District of New York); (b) Lone Star Industries, Inc. v. The Minnesota Mutual Life Insurance Co., et al., Ad. Pro. No. 92-5444A (United States Bankruptcy Court, Southern District of New York); (c) Lone Star Industries, Inc. v. Farmers Group, Inc., et al., Ad. Pro. No. 92-5445A (United States Bankruptcy Court, Southern District of New York); (d) Lone Star Industries, Inc. v. Morgan Guaranty Trust Company of New York, et al., Ad. Pro. No. 92-5446A (United States Bankruptcy Court, Southern District of New York); (e) Lone Star Industries, Inc. v. The Prudential Insurance Company of America, Ad. Pro. No. 92-5447A (United States Bankruptcy Court, Southern District of New York); and (f) Lone Star Industries, Inc. v. Tom G. Guennewig, Ad. Pro. No. 93-5201A (United States Bankruptcy Court, Southern District of New York); (iii) Lone Star Industries, Inc., et al. v. Lafarge Corp., et al., Case No. 93-1505(L) and Lafarge Corp., et al. v. Lone Star Industries, Inc., et al., Case No. 93-1506 (XAP) (United States Court of Appeals for the Fourth Circuit); and (iv) Lone Star Industries, Inc. v. Liberty Mutual Insurance Company, et al., Civil Action No. 89C-SE-187 (Superior Court, State of Delaware).

1.46 "Lone Star" shall mean Lone Star Industries, Inc., a Delaware corporation, and when used in this Plan, shall mean such corporation either as Debtor or Debtor and Debtor-in-Possession in Case No. 90 B 21277 and/or as Reorganized Lone Star, depending on the context of the use thereof.

1.47 "Net Income" with respect to amounts paid out by the Reserve shall mean the amount of interest theretofore earned by the Reserve on amounts which would have otherwise been distributable, less a Pro Rata Portion of the Reserve Expenses as of such date. For purposes of this definition of Net Income, a "Pro Rata Portion" of the Reserve Expenses as of a date in respect of a particular amount shall mean the product of (a) the Reserve Expenses as of such date multiplied by (b) the fraction the numerator of which is the aggregate amount of interest theretofore earned on such particular cash amount (based upon the average rate of interest earned on all the interest-bearing accounts in which the Reserve is invested as estimated by the Escrow Agent), as the case may be, and the denominator of which is the total of all interest theretofore earned by the Reserve. For purposes of determining Net Income as of a date, the Escrow Agent may estimate Reserve Expenses as of such date by any reasonable method as approved in writing by the Debtors.

1.48 "New Lone Star Charter" shall mean the amended and restated articles of incorporation and by-laws of Reorganized Lone Star, to be in the forms annexed to the Disclosure Statement as Exhibits "H" and "I", respectively, with such deletions, additions, modifications or other revisions as shall be negotiated between the Debtors and the Official Committee of Unsecured Creditors to their mutual satisfaction.

1.49 "New Lone Star Common Stock" shall mean the $1.00 par value common stock of Reorganized Lone Star issued pursuant to this Plan.

1.50 "NewCo" shall mean Rosebud Holdings, Inc., a Delaware corporation and wholly-owned subsidiary of Reorganized Lone Star to be formed pursuant to this Plan and capitalized with an equity contribution of $5,000,000 in cash upon formation and which will (i) be the transferee of the Non-Core Assets (including liabilities associated therewith and subject to valid and perfected existing liens and security interests) and (ii) issue the Asset Proceeds Notes.

1.51 "NewCo Charter" shall mean the articles of incorporation and by-laws of NewCo, to be in the form annexed to the Disclosure Statement as Exhibits "P" and "Q", respectively, with such deletions, additions, modifications or other revisions as shall be negotiated between the Debtors and the Official Committee of Unsecured Creditors to their mutual satisfaction.

1.52 "Non-Core Assets" shall mean the Debtors' interests (including associated liabilities) in those assets being transferred to NewCo including, but not limited to, the following assets, provided that the Debtors' interests in such assets have not been disposed of prior to the Effective Date:

(i) Companhia Nacional de Cimento Portland;

(ii) (a) RMC LONESTAR; (b) a Lease and Sublease dated December 31, 1987 between RMC LONESTAR and Lone Star Industries, Inc.; and (c)

Promissory Notes dated June 30, 1993 executed by RMC LONESTAR in favor of Lone Star California, Inc.;

(iii) Lone Star-Falcon;

(iv) Hawaiian Cement;

(v) cement plants located in Nazareth, Pennsylvania; and Santa Cruz, California;

(vi) the Litigations;

(vii) a Promissory Note dated April 7, 1987 executed by Arthur A. Riedel in favor of Lone Star Industries, Inc. and related agreements; and

(viii) certain surplus real property comprised of: 127 acres in Irving, Texas (Las Colinas); 182 acres in Fort Worth, Texas; 515 acres in Dallas, Texas (Echo Valley); 7 acres in North Miami, Florida (Ojus); 16 acres in Tampa, Florida; 44 acres in Dania, Florida; 126 acres in Ayer, Massachusetts (Stoneybrook); 561 acres in Groton, Massachusetts; 190 acres in Littleton, Massachusetts (San-Vel Prestress Building); 255 acres in Henrico County, Virginia; 147 acres in Colonial Heights, Virginia; 90 acres in Prince Georges County, Maryland; 9 acres in Dallas, Texas (Lone Star Park); 13 acres in Houston, Texas (Pole Plant Site); 13 acres in New Orleans, Louisiana; 170 acres in Ayer, Massachusetts (Long Pond); and 8 acres in Minneapolis, Minnesota (Eagan).

1.53 "Person" shall mean any individual, corporation, partnership, joint venture, trust, estate, unincorporated association, or organization, governmental entity or political subdivision thereof, or any other entity.

1.54 "Plan" shall mean this modified amended consolidated Chapter 11 plan of reorganization and any exhibits hereto and any documents incorporated herein by reference, as the same may from time to time be amended as and to the extent permitted herein or by the Bankruptcy Code.

1.55 "Pledge Agreement" shall mean the agreement to be executed by Reorganized Lone Star, to be in the form annexed to the Disclosure Statement as Exhibit "R", with such deletions, additions, modifications or other revisions as shall be negotiated between the Debtors and the Official Committee of Unsecured Creditors to their mutual satisfaction, pursuant to which Reorganized Lone Star shall pledge its right, title and interest in all of the issued and outstanding common stock of NewCo to the Asset Proceeds Note Trustee to secure Reorganized Lone Star's obligations under the Reorganized Lone Star Guarantee.

1.56 "Preferred Stock" shall mean, collectively, (i) the presently authorized $13.50 cumulative convertible preferred shares, par value $1.00 per share, of Lone Star, and (ii) the presently authorized $4.50 cumulative convertible preferred shares, par value $1.00 per share, of Lone Star.

1.57 "Pro Rata" shall mean the ratio of an Allowed Claim or Stock Interest in a particular Class to the aggregate amount of all Allowed Claims or Stock Interests in that Class.

1.58 "Professional Fees" shall mean all allowances of compensation and reimbursement of expenses allowed to Professionals by the Bankruptcy Court pursuant to Section 330, 331 or 503(b) of the Bankruptcy Code.

1.59 "Professional Fee Reserve" shall mean the reserve to be established on or prior to the Effective Date respecting the payment of Professional Fee holdbacks, which reserve shall include an estimated aggregate amount for final Professional Fee applications.

1.60 "Professionals" shall mean those Persons (i) employed pursuant to an order of the Bankruptcy Court in accordance with Sections 327 and 1103 of the Bankruptcy Code and to be compensated for services pursuant to Sections 327, 328, 329, 330 and 331 of the Bankruptcy Code, or (ii) for which compensation and reimbursement has been allowed by the Bankruptcy Court pursuant to Section 503(b)(4) of the Bankruptcy Code.

1.61 "Record Date" shall mean (a) for the purpose of voting on the Plan, the date of entry of the order approving the Disclosure Statement respecting the Plan, and (b) for the purposes of any distribution to holders of Stock Interests and for the determination of which interests in Common Stock and Preferred Stock are Allowed Common Stock Interests or Allowed Preferred Stock Interests, respectively, the Effective Date.

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1.62 "Reorganization Cases" shall mean the Debtors' cases pursuant to Chapter 11 of the Bankruptcy Code administered in the Bankruptcy Court under case numbers 90 B 21276 through 90 B 21286, 90 B 21334, and 90 B 21335.

1.63 "Reorganized Debtors" shall mean, collectively, the Debtors as constituted following Confirmation of this Plan.

1.64 "Reorganized Lone Star" shall mean Lone Star Industries, Inc., a Delaware corporation, after the closing of the transactions contemplated herein have occurred, including, among other things, the issuance of New Lone Star Common Stock.

1.65 "Reorganized Lone Star Guarantee" shall mean the guarantee of Reorganized Lone Star of certain obligations of NewCo under the Asset Proceeds Notes, pursuant to a guarantee agreement to be executed by Reorganized Lone Star, to be in the form annexed to the Disclosure Statement as Exhibit "N", with such deletions, additions, modifications or other revisions as shall be negotiated between the Debtors and the Official Committee of Unsecured Creditors to their mutual satisfaction, which guarantee shall be secured by a pledge of Reorganized Lone Star's right, title and interest in all issued and outstanding common stock of NewCo pursuant to the Pledge Agreement and which guarantee shall provide that recourse against Reorganized Lone Star under such guarantee shall be limited to the Covered Deficiency, and that upon maturity of the Asset Proceeds Notes (or any extension thereof pursuant to its terms) Reorganized Lone Star shall, if necessary, either (i) pay to the Asset Proceeds Note Trustee, in Cash, an amount equal to the Covered Deficiency, and/or (ii) issue promissory notes, the form of which shall be satisfactory to the Debtors and the Official Committee of Unsecured Creditors and filed with the Bankruptcy Court on or prior to Confirmation, in the amount of the Covered Deficiency, which shall mature on the third anniversary of the issuance thereof, with an interest rate per annum set at 300 basis points above the then current yield for five-year U.S. Treasury obligations as of the date of issuance of such deficiency notes.

1.66 "Reorganized Lone Star Warrants" shall mean the warrants to purchase 3,333,333 shares of New Lone Star Common Stock pursuant to the Warrant Agreement exercisable until December 31, 1998 at a price of $19.75 per share.

1.67 "Reserve" shall mean the entire amount held at any particular time by the Escrow Agent, as provided by Section 6.8 of this Plan, including the Reserve Amounts at such time and any interest, dividends or other income earned upon investment of the Reserve Amounts.

1.68 "Reserve Amount" as of a date shall mean the Cash or Cash and Securities to be reserved as of such date for a Disputed Claim (or Disputed Stock Interest) pursuant to Section 6.8 of this Plan.

1.69 "Reserve Expenses" shall mean all fees, charges and expenses required to be paid by the Reserve as provided by Section 6.8 of this Plan.

1.70 "Reserve Surplus Distribution Date" shall mean the first Business Day occurring 180 days following the Effective Date and each successive 180 day period thereafter, provided that (i) such day is a Business Day, and (ii) the Final Reserve Surplus Distribution Date has not occurred.

1.71 "Retiree Benefits" shall mean payments to any entity or person for the purpose of providing or reimbursing payments for retired employees of the Debtors and of certain other entities as to which the Debtors are obligated to provide retiree benefits (a "Lone Star Retiree") and the eligible spouses and eligible dependents of such retired employees, for medical, surgical, or hospital care benefits, or in the event of death of a Lone Star Retiree under any plan, fund or program (through the purchase of insurance or otherwise) maintained or established by the Debtors prior to the Filing Date, as such plan, fund or program was then in effect or as heretofore or hereafter amended.

1.72 "Scheduling Order" shall mean the order of the Bankruptcy Court scheduling, inter alia, the hearing on Confirmation of the Plan and the Ballot Date.

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1.73 "Securities" shall mean shares of New Lone Star Common Stock, Senior Notes, Assets Proceeds Notes, Reorganized Lone Star Warrants and any other security or property, other than Cash, issued or received in respect of

(including in exchange for) an Allowed Claim or a Stock Interest.

1.74 "Senior Note Indenture" shall mean the indenture, pursuant to which the Senior Notes will be issued, to be in the form annexed as Exhibit "L" to the Disclosure Statement, with such deletions, additions, modifications or other revisions as shall be negotiated between the Debtors and the Official Committee of Unsecured Creditors to their mutual satisfaction, pursuant to which Reorganized Lone Star will, among other things, establish a mandatory sinking fund to be used for redemption of the Senior Notes in annual increments of $10,000,000 in each July of 2000, 2001 and 2002, which partial redemptions may be satisfied by Reorganized Lone Star's deposit of Senior Notes purchased from the holders of such notes in an amount equal to such partial redemptions.

1.75 "Senior Note Trustee" shall mean such entity selected by the Debtors and reasonably acceptable to the Official Committee of Unsecured Creditors who shall act as indenture trustee under the Senior Note Indenture and who will maintain the register respecting the Senior Notes.

1.76 "Senior Notes" shall mean the notes of Reorganized Lone Star in the aggregate principal amount of $75,000,000 in $1,000 increments, issued pursuant to the Senior Note Indenture, which notes shall bear simple interest at the rate of 10% per annum payable semi-annually in Cash, and which shall mature on July 31, 2003 and which shall be the subject of a guarantee to be executed by certain affiliates of Reorganized Lone Star.

1.77 "Stock Interests" shall mean, collectively, Allowed Common Stock Interests and Allowed Preferred Stock Interests.

1.78 "Stock Option Plans" shall mean the stock option plans to be established by Reorganized Lone Star, to be in the forms annexed as Exhibit "T" to the Disclosure Statement, with such deletions, additions, modifications or other revisions as shall be negotiated between the Debtors and the Official Committee of Unsecured Creditors to their mutual satisfaction, which, collectively, shall in no event result in a dilution of the amount of New Lone Star Common Stock to be issued pursuant to this Plan (including such stock reserved for issuance on the exercise of the Reorganized Lone Star Warrants) of greater than six percent (6%).

1.79 "Subsidiary" shall mean any entity of which more than 50% of the outstanding capital stock entitled to vote for the election of directors is owned or controlled, directly or indirectly, by a Debtor, by one or more other Subsidiaries of a Debtor or by a Debtor and one or more of its other Subsidiaries.

1.80 "Substantive Consolidation Order" shall mean the order, or provision of the Confirmation Order, substantively consolidating the Debtors' cases as provided in Article VII of the Plan.

1.81 "Warrant Agreement" shall mean the warrant agreement between Reorganized Lone Star and the warrant agent named therein, to be in the form annexed to the Disclosure Statement as Exhibit "S", with such deletions, additions, modifications or other revisions as shall be negotiated between the Debtors and the Official Committee of Unsecured Creditors to their mutual satisfaction, which agreement sets forth the terms and conditions respecting exercise of the Reorganized Lone Star Warrants.

ARTICLE II

CLASSIFICATION OF CLAIMS AND INTERESTS

2.1 Criterion of Class. A Claim is in a particular Class only to the extent that the Claim qualifies within the description of that Class and is in a different Class to the extent that the remainder of the Claim qualifies within the description of the different Class.

2.2 Allowed Claims and Stock Interests. All Allowed Claims and all Stock Interests are divided into the following Classes, which Classes shall be mutually exclusive:

(a) Class 1 (Priority Claims). Class 1 shall consist of all Allowed Priority Claims.

(b) Class 2 (Secured Claims). Class 2 shall consist of all Allowed Secured Claims.

(c) Class 3 (Convenience Claims). Class 3 shall consist of all Allowed

Convenience Claims.

(d) Class 4 (Unsecured Claims). Class 4 shall consist of all Allowed Unsecured Claims which are not Intercompany Claims, Allowed Convenience Claims or Allowed Claims in Class 7 of this Plan. Class 4 Claims are classified further into the following subclasses:

(i) Class 4A shall consist of all Allowed 4A Unsecured Claims.

(ii) Class 4B shall consist of all Allowed 4B Unsecured Claims.

(e) Class 5 (Preferred Stock Interests). Class 5 shall consist of all Allowed Preferred Stock Interests.

(f) Class 6 (Common Stock Interests). Class 6 shall consist of all Allowed Common Stock Interests.

(g) Class 7 (Rescission and Damage Claims Respecting Common Stock). Class 7 shall consist of all Claims for rescission of a purchase or sale of Common Stock or for damages arising from the purchase or sale of Common Stock.

(h) Class 8 (Equity Interests in Subsidiaries). Class 8 shall consist of all Allowed Equity Interests in Subsidiaries.

(i) Class 9 (Intercompany Claims). Class 9 shall consist of all Intercompany Claims.

ARTICLE III

PAYMENT OF ALLOWED ADMINISTRATIVE CLAIMS AND ALLOWED TAX CLAIMS

3.1 Administrative Claims. All Administrative Claims shall be paid by the Debtors in full, in Cash, in such amounts as are incurred in the ordinary course of business by the Debtors, or in such amounts as such Administrative Claims are allowed by the Bankruptcy Court (a) upon the later of the Effective Date or the date upon which the Bankruptcy Court enters a Final Order allowing such Administrative Claim or (b) upon such other terms as may exist due to the ordinary course of the business of the Debtors or (c) as may be agreed upon between the holders of such Administrative Claims and the Debtors.

3.2 Tax Claims. Allowed Tax Claims of governmental units entitled to priority under Section 507(a)(7) of the Bankruptcy Code shall be paid by the Debtors in full, in Cash, on the Effective Date or upon such other terms as may be agreed to between the Debtors and any holder of an Allowed Tax Claim; provided, however, that (i)(a) the Debtors may, at their option, in lieu of payment in full on the Effective Date of the Allowed Tax Claims, make cash payments respecting Allowed Tax Claims, deferred to the extent permitted by Section 1129(a)(9) of the Bankruptcy Code and, in such event, interest shall be paid on the unpaid portion of such Allowed Tax Claim at the statutory rate or at a rate to be agreed to by the Debtors and the appropriate governmental unit or, if they are unable to agree, to be determined by the Bankruptcy Court; and (b) if such Allowed Tax Claim is for a tax assessed against property of the Estate, such Claim does not exceed the value of the interest of the Estate in such property, and (ii) in the event an Allowed Tax Claim may also be classified as an Allowed Secured Claim, the Debtors may, at their option, elect to treat Allowed Tax Claims as Secured Claims. All Allowed Tax Claims that by their terms become due and payable after the Confirmation Date shall be paid when due.

3.3 Professional Fees. All final applications for Professional Fees for services rendered in connection with the Reorganization Cases and this Plan prior to the Effective Date shall be filed within sixty (60) Business Days after the Effective Date. Payments respecting Professional Fee holdbacks and final Professional Fee applications shall be made from the Professional Fee Reserve within ten (10) Business Days following the Bankruptcy Court's authorization thereof. All professional fees for services rendered in connection with the Reorganization Cases and the Plan after the Effective Date, including those relating to the resolution of Disputed Claims, shall be paid by the Debtors without further Bankruptcy Court authorization.

ARTICLE IV

CLAIMS AND INTERESTS NOT IMPAIRED UNDER THE PLAN

4.1 Non-Impairment. Claims in Class 1, Class 3 and Class 8 are not

impaired under the Plan. In the event of a controversy as to whether any Claimants, or holders of Stock Interests or holders of Equity Interests in Subsidiaries are impaired, the Bankruptcy Court shall, after appropriate notice and hearing, determine such controversy.

4.2 Class 1 (Priority Claims). The Allowed Priority Claims shall be paid in full, in Cash, as soon as practicable after:

(a) the later of the Effective Date, or the date of a Final Order allowing any such Claim in Class 1; or

(b) upon such other terms as may be agreed to between the Debtors and any holder of a Class 1 Claim.

4.3 Class 3 (Convenience Claims). On the Effective Date, each holder of an Allowed Convenience Claim shall receive on account of such Claim a Cash payment equal to one hundred percent (100%) of its Allowed Convenience Claim.

4.4 Class 8 (Equity Interests in Subsidiaries). On the Effective Date, record holders of Allowed Equity Interests in Subsidiaries shall continue to hold such equity interests, which equity interests shall continue to be evidenced by the capital stock held by such record holders in the Subsidiary or Subsidiaries as of the Effective Date.

ARTICLE V

CLAIMS AND STOCK INTERESTS IMPAIRED UNDER THE PLAN

5.1 Class 2 (Secured Claims).

5.1.1 As to each Allowed Secured Claim, at the Debtors' option (except with respect to the Allowed Secured Claim of Dr. Richard C. Schaffer which shall be treated as specified in clause 5.1.2) either:

(a) (i) any default, other than of the kind specified in Section 365(b)(2) of the Bankruptcy Code, shall be cured, provided that any accrued and unpaid interest, if any, which the Debtors may be obligated to pay with respect to such default shall be simple interest at the contract rate and not at any default rate of interest;

(ii) the maturity of the Claim shall be reinstated as the maturity existed before any default;

(iii) the holder of the Claim shall be compensated for any damage incurred as a result of any reasonable reliance by the holder on any provision that entitled the holder to accelerate maturity of the Claim; and

(iv) the other legal, equitable, or contractual rights to which the Claim entitles the holder shall not otherwise be altered; provided, however, that as to any Allowed Secured Claim which is a nonrecourse claim and exceeds the value of the collateral securing the Claim, the collateral may be sold at a sale at which the holder of such Claim has an opportunity to bid; or

(b) on the Effective Date, or on such other date thereafter as may be agreed to by the Debtors and the holder of such Claim, the Debtors shall abandon the collateral securing such Claim to the holder thereof in full satisfaction and release of such Claim; or

(c) on the Effective Date, the holder of such Claim shall receive, on account of such Claim, Cash equal to its Allowed Secured Claim, or such lesser amount to which the holder of such Claim shall agree, in full satisfaction and release of such Claim; or

(d) the holder of such Claim shall receive, on account of such Claim, deferred Cash payments, pursuant to Section 1129(b)(2)(A)(i)(II) of the Bankruptcy Code, totalling at least the Allowed Amount of such Claim, of a value, as of the Effective Date, of at least the value of such holder's interest in the Debtors' interest in such property.

5.1.2 With respect to the Allowed Secured Claim of Dr. Richard C. Schaffer, on the Effective Date:

(i) the terms of the promissory note and all documents respecting this Claim will be reinstated and the legal, equitable or contractual rights to

which Dr. Schaffer is entitled shall not otherwise be altered;

(ii) all defaults under the promissory note in respect of such Claim shall be cured (with any accrued and unpaid interest to be paid through the Effective Date at the contract rate (plus $10,000) and not at any default or penalty rate); and

(iii) the reasonable legal fees of Dr. Schaffer shall be satisfied by Reorganized Lone Star.

5.2 Class 4 (Unsecured Claims). The treatment of Allowed Unsecured Claims in Class 4 is set forth in Sections 5.2.1 and 5.2.2 of this Plan.

5.2.1 Class 4A. On the Effective Date, each holder of an Allowed 4A Unsecured Claim shall receive on account of such Claim:

(a) (i) its Pro Rata share of 4.7% of Available Cash (currently estimated to be $8,629,000 and subject to increase by 1.8% of the net proceeds from disposition of Non-Core Assets consummated prior to Confirmation); provided, however, that (A) if Allowed 4A Unsecured Claims exceed $22,700,000 in the aggregate, the Cash distributions to Class 4A shall be increased in an amount equal to such excess up to $500,000, and (B) Available Cash allocated to Disputed Claims will not be distributed, but will be held by the Escrow Agent to be distributed in accordance with Section 6.8 of this Plan; plus

(ii) its Pro Rata share of $6,471,000 of Senior Notes (subject to the provisions set forth in Sections 5.9 and 5.10 of this Plan) issued pursuant to the Senior Note Indenture; provided, however, that the Senior Notes allocated to Disputed Claims will not be distributed, but will be held by the Escrow Agent to be distributed in accordance with Section 6.8 of this Plan; plus

(iii) its Pro Rata share of 1.8% of Asset Proceeds Notes (subject to the provisions set forth in Sections 5.9 and 5.10 of this Plan) issued pursuant to the Asset Proceeds Note Indenture; provided, however, that Asset Proceeds Notes allocated to Disputed Claims will not be distributed, but will be held by the Escrow Agent to be distributed in accordance with Section 6.8 of this Plan; plus

(iv) its Pro Rata share of 321,600 shares of New Lone Star Common Stock issued pursuant to the New Lone Star Charter; provided, however; that New Lone Star Common Stock allocated to Disputed Claims will not be distributed, but will be held by the Escrow Agent to be distributed in accordance with Section 6.8 of this Plan. The New Lone Star Common Stock issued to holders of Allowed 4A Unsecured Claims pursuant to this Section 5.2.1(a)(iv) will represent 2.68% of the outstanding shares of New Lone Star Common Stock on the Effective Date; provided further, however, that the percentage of New Lone Star Common Stock issued pursuant to this Section 5.2.1(a)(iv) is subject to dilution by shares of New Lone Star Common Stock issued in accordance with the Stock Option Plans, shares of New Lone Star Common Stock issued as a result of the exercise of the Reorganized Lone Star Warrants and such other shares as may be authorized and issued pursuant to the Reorganized Lone Star Charter.

(b) In the event that holders of Allowed Preferred Stock Interests in Class 5 do not accept this Plan by the requisite statutory majorities provided in Section 1126(c) of the Bankruptcy Code, each holder of an Allowed 4A Unsecured Claim shall receive (i) the treatment set forth in Section 5.2.1(a) of this Plan; plus (ii) its Pro Rata share of an additional .48% of the New Lone Star Common Stock (or 57,600 additional shares) which would have otherwise been distributed to holders of Allowed Preferred Stock Interests in Class 5 and Allowed Common Stock Interests in Class 6 pursuant to Sections 5.3(a) and

5.4(a)(i) of this Plan and the Reorganized Lone Star Warrants shall not be issued and the Warrant Agreement shall not become effective.

(c) In the event that holders of Allowed Preferred Stock Interests in Class 5 accept this Plan by the requisite statutory majorities contained in Section 1126(c) of the Bankruptcy Code, and holders of Allowed Common Stock Interests in Class 6 do not accept this Plan by the requisite majorities contained in Section 1126(c) of the Bankruptcy Code, each holder of an Allowed 4A Unsecured Claim shall receive (i) the treatment set forth in Section 5.2.1(a) of this Plan; plus (ii) its Pro Rata share of an

additional .15% of New Lone Star Common Stock (or 18,000 additional shares) issued on the Effective Date, which otherwise would have been issued to holders of Stock Interests.

5.2.2 Class 4B. On the Effective Date, each holder of an Allowed 4B Unsecured Claim shall receive on account of such Claim:

(a) (i) its Pro Rata share of Available Cash remaining after distributions of Cash on the Effective Date to holders of Allowed Claims in Class 4A pursuant to Section 5.2.1 of this Plan have been completed; provided, however, that Available Cash allocated to Disputed Claims will not be distributed, but will be held by the Escrow Agent to be distributed in accordance with Section 6.8 of this Plan; plus

(ii) its Pro Rata share of $68,529,000 of Senior Notes (subject to the provisions set forth in Sections 5.9 and 5.10 of this Plan) issued pursuant to the Senior Note Indenture; provided, however, that the Senior Notes allocated to Disputed Claims will not be distributed, but will be held by the Escrow Agent to be distributed in accordance with Section 6.8 of this Plan; plus

(iii) its Pro Rata share of 98.2% of Asset Proceeds Notes (subject to the provisions set forth in Sections 5.9 and 5.10 of this Plan) issued pursuant to the Asset Proceeds Note Indenture; provided, however, that Asset Proceeds Notes allocated to Disputed Claims will not be distributed, but will be held by the Escrow Agent to be distributed in accordance with Section 6.8 of this Plan; plus

(iv) its Pro Rata share of 9,878,400 shares of the New Lone Star Common Stock issued pursuant to the New Lone Star Charter; provided, however, that New Lone Star Common Stock allocated to Disputed Claims will not be distributed, but will be held by the Escrow Agent to be distributed in accordance with Section 6.8 of this Plan. The New Lone Star Common Stock issued to holders of Allowed 4B Unsecured Claims pursuant to this Section 5.2.2(a)(iv) will represent 82.32% of the outstanding shares of New Lone Star Common Stock on the Effective Date; provided further, however, that the percentage of New Lone Star Common Stock issued pursuant to this Section 5.2.2(a)(iv) is subject to dilution by shares of New Lone Star Common Stock issued in accordance with the Stock Option Plans, shares of New Lone Star Common Stock issued as a result of the exercise of the Reorganized Lone Star Warrants and such other shares as may be authorized and issued pursuant to the Reorganized Lone Star Charter.

(b) In the event that holders of Allowed Preferred Stock Interests in Class 5 do not accept this Plan by the requisite statutory majorities provided in Section 1126(c) of the Bankruptcy Code, each holder of an Allowed 4B Unsecured Claim shall receive (i) the treatment set forth in Section 5.2.2(a) of this Plan; plus (ii) its Pro Rata share of an additional 14.52% of the New Lone Star Common Stock (or 1,742,400 additional shares) which would have otherwise been distributed to holders of Allowed Preferred Stock Interests in Class 5 and Allowed Common Stock Interests in Class 6 pursuant to Sections 5.3(a) and 5.4(a)(i) of this Plan and the Reorganized Lone Star Warrants shall not be issued and the Warrant Agreement shall not become effective.

(c) In the event that holders of Allowed Preferred Stock Interests in Class 5 accept this Plan by the requisite statutory majorities contained in Section 1126(c) of the Bankruptcy Code, and holders of Allowed Common Stock Interests in Class 6 do not accept this Plan by the requisite majorities contained in Section 1126(c) of the Bankruptcy Code, each holder of an Allowed 4B Unsecured Claim shall receive (i) the treatment set forth in Section 5.2.2(a) of this Plan; plus (ii) its Pro Rata share of an additional 4.6% of New Lone Star Common Stock (or 552,000 additional shares) issued on the Effective

Date which otherwise would have been issued to holders of Stock Interests plus its Pro Rata share of 2,083,333 Reorganized Lone Star Warrants which otherwise would have been issued to holders of Allowed Common Stock Interests in Class 6.

5.3 Class 5 (Allowed Preferred Stock Interests).

(a) Treatment in Event Class 5 Accepts the Plan. All Preferred Stock shall be cancelled, annulled and extinguished as of the Effective Date and each holder of an Allowed Preferred Stock Interest shall receive, on the later of the

Effective Date and the date of surrender to Reorganized Lone Star for cancellation of the certificates representing Preferred Stock (or if such certificates have been stolen, lost, or destroyed, in lieu thereof (i) a lost security affidavit and (ii) a bond if reasonably required by Reorganized Lone Star), its Pro Rata share of 1,260,000 shares of New Lone Star Common Stock issued pursuant to the New Lone Star Charter plus its Pro Rata share of 1,250,000 Reorganized Lone Star Warrants; provided, however, that in the event that holders of Allowed Common Stock Interests in Class 6 do not accept the Plan, each holder of an Allowed Preferred Stock Interest shall instead receive its Pro Rata share of 1,230,000 shares of New Lone Star Common Stock issued pursuant to the New Lone Star Charter plus its Pro Rata share of 1,250,000 Reorganized Lone Star Warrants. The New Lone Star Common Stock issued to holders of Allowed Preferred Stock Interests pursuant to this Section 5.3(a) will represent (i) 10.5% of the outstanding shares of New Lone Star Common Stock on the Effective Date if holders of Allowed Common Stock Interests in Class 6 accept the Plan by the requisite statutory majorities contained in Section 1126(c) of the Bankruptcy Code, or (ii) 10.25% of the outstanding shares of New Lone Star Common Stock on the Effective Date if holders of Allowed Common Stock Interests in Class 6 do not accept the Plan by the requisite statutory majorities contained in Section 1126(c) of the Bankruptcy Code; provided, however, that the percentage of New Lone Star Common Stock issued pursuant to this Section 5.3(a) is subject to dilution by shares of New Lone Star Common Stock issued in accordance with the Stock Option Plans, shares of New Lone Star Common Stock issued as a result of the exercise of the Reorganized Lone Star Warrants and such other shares as may be authorized and issued pursuant to the Reorganized Lone Star Charter.

(b) Treatment Under Nonconsensual Plan in the Event Class 5 Rejects the Plan. All Preferred Stock shall be cancelled, annulled and extinguished as of the Effective Date and each holder of an Allowed Preferred Stock Interest shall not be entitled to receive or retain any property or interest in property on account of such Preferred Stock Interest under this Plan and the Reorganized Lone Star Warrants shall not be issued and the Warrant Agreement shall not become effective.

(c) Effect of Alternate Treatment for Nonconsensual Confirmation on Holders of Preferred Stock Interests. In the event that holders of Allowed Preferred Stock Interests do not accept the Plan by the requisite statutory majorities provided in Section 1126(c) of the Bankruptcy Code, the treatment provision of Section 5.3(a) of this Plan relating to such Stock Interests shall be null and void and of no further force and effect and holders of Allowed Preferred Stock Interests shall be treated in accordance with Section 5.3(b) of this Plan.

5.4 Class 6 (Allowed Common Stock Interests).

(a) Treatment In Event Class 6 Accepts the Plan.

(i) In the event that holders of Allowed Preferred Stock Interests in Class 5 accept, by the requisite statutory majorities provided in Section 1126(c) of the Bankruptcy Code, the treatment provided such Stock Interests in Section 5.3(a) of this Plan, then all Common Stock shall be cancelled, annulled and extinguished as of the Effective Date and each holder of an Allowed Common Stock Interest shall receive, on the later of the Effective Date and the date of surrender to Reorganized Lone Star for cancellation of the certificates representing Common Stock (or if such certificates have been stolen, lost, or destroyed, in lieu thereof (x) a lost security affidavit and (y) a bond if reasonably required by Reorganized Lone Star), its Pro Rata share of 540,000 shares of New Lone Star Common Stock issued pursuant to the New Lone Star Charter and its Pro Rata share of 2,083,333 Reorganized Lone Star Warrants. The New Lone Star Common Stock issued to holders of Allowed Common Stock Interests pursuant to this Section 5.4(a)(i) will represent 4.5% of the outstanding shares of New Lone Star

Common Stock on the Effective Date; provided, however, that the percentage of New Lone Star Common Stock issued pursuant to this Section 5.4 is subject to dilution by shares of New Lone Star Common Stock issued in accordance with the Stock Option Plans, shares of New Lone Star Common Stock issued as a result of exercise of the Reorganized Lone Star Warrants and such other shares as may be authorized and issued pursuant to the Reorganized Lone Star Charter; or

(ii) in the event that holders of Allowed Preferred Stock Interests in Class 5 do not accept, by the requisite statutory majorities provided in Section 1126(c) of the Bankruptcy Code, the treatment provided such Stock Interests in Section 5.3(a) of this Plan, then, in accordance with Section 1129(b)(2)(c) of the Bankruptcy Code, all Common Stock shall be cancelled,

annulled and extinguished as of the Effective Date and each holder of an Allowed Common Stock Interest shall not be entitled to receive or retain any property or interest in property on account of such Common Stock Interest under this Plan.

(b) Treatment Under Nonconsensual Plan in the Event Class 6 Rejects the Plan. All Common Stock shall be cancelled, annulled and extinguished as of the Effective Date and each holder of an Allowed Common Stock Interest shall not be entitled to receive or retain any property or interest in property on account of such Common Stock Interest under this Plan.

(c) Effect of Alternate Treatment for Nonconsensual Confirmation on Holders of Common Stock Interests. In the event that holders of Allowed Common Stock Interests do not accept the Plan by the requisite statutory majorities provided in Section 1126(c) of the Bankruptcy Code, the treatment provision of Section 5.4(a) of this Plan relating to such Stock Interests shall be null and void and of no further force and effect and holders of Allowed Common Stock Interests shall be treated in accordance with Section 5.4(b) of this Plan.

5.5 Class 7 (Rescission and Damage Claims Respecting Common Stock). Each holder of an Allowed Unsecured Claim in Class 7 shall retain all proceeds derived from any litigation instituted by any such holder or on his or their behalf against any entity other than the Debtors (but not any proceeds from any of the property or assets of any of the Debtors) but shall receive no distribution under this Plan from the Debtors or Reorganized Debtors.

5.6 Class 9 (Intercompany Claims). On the Effective Date, all Intercompany Claims shall be expunged, released and discharged, and holders of such Claims shall receive no distributions of any kind under this Plan.

5.7 Nonconsensual Confirmation. In the event that any impaired Class of Claims or Stock Interests shall not accept the Plan in accordance with Section 1129(a) of the Bankruptcy Code, the Debtors reserve the right to (i) request that the Bankruptcy Court confirm the Plan in accordance with Section 1129(b) of the Bankruptcy Code, or (ii) amend the Plan in accordance with Section 11.3 of this Plan.

5.8 Full and Final Satisfaction. All payments and all distributions hereunder shall be in full and final satisfaction, settlement, release and discharge of all Claims and Stock Interests.

5.9 Fractional Cents. Whenever any payment of a fraction of a cent would otherwise be called for, the actual payment shall reflect a rounding of such fraction to the nearest whole cent (rounding down in the case of .50 or less and rounding up in the case of more than .50).

5.10 Fractional Distributions; Round Lots. Any other provision of this Plan notwithstanding, no fractional shares of New Lone Star Common Stock shall be issued or distributed in connection with the Plan. Whenever the issuance of a fractional share of New Lone Star Common Stock would otherwise be called for, the actual issuance shall reflect a rounding down of such fraction to the nearest whole share if the fraction is .50 or less and a rounding up of such fraction to the nearest whole share if the fraction is greater than .50. In addition, Senior Notes and Asset Proceeds Notes shall only be issued in increments of $1,000. Any other provision of this Plan notwithstanding, no fractional Senior Notes or Asset Proceeds Notes shall be issued or distributed in connection with this Plan. Whenever the issuance of a Senior Note or Asset Proceeds Note in respect of an Allowed Unsecured Claim or a Disputed Claim in Class 4 in an increment other than $1,000 shall be called for, in lieu of making a distribution of such fractional amount, a disbursing agent designated by

Reorganized Lone Star shall aggregate such fractional notes, and as soon as practicable after the Effective Date, sell the resulting $1,000 increments of Senior Notes or Asset Proceeds Notes, as the case may be, for the benefit of such holders of Allowed Unsecured Claims or Disputed Claims. The net proceeds of such sales shall be retained by such disbursing agent who, on each Reserve Surplus Distribution Date or the Final Reserve Surplus Distribution Date, as the case may be, shall distribute the allocable portion of such net proceeds among the holders of such Allowed Unsecured Claims or Disputed Claims in Class 4 for whom the issuance of fractional notes would have otherwise been called for. Such sales will be effected in open market transactions on the appropriate market or exchange. All questions as to fractional amounts of Senior Notes or Asset Proceeds Notes or the method, timing or price of such sales shall be determined by Reorganized Lone Star in its sole discretion.

5.11 Blank Ballots. Any Ballot which is executed by the holder of an

Allowed Claim or Stock Interest but which does not indicate an acceptance or rejection of the Plan shall be deemed to be an acceptance of the Plan, provided that the Ballot so states in boldface type and provided further that the Bankruptcy Court shall have approved the foregoing by appropriate Order.

5.12 Allocation of Distributions to Holders of Allowed Claims. All payments made hereunder to a holder of an Allowed Claim with respect to which there was accrued but unpaid interest as of the Filing Date shall be allocated first to the principal amount of the Allowed Claim and then to such accrued but unpaid interest to the extent that the amount of the payments made under the Plan to such a holder exceeds the principal amount of such Claim.

ARTICLE VI

MEANS OF EXECUTION

In addition to the provisions set forth elsewhere in this Plan regarding the means of execution, the following shall constitute the means of execution of the Plan.

6.1 Asset Dispositions. The funds utilized to make the Cash payments hereunder have been and will continue to be generated by, among other things, the Debtors' operation of their businesses and asset dispositions.

6.2 Transfer of Assets to NewCo. In accordance with Section 1123(a)(5)(B) of the Bankruptcy Code, on the Effective Date, the Debtors shall convey, contribute, and transfer all of the Non-Core Assets (including liabilities associated therewith) to NewCo free and clear of all Claims subject only to valid and perfected existing liens. On the Effective Date, the Debtors shall also transfer $5,000,000 in Cash to NewCo.

6.3 New Lone Star Charter. On the Effective Date, the New Lone Star Charter will become effective. The New Lone Star Charter, together with the provisions of this Plan, shall provide for, among other things, the authorization and issuance of New Lone Star Common Stock, and such other provisions that are necessary to facilitate consummation of the Plan including a provision prohibiting the issuance of nonvoting equity securities in accordance with Section 1123(a)(6) of the Bankruptcy Code.

6.4 NewCo Charter. On the Effective Date, the NewCo Charter will become effective. The NewCo Charter, together with the provisions of this Plan, shall provide for, among other things, such provisions that are necessary to facilitate consummation of the Plan including a provision prohibiting the issuance of nonvoting equity securities in accordance with Section 1123(a)(6) of the Bankruptcy Code.

6.5 Issuance of New Securities. Reorganized Lone Star shall authorize the issuance, in accordance with the terms of this Plan, of approximately 12,000,000 shares of New Lone Star Common Stock and approximately 3,333,333 Reorganized Lone Star Warrants. On the Effective Date, the Debtors will transmit written instructions regarding the surrender of Common Stock and Preferred Stock and the distribution of shares of New Lone Star Common Stock to those parties entitled to receive such stock pursuant to this Plan. Lone Star will make an application, and will use its best efforts, to list the New Lone Star Common Stock on the New York Stock Exchange.

6.6 Voting Powers. The Certificate of Incorporation of Reorganized Lone Star will provide that the holders of such of the New Lone Star Common Stock as may, from time to time, be issued and outstanding, may elect, using noncumulative voting, all directors of Reorganized Lone Star.

6.7 Disbursement of Funds and Delivery of Securities. The Debtors, or such Person designated by the Debtors and approved by the Bankruptcy Court, shall make the Cash payments and distribution of the Securities to the holders of Allowed Claims to the extent provided for in the Plan on the Effective Date, or the date of subsequent allowance of a Disputed Claim, by check sent by first-class mail (or by other equivalent or superior means as determined by the Debtors). On the Effective Date, the Debtors shall deposit sufficient Cash in the Professional Fee Reserve, and sufficient Cash into an interest bearing escrow account to make distributions to holders of Allowed Unsecured Claims required by this Plan. Distributions of Cash and Securities pursuant to this Plan shall be effectuated when the Debtors receive all applicable documentation requested of holders of Allowed Claims and Stock Interests; provided, however, that Cash distributions to Claimants shall include interest (net of reasonable fees and expenses of the Escrow Agent) accrued from the Effective Date; provided further, however, that any holder of an Allowed Claim as of the Effective Date

in an amount in excess of $2,500,000 shall have the option, exercisable by written notice executed by such holder and providing appropriate instructions delivered to the Debtors, or such person designated by the Debtors, on or prior to the Confirmation Date to receive payment of the Cash portion of the distributions to be made on the Effective Date on account of such Allowed Claim, by wire transfer.

6.8 Reserve Provisions for Disputed Claims.

(a) Cash, or with respect to Disputed Claims in Class 4 Cash and Securities, respecting Disputed Claims pending on the Effective Date shall not be distributed, but, if necessary, shall be deposited by the Debtors with the Escrow Agent on the Effective Date in the full amount of all Disputed Claims; provided, however, that if a holder of a Contingent or unliquidated Claim is not receiving a distribution under this Plan and such Contingent or unliquidated Claim is not being discharged by this Plan or is assumed by a Reorganized Debtor, the Debtors shall not be required to reserve any Cash or Securities with respect thereto.

(b) For the purposes of effectuating the provisions of this Section 6.8 and the distributions to holders of Allowed Claims, the Bankruptcy Court, on or prior to the Effective Date or such date or dates thereafter as the Bankruptcy Court shall set, may fix or liquidate the amount of Disputed Claims pursuant to Section 502(c) of the Bankruptcy Code, in which event the amounts so fixed or liquidated shall be deemed the amounts of the Disputed Claims pursuant to Section 502(c) of the Bankruptcy Code for purposes of distribution under this Plan. In lieu of fixing or liquidating the amount of any Disputed Claim, the Bankruptcy Court may determine the amount to be reserved for such Disputed Claim, or such amount may be fixed by agreement in writing by and between the Debtors and the holder thereof.

(c) When a Disputed Claim becomes an Allowed Claim, there shall be distributed to such Allowed Claim, in accordance with the provisions of this Plan, Cash and/or Securities, equal to the amount of such Allowed Claim plus any Net Income earned thereon since the Effective Date.

(d) No holder of a Disputed Claim shall have any Claim against the Cash and Securities reserved with respect to such Claim until such Disputed Claim shall become an Allowed Claim. In no event shall any holder of any Disputed Claim or unliquidated Claim be entitled to receive (under the Plan or otherwise) from the Debtors or the Reserve, any payment (in Cash, Securities or other property) which is greater than the amount reserved for such Claim pursuant to this Section 6.8 plus any Net Income earned thereon since the Effective Date. In no event shall the Debtors or Reorganized Debtors have any responsibility or liability for any loss to or of any amount reserved under the Plan.

(e) To the extent a Disputed Claim ultimately becomes an Allowed Claim in an amount less than the amount reserved for such Disputed Claim, then the resulting surplus of Cash and Securities (together with any Net Income thereon) shall be retained in the Reserve and shall be distributed on each Reserve Surplus Distribution Date or the Final Reserve Surplus Distribution Date, as the case may be, Pro Rata among holders of Allowed Unsecured Claims and Disputed Claims in Class 4; provided, however, that (a) except for the Final Reserve Surplus Distribution Date, no distribution shall be made on a Reserve Surplus Distribution

Date unless, on such date, the aggregate amount, determined as of the Effective Date, of Cash and Securities to be distributed from the Reserve is at least $1,000,000, and (b) upon termination of the Reserve, any such surplus remaining after satisfaction of all Allowed Unsecured Claims shall revert to, and be retained by, Reorganized Lone Star.

6.9 Disputed Payments. In the event of any dispute between and among Claimants and/or the holders of a Disputed Claim as to the right of any Person to receive or retain any payment or distribution to be made to such Person under the Plan, the Escrow Agent may, in lieu of making such payment or distribution to such Person, instead hold such payment or distribution until the disposition thereof shall be determined by the Bankruptcy Court.

6.10 Unclaimed Property. Any Person who fails to claim any Cash or Securities within three years from the Effective Date or from such other date as a Claim becomes an Allowed Claim shall forfeit all rights to any distribution under the Plan. Upon forfeiture, such Cash and/or Securities (including interest thereon) shall be deposited into the Reserve to be distributed to holders of Allowed Claims in the same manner described in Section 6.8(e) for distribution of excess Reserve Amounts. Persons who fail to claim Cash and/or Securities

forfeit their rights thereto and shall have no claim whatsoever against the Debtors or Reorganized Lone Star or any holder of an Allowed Claim to whom distributions are made or the Escrow Agent.

6.11 Set-Offs. Nothing contained in this Plan shall constitute a waiver or release by the Debtors of any right of set-off the Debtors may have against any Claimant.

6.12 Withholding Taxes. The Debtors shall be entitled to deduct any federal, state or local withholding taxes from any payments made with respect to Allowed Claims, as appropriate.

6.13 Revesting. Except as otherwise provided by the Plan, upon the Effective Date, title to all properties and assets dealt with by the Plan shall pass to the Debtors free and clear of all Claims and interests, including liens or other encumbrances, of creditors and of equity security holders and the Confirmation Order shall be a judicial determination of discharge of all of the Debtors' liabilities except as provided in the Plan.

6.14 Discharge. Except as otherwise expressly provided in Section 1141 of the Bankruptcy Code or the Plan, the distributions made pursuant to the Plan will be in full and final satisfaction, settlement, release and discharge as against the Debtors, of any debt that arose before the Confirmation Date and any debt of a kind specified in Section 502(g), 502(h) or 502(i) of the Bankruptcy Code and all Claims and interests of any nature, including, without limitation, any interest accrued thereon from and after the Filing Date, whether or not (i) a proof of Claim or interest based on such debt, obligation or interest is filed or deemed filed under Section 501 of the Bankruptcy Code, (ii) such Claim or interest is allowed under Section 502 of the Bankruptcy Code or (iii) the holder of such Allowed Claim or interest has accepted the Plan. Therefore, upon the Effective Date, all Claimants holding Claims against the Debtors, including, without limitation, non-Debtor affiliates of the Debtors, and holders of interests of the Debtors shall be precluded from asserting against the Debtors, or any of their assets or properties, any other or further Claims or interests based upon any act or omission, transaction or other activity of any kind or nature that occurred prior to the Effective Date, and the Confirmation Order shall permanently enjoin said Claimants and holders of equity interests, their successors and assigns, from enforcing or seeking to enforce any such Claims or equity interests.

6.15 Releases. On the Effective Date, in consideration for past and future services, and other valuable consideration, all of the Debtors' present and former officers, directors, agents, employees, Professionals and counsel, and the Committees, and their respective members, agents, Professionals, and counsel (collectively, the "Released Parties") shall be deemed discharged and released from any and all claims asserted or assertable by any Person arising in any way out of such Person's relationship with or work performed for the Debtors on or prior to the Effective Date; provided, however, that (i) the foregoing discharge and release shall only apply to those claims for which the Released Parties are entitled to indemnification by the Debtors pursuant to applicable laws or as provided in any of (a) Lone Star's Restated Certificate of Incorporation in effect prior to or as of the date hereof, (b) Lone Star's by-laws in effect prior to or as of the date hereof, (c) any agreement with Lone Star, or (d) the certificates of incorporation, by-laws or similar documents or agreements of any of Lone Star's subsidiaries as in effect prior to or as of the date hereof, in each case with

respect to matters occurring on or prior to the Effective Date, and (ii) the foregoing discharge and release shall not apply to (a) any individuals or entities which have been released prior to the Effective Date by order of the Bankruptcy Court and as to such individuals or entities, the terms of their respective releases shall govern, (b) any individuals or entities which are the subject of a proceeding to recover property or money commenced by the Debtors prior to the Effective Date, or (c) any claims asserted or assertable by or against any of the Debtors' present or former officers or directors in the following litigations pending in the United States District Court for the District of Connecticut: (1) Cohn v. Lone Star Industries, Inc., et al., Civ. No. B-89-617 (JAC), and (2) Garbarino, et ano. v. Stewart, et al., Civ. No. B-90-631 (JAC).

6.16 Effect of Unsecured Claim Reduction Election. By voting to accept the Plan and marking the Ballot in the space provided for electing such treatment, in accordance with Section 4.3 of this Plan, the holder of an Allowed Unsecured Claim in excess of $5,000 may elect to reduce the amount of such holder's Allowed Claim to $5,000 and only receive treatment as an Allowed Convenience Claim having a value of $5,000 on the terms provided in Section 4.3 of this

Plan. Such an election constitutes a waiver of the amount of the Allowed Unsecured Claim in excess of $5,000, and the holder of such Allowed Claim shall be deemed to release the Debtors and Reorganized Debtors from any and all liability for such excess amount.

6.17 Issuance of Cash or Securities to Indenture Trustee or Fiscal Agent. Any Cash or Securities which are issuable to any holders of Unsecured Claims arising under any indenture trust agreement or fiscal agency agreement may be issued to the respective indenture trustee or fiscal agent thereunder for the benefit of such holders.

6.18 Carrying Out of Terms. Pursuant to Section 303 of the Delaware General Corporation Law, all terms of this Plan may be put into effect and carried out, without further action by the directors or shareholders of Lone Star or Reorganized Lone Star, who shall be deemed to have unanimously approved the Plan and all agreements and transactions provided for or contemplated herein.

6.19 Extinguishment of Liens. Upon full satisfaction of an Allowed Secured Claim pursuant to Section 5.1 of this Plan, all liens respecting such Claim shall be deemed extinguished and of no further force and effect.

6.20 Registration Rights. As soon as practicable following the Effective Date, Reorganized Lone Star and appropriate holders of New Lone Star Common Stock shall enter into an appropriate registration rights agreement, the form of which shall be filed with the Bankruptcy Court on or prior to Confirmation.

ARTICLE VII

SUBSTANTIVE CONSOLIDATION

7.1 Substantive Consolidation. Except as expressly provided in the Plan, the Debtors shall continue to maintain their separate corporate existences for all purposes other than the treatment of Claims under the Plan. Pursuant to the Substantive Consolidation Order, on the Effective Date: (i) all Intercompany Claims by and among the Debtors and/or their non-Debtor affiliates will be eliminated; (ii) except as otherwise provided in the Plan all assets and all proceeds thereof and all liabilities of the Debtors will be merged or treated as though they were merged; (iii) any obligation of any Debtor and all guarantees thereof executed by, or joint liability of, any of the Debtors will be deemed to be one obligation of the consolidated Debtors; (iv) any Claims filed or to be filed in connection with any such obligation guaranteed, or joint liability, will be deemed one Claim against the consolidated Debtors; (v) each and every Claim filed in the individual case of any of the Debtors will be deemed filed against the consolidated Debtors in the consolidated case; and (vi) for purposes of determining the availability of the right of set-off under Section 553 of the Bankruptcy Code, the Debtors shall be treated as one entity so that, subject to the other provisions of Section 553 of the Bankruptcy Code, debts due to any of the Debtors may be set off against the debts of any of the Debtors.

7.2 Extinguishment of Guarantees. On the Confirmation Date, and in accordance with the terms of the Plan and the Substantive Consolidation Order, all Claims based upon guarantees of collection, payment or

performance, or joint liability of one or more Debtors, as to the obligations of any other Debtor, shall be discharged, released and of no further force and effect.

ARTICLE VIII

EXECUTORY CONTRACTS, INDEMNIFICATION CLAIMS AND RETIREE BENEFITS

8.1 Executory Contracts and Unexpired Leases.

(a) Except for those executory contracts and unexpired leases described in Section 8.1(b) hereof, any and all executory contracts and unexpired leases of the Debtors not expressly rejected and disaffirmed prior to the Confirmation Date, or that are not at the Confirmation Date the subject of pending applications to reject and disaffirm, shall be deemed assumed by the Debtors; provided, however, that the filing of the Confirmation Order shall be deemed to be a rejection of all then outstanding unexercised stock options. In accordance with Section 1123(a)(5)(G) of the Bankruptcy Code, on the Effective Date, or as soon as practicable thereafter, the Debtors shall cure all defaults under any executory contract or unexpired lease assumed pursuant to this Section 8.1(a) by (i) making a Cash payment of only those amounts set forth in proofs of claim or

where no such claim has been filed, as determined by the Debtors without objection by the Official Committee of Unsecured Creditors, or (ii) on such terms as agreed to in writing between the Debtors and such claimants, but in neither event greater than the amounts set forth on Exhibit "O" to the Disclosure Statement; unless an objection is filed with the Bankruptcy Court and served on counsel to the Debtors and counsel to the Committees on or prior to the date set by the Bankruptcy Court for filing objections to Confirmation of this Plan and the Court after notice and hearing determines that Debtors are obligated to pay a different amount as cure under Section 365 of the Bankruptcy Code.

(b) All executory contracts (including, without limitation, partnership agreements) and unexpired leases set forth on Exhibit "A" to this Plan, which represent all of those executory contracts and unexpired leases which are necessary or desirable for the ownership and operation of the Non-Core Assets which are to be transferred to NewCo pursuant to this Plan, together with any additions, deletions, modifications or other revisions to such Exhibit as may be reasonably requested by the Official Committee of Unsecured Creditors, shall, as of the Effective Date, be deemed assumed by the Debtors and assigned by the Debtors to NewCo pursuant to Sections 365 and 1123 of the Bankruptcy Code. In accordance with Section 1123(a)(5)(G) of the Bankruptcy Code, on the Effective Date or as soon as practicable thereafter, the Debtors shall cure all defaults, if any, under any executory contract or lease assumed pursuant to this Section 8.1(b) by (i) making a Cash payment of only those amounts set forth in proofs of claim or where no such claim has been filed, as determined by the Debtors without objection by the Official Committee of Unsecured Creditors, or (ii) on such terms as agreed to in writing between the Debtors and such claimants, but in neither event greater than the amounts set forth on Exhibit "O" to the Disclosure Statement; unless an objection is filed with the Bankruptcy Court and served on counsel to the Debtors and counsel to the Committees on or prior to the date set by the Bankruptcy Court and served on counsel to the Debtors and counsel to the Committees on or prior to the date set by the Bankruptcy Court for filing objections to Confirmation of this Plan and the Court after notice and hearing determines that the Debtors are obligated to pay a different amount as cure under Section 365 of the Bankruptcy Code.

8.2 Indemnification and Contribution Obligations.

(a) Reorganized Debtors shall assume, to the extent such obligations have not been rejected prior to Confirmation, all obligations relating to indemnification and exculpation of Lone Star, and its subsidiaries and affiliates, respective present or former directors, officers, employees, fiduciaries, agents or controlling persons as arise under applicable laws or as provided in any of (i) Lone Star's Restated Certificate of Incorporation in effect prior to or as of the date hereof, (ii) Lone Star's by-laws in effect prior to or as of the date hereof, (iii) any agreement with Lone Star or (iv) the certificates of incorporation, by-laws or similar documents or agreements of any of Lone Star's subsidiaries as in effect prior to or as of the date hereof, in each case with respect to matters occurring on or prior to the Effective Date.

(b) On the Effective Date, all claims of present or former officers, directors and employees against the Debtors for contribution as may arise under applicable laws or agreements, in any case in connection with matters occurring on or prior to the Effective Date, shall be discharged and no distributions under this Plan shall be made on account thereof.

8.3 Retiree Benefits. Payment of all Retiree Benefits shall continue, at the level established or modified pursuant to 11 U.S.C. sec. 1114(e)(i)(B) or (g), solely to the extent, and for the period, the Debtors are contractually or legally obligated to provide such benefits.

ARTICLE IX

CONDITIONS PRECEDENT TO EFFECTIVENESS OF THE PLAN

9.1 The aggregate amount of Allowed Administrative Claims (other than those arising in the ordinary course of business and Professional Fees), Allowed Tax Claims and Allowed Priority Claims shall not exceed $8,000,000 (exclusive of amounts required to cure defaults in executory contracts or unexpired leases to be assumed pursuant to this Plan).

9.2 The aggregate amount of Allowed Secured Claims shall not exceed $4,000,000.

9.3 The aggregate amount of Allowed Unsecured Claims and the amounts to be reserved for Disputed Claims shall not exceed $577,000,000, of which the aggregate amount of Allowed 4A Unsecured Claims shall not exceed $23,200,000.

9.4 On the Effective Date, the Debtors shall have no less than $238,172,000 in Cash.

9.5 The Substantive Consolidation Order shall contain substantially the provisions set forth in Section 7.1 of this Plan.

9.6 Final Orders, in form and substance reasonably satisfactory to the Official Committee of Unsecured Creditors, shall be entered with respect to (i) the treatment of Claims in respect of Retiree Benefits (including modifications of plans or contracts pursuant to Section 1114 of the Bankruptcy Code) as set forth in the settlement respecting such Retiree Benefits described in Section III(G)(3)(c) of the Disclosure Statement; provided, however, that solely with respect to the matter referred to in this clause (i), any Final Order shall also be in form and substance reasonably satisfactory to the Official Committee of Retired Employees, (ii) treatment of all claims of (a) the Pension Benefit Guaranty Corporation, and (b) the United States Environmental Protection Agency, and (iii) treatment of all Claims and obligations arising under, in connection with or related to an Amended and Restated Conveyance of Production Payment Agreement dated as of September 1, 1988, by and between Lone Star and John Fouhey, as trustee for Selleck Hill Trust; provided, however, that solely with respect to the matters referred to in this clause (iii), any Final Order shall also be in form and substance reasonably satisfactory to the lenders under the Amended and Restated Term Loan Agreement dated as of September 1, 1988 among John Fouhey as Trustee for Selleck Hill Trust, the lenders thereunder and Morgan Guaranty Trust Company of New York, as Agent.

9.7 All documents contemplated to be executed or implemented in connection with this Plan including, without limitation, exhibits G, H, I, L, M, N, P, Q, R, S and T annexed to the Disclosure Statement, shall be in a form reasonably satisfactory to the Official Committee of Unsecured Creditors.

9.8 The Debtors expressly reserve the right to waive any of the conditions set forth in Article IX of this Plan, except that no such condition may be waived without the consent of the Official Committee of Unsecured Creditors and, solely with respect to clause (iii) of Section 9.6 of this Plan, the lenders under the Amended and Restated Term Loan Agreement dated as of September 1, 1988 among John Fouhey, as Trustee for Selleck Hill Trust, the lenders thereunder and Morgan Guaranty Trust Company of New York, as Agent.

ARTICLE X

RETENTION OF JURISDICTION

10.1 From and after the Confirmation Date and until such time as all payments and distributions required to be made and all other obligations required to be performed under the Plan have been made and performed by the Debtors or Reorganized Debtors, the Bankruptcy Court shall retain such jurisdiction as is legally permissible, including, but not limited to, the following purposes:

(a) To hear and determine any and all objections to the allowance of a Claim or Stock Interest or any controversy as to the classification of Claims or Stock Interests or the Reserve, provided that only the Debtors and the Official Committee of Unsecured Creditors may file objections to Claims;

(b) To hear and determine any and all applications by Professionals for compensation and reimbursement of expenses;

(c) To hear and determine any and all pending applications for the rejection and disaffirmance of executory contracts and unexpired leases and fix and allow any Claims resulting therefrom;

(d) To enable the Debtors, NewCo or any party acting on behalf of NewCo to prosecute any and all proceedings which have been or may be brought prior to the Effective Date to set aside liens or encumbrances and to recover any transfers, assets, properties or damages to which the Debtors (or NewCo) may be entitled under applicable provisions of the Bankruptcy Code or any other federal, state or local laws except as may be waived pursuant to the Plan;

(e) To liquidate any disputed, contingent or unliquidated Claims or

interests;

(f) To enforce the provisions of the Plan and the injunction and releases provided for in Sections 6.14 and 6.15 of this Plan;

(g) To correct any defect, cure any omission, or reconcile any inconsistency in the Plan or in the Confirmation Order as may be necessary to carry out its purpose and the intent of the Plan;

(h) To hear and determine any and all pending actions pursuant to Section 544, 547, 548 and 550 of the Bankruptcy Code to set aside and recover (if applicable) any transfers determined to be preferential or fraudulent;

(i) To determine any Tax Claim which the Estates may incur as a result of the transactions contemplated herein; and

(j) To determine such other matters as may be provided for in the Confirmation Order confirming the Plan or as may be authorized under the provisions of the Bankruptcy Code.

ARTICLE XI

MISCELLANEOUS

11.1 Termination of Committees. Each Committee shall dissolve and all powers of each such committee shall terminate as follows: (a) with respect to the Official Committee of Equity Security Holders, on the Confirmation Date (except with respect to motions pending as of such date); (b) with respect to the Official Committee of Retired Employees, on the later of (i) the Effective Date, or (ii) the date an order of the Bankruptcy Court respecting the treatment of those Retiree Benefits of persons represented by such committee becomes a Final Order; and (c) with respect to the Official Committee of Unsecured Creditors, on the Final Reserve Surplus Distribution Date.

11.2 Headings. Headings are utilized in this Plan for the convenience of reference only, and shall not constitute a part of this Plan for any other purpose.

11.3 Defects, Omissions and Amendments. The Debtors may, with the approval of the Bankruptcy Court and without notice to all holders of Claims and Stock Interests, but after notice to the Committees,

insofar as it does not materially and adversely affect the interest of holders of Claims and Stock Interests, correct any defect, omission or inconsistency in the Plan in such manner and to such extent as may be necessary to expedite the execution of the Plan. The Plan may be altered or amended before or after Confirmation as provided in Section 1127 of the Bankruptcy Code if, in the opinion of the Bankruptcy Court, the modification does not materially and adversely affect the interests of holders of Claims and Stock Interests. The Plan may be altered or amended before or after the Confirmation Date in a manner which, in the opinion of the Bankruptcy Court, materially and adversely affects holders of Claims and Stock Interests, after a further hearing and acceptance of the Plan as so altered or modified as provided in Section 1126 of the Bankruptcy Code.

11.4 Governing Law. Except to the extent that the Bankruptcy Code is applicable, the rights and obligations arising under the Plan shall be governed by and construed and enforced in accordance with the internal laws of the State of New York.

11.5 Notices. All notices, requests or demands for payments provided for in the Plan shall be in writing and shall be deemed to have been given when personally delivered by hand or deposited in any general or branch post office of the United States Postal Service or received by telex or telecopier. Notices, requests and demands for payments shall be addressed and sent, postage prepaid or delivered, in the case of notices, requests or demands for payments to: Lone Star Industries, Inc., 300 First Stamford Place, P.O. Box 120014, Stamford, Connecticut 06912-0014, Attn: John J. Martin, Esq., with a copy to Proskauer Rose Goetz & Mendelsohn, 1585 Broadway, New York, New York 10036, Attn: Alan B. Hyman, Esq., and or at any other address designated by Debtors by notice to each holder of an Allowed Claim or Stock Interest, and, in the case of notices to holders of Allowed Claims and Stock Interests, at the last known address according to the Debtors' books and records or at any other address designated by a holder of an Allowed Claim on its proof of claim or filed with the Bankruptcy Court, provided that any notice of change of address shall be

effective only upon receipt.

11.6 Severability. Should any provision in the Plan be determined to be unenforceable, such determination shall in no way limit or affect the enforceability and operative effect of any or all other provisions of the Plan.

11.7 Revocation and Withdrawal. The Debtors reserve the right to revoke and withdraw the Plan at any time on or before the Confirmation Date.

11.8 Effect of Withdrawal or Revocation. If the Debtors revoke or withdraw the Plan pursuant to Section 11.7 above, or if Confirmation or the Effective Date does not occur, then the Plan shall be deemed null and void, and in such event nothing contained herein shall be deemed to constitute a waiver or release of any Claims or interests by or against the Debtors or any other Person or to prejudice in any manner the rights of the Debtors or any Person in any further proceedings involving the Debtors.

11.9 Confirmation Order. The Confirmation Order shall ratify all transactions effected by the Debtors and the successors to the Debtors during the period commencing on the Filing Date and ending on the Confirmation Date including, without limitation, (i) the settlement agreement dated as of December 12, 1991, as amended, among Lone Star, The Mitsubishi Bank Limited and Credit Commercial de France, and (ii) the settlement agreement dated as of September 30, 1992, by and among Lone Star, Lone Star Transportation Corp., San-Vel Concrete Corporation and National Railroad Passenger Corporation, including, without limitation, the terms and provisions of paragraph 1(c) thereof respecting the establishment and placement of certain funds into escrow and all terms and provisions related thereto; provided, however, that National Railroad Passenger Corporation's election to escrow a portion of its distribution as provided in such settlement agreement shall be exercised on or prior to the Effective Date.

11.10 Implementation. Each of the above parties shall take all steps, and execute all documents, including appropriate releases, necessary to effectuate the provisions contained in this Plan.

Dated: New York, New York
November 4, 1993

<TABLE>
<S> <C>
LONE STAR INDUSTRIES, INC., ET AL.
Debtors and Debtors-in-Possession
By: /s/ DAVID W. WALLACE
David W. Wallace,
Chairman and Chief Executive Officer

PROSKAUER ROSE GOETZ & MENDELSOHN
Counsel to the Debtors and
Debtors-in-Possession
By: /s/ ALAN B. HYMAN
Alan B. Hyman (AH 6655)
A Member of the Firm
1585 Broadway
New York, New York 10036
(212) 969-3000
</TABLE>

EXHIBIT A
TO PLAN OF REORGANIZATION

EXHIBIT A

EXECUTORY CONTRACTS BEING ASSUMED AND ASSIGNED TO NEWCO

1. Shareholders Agreement, dated March 21, 1979, among Lafarge, Sofimo, and Lone Star Industries, Inc.

2. Organization Agreement, dated March 21, 1979, among Lafarge, Sofimo and Lone Star Industries, Inc.

3. Amended and Restated Partnership Agreement, dated as of March 16, 1992, among KCOR CORPORATION, Lone Star Hawaii Cement Corporation, and Adelaide Brighton Cement (Hawaii), Inc.

4. Lease and Sublease, dated December 31, 1987, between Lone Star Industries, Inc. and Lone Star California.

5. Amended and Restated Partnership Agreement, dated December 31, 1987, among Lone Star California, Inc., New York Trap Rock Corporation and California Readymix, Inc.

6. Amended and Restated Partnership Agreement, dated June 15, 1992, between Lone Star Industries, Inc., Falcon Investments, Inc. and InterRedec, Inc.

7. Agreement to Lease Terminal Facilities and Option Agreement, dated as of October 20, 1989 (as amended) betwen Gulf Coast Portland Cement and Lone Star-Falcon

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EXHIBIT B

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EXHIBIT B

OFFICIAL COMMITTEE OF UNSECURED CREDITORS

INSTITUTIONS	INDIVIDUALS
Credit Commercial De France	Sandra C. Lefkovits
	Gabor J. Csordas
	Stuart Fraser
Credit Suisse	Jan Kofol
Equitable Capital Management Corporation	Rebecca C. Carey
	David Martin, Esq.
Great Lakes Towing & Transport Company	William R. Cunnius
	Jacalyn F. Becker
H.O. Penn Machinery Co., Inc.	John Murphy
Massachusetts Mutual Life Insurance Company	Michael L. Klofas, CFA, CPA
	Steven J. Katz, Esq.
Metropolitan Life Insurance Company	Lawrence P. Galie
	Jacqueline Jenkins
	Marcus N. Lamb, Esq.
The Mitsubishi Bank, Limited	Harvey L. Peckins
	Theodore C. Noneman
Mutual Benefit Life	John H. DeMallie
	David Riley, Esq.
Ohio National Life	Michael Boedaker
Principal Mutual Life	John D. Cleavenger, Esq.
	Jody Lambuth
Provident Life & Accident Insurance Company	James T. Rogers
	Richard J. MacLean, Esq.
The Prudential Insurance Company of America	David Descalzi
	Donna M. Harris, Esq.
Schwerman Trucking	Jack F. Schwerman
Union Dry Dock & Repair Co.	Robert J. Burke

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EXHIBIT C

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EXHIBIT C

OFFICIAL COMMITTEE OF EQUITY SECURITY HOLDERS

Mr. Robert Henigson -- Chairman
Mr. Milton P. Levy, Jr.
Mr. Charles K. Fischer

EXHIBIT D

EXHIBIT D

OFFICIAL COMMITTEE OF RETIRED EMPLOYEES

Olaf Kayser, Chairman
John A. Keenan, Vice-Chairman
Robert Breinig
Thomas W. Codd
Gordon Fox
John Graham
Sigfrid T. Hellstrom
Jerome Bennett, Ex-Officio Member

EXHIBIT E

EXHIBIT E

LIQUIDATION ANALYSIS

I. INTRODUCTION

Section 1129(a) of the Bankruptcy Code states that the Bankruptcy Court may confirm a plan of reorganization only if certain requirements are met. One of these requirements is that each nonaccepting holder of an allowed claim or interest in an impaired class must receive or retain under the plan on account of such claim or interest property having a value as of the effective date of the plan at least equal to the value that such holder would receive if the debtor were liquidated under chapter 7 of the Bankruptcy Code on the effective date. See also "Best Interests of Creditors Test" in the accompanying Disclosure Statement.

Set forth below is a liquidation analysis for Lone Star assuming a hypothetical chapter 7 liquidation in which a court-appointed trustee liquidates the Company's Core Assets and Non-Core Assets. Underlying this analysis are a number of estimates and assumptions which are inherently subject to significant uncertainties and contingencies, many of which would be beyond the control of the Debtors. Accordingly, there can be no assurance that the values assumed in the following analysis would be realized if the Debtors were in fact liquidated. Nor can there be any assurance that the Bankruptcy Court will accept such analysis or concur with such assumptions in making its determination under sec. 1129(a) of the Bankruptcy Code. In addition, any liquidation would necessarily take place in the future under circumstances which cannot presently be predicted. Accordingly, while the analysis that follows is necessarily presented with numerical specificity, if the Debtors' estates were in fact liquidated, the actual liquidation proceeds could vary from the amounts set forth below. Such actual liquidation proceeds could be materially lower, or higher, than the amounts set forth below and no representation or warranty can be, or is being made with respect to the actual proceeds that could be received in a chapter 7 liquidation. The liquidation valuations have been prepared solely for the purpose of estimating the proceeds available in a chapter 7 liquidation of the Debtors' estates and do not represent values that may be appropriate for any other purpose. Nothing contained in these valuations is intended or may constitute a concession or admission of the Debtors for any other purpose.

II. ASSUMPTIONS

The principal assumptions used in the Debtors' liquidation analysis include the following:

A. SUBSTANTIVE CONSOLIDATION

Substantive consolidation is the merging of the assets and liabilities of affiliated entities in a bankruptcy proceeding so that the combined assets and liabilities are treated as though held and incurred by a single entity. The

consolidated assets create a single fund from which all claims against the consolidated debtors are to be satisfied. In determining distributions to holders of claims and interests under this hypothetical chapter 7 liquidation, the Company has assumed a substantive consolidation of the Debtors' estates. All intercompany claims by and among the Debtors are eliminated and each claim filed in the individual case of any of the Debtors will be deemed filed against the consolidated Debtors in the consolidated case.

B. NATURE AND TIMING OF THE LIQUIDATION PROCESS

Under section 704 of the Bankruptcy Code, an appointed trustee must, among other duties, collect and convert the property of the debtor's estate to cash and close the estate as expeditiously as is compatible with the best interests of the parties-in-interest. For the purpose of preparing this liquidation analysis, (a) the liquidations were assumed to commence the first quarter of 1994; (b) the Core Assets and Non-Core Assets were assumed to be sold during the 24-month period ending December 31, 1995, with the first sale assumed to be completed in the first quarter of 1994; and (c) distributions from the liquidations were assumed to be made quarterly as the Core Assets and Non-Core Assets are sold. Depending upon actual circumstances, the 24-month sale period (the "Liquidation Period") could be significantly longer or, while the Debtors believe it unlikely, shorter.

C. ESTIMATED LIQUIDATION PROCEEDS

1. Introduction

Except as otherwise indicated, the analysis assumes that the Debtors' operating assets, including both the Core Assets and Non-Core Assets, would be sold separately as going-concerns. Liquidation proceeds were estimated, in part, based on the Company's estimates of the net proceeds that could be realized from the orderly liquidation of these assets. Based on such estimates and estimates of the net proceeds from the sale in liquidation of other assets (including the Company's lease interests and surplus real estate), the pre-tax proceeds of such liquidation of the Debtors' estates would be between $614.7 million and $705 million.1 In arriving at the liquidation estimates, key factors considered by the Company included the relative attractiveness of each of the Company's operating assets to potential buyers of cement, aggregate or ready-mix businesses and the impact on the Debtors' operations resulting from the disruptions related to the liquidation of the Debtors' estates. The Company's estimates assume that the Core Assets and Non-Core Assets are sold complete with all operating assets and working capital and do not reflect the practical difficulties, if any, related to combining assets held by various legal entities.

2. The Core Assets

Liquidation proceeds from the sale of most Core Assets2 were estimated by SCI using exclusively a discounted cash flow analysis. In arriving at its estimates, SCI utilized its own objective and independently generated cash flows for each Core Asset. The liquidation values of the Core Assets were further discounted by the Debtors utilizing a 14% discount rate back to January 1, 1994 (the assumed "Conversion Date") to reflect the fact that distributions to creditors under a liquidation would take place significantly later (i.e., over a two year period) than distributions under the Plan (i.e., as of the Plan's Effective Date). Finally, the Debtors imposed a range on the liquidation value of each Core Asset (see accompanying tables).3

3. The Non-Core Assets

The liquidation values of the Non-Core Assets (including the joint venture interests and the leaseholds) are essentially the same as the values used under the Plan. Here again, a discounted cash flow analysis was used to estimate the liquidation proceeds from the sale of these Assets and the resulting values were further discounted back, utilizing a 14% discount rate, to the assumed Conversion Date. Valuations of surplus real estate were based upon appraisals, and litigation recoveries were premised upon an analysis as to what the likely outcome of various litigations would be.4

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1 This amount includes estimated cash on the conversion date of $238.2 million.

2 The liquidation value of certain other non-operating Core and Non-Core Assets were estimated using either the Debtors' own cash flow projections or independent appraisals.

3 The Debtors have significant reservations about disclosing the specific discount rates used in the Liquidation Analysis primarily because disclosure of such information could negatively impact the Debtors' efforts to achieve the best possible sales price for their assets.

4 The Debtors have not included what the results of the liquidation analysis would be if the values for the Debtors' assets determined by Glassman-Oliver and Grancher & Entorf were used. This is because the three analyses are not comparable. While the Debtors' analysis includes estimated liquidation values for both the Core Assets and Non-Core Assets, Glassman-Oliver and Grancher-Entorf did not value all of the Assets. More importantly, the Debtors do not know what liabilities Glassman-Oliver and Grancher-Entorf used in their analyses and, therefore, a meaningful comparison among the three analyses cannot be made.

D. IMPACT ON THE DEBTORS' OPERATIONS OF THE CONVERSION TO A CHAPTER 7 LIQUIDATION

The Debtors believe that the conversion to a chapter 7 liquidation and the resulting pendency of sales of the Core Assets would adversely affect management and employee morale, customer willingness to purchase, and vendor willingness to ship raw materials and extend trade credit. Accordingly, the assumed results of operations for the Debtors during the Projection Period were adjusted to reflect the Debtors' estimates of the effects of these factors.

The liquidation analysis also assumes that all maintenance-related capital spending would be continued, and that all major additional capital spending projects would be deferred. In addition, the Debtors adjusted downward corporate overhead and operating costs upon the assumption that, as assets were liquidated, corporate expenses would decline. Nevertheless, overhead and operating costs necessary to maintain a skeletal operation were factored into the analysis.

E. CERTAIN TAX MATTERS

Liquidation tax liabilities as a result of asset sales or corporate liquidations will depend on the structure of the transactions and the tax laws of various jurisdictions. However, it is anticipated that, due to the tax basis in the assets and net operating losses, the transactions can be arranged so that little or no tax liability would result from the asset sales or corporate liquidations.

F. ADDITIONAL LIABILITIES

The Debtors believe that there would be certain actual and contingent liabilities and expenses, in addition to the reorganization expenses that would be incurred in a chapter 11 reorganization, for which provision would be required in any chapter 7 liquidation before distributions could be made to unsecured claimholders including (a) Administrative Claims and other liabilities (including retirement, vacation pay, and other employee-related administrative costs and liabilities) that would be funded from continuing operations if the businesses of the Debtors were reorganized as going-concerns; (b) escrow and hold-back amounts that purchasers of Core Assets and certain other assets presumably would require in connection with disposition transactions if the Debtors were in liquidation; (c) claims resulting from the rejection of assumed executory contracts which were estimated to be the amount of administrative expenses for a one-year period arising out of such rejection; (d) environmental claims which may surface as the Debtors attempt to sell off the Core Assets, resulting in, for example, adjustments to the purchase price of those Assets or the making of certain representations and warranties by the Debtors; (e) pension termination claims which, for purposes of this liquidation analysis, were estimated in the amount of the contingent claim filed by the PBGC; (f) retiree claims which, for purposes of this analysis, were estimated to be the present value of the unsecured claims filed by the union and certain salaried retirees; and (g) certain administrative costs.

While the Debtors are not able to estimate the amount of the foregoing liabilities with precision at this time, solely for purposes of the liquidation analysis, the Debtors have included amounts related to these additional liabilities. Such amounts are treated as deductions from the distributions in liquidation.5

G. OTHER ASSUMPTIONS

Various other specific assumptions relevant to the Debtors' liquidation

analysis are set forth in the notes which accompany the following tables.

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5 The Debtors have refrained from providing a precise estimate of the amount of each additional liability for to do so would compromise the Debtors' ongoing negotiations with the holders of these claims.

III. SUMMARY

The Debtors believe that each of the factors summarized above individually or in combination would have an adverse effect on the prices that could be obtained in a chapter 7 liquidation of the Debtors' estates. The Debtors believe that, in light of these uncertainties and in the absence of comparable situations, the total liquidation proceeds would reflect significant reductions in the values that would exist in the absence of these factors.

Moreover, if post-petition interest to the Conversion Date were added to the principal amount of general unsecured claims, the estimated mid-point amount of such claims to be satisfied would be $875.5 million (versus $752.9 million) and the estimated mid-point percentage recovery by unsecured creditors would be 67.9% (versus 78.5%).

Based upon the foregoing analysis, the Debtors and the Blackstone Group, as financial advisor to the Company, believe that the value of the consideration to be received under the Plan by each holder of an impaired claim and/or impaired interest exceeds any value such holder would receive in a liquidation of each of the Debtors' operating and non-operating assets under chapter 7 of the Bankruptcy Code. As reflected in the accompanying tables, unsecured creditors would obtain a 78.8% (mid-point) recovery in a liquidation as compared to a 92.5% recovery under the Plan, while holders of Allowed Preferred Stock Interests would not receive any distribution in a liquidation as compared to a 52.3% (mid-point) recovery under the Plan.

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LONE STAR INDUSTRIES, INC.

HYPOTHETICAL LIQUIDATION ANALYSIS
($ IN 000S)

<TABLE>
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PROCEEDS FROM LIQUIDATION	LOW ESTIMATE	HIGH ESTIMATE
<S>	<C>	<C>
Cash on hand and proceeds from the sale of assets(1).....	$643,013	$ 734,798
Cash flow to fund operations during Liquidation Period(2).....	(22,021)	(22,021)
Gross Liquidation Proceeds.....	620,992	712,777
Less trustee and other chapter 7 administrative costs(3).....	28,122	28,122
Liquidation proceeds available for Lone Star claims.....	$592,870	$ 684,655

</TABLE>

<TABLE>
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		DISTRIBUTION		% OF ALLOWED CLAIM/INTEREST		% RECOVERY UNDER PLAN(4)	
RECOVERIES BY LONE STAR CREDITORS	ESTIMATED CLAIMS	LOW	HIGH	LOW	HIGH	LOW	HIGH
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net proceeds available for Secured Creditors.....	$ 24,319	$ 24,319	$ 24,319	100.0%	100.0%	100.0%	100.0%
Net proceeds available for administrative and priority creditors.....	21,194	21,194	21,194	100.0%	100.0%	100.0%	100.0%
Net proceeds available for unsecured creditors(5).....	752,784	547,357	639,142	72.7%	84.9%	85.2%	100.1%

Net Proceeds available for Preferred Stock interest(6).....	38,972	0	0	0.0%	0.0%	45.0%	59.8%
Net Proceeds available for Common Stock interest.....	NA	0	0	NA	NA	NA*	NA*

</TABLE>

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* To receive common stock and warrants

(1) Estimates of realization value for Lone Star's operating Core Assets and Non-Core Assets were developed using discounted cash flow methodologies. Generally, such valuations were further discounted to reflect the time delay to the creditors in realizing their recovery.

(2) Corporate payroll and operating costs were estimated assuming certain corporate functions would continue throughout the Liquidation Period. Other corporate functions would either be eliminated or reduced at the commencement of the Liquidation Period.

(3) Includes employee termination costs and chapter 7 trustee and professional fees. Assumes that a single trustee would be appointed to administer the chapter 7 cases. The chapter 7 trustee fees were calculated in accordance with Section 326 of the Bankruptcy Code based upon the gross liquidation proceeds (excluding cash). Professional fees for counsel and accountants were assumed to be 25% of the estimated annual chapter 11 professional fees to be incurred in 1993.

(4) Estimated value of the consideration to be distributed to holders of claims and interests in a consensual plan.

(5) The Debtors believe that there would be certain actual and contingent liabilities and expenses, in addition to the reorganization expenses that would be incurred in a chapter 11 reorganization for which a provision would be required in a chapter 7 liquidation. Such liabilities include environmental expenses, pension and retiree obligations.

(6) Accrued and unpaid dividends, both pre-petition and post-petition owed to the holders of Allowed Preferred Stock Interests total $16,839,000.

EXHIBIT F

PROJECTED FINANCIAL STATEMENTS

The Debtors believe that the Plan meets the Bankruptcy Code's feasibility requirement that plan confirmation is not likely to be followed by a liquidation, or the need for further financial reorganization of the Debtors or any successor of the Debtors under the Plan unless such liquidation is proposed in the Plan. In connection with the development of the Plan, and for the purpose of determining whether the Plan satisfies this feasibility standard, the Debtors analyzed their ability to satisfy their financial obligations while maintaining sufficient liquidity and capital resources. In this regard, the management of the Debtors developed and periodically refined the Debtors' business plan and prepared financial projections (the "Projections") for fiscal year 1993 and the four-year period from fiscal year 1994 through 1997 (the "Projection Period"). The Projections and certain of the underlying assumptions are summarized below.

The Debtors do not, as a matter of course, publish their business plans and strategies or make projections of their anticipated financial position or results of operations. Accordingly, the Debtors do not anticipate that they will, and disclaim any obligation to, furnish updated business plans or projections to holders of Claims or Interests after the Effective Date, or to include such information in documents required to be filed with the Securities and Exchange Commission or otherwise make such information public.

ALTHOUGH EVERY EFFORT WAS MADE TO BE ACCURATE, THE PROJECTIONS WERE NOT PREPARED WITH A VIEW TOWARD COMPLIANCE WITH THE GUIDELINES ESTABLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, THE FINANCIAL ACCOUNTING STANDARDS BOARD, OR THE RULES AND REGULATIONS OF THE SECURITIES AND EXCHANGE COMMISSION REGARDING PROJECTIONS. FURTHERMORE, THE PROJECTIONS HAVE NOT BEEN AUDITED OR REVIEWED BY LONE STAR'S INDEPENDENT CERTIFIED ACCOUNTANTS. WHILE PRESENTED WITH NUMERICAL SPECIFICITY, THE PROJECTIONS ARE BASED UPON A VARIETY OF ASSUMPTIONS, WHICH MAY NOT BE REALIZED, AND ARE SUBJECT TO SIGNIFICANT

BUSINESS, ECONOMIC AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES WHICH ARE BEYOND THE CONTROL OF THE COMPANY. CONSEQUENTLY, THE PROJECTIONS SHOULD NOT BE REGARDED AS A REPRESENTATION OR WARRANTY BY LONE STAR, OR ANY OTHER PERSON, THAT THE PROJECTIONS WILL BE REALIZED. ACTUAL RESULTS MAY VARY MATERIALLY FROM THOSE PRESENTED IN THE PROJECTIONS. HOLDERS OF CLAIMS AND INTERESTS MUST MAKE THEIR OWN DETERMINATIONS AS TO THE REASONABLENESS OF SUCH ASSUMPTIONS AND THE RELIABILITY OF THE PROJECTIONS IN REACHING THEIR DETERMINATIONS OF WHETHER TO ACCEPT OR REJECT THE PLAN.

PRINCIPAL ASSUMPTIONS

(i) Business Plan: In an effort to promulgate a Plan of Reorganization, Lone Star has developed a business plan ("Business Plan") pursuant to which the company would transfer substantially all of its joint ventures along with certain other operating and non-operating assets into Rosebud Holdings, Inc. ("NewCo"), a wholly-owned subsidiary, to facilitate the disposition of these assets. Lone Star would reorganize the remaining operations around its core cement, aggregate and ready-mix operations ("Reorganized Lone Star" or the "Company").

(ii) Reorganized Lone Star: Reorganized Lone Star's operations would be centered in the Midwest, Southwest and East Coast of the United States and are expected to have a strong competitive position in the markets served. The Company's operations would be segmented into three interrelated business segments: Cement Operations, Aggregate Operations, and Ready-Mix Operations (See Disclosure Statement Section II.A.1 "Overview of Operations").

(iii) NewCo: As of the Effective Date of the Plan, the Debtors will transfer their interests in their Non-Core Assets (together with associated liabilities) to NewCo. As set forth in the Plan, holders of Allowed Unsecured Claims will receive their pro rata shares of the Asset Proceeds Notes. The disposition of the Non-Core Assets will be administered by NewCo and the proceeds will be used to satisfy the obligations under the Asset Proceeds Notes.

(iv) Effective Date: The Projections assume confirmation of the Plan in accordance with its terms prior to December 31, 1993, and that all transactions contemplated by the Plan to be consummated by the Effective Date will be so consummated as of January 3, 1994.

(v) Fresh Start: The pro forma consolidated balance sheet of the Debtors reflects the projected accounting effects of the Plan's consummation and the impact of "fresh start" accounting as promulgated by the AICPA Statement of Position 90-7 entitled "Financial Reporting By Entities in Reorganization Under the Bankruptcy Code."

OPERATING ASSUMPTIONS

1. Inflation: The average annual inflation rate assumed for operating expenses during the Projection Period is 3.0 percent.

2. Revenues: Lone Star derives its revenues from the sale of cement, ready-mixed concrete, crushed stone, concrete products and other building materials. Revenue estimates were developed for each of Lone Star's principal business units by projecting sales quantities and prices.

(a) Cement Prices: Cement manufacturing is regionally based primarily because of the low value-to-weight ratio of the product. Cement plants tend to be located within 200 miles of their principal markets. As such, cement prices differ geographically, depending on plant efficiency, domestic and foreign competition within each market, energy costs, proximity and cost of materials, and regional demand. Although overall prices have been relatively flat since 1983, increasing demand, declining domestic clinker capacity and increasing utilization ratios are expected to result in price increases in all of Reorganized Lone Star's markets.

(b) Cement Tons Sold: Cement shipments are both highly seasonal and cyclical. Demand for cement closely tracks total construction spending but is dependent upon the mix of construction (i.e. residential, public, private or highway construction). Cement consumption statistics provided by the Portland Cement Association ("PCA") suggests that the most recent cement consumption cycle reached its lowest point in 1991 and is expected to rebound through the Projection Period.

<TABLE>
<CAPTION>
U.S. CEMENT CONSUMPTION

HISTORICAL	(MILLION TONS)
<S>	<C>
1983	72.4
1984	83.8
1985	86.7
1986	91.2
1987	92.5
1988	92.4
1989	90.7
1990	89.1
1991	79.0
1992	83.9

</TABLE>

<TABLE>
<CAPTION>

PROJECTED	
<S>	<C>
1993	87.9
1994	94.0
1995	97.7
1996	99.4
1997	100.0

</TABLE>

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Source: Portland Cement Association

In developing its Business Plan, Lone Star has assumed that the cement consumption cycle will generally follow the PCA forecast.

(c) Aggregates and Ready-Mixed Concrete: Lone Star produces construction aggregates (including sand, gravel and crushed stone) on the East Coast and in Nova Scotia, Canada; and ready-mixed concrete at various locations in Illinois and Tennessee. As with cement, construction aggregates and ready-mixed concrete are commodity products with price as the principal competitive attribute. Revenue from the sale of these products is expected to coincide with the projected increase in cement consumption over the Projection Period.

(d) Historical and Projected Sales: A summary of historical and projected cement, aggregate and ready-mix sales figures is provided below:

<TABLE>
<CAPTION>

	HISTORICAL			PROJECTED				
	1990	1991	1992	1993	1994	1995	1996	1997
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
SALES								
($ millions)								
Cement	$163	$155	$175	$183	$196	$203	$215	$221
Aggregates	53	61	46	48	53	58	65	71
Ready Mix	41	32	37	37	41	43	46	48
Total	$257	$248	$258	$268	$290	$304	$326	$340

</TABLE>

3. Operating Expenses: The Business Plan assumes improvements in gross profit and operating profit margins throughout the Projection Period:

<TABLE>
<CAPTION>

	HISTORICAL	PROJECTED

	1990	1991	1992	1993	1994	1995	1996	1997
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
GROSS PROFIT(1)								
($ millions)								
Cement	$18	$20	$29	$36	$47	$48	$53	$54
Aggregates	8	8	2	3	6	9	14	18
Ready Mix	6	3	4	3	5	5	5	6
Total	$32	$31	$35	$42	$57	$63	$73	$78

</TABLE>

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(1) Excludes adjustment for Fresh Start Accounting. Numbers may not add due to rounding.

These improvements are a result of (i) increased cement prices; (ii) increased coverage of fixed operating expenses as plant utilization improves; (iii) improved operating efficiencies resulting from capital expenditures; (iv) continued utilization of waste fuels; and (v) reductions in selling, general and administrative expenses.

4. Waste Fuels: The manufacture of cement is highly energy-intensive, with energy (principally in the form of kiln fuel and electricity for grinding mills) accounting for approximately one-third of manufacturing costs. Substantially all of Reorganized Lone Star's domestic productive capacity is located in plants with kilns primarily fueled by coal. Lone Star has utilized waste materials at two of its cement plants and is actively exploring such usage at other plants. Such usage is subject to stringent government regulations that involve permitting and compliance with applicable environmental regulations. While the Company believes that it is in substantial compliance with such laws, changes to them could prohibit the use of waste fuels or make their use cost prohibitive. The Business Plan assumes a continued use of waste materials, resulting in a substantial fuel cost savings through the Projection Period.

5. Retiree Benefits: The Company's Business Plan assumes that a settlement agreement will be reached with the salaried and union retirees providing for new health and insurance benefit plans to be funded in part by contributions from Reorganized Lone Star. The purpose of these proposals is to achieve reductions in cash outlays and reduce administrative expenses, thereby permitting the reorganization of Lone Star as a viable competitor under a feasible reorganization plan, while still maintaining benefits for retirees. The Company is in the process of negotiating with representatives of the retirees, and there can be no assurance that a settlement will be reached.

6. Income Taxes: Income tax projections are based upon an effective composite tax rate of 39.0% for U.S. federal, state and local taxes. Subject to certain annual limitations under sec.382 of the Internal Revenue Code, it is assumed that the net operating loss carryforwards attributable to tax years ending on or prior to the Effective Date will be available to Reorganized Lone Star.

7. Capital Expenditures: The projections assume aggregate capital expenditures of $100.3 million from the Effective Date through 1997; an amount sufficient to maintain and upgrade the Company's operating plants. The capital expenditure budget includes approximately $10.0 million, or one-half of the cost of constructing a new aggregate facility in West Nyack in 1995. The remaining cost is assumed to be financed with an operating lease requiring annual payments of approximately $1.1 million.

8. Working Capital Facility: Reorganized Lone Star is assumed to have a working capital facility in the aggregate amount of $35.0 million at a floating interest rate to fund post-confirmation operations.

LONE STAR INDUSTRIES, INC.

PRO-FORMA CONSOLIDATED INCOME STATEMENT
(1993 -- 1997)
($ IN 000S)

<TABLE>
<CAPTION>

	1993	1994	1995	1996	1997

<S>	<C>	<C>	<C>	<C>	<C>
Revenues					
Cement Operations	$183,421	$195,558	$203,039	$214,909	$220,601
Aggregate Operations	47,759	52,607	58,385	65,464	71,208
Ready Mix Operations	37,059	40,724	42,684	45,841	48,144
Total Revenues	$268,240	$288,888	$304,108	$326,214	$339,953
Gross Profit					
Cement Operations	36,363	47,031	48,315	53,443	54,173
Aggregate Operations	2,797	5,501	9,301	14,305	17,507
Ready Mix Operations	3,066	4,750	4,944	5,441	6,087
Cost of Revenue Adjustment	(2,054)	(152)	2,248	2,248	2,248
Total Gross Profit	40,172	57,131	64,809	75,437	80,014
Selling, General & Administrative Expenses	30,837	30,060	30,277	31,352	31,989
Other Operating Expenses/(Income)	(231)	(76)	(96)	(156)	(156)
FAS 106 Retiree Expense	13,800	10,457	10,730	10,983	11,219
Operating Profit	(4,234)	16,690	23,898	33,258	36,963
Non-Operating Expenses/(Income)					
Interest Expense	1,755	8,822	8,656	8,467	8,237
Interest Income	(713)	(325)	(288)	(1,026)	(2,038)
Other Non-Operating Expenses	25,115	(730)	(960)	(4,024)	(4,326)
Amortization of Goodwill	330	0	0	0	0
Chapter 11 Expenses	10,681	0	0	0	0
Total Non-Operating Expenses	37,169	7,767	7,408	3,417	1,873
Income before Taxes	(41,402)	8,923	16,490	29,841	35,090
Provision for Taxes	(11,029)	246	2,967	8,005	9,997
Net Income	$(30,373)	$ 8,676	$ 13,523	$ 21,836	$ 25,093

</TABLE>

LONE STAR INDUSTRIES, INC.

PRO-FORMA CONSOLIDATED BALANCE SHEET
(1993 -- 1997)
($ IN 000S)

<TABLE>
<CAPTION>

	DEC 31, 1993	ADJ.(1)	JAN 1, 1994	1994	1995	1996	1997
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS							
Current Assets							
Cash and Marketable Securities	$ 238,172	$(212,196)	$ 25,976	$ 19,799	$ 21,806	$ 42,044	$ 72,000
Accounts and Notes Receivable, net	28,447	0	28,447	29,878	31,175	33,291	34,540
Inventories	38,651	(4,200)	34,451	34,751	33,750	33,445	33,882
Other Current Assets	4,237	(2,376)	1,861	825	835	845	845
Total Current Assets	309,507	(218,772)	90,735	85,254	87,566	109,625	141,267
Assets Held for Sale	195,853	(91,128)	104,725	66,366	0	0	0
Notes Receivable	1,364	(915)	449	459	434	407	407
Investments in Unconsolidated JVs	25,133	(7,633)	17,500	17,780	18,290	18,814	19,340
Net Property, Plant and Equipment	337,031	(33,723)	303,307	312,667	322,077	317,924	307,860
Goodwill	9,270	(9,270)	0	0	0	0	0
Other Assets and Deferred Charges	6,803	(2,614)	4,189	3,865	3,865	3,865	3,865
TOTAL ASSETS	$ 884,961	$(364,056)	$520,905	$486,391	$432,232	$450,635	$472,739
LIABILITIES AND EQUITY							
Current Liabilities							
Working Capital Borrowing	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Accounts Payable	11,238	0	11,238	9,198	9,189	10,115	10,459
Accrued Expenses	32,258	(2,300)	29,958	29,355	28,655	24,850	23,650
Current Portion: Long-term Debt	4,000	(2,000)	2,000	3,000	4,000	5,000	7,817
Current Portion: Retirement Benefit	0	8,954	8,954	9,548	10,002	10,439	10,698
Current Portion: Pension Expense	0	7,618	7,618	7,967	8,447	8,149	8,000
Other Current Liabilities	46	0	46	46	46	46	46

Total Current Liabilities.....	47,543	12,272	59,814	59,114	60,339	58,598	60,670
Long-term Debt.....	0	199,542	199,542	158,183	87,817	82,817	75,000
Deferred Income Taxes.....	4,067	933	5,000	3,869	5,643	9,382	12,734
Postretirement Benefits other than P....	151,417	(24,215)	127,202	130,311	133,238	135,983	138,703
Other Liabilities.....	11,445	16,318	27,763	24,654	21,413	18,236	14,920
Liabilities Subject to Chapter 11.....	605,084	(605,084)	0	0	0	0	0
Total Liabilities.....	819,556	(400,234)	419,322	376,131	308,450	305,016	302,027
Stockholders' Equity							
Preferred Stock.....	37,752	(37,752)	0	0	0	0	0
Common Stock.....	18,102	83,481	101,583	101,583	101,583	101,583	101,583
Capital Surplus.....	239,867	(239,867)	0	0	0	0	0
Retained Earnings.....	(193,744)	193,744	0	8,676	22,199	44,035	69,128
Treasury Stock.....	(36,572)	36,572	0	0	0	0	0
Stockholders' Equity.....	65,405	36,178	101,583	110,259	123,782	145,618	170,711
TOTAL LIABILITIES AND EQUITY....	$ 884,961	$(364,056)	$520,905	$486,391	$432,232	$450,635	$472,739

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(1) Pro-forma Consolidated Balance Sheet of the Company reflects the projected accounting effects of the Plan's consummation and the impact of "fresh start" accounting as promulgated by the AICPA Statement of Position 90-7 entitled "Financial Reporting by Entities in Reorganization under the Bankruptcy Code."

LONE STAR INDUSTRIES, INC.

CASH FLOW STATEMENT
(1994 -- 1997)
($ IN 000S)

<TABLE>
<CAPTION>

	1994	1995	1996	1997
<S>	<C>	<C>	<C>	<C>
Operating Profit.....	$ 16,690	$ 23,898	$ 33,258	$ 36,963
Depreciation and Depletion Expense.....	22,633	24,109	24,345	24,671
Changes in Working Capital				
Accounts and Notes Receivable, net.....	(1,431)	(1,297)	(2,116)	(1,249)
Inventories.....	(301)	1,001	305	(437)
Other Current Assets.....	1,036	(10)	(10)	0
Accounts Payable.....	(2,040)	(9)	926	344
Accrued Expenses.....	(603)	(700)	(3,805)	(1,200)
Other Current Liabilities.....	0	0	0	0
Cash from Operations.....	35,984	46,993	52,903	59,092
Less: Capital Expenditures.....	31,993	33,519	20,192	14,607
OPERATING CASH FLOW.....	$ 3,991	$ 13,473	$ 32,711	$ 44,484
Non-Operating Cash Flow				
Other Non-Operating Expenses.....	$ 730	$ 960	$ 4,024	$ 4,326
Provision for Taxes.....	(246)	(2,967)	(8,005)	(9,997)
Assets Held for Sale.....	38,359	66,366	0	0
Notes Receivable.....	(11)	25	27	0
Investments in Unconsolidated JVs.....	(280)	(510)	(524)	(526)
Other Assets and Deferred Charges.....	324	0	0	0
Deferred Income Taxes.....	(1,131)	1,773	3,739	3,352
Postretirement Benefits other than Pensions.....	3,703	3,381	3,181	2,980
Other Liabilities.....	(2,760)	(2,761)	(3,475)	(3,465)
FREE CASH FLOW.....	$ 42,679	$ 79,741	$ 31,679	$ 41,155
Financing Activities				
Interest Expense, net.....	$ (8,497)	$ (8,368)	$ (7,441)	$ (6,199)
Working Capital Borrowing.....	0	0	0	0
Long-term Debt Amortization.....	(40,359)	(69,366)	(4,000)	(5,000)
TOTAL FINANCING ACTIVITIES.....	$(48,856)	$(77,734)	$(11,441)	$(11,199)

Total Change in Cash and Marketable Securities.....	$ (6,177)	$ 2,007	$ 20,238	$ 29,956
Cash and Marketable Securities at Beginning of Period.....	25,976	19,799	21,806	42,044
Cash and Marketable Securities at End of Period.....	$ 19,799	$ 21,806	$ 42,044	$ 72,000

</TABLE>

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EXHIBIT G

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EXHIBIT G

PLEDGE INTERCREDITOR AND

COLLATERAL AGENCY

AGREEMENT

AMONG

ROSEBUD HOLDINGS, INC.,

BANK,
AS COLLATERAL AGENT AND

BANK,
AS TRUSTEE FOR THE HOLDERS OF THE
10% ASSET PROCEEDS NOTES DUE 1997
OF ROSEBUD HOLDINGS, INC.

DATED AS OF , 1993

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PLEDGE INTERCREDITOR AND COLLATERAL
AGENCY AGREEMENT

PLEDGE INTERCREDITOR AND COLLATERAL AGENCY AGREEMENT (the "Agreement"), dated as of , by and among Rosebud Holdings, Inc., a Delaware corporation (the "Company") and Bank, as Collateral Agent and Bank, as Trustee (the "Asset Proceeds Note Trustee") with respect to the Securities issued under the Asset Proceeds Note Indenture of even date herewith between the Asset Proceeds Note Trustee and the Company (the "Asset Proceeds Note Indenture").

W I T N E S S E T H:

WHEREAS, the Asset Proceeds Note Trustee has entered into the Asset Proceeds Note Indenture pursuant to which the Company shall issue up to $ aggregate principal amount of 10% Asset Proceeds Notes due 1997 (the "Securities");

WHEREAS, the Asset Proceeds Note Indenture provides for the possible issuance of Permitted Working Capital Indebtedness and the grant of a senior lien on the Permitted Collateral to secure such Indebtedness;

WHEREAS, the Company has agreed to grant a security interest in and to the Pledged Collateral to secure the Secured Obligations;

WHEREAS, the security interest and rights of the Asset Proceeds Note Trustee and the Holders of Securities granted herein are intended to be in addition to the security interest and rights being granted in the common stock of the Company by Lone Star Industries, Inc. in a Guarantee Agreement and in a Pledge Agreement, each of even date herewith; and

WHEREAS, the parties hereto desire to set forth their understanding with respect to the Collateral Agent's duties regarding the Pledged Collateral and the respective interests of the Secured Creditors (as herein defined) in and to the Pledged Collateral.

NOW, THEREFORE, in consideration of these premises and other benefits, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

Section 1. Definitions. As used herein, the following terms shall have the meanings set forth in this Section 1, and all other capitalized terms not otherwise defined herein shall have the meanings set forth in the Asset Proceeds Note Indenture. All terms not defined in the Asset Proceeds Note Indenture or in this Agreement shall have the same meaning as in Article 9 of the Uniform Commercial Code as in effect in the State of New York.

Acceptable Bank: means a bank or trust company in good standing and incorporated under the laws of the United States or any State thereof or the District of Columbia, with a combined capital and surplus of at least $50,000,000 as set forth in its most recent published report of condition, with its principal corporate trust office within the United States.

Agreement: means this Pledge Intercreditor and Collateral Agency Agreement, as the same may be amended from time to time in accordance with its terms.

Asset Proceeds Note Acceleration Notice: has the meaning assigned to such term in Section 7(a) hereof.

Asset Proceeds Note Default: means a "Default" as defined in the Asset Proceeds Note Indenture.

Asset Proceeds Note Event of Default: means an "Event of Default" as defined in the Asset Proceeds Note Indenture.

Asset Proceeds Note Indenture: means the Indenture, dated as of the Effective Date, between the Company and the Asset Proceeds Note Trustee, pursuant to which the Securities were issued, as the same may be amended or supplemented from time to time in accordance with the terms thereof.

Asset Proceeds Note Remedy Period: has the meaning assigned to such term in Section 7(a) hereof.

Asset Proceeds Note Rescission Notice: has the meaning assigned to such term in Section 7(a) hereof.

Asset Proceeds Note Trustee: means the Trustee, as defined in the Asset Proceeds Note Indenture, and any successor trustee appointed thereunder.

Business Day: means "Business Day" as defined in the Asset Proceeds Note Indenture.

Cash Collateral: has the meaning assigned to such term in Section 17 hereof.

Collateral Account: means a separate custodial account or accounts maintained by the Collateral Agent, on behalf of the Holders of the Securities.

Collateral Agent: means Bank, in its capacity as Collateral Agent under this Agreement, until its resignation or removal as Collateral Agent pursuant to the provisions of Section 16 hereof and, upon such resignation or removal, any successor Collateral Agent appointed pursuant to the provisions of Section 16 hereof until such successor's resignation or removal as Collateral Agent pursuant to the provisions of Section 16 hereof.

Company: means Rosebud Holdings, Inc., a Delaware corporation, until a successor replaces it pursuant to the terms of the Asset Proceeds Note Indenture and thereafter means such successor.

Effective Date: means the Effective Date as defined in the Asset Proceeds Note Indenture.

Event of Default: means any Asset Proceeds Note Event of Default or any failure by the Company in any material respect to perform its agreements hereunder which is not cured or waived within 90 days after receipt of written notice thereof from the Collateral Agent stating the nature of the default

Lien: means with respect to any asset, any mortgage, lien, pledge, charge, security interest or similar encumbrance in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any capitalized lease in the nature thereof, and any filing of or agreement to give any financing statement under the Uniform Commercial Code or equivalent statues of any jurisdiction, other than an information filing).

Net Proceeds: means "Net Proceeds" as defined in the Asset Proceeds Note Indenture.

Officer's Certificate: means "Officer's Certificate" as defined in the Asset Proceeds Note Indenture.

Opinion of Counsel: means a written opinion from legal counsel who is reasonably acceptable to the Collateral Agent. The counsel may be an employee of or counsel to the Company, the Collateral Agent or the Asset Proceeds Note Trustee.

Permitted Collateral: means inventory and receivables of the Company and its Subsidiaries from time to time pledged to lenders of Permitted Working Capital Indebtedness.

Permitted Investments : means purchases of (i) readily marketable obligations of or obligations guaranteed by the United States of America or issued by any agency thereof and backed by the full faith and credit of the United States of America, (ii) readily marketable direct obligations issued by any State of the United States of America or any political subdivision thereof having a rating of A-1 or P-1, or their equivalent, from either of the Rating Agencies, (iii) commercial paper having a rating of A-1 or P-1, or their equivalent, from either of the Rating Agencies, (iv) certificates of deposit issued by, bankers' acceptances and deposit accounts of, and time deposits with, commercial banks of recognized standing chartered in the United States of America or Canada with capital, surplus and undivided profits aggregating in excess of $100,000,000, (v) Eurodollar time deposits having a maturity of less than one year purchased directly from any Acceptable Bank, (vi) repurchase agreements and reverse repurchase

agreements with a term of not more than one year with an Acceptable Bank relating to marketable direct obligations issued or unconditionally guaranteed by the United States of America, and (vii) shares of

money market funds that invest primarily in Permitted Investments of the kind described in clauses (i) through (vi) above.

Permitted Liens: means Permitted Liens as defined in the Asset Proceeds Note Indenture and Liens on Permitted Collateral to lenders of Permitted Working Capital Indebtedness.

Pledged Collateral : has the meaning assigned to such term in Section 3 hereof.

Pledged Securities: means (i) all capital stock of all existing or hereafter acquired Subsidiaries of the Company, and (ii) the partnership interests described on Schedule A hereto.

Rating Agencies: means, collectively, Moody's Investors Services, Inc. and Standard & Poor's Corporation, Inc.

Sale of Assets: means "Sale of Assets" as defined in the Asset Proceeds Note Indenture.

Secured Creditors: means, collectively, the Holders of Securities and the lenders of Permitted Working Capital Loans.

Secured Obligations: means, collectively, all obligations of the Company under the Asset Proceeds Note Indenture, the Securities and this Agreement.

Securities: means the 10% Asset Proceeds Notes due 1997 issued by the Company under the Asset Proceeds Note Indenture, as in effect on the date hereof or as amended in accordance with the provisions thereof.

Securities Act : has the meaning assigned to such term in Section 7(b) hereof.

Security Interests: means the security interests in the Pledged Collateral granted hereunder in favor of the Collateral Agent on behalf of the Holders of the Securities.

Section 2. Certain Covenants.

The Company covenants that:

(a) except for the Permitted Liens and the Security Interests, it will not, and will not permit any of its Subsidiaries to create, assume, incur or permit to exist or to be created, assumed or incurred, directly or indirectly, any Lien of any kind on the Pledged Collateral, and that it will, and will cause each of its Subsidiaries to, defend the Pledged Collateral against, and take such action as is necessary to remove, any such Lien, and will defend the Security Interests against the claims and demands of all Persons; and

(b) it will advise the Collateral Agent promptly, in reasonable detail, of any Lien or claim made or asserted against any of the Pledged Collateral other than the Permitted Liens and of the occurrence of any other event that would have a material adverse effect on the enforceability of the Security Interests created hereunder.

Section 3. The Security Interests.

(a) In order to secure the full and punctual payment and performance of the Secured Obligations in accordance with the terms thereof and subject to Section 9 hereof, the Company hereby assigns and pledges (or has caused the appropriate Subsidiaries to assign and pledge) to and with the Collateral Agent and grants to the Collateral Agent for the benefit of the Holders of the Securities:

(x) a first priority Security Interest in (i) the assets of the Company and its Subsidiaries listed on Schedule A hereto which is incorporated herein by reference, (ii) the Pledged Securities, (iii) all non-cash proceeds of any Sale of Assets, (iv) all accessions and additions to, substitutions for, income from and replacements, products and proceeds of the foregoing (subject to Section 17 hereof and Section of the Asset Proceeds Note Indenture), and (v) all Cash Collateral; and

(y) a second priority Security Interest in (i) all inventory and receivables of the Company and its Subsidiaries constituting Permitted Collateral and from time to time pledged to lenders of Permitted Working Capital Loans; and (ii) all proceeds thereof;

provided, however, that the real property, securities, instruments and other property pledged pursuant to subparagraphs (x) and (y) above (collectively, the "Pledged Collateral") shall not include any cash interest, cash dividends, cash distributions or other cash payments paid on or with respect to the Pledged Collateral except as otherwise set forth in Section 17 hereof.

(b) In the event that any Subsidiary of the Company at any time issues any additional or substitute capital stock, debt securities or other debt instruments to the Company or its Subsidiaries, or if any such capital stock or debt securities are otherwise acquired by the Company, the Company shall immediately pledge and deposit with the Collateral Agent certificates representing all such shares, securities or instruments as additional security for the Secured Obligations in accordance with Section 3(a). If any Person becomes a Subsidiary of the Company after the date hereof, certificates representing the capital stock, debt securities or other instruments of such Subsidiary owned by the Company shall be immediately pledged to and deposited with the Collateral Agent as additional security for the Secured Obligations under Section 3(a). All of the foregoing capital stock, debt securities and instruments shall be deemed part of the Pledged Collateral and shall be subject to all provisions of this Agreement.

(c) The Company shall, and shall cause each Pledgor Subsidiary to, pledge to and deposit with the Collateral Agent, immediately upon receipt, any interest or dividends actually paid to the Company or the Pledgor Subsidiary on any of the Pledged Collateral in the form of additional stock, securities or certificates as additional security for the Secured Obligations in accordance with Sections 3(a), and such additional stock, instruments and certificates shall be deemed part of the Pledged Collateral and shall be subject to all provisions of this Agreement.

(d) Provide any required inter-creditor arrangements.

(e) The Security Interests are granted as security only and shall not subject the Collateral Agent or any of the Holders of the Securities to, or transfer or in any way affect or modify, any obligation or liability of the Company or any of its Subsidiaries with respect to any of the Pledged Collateral or any transaction in connection therewith.

Section 4. Mortgages; Financing Statements; Delivery of Pledged Securities.

(a) On or before the Effective Date, the Company shall cause the mortgages and financing statements indicated on Schedule in the forms of Exhibits to be filed with the appropriate filing officers indicated on such Schedule and shall deliver copies thereof evidencing such recording to the Collateral Agent.

(b) All certificates or instruments representing or evidencing the Pledged Collateral outstanding as of the date hereof shall be delivered to the Collateral Agent on the Effective Date and shall be held by the Collateral Agent pursuant hereto at all times during the term of this Agreement (subject to Section 9 or as otherwise provided herein or in the Asset Proceeds Note Indenture or the respective Collateral Documents relating thereto), and all certificates and instruments representing or evidencing stock or other securities acquired by the Company or any Pledgor Subsidiary after the date hereof and constituting Pledged Collateral hereunder shall be delivered to the Collateral Agent immediately upon, and held by the Collateral Agent at all during the term of this Agreement thereafter, acquisition thereof by the Company or its Subsidiaries (subject to Section 9 or as otherwise provided herein or in the Asset Proceeds Note Indenture or the respective Collateral Documents relating thereto). All such certificates or instruments shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment endorsed in blank, all in form and substance reasonably satisfactory to the Collateral Agent.

(c) The Company agrees that it will cause each of the Pledgee Subsidiaries and, in the event of the merger or consolidation of any such Pledgee Subsidiary with any other entity, such other entity, not to issue any securities or instruments, whether in addition to, by stock dividend or other distribution upon, or in substitution or exchange for, any Pledged Collateral or otherwise, except for securities and instruments that are issued to the Company or such

Pledgor Subsidiary and promptly delivered to the Collateral Agent pursuant to Section 4(b) hereof and in which the Collateral Agent, for the account and benefit of the Holders of the Securities, has a valid and perfected first priority security interest (or, where provided herein, a second

priority security interest), free and clear of all other Liens (except Permitted Liens) and with respect to which no other party has any interest.

(d) Upon the occurrence and during the continuance of an Asset Proceeds Note Remedy Period, the Collateral Agent shall have the right, at any time in its discretion, to transfer to or to register in the name of the Collateral Agent or any of its nominees any or all of the Pledged Collateral, including the Pledged Securities (with, in the discretion of the Collateral Agent, such transfer or registration expressly empowering the Collateral Agent to vote any voting securities included therein). In addition, the Collateral Agent shall have the right at any time to exchange certificates or instruments representing or evidencing Pledged Securities for certificates or instruments of smaller or larger denominations.

Section 5. Filing; Further Assurances.

(a) The Company at its own expense will, and will cause each of its Subsidiaries at its own expense to, execute, deliver, file and record any mortgages, financing statement, specific assignment or other paper and take any action that may be necessary or desirable, or that the Collateral Agent may from time to time reasonably request, in order to create, preserve, perfect or validate any Security Interest intended to be granted hereunder or to enable the Collateral Agent to exercise and enforce its rights hereunder with respect to any of the Pledged Collateral, all in manner and form reasonably satisfactory to the Collateral Agent; provided, however, the Company shall not be required to register any sale of the Pledged Collateral under the Securities Act. Without limiting the generality of the foregoing, the Company will: (i) execute and file such financing or continuation statements, or amendments thereto and such other instruments or notices as may be necessary or desirable which the Collateral Agent may reasonably request in order to perfect and preserve the security interests granted or purported to be granted hereby; and (ii) deliver and pledge to the Collateral Agent all securities and instruments (other than checks received by the Company in the ordinary course of business) constituting Pledged Collateral duly endorsed and accompanied by duly executed instruments of transfer or assignments, all in form and substance satisfactory to the Collateral Agent. To the extent permitted by applicable law, the Company hereby authorizes the Collateral Agent to execute and file without the signature of the Company, in the name of the Collateral Agent or otherwise, Uniform Commercial Code financing statements and continuation statements, and fixture filings and amendments thereto, (which may be carbon, photographic, photostatic or other reproductions of this Agreement or of a financing statement relating to this Agreement) that the Collateral Agent in its sole discretion may deem necessary or appropriate to further perfect the Security Interests or any of them.

(b) The Company covenants that neither the Company nor any of its Subsidiaries will enter into any agreement that would impair in any material respect the Security Interests granted hereunder.

(c) The Company hereby authorizes the Collateral Agent to file one or more financing or continuation statements, or fixture filings and amendments thereto, relative to all or any part of the Pledged Collateral without the signature of the Company where permitted by law.

(d) The Company will furnish to the Collateral Agent, on request, from time to time statements and schedules further identifying and describing the Pledged Collateral and such other reports in connection with the Pledged Collateral as the Collateral Agent may reasonably request, all in reasonable detail.

(e) The Company will not (i) make any change in its corporate name or conduct its business operations under any fictitious business name or trade name, or (ii) change the location of its chief executive office, in either case without giving to the Collateral Agent at least 30 days' prior written notice of such changed or new name or location.

Section 6. Right to Vote and to Receive Cash Distributions on Pledged Collateral; Appointment as Attorney-in-Fact.

(a) So long as no Event of Default has occurred and is continuing and except as provided in Section 17, the Company shall be entitled to exercise any and all voting and other consensual rights pertaining to the Pledged Collateral or any part thereof for any purpose not directly inconsistent with the express

terms of this Agreement or the Asset Proceeds Note Indenture.

(b) Subject to Section 17 hereof, the Company shall have the right to receive and retain all rent, royalties, cash interest, cash dividends and other cash distributions, payments or proceeds paid on or with respect to the Pledged Collateral (other than Net Proceeds of any Sale of Assets), and such cash distributions, payments and proceeds shall not constitute Pledged Collateral.

(c) The Company hereby irrevocably appoints, and shall cause each Pledgor Subsidiary to appoint, the Collateral Agent as its proxyholder with respect to the Pledged Securities and any other voting securities forming a part of the Pledged Collateral with full power and authority to vote such Pledged Securities and other voting securities and to act otherwise with respect to such Pledged Securities and other voting securities on behalf of the Company, provided, that this proxy shall only be operative upon the occurrence of an Event of Default and only for so long as such Event of Default continues.

(d) The Company hereby irrevocably appoints, and shall cause each Pledgor Subsidiary to irrevocably appoint, the Collateral Agent as the Company's or such Pledgor Subsidiary's attorney-in-fact, with full power of substitution and with authority in the place and stead of the Company or such Pledgor Subsidiary and in its name or otherwise, from time to time in the Collateral Agent's discretion, upon the occurrence and during the continuance of an Asset Proceeds Note Event of Default to take any action and to execute any instrument which the Collateral Agent may deem reasonably necessary or advisable to accomplish the purposes of this Agreement, including, without limitation (i) to continue the perfection of the Security Interests; (ii) to sell or otherwise transfer the relevant Pledged Collateral; (iii) to obtain the proceeds of and adjust insurance claims with respect to any Pledged Collateral; (iv) to ask, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Pledged Collateral; (v) to receive, endorse, and collect any drafts or other instruments, documents and chattel paper, in connection with clauses (i) and (ii) above; and (vi) to file any claims or take any action or institute any proceedings which the Collateral Agent may deem necessary or desirable for the collection of any of the Pledged Collateral or otherwise to enforce the rights of the Collateral Agent with respect to any of the Pledged Collateral; provided, however, that the Collateral Agent shall be under no obligation to take any action hereunder and, absent negligence or willful misconduct, the Collateral Agent shall have no liability or responsibility for any action taken or omission with resect thereto.

Section 7. Exercise of Remedies.

(a) Asset Proceeds Note Trustee's Notice. If all unpaid principal and accrued interest on the outstanding Asset Proceeds Notes is declared to be due and payable pursuant to the terms of the Asset Proceeds Note Indenture, or if such principal and interest ipso facto becomes due and payable prior to its stated maturity pursuant to the Asset Proceeds Note Indenture as a result of the occurrence of an event of bankruptcy or insolvency or the like, the Asset Proceeds Note Trustee (if different from the Collateral Agent) shall give notice to the Collateral Agent of such acceleration (a "Asset Proceeds Note Acceleration Notice") within five Business Days after such acceleration. Upon such acceleration or, if the Asset Proceeds Note Trustee is not also the Collateral Agent, upon receipt by the Collateral Agent of an Asset Proceeds Note Acceleration Notice together with instructions from the Asset Proceeds Note Trustee with respect to the Pledged Collateral as to the actions to be taken by the Collateral Agent, the Collateral Agent shall, to the extent consistent with the provisions of Section 7(c) below and the other provisions of this Agreement, as soon as is practicable but in no event later than ten Business Days thereafter, commence the taking of such actions toward collection or enforcement of this Agreement as instructed by the Asset Proceeds Note Trustee. If, in the case where there has been an acceleration, rescission of such acceleration has occurred in accordance with the terms of the Asset Proceeds Note Indenture, or the Asset Proceeds Note Event of Default triggering an ipso facto acceleration is cured or waived in accordance therewith, any direction to the Collateral Agent to take any action in connection with an Asset Proceeds Note Acceleration Notice shall be deemed rescinded immediately upon notification by the Asset Proceeds Note Trustee (the "Asset Proceeds Note Rescission Notice") to the Collateral Agent of such cure or waiver and rescission of acceleration, as applicable. The Asset Proceeds Note Trustee shall give the Asset Proceeds Note Rescission Notice as soon as practicable after such cure or waiver and rescission. The period between the date of receipt by the Collateral Agent of any Asset Proceeds Note Acceleration Notice and the date of receipt by the Collateral Agent of any Asset Proceeds Note Rescission Notice is referred to herein as an "Asset Proceeds Note Remedy Period."

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(b) Remedies Upon Acceleration. During an Asset Proceeds Note Remedy Period, if so instructed by the Asset Proceeds Note Trustee (or if the Collateral Agent is the Asset Proceeds Note Trustee) the Collateral Agent may exercise on behalf of the Holders of the Securities all the rights of a secured party under the Uniform Commercial Code or other applicable law with respect to the Pledged Collateral and, in addition, the Collateral Agent may, without being required to give any notice, except as herein provided or as may be required by mandatory provisions of law, sell, assign, give an option or options to purchase, contract to sell or otherwise dispose of and deliver said Pledged Collateral, or any part thereof, in one or more parcels at public or private sale or sales, at any exchange, broker's board or at any of the Collateral Agent's offices or elsewhere at such prices and on such terms as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. Any of the Holders of the Securities may be the purchaser of any or all of the Pledged Collateral so sold at any public sale (or, if the Pledged Collateral is of a type customarily sold in a recognized market or is a type which is the subject of widely distributed standard price quotations, at any private sale). The Collateral Agent is authorized, in connection with any such sale which includes securities, if it deems it advisable so to do, (i) to restrict the prospective bidders on or purchasers of any of the Pledged Securities to investors who will represent and agree that they are purchasing for their own account for investment and not with a view to the distribution or sale of any such Pledged Securities, (ii) to cause to be placed on certificates for any or all of the Pledged Securities or on any other securities pledged hereunder a legend to the effect that such security has not been registered under the Securities Act of 1933, as amended (the "Securities Act"), and may not be disposed of in violation of the provisions of said Act, and (iii) to impose such other limitations or conditions in connection with any such sale as the Collateral Agent deems necessary or advisable in order to comply with said Act or any other law. The Company covenants and agrees that it will execute and deliver such documents and take such other action as the Collateral Agent reasonably deems necessary or advisable in order that any such sale may be made in compliance with law; provided that the Company shall not be required to register any Pledged Securities under the Securities Act. Upon any such sale, the Collateral Agent shall have the right to deliver, assign and transfer to the purchaser thereof the Pledged Collateral so sold. Each purchaser at any such sale shall hold the Pledged Collateral so sold absolutely and free from any claim or right of whatsoever kind, including any equity or right of redemption of the Company that may be waived, and the Company, to the extent permitted by law, hereby specifically waives all rights of redemption, stay or appraisal that it has or may have under any law now existing or hereafter adopted. The Collateral Agent shall give the Company not less than 10 days prior written notice of the time and place of any sale or other intended disposition of any of the Collateral (or such longer period as may be required by applicable law). The Collateral Agent and the Company agree that such notice constitutes "reasonable notification" within the meaning of Section 9-504(3) of the Uniform Commercial Code. The notice shall (1) in case of a public sale, state the time and place fixed for such sale, (2) in case of sale at a broker's board or on a securities exchange, state the board or exchange at which such sale is to be made and the day on which the Pledged Collateral, or the portion thereof so being sold, will first be offered for sale at such board or exchange, and (3) in the case of a private sale, state the day after which such sale may be consummated. Any such public sale shall be held at such time or times during ordinary business hours and at such place or places as the Collateral Agent may fix in the notice of such sale. At any such sale, the Pledged Collateral may be sold in one lot as an entirety or in separate parcels, as the Collateral Agent may determine. The Collateral Agent shall not be obligated to make any such sale pursuant to any such notice. The Collateral Agent may, without notice or publication, adjourn from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the same may be so adjourned. In case of any sale of all or any part of the Pledged Collateral on credit or for future delivery, the Pledged Collateral so sold may be retained by the Collateral Agent until the selling price is paid by the purchaser thereof, but the Collateral Agent shall not incur any liability in case of the failure of such purchaser to take up and pay for the Pledged Collateral so sold and, in case of any such failure, such Pledged Collateral may again be sold upon like notice. The Collateral Agent, instead of exercising the power of sale herein conferred upon it, may proceed by a suit or suits at law or in equity to foreclose the Security Interests and sell the Pledged Collateral, or any portion thereof, under a judgment or decree of a court or courts of competent jurisdiction.

(c) Rights of Collateral Agent.

(i) Right to Rely. The Collateral Agent may rely on any document reasonably believed by it to be genuine and to have been signed or presented by the proper person. The Collateral Agent need not investigate any fact or matter stated in any such document. Before the Collateral Agent acts or refrains from acting it may consult with counsel and may require an Officer's Certificate or an Opinion of Counsel. The Collateral Agent shall not be liable for any action it takes or omits to take in good faith in reliance on any such certificate or opinion.

(ii) Attorneys/Agents. The Collateral Agent may act through its attorneys and agents and shall not be responsible for the misconduct or negligence of any attorney or agent appointed with due care.

(iii) Good Faith Belief in Authority, Rights or Powers. The Collateral Agent shall not be liable for any action it takes or omits to take in the good faith belief that such act or omission was authorized or within its rights or powers.

(iv) No Investigation. The Collateral Agent shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, notice, request, direction, consent, order, bond, debenture or other paper or document, but the Collateral Agent, in its discretion, may (but shall not be obligated to) make such further inquiry or investigation into such facts or matters as it may see fit.

(v) Obligation to Act upon Instructions. The Collateral Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Agreement at the request, order or direction of the Asset Proceeds Note Trustee, pursuant to the provisions of this Agreement, unless the Asset Proceeds Note Trustee shall have offered to the Collateral Agent reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby. Upon receipt of such reasonable security or indemnity, however, the Collateral Agent shall act upon the instructions of the Asset Proceeds Note Trustee, with respect to the Pledged Collateral, in accordance with the Asset Proceeds Note Indenture. Notwithstanding the foregoing, the Collateral Agent shall not take or refrain from taking such action if so taking or refraining from taking such action, as the case may be, would violate applicable law or the terms of this Agreement or the Asset Proceeds Note Indenture.

(vi) Reasonable Care. Beyond the exercise of reasonable care to assure the safe custody of the Pledged Collateral while held hereunder, the Collateral Agent shall have no duty or liability to preserve rights pertaining thereto, it being understood that the Collateral Agent shall not have responsibility for (a) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Pledged Collateral, whether or not the Collateral Agent has or is deemed to have knowledge of such matters, unless reasonably requested in writing to do so by the Company, or (b) taking any necessary steps (other than steps taken in accordance with the standard of care set forth above to maintain possession of the Pledged Collateral) to preserve rights against any parties with respect to any Pledged Collateral.

(vii) Collateral Agent May Perform. Upon the occurrence and during the continuance of an Event of Default hereunder (including an Event of Default resulting from a failure to perform any agreement contained herein), if the Company fails to perform any agreement contained herein, the Collateral Agent may (but shall not be obligated to) itself perform, or cause performance of, such agreement, and the expenses of the Collateral Agent incurred in connection therewith shall be payable by the Company under Section 13.

Section 8. Priority of Payments.

The proceeds of any sale, disposition or other realization of the Pledged Collateral by the Collateral Agent or its agents or employees in the enforcement of its remedies as provided in Section 7 hereof shall be applied by the Collateral Agent in accordance with this Section 8:

(i) first, to the payment of the reasonable costs and expenses of such sale or other realization, including reasonable compensation to agents and

counsel for the Collateral Agent, and all expenses, liabilities and advances incurred or made by the Collateral Agent in connection therewith, and any other unreimbursed fees and expenses for which the Collateral Agent is to be reimbursed pursuant to Section 13 hereof;

(ii) next, any surplus then remaining to the Asset Proceeds Note Trustee for (x) payment of all fees and expenses incurred by the Asset Proceeds Note Trustee in the course of the performance of its duties under the Asset Proceeds Note Indenture, if any, and not reimbursed thereunder, and then (y) payment of the Secured Obligations in accordance with the Asset Proceeds Note Indenture to the Holders of the Securities thereunder; and

(iii) any surplus then remaining to the Company.

Section 9. Release of Pledged Collateral.

Notwithstanding any provision of this Agreement to the contrary and unless a Asset Proceeds Note Event of Default has occurred and is continuing, with respect to the Pledged Collateral, the Company may dispose of any of the Pledged Collateral in any transaction or series of transactions approved by the Company's Board of Directors, and any Pledged Collateral so disposed of shall, upon such disposition, ipso facto, be released from the Security Interests created by this Agreement and the Company shall be entitled to receive and retain the proceeds of such dispositions, except that (x) in accordance with Section 3 hereof, the non-cash proceeds from a Sale of Assets shall be held as Pledged Collateral, and (y) cash constituting Net Proceeds from and after the Effective Date (except such amount as shall be required to provide the Company with $5 million of working capital) shall constitute Cash Collateral; shall be held in the Collateral Account in accordance with Section 17 hereof pending its use to redeem or retire Asset Proceeds Notes in accordance with the Asset Proceeds Note Indenture and shall, upon request of the Company or the Asset Proceeds Note Trustee, be paid over to the Asset Proceeds Note Trustee for application as required by the Asset Proceeds Note Indenture.

To the extent that the provisions of this Section 9 permit or require the release of any Pledged Collateral, the Collateral Agent shall effect a release of such Pledged Collateral from the Security Interests created hereby and, at the Company's request, shall execute all documentation evidencing such release that the Company deems to be necessary or appropriate. In addition, the Collateral Agent shall effect a release of all Pledged Collateral upon payment in full of all obligations under the Asset Proceeds Note Indenture.

Section 10. Appointment.

The Asset Proceeds Note Trustee, for the benefit of the Holders of Securities, hereby designates and appoints the Collateral Agent, and the Collateral Agent hereby accepts such appointment, to serve as collateral agent upon the terms and conditions set forth herein. The Asset Proceeds Note Trustee hereby irrevocably authorizes, and each Holder of Securities shall be deemed irrevocably to have authorized, the Collateral Agent:

(i) to take such action on behalf of Holders of the Securities under the provisions of this Agreement and to exercise such powers and to perform such duties hereunder as are specifically delegated to or required of the Collateral Agent by the terms hereof and such other powers as are reasonably incidental thereto; and

(ii) during the continuance of an Asset Proceeds Note Event of Default or an Event of Default hereunder, to exercise, on behalf of Holders of the Securities, all remedies available to the Collateral

Agent and to initiate, prosecute and defend any and all legal proceedings against the Company and its Subsidiaries.

Section 11. Nature of Duties.

Neither the Collateral Agent nor any of its officers, directors, employees or agents shall be liable for any claims, losses, damages, penalties, actions, judgments, suits, liabilities, obligations, costs or expenses of any kind or nature whatsoever resulting from any action the Collateral Agent takes or omits to take under this Agreement or in connection therewith, unless caused by its or their negligence, bad faith or willful misconduct. The Collateral Agent may perform any of its duties hereunder by or through its agents or employees.

Section 12. Lack of Reliance on the Collateral Agent.

The Collateral Agent shall have no duty or responsibility, either initially or on a continuing basis, to provide the Asset Proceeds Note Trustee or any Holder of Securities with any credit or other information with respect to the Company or any of its Subsidiaries whether coming into the Collateral Agent's possession before the issuance of the Securities or at any time or times thereafter, except as otherwise provided in this Agreement.

Section 13. Compensation and Indemnification.

(a) Compensation and Expenses. The Company agrees to pay to the Collateral Agent, from time to time upon demand, reasonable compensation for the services of the Collateral Agent hereunder and all fees, costs and expenses of the Collateral Agent (including, without limitation, the reasonable fees and disbursements of counsel) (A) arising in connection with the preparation, execution, delivery, modification and termination of this Agreement, the enforcement of any of the provisions hereof or the performance of its duties hereunder, or (B) incurred or required to be advanced in connection with the sale or other disposition of any Pledged Collateral pursuant to this Agreement and the preservation, protection, enforcement or defense of the Collateral Agent's rights under this Agreement and in and to the Pledged Collateral.

(b) Stamp and Other Taxes. The Company hereby agrees to indemnify the Collateral Agent, the Asset Proceeds Note Trustee and each Holder of Securities for, and hold each of them harmless against, any present or future claim for liability for any mortgage, sales, transfer, gains, stamp or other similar tax and any penalties or interest with respect thereto, which may be assessed, levied or collected by any jurisdiction in connection with this Agreement or any Pledged Collateral.

(c) Filing Fees, Excise Taxes, Etc. The Company hereby agrees to pay or to reimburse the Collateral Agent for any and all amounts in respect of all search, filing, recording and registration fees, taxes, excise taxes and other similar imposts which may be payable or determined to be payable in respect of the execution, delivery, performance and enforcement of this Agreement.

(d) Indemnification of Collateral Agent. The Company shall indemnify the Collateral Agent, its officers, directors, employees and agents for, and hold each of them harmless against, any and all claims, demands, expenses (including but not limited to reasonable compensation, disbursements and expenses of the Collateral Agent's agents and counsel), losses or liabilities incurred by any of them without negligence, bad faith or willful misconduct on its part, in any way arising out of or in connection with the acceptance and administration of this Agreement and its rights or duties hereunder. The Collateral Agent shall notify the Company promptly of any claim asserted against the Collateral Agent for which indemnity is sought hereunder. The Company shall defend any such claim and the Collateral Agent shall provide reasonable cooperation at the Company's expense in such defense. The Collateral Agent may have separate counsel and the Company shall pay the reasonable fees and expenses of such counsel; provided, that the Company will not be required to pay such fees and expenses if it assumes the Collateral Agent's defense and provides the Collateral Agent with an Opinion of Counsel that there is no conflict of interest between the Company and the Collateral Agent in connection with such defense. The Company need not pay any amounts in respect of any settlement made without its written consent. The Company need not reimburse any expense or indemnify

against any loss or liability to the extent incurred by the Collateral Agent through its negligence, bad faith or willful misconduct. When the Collateral Agent incurs expenses or renders services after an Asset Proceeds Note Event of Default or an Event of Default hereunder relating to certain events of bankruptcy, reorganization or insolvency has occurred, such expenses and the compensation for such services are intended to constitute expenses of administration under any Bankruptcy Law.

(e) Survival of Obligations. All obligations set forth in this Section 13 shall survive the execution, delivery and termination of this Agreement and the payment of all other Secured Obligations.

(f) Lien on Pledged Collateral. To secure the obligations of the Company set forth in this Section 13, the Collateral Agent shall have a lien pari passu with the first (or second) priority liens of the Holders of the Securities on all Pledged Collateral held or collected by the Collateral Agent in its capacity as such; provided, however, that only such portion of said obligations as bears the same ratio to the total amount of said obligations as the value of the remaining Pledged Collateral bears to the total value of the Pledged Collateral may be satisfied out of such portion of the Pledged Collateral.

Section 14. Collateral Agent's Dealings with the Company.

The Collateral Agent may accept deposits from, lend money to, or generally engage in any kind of banking, trust or other business with the Company or any of its Subsidiaries, in each case as if it were not the Collateral Agent hereunder.

Section 15. Securityholders.

The Collateral Agent may deem and treat the registered owner of any of the Securities as the owner thereof for all purposes hereunder. Any request, authority or consent of any person or entity who, at the time of making such request or giving such authority or consent, is the registered owner of any of the Securities, shall be conclusive and binding upon any subsequent Holder of such Securities or other securities issued in exchange therefor. The Asset Proceeds Note Trustee agrees that it will furnish to the Collateral Agent lists of the registered owners of all Securities and the outstanding principal amount thereof within 10 Business Days after any written request therefor from the Collateral Agent. The Collateral Agent shall be entitled to rely on such lists as being accurate and complete.

Section 16. Resignation by or Removal of the Collateral Agent.

(a) Resignation; Removal. The Collateral Agent may resign from the performance of all of its functions and duties hereunder at any time by giving 60 Business Days' prior written notice to the Company and the Asset Proceeds Note Trustee. Holders of % of the outstanding Securities may at any time remove the Collateral Agent by giving 20 Business Days' prior written notice to the Collateral Agent, the Company, and the Asset Proceeds Note Trustee. The Company may at any time remove the Collateral Agent, by giving 20 Business Days prior written notice to the Collateral Agent and the Asset Proceeds Note Trustee if, in the Company's good faith judgement, the Collateral Agent's fees and expense structure for acting as such hereunder become materially non-competitive. Such resignation or removal shall take effect upon the appointment of a successor Collateral Agent pursuant to Section 16(b) or (c) below or as otherwise provided below.

(b) Appointment of Successor. Upon any such notice of resignation or removal, the Asset Proceeds Note Trustee or, if the Collateral Agent is removed by the Holders of the Securities the Holders of the outstanding Securities removing the Collateral Agent, as the case may be, shall appoint a successor Collateral Agent hereunder, which shall be an Acceptable Bank. If a successor Collateral Agent shall not have been so appointed within the period specified in Section 16(a) above, the Company shall then appoint a successor Collateral Agent which shall be an Acceptable Bank and which shall serve as the Collateral Agent hereunder.

(c) Effectiveness of Resignation or Removal. A successor Collateral Agent shall deliver a written acceptance of its appointment to the retiring Collateral Agent, the Company and the Asset Proceeds Note Trustee. Immediately thereafter, the retiring Collateral Agent shall transfer all property held by it as

Collateral Agent to the successor Collateral Agent, subject to the Lien provided in Section 13(f) hereof, and shall execute and deliver to the successor Collateral Agent such documents as are necessary to perfect or maintain the Security Interests, including any documents necessary to assign or transfer all interests of the retiring Collateral Agent in the Pledged Collateral to the successor Collateral Agent, in the form or forms adequate for proper filing or recording in such offices and such jurisdictions as are necessary to put the successor Collateral Agent in the same position as was the retiring Collateral Agent with respect to the Pledged Collateral. Thereupon, the resignation or removal of the retiring Collateral Agent shall become effective and the successor Collateral Agent shall have all the rights, powers and duties of the Collateral Agent under this Agreement. A successor Collateral Agent shall give notice of its succession to the Asset Proceeds Note Trustee.

(d) Consolidation, Merger, Etc. If the Collateral Agent consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the resulting, surviving or transferee corporation without any further act, if such resulting, surviving or transferee corporation is an Acceptable Bank, shall be the successor Collateral Agent. The transferring, merging or converting Collateral Agent shall, at its own expense, have all documents necessary to perfect or maintain the Security Interests, including any documents necessary to assign or transfer all interests of the transferring, merging or converting Collateral Agent in the Pledged Collateral,

executed and delivered to it in the form or forms adequate for proper filing or recording in such offices and such jurisdictions as are necessary to put the successor Collateral Agent in the same position as the transferring, merging or converting Collateral Agent with respect to the Pledged Collateral.

(e) Compensation Continuing. Any person or entity acting as Collateral Agent shall continue to be entitled to receive compensation as provided in Section 13 hereof so long as such person or entity acts as Collateral Agent hereunder.

Section 17. Cash Collateral; Advices.

(a) Cash Collateral. All Net Proceeds (in excess of amounts sufficient to leave the Company with $5 million of working capital) from Sales of Assets from and after the Effective Date, and all cash received upon disposition, transfer, distribution or otherwise in respect of non-cash proceeds of any Sale of Assets (collectively, the "Cash Collateral") shall be held in the Collateral Account under the exclusive dominion and control of the Collateral Agent. The Collateral Agent shall invest any Cash Collateral and any interest, dividends and proceeds thereon received by it from time to time in Permitted Investments in accordance with written instructions from the Company, pending their disposition in accordance with the Asset Proceeds Note Indenture, and the Collateral Agent shall have no liability arising out of any such investment made pursuant to such instructions.

(b) Advices. The Collateral Agent shall forward promptly to each other party hereto a copy of each notice, certificate, instruction or other communication received by the Collateral Agent from any party under this Agreement or the Asset Proceeds Note Indenture. The Collateral Agent shall also promptly furnish to the Company, the Asset Proceeds Note Trustee, upon written request, such other information and documents concerning the Pledged Collateral and the Collateral Agent's actions with respect thereto as the Asset Proceeds Note Trustee or the Company may reasonably request.

Section 18. Collateral Account.

The Collateral Agent shall establish an account in its name as Collateral Agent under this Agreement, on behalf of the Holders of the Securities, and shall maintain such accounts and administer the funds in such accounts in accordance with the terms hereof.

Section 19. Notices.

Any notices or other communications required or permitted hereunder shall be in writing, and shall be sufficiently given if made by hand delivery, by telex, by telecopier or registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

To the Company:

with a copy to:

To the Collateral Agent:

To the Asset Proceeds Note Trustee:

Any party hereto may by notice to each other party designate such additional or different addresses as shall be furnished in writing by such party. Any notice or communication to any party hereto shall be deemed to have been given or made as of the date so delivered, if personally delivered; when answered back, if telexed; when receipt is acknowledged by telecopier confirmation, if telecopied; and five calendar days after mailing if sent by registered or certified mail (except that a notice of change of address shall not be deemed to have been given until actually received by the addressee). A copy of any notice given under this Agreement to any party shall also be given to each other party hereto. Pursuant to and not in limitation of the preceding sentence, any party hereto may give notice to the Holders of Securities at the addresses set forth for them in the register kept by the Registrar under the Asset Proceeds Note Indenture.

Section 20. Binding Agreement; Assignment; Obligations Several.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, including, without limitation, and without the need for an express assignment or amendment, subsequent Holders of Securities (whether or not the Securities held by such

persons is outstanding as of the date hereof or issued hereafter). This Agreement may not be assigned by the Company; provided, however, that this Agreement shall be deemed to be automatically assigned by the Company to any person which is a successor to the Company, in accordance with the terms of the Asset Proceeds Note Indenture. This Agreement shall be deemed to be automatically assigned by the Collateral Agent to any person who succeeds to the Collateral Agent in accordance with Section 16 hereof, and such assignee shall have all rights and powers of, and act as, the Collateral Agent hereunder, and this Agreement shall be deemed to be automatically assigned by the Asset Proceeds Note Trustee to any person who succeeds in accordance with the terms of the Asset Proceeds Note Indenture. Each Holder of the Securities, by its acceptance of any Securities, consents to and agrees to be bound by the provisions hereof.

Section 21. Governing Law.

This Agreement shall be construed in accordance with and governed by the laws of the State of New York without regard to its conflict of law principles, except as otherwise required by mandatory provisions of law and except to the extent that remedies provided by the laws of any jurisdiction other than New York are governed by the laws of such jurisdiction.

Section 22. Effectiveness; Termination.

This Agreement shall become effective on the Effective Date. Upon the repayment in full of all the Secured Obligations, the Security Interests and this Agreement shall terminate and all rights to the Pledged Collateral shall revert to the Company and its Subsidiaries. Upon termination of this Agreement, the Collateral Agent shall reassign and redeliver to the Company, as the case may be, the Pledged Collateral hereunder which has not been sold, disposed of, retained or applied by the Collateral Agent in accordance with the terms hereof. Such reassignment and redelivery shall be without warranty by or recourse to the Collateral Agent, and shall be at the expense of the Company. Thereafter, this Agreement shall not constitute a lien upon or grant any security interest to any person in any of the Pledged Collateral, and the Collateral Agent shall, at the Company's expense, deliver to the Company (i) written acknowledgement thereof and

cancellation of this Agreement and (ii) such other documents as are reasonably requested by the Company, in a form or forms as reasonably requested by the Company and adequate for proper filing or recording in such offices and such jurisdictions as the Company reasonably deems necessary to release the Security Interests.

Section 23. Amendments, Supplements and Waivers.

(a) With the written consent of the Asset Proceeds Note Trustee or % of the Holders of the outstanding Securities, either the Collateral Agent and the Company may, from time to time, enter into written supplemental agreements for the purpose of amending, modifying or waiving any provision of this Agreement or changing in any manner the rights of the Collateral Agent, the Asset Proceeds Note Trustee and the Company hereunder. Any such supplemental agreement shall be binding upon the Company, the Collateral Agent, the Asset Proceeds Note Trustee, all Holders of Securities, and their respective successors and permitted assigns. The Collateral Agent shall not enter into any such supplemental agreement unless it shall have received an Officer's Certificate of the Company and an Opinion of Counsel to the effect that the execution, delivery and performance of such supplemental agreement will not result in a Default or Event of Default under the Asset Proceeds Note Indenture.

(b) Notwithstanding the provisions of Section 23(a) above, the Collateral Agent and the Company may, at any time and from time to time, without the consent of the Asset Proceeds Note Trustee or any Holders of Securities, enter into agreements supplemental hereto or additional agreements or grant any waiver hereunder, in form satisfactory to the Collateral Agent, in which a security interest is granted in favor of the Collateral Agent for the benefit of the Holders of the Securities or which:

(i) Holders of the Securities adds to the covenants of the Company for the benefit of the Holders of the Securities or the Asset Proceeds Note Trustee, or surrenders any right or power herein conferred upon the Company; or

(ii) cures any ambiguity, defect or inconsistency in this Agreement or makes any other change which does not adversely effect the rights of any Holder of any Securities hereunder.

Notice of any amendment, modification or waiver to this Agreement or of any additional or supplemental agreements entered into in accordance with Section 23(a) or (b) above shall be given by the Collateral Agent to the Asset Proceeds Note Trustee, and the Asset Proceeds Note Trustee shall give such notice to the Holders of Securities.

Section 24. Inconsistent Provisions.

If any provision of this Agreement shall be inconsistent with, or contrary to, any provision of the Asset Proceeds Note Indenture, such provision of the Asset Proceeds Note Indenture shall be controlling and shall supersede such inconsistent provisions hereof to the extent necessary to give full effect to such provision of the Asset Proceeds Note Indenture.

Section 25. Severability.

In the event that any provision contained in this Agreement shall for any reason be held to be illegal or invalid under the laws of any jurisdiction, such illegality or invalidity shall in no way impair the effectiveness of any other provision hereof or of such provision under the laws of any other jurisdiction; provided, that in the construction and enforcement of such provision under the laws of the jurisdiction in which such holding of illegality or invalidity exists, and to the extent only of such illegality or invalidity, this Agreement shall be construed and enforced as though such illegal or invalid provision had not been contained herein.

Section 26. Headings.

Section headings used herein are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

Section 27. Counterparts.

This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, and all of which shall together constitute one and the same instrument. A complete set of counterparts shall be lodged with the Collateral Agent and the Asset Proceeds Note Trustee.

Section 28. Exhibits and Schedules.

Exhibits and Schedules attached hereto shall be deemed part of this Agreement of fully as if set forth in full herein.

IN WITNESS WHEREOF, the Collateral Agent, the Asset Proceeds Note Trustee and the Company have caused this Agreement to be executed and delivered by their respective officers there-unto duly authorized as of the day and year first above written.

BANK,
---
as Asset Proceeds Note Trustee
By:

Its:

BANK,
---
as Collateral Agent
By:

Its:

ROSEBUD HOLDINGS, INC.
By:

Its:

SCHEDULE A

EXHIBIT H

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EXHIBIT H

AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

LONE STAR INDUSTRIES, INC.

It is hereby certified that the present name of the corporation (hereinafter called the "corporation") is Lone Star Industries, Inc. The name under which the corporation was originally incorporated is LCE Corporation. The date of filing of the original certificate of incorporation with the Secretary of State of the State of Delaware is October 14, 1968.

The provisions of the certificate of incorporation of the corporation are hereby amended by striking out all of the Articles thereof and by substituting in lieu thereof the following:

FIRST: The name of the corporation is Lone Star Industries, Inc.

SECOND: The registered office of the corporation is to be located at 1209 Orange Street, in the City of Wilmington, County of Kent, State of Delaware. The name of its registered agent at that address is The Corporation Trust Center.

THIRD: The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The corporation shall have the authority to issue Twenty Five Million (25,000,000) shares of common stock, par value one dollar ($1.00) per share. The corporation shall not have the authority to issue nonvoting equity securities.

FIFTH: Whenever a compromise or arrangement is proposed between this corporation and its creditors or any class of them and/or between this corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this corporation under the provisions of sec.279 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this corporation under the provisions of sec.279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class or creditors, and/or on all the stockholders or class of stockholders, of this corporation, as the case may be, and also on this corporation.

SIXTH: To the fullest extent that elimination or limitation of the liability of directors is permitted by law, as the same is now or may hereafter be in effect, no director of the corporation shall be liable to the corporation or its stockholders for monetary damages for breach of his or her fiduciary duty as a director.

SEVENTH: The corporation shall, to the fullest extent permitted by law, as the same is now or may hereafter be in effect, indemnify each person (including the heirs, executors, administrators and other personal representatives of such person) against expenses including attorneys' fees, judgments, fines and amounts paid in settlement, actually and reasonably incurred by such person in connection with any threatened, pending or completed suit, action or proceeding (whether civil, criminal, administrative or investigative in nature or

otherwise) in which such person may be involved by reason of the fact that he or she is or was a director or officer of the corporation or is or was serving any other incorporated or unincorporated enterprise in such capacity at the request of the corporation.

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EIGHTH: Unless, and except to the extent that the by-laws of the corporation shall so require, the election of directors of the corporation need not be by written ballot.

NINTH: The board of directors may from time to time adopt, amend or repeal the by-laws of the corporation, subject to the power of the stockholders to adopt any by-laws or to amend or repeal any by-laws adopted, amended or repealed by the board of directors.

The authority for the making of this amendment and restatement of the certificate of incorporation is contained in a court order described in Section 303(c) of the Delaware General Corporation Law.

IN WITNESS WHEREOF, the corporation has caused this Amended and Restated Certificate of Incorporation to be executed by its duly authorized officer this day of , 1993.

LONE STAR INDUSTRIES, INC.

By:

Name:
Title:

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EXHIBIT I

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EXHIBIT I

BY-LAWS

OF

LONE STAR INDUSTRIES, INC.

ARTICLE I.

OFFICES.

Section 1. Principal Office. The principal office of the Corporation in the State of Delaware shall be in the City of Wilmington, County of New Castle, and its resident agent shall be The Corporation Trust Company.

Section 2. Other Offices. The Corporation may have offices at any other place or places, as from time to time the Board of Directors may determine or the business of the Corporation may require.

ARTICLE II.

MEETINGS OF STOCKHOLDERS.

Section 1. Annual Meetings. The annual meeting of the stockholders for the election of directors and for the transaction of such other business as may come before the meeting shall be held on such date as may be fixed by the Board of Directors and specified in the notice thereof, or if not so fixed it shall be held on the first Thursday in May in each year, unless it is a legal holiday under the laws of the state where such meeting is to be held. If it is a legal holiday under the laws of that state, the meeting shall be held on the next succeeding business day which is not a legal holiday under the laws of that state.

Section 2. Special Meetings. Special meetings of the stockholders for any purpose or purposes, unless otherwise prescribed by statute, may be called at any time by the Chairman of the Board or by order of the Board of Directors. At any such special meeting of the stockholders, only such business shall be conducted as shall have been specified in the notice of meeting (or any

supplement thereto).

Section 3. Place of Meeting. Each meeting of stockholders of the Corporation shall be held at the place, within or without the State of Delaware, and at the hour specified in the notice or waiver of notice of the meeting.

Section 4. Notice of Meetings. Except as otherwise provided by law, notice of each meeting of the stockholders shall be given to each stockholder of record entitled to vote at such meeting, not less than ten nor more than sixty days before the day on which the meeting is to be held. Notice may be given by delivering a written or printed notice thereof to a stockholder personally, or by mailing such notice in a postage prepaid envelope addressed to a stockholder at his or her post-office address appearing in the records of the Corporation or by transmitting notice thereof to a stockholder at such address by telegraph, cable, wireless, or other form of recorded communication. Except where expressly required by law, no publication of any notice of a meeting of stockholders shall be required. Notice of any meeting of stockholders shall not be required to be given to any stockholder who attends such meeting in person or by proxy without protesting at the beginning of the meeting that the meeting is not lawfully called or convened or who in person or by attorney duly authorized to do so waives such notice in writing or by telegraph, cable, wireless or other form of recorded communication, either before or after such meeting. Notice of any adjourned meeting of the stockholders shall not be required to be given, except where expressly required by law.

Section 5. Quorum. At each meeting of the stockholders, except where other provision is made by law, presence in person or by proxy of the holders of a majority of the issued and outstanding stock of the Corporation entitled to vote at the meeting constitutes a quorum for the transaction of business. In the absence of a quorum, a majority in voting interest of the stockholders of the Corporation present in person or by proxy

and entitled to vote, or, in the absence of all the stockholders entitled to vote, any officer entitled to preside at, or act as secretary of, such meeting shall have the power to adjourn the meeting from time to time, until stockholders holding the requisite amount of stock shall be present or represented. At any such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally called. No notice of an adjourned meeting need be given if the time and place are announced at the meeting at which the adjournment is taken unless the adjournment is for more than 30 days or a new record date is fixed for the meeting.

Section 6. Organization. At each meeting of the stockholders, the Chairman of the Board, or if he or she is absent, such person as may be designated by the Board of Directors, or if such person is absent, another officer of the Corporation chosen as chairman of such meeting by a majority in voting interest of the stockholders present in person or by proxy and entitled to vote at the meeting, or if all the officers of the Corporation are absent, a stockholder holding of record shares of stock of the Corporation so chosen, shall act as chairman of the meeting and preside at it. The Secretary, or if he or she is absent from such meeting or is required pursuant to the provisions of this Section 6 to act as chairman of such meeting, the person (who shall be an Assistant Secretary, if an Assistant Secretary is present at the meeting) whom the chairman of the meeting shall appoint, shall act as secretary of the meeting and keep the minutes of it.

Section 7. Order of Business. The order of business at each meeting of the stockholders shall be determined by the chairman of such meeting. However, such order of business may be changed by the vote of a majority in voting interest of those present in person or by proxy at such meeting and entitled to vote at it.

Section 8. Voting. Except as otherwise provided in the Certificate of Incorporation, each stockholder shall, at each meeting of the stockholders, be entitled to one vote in person or by proxy for each share of stock of the Corporation held by him or her and registered in his or her name on the books of the Corporation on the date fixed pursuant to the provisions of Section 7 of Article VII of these By-laws as the record date for the determination of stockholders who shall be entitled to notice of and to vote at such meeting. Shares of its own stock belonging to the Corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held by the Corporation, shall not be entitled to vote. Each stockholder entitled to vote shall be entitled to vote in person or by proxy; provided, however, that the right to vote by proxy shall exist only if the instrument authorizing the proxy to act has been executed in writing by the

stockholder personally or by the stockholder's attorney duly authorized in writing to do so, and delivered to the Secretary of the Corporation or to the Secretary of the meeting. However, no proxy shall be voted or acted upon after three (3) years from its date, unless the proxy shall provide for a longer period. At all meetings of the stockholders all matters, except where other provision is made by law, by the Certificate of Incorporation of the Corporation or by these By-laws, shall be decided by the vote of a majority in voting interest of the stockholders present in person or by proxy and entitled to vote, as long as a quorum is present. Unless demanded by a stockholder of the Corporation present in person or by proxy at any meeting of the stockholders and entitled to vote thereat or so directed by the chairman of the meeting, the vote on any question need not be by ballot. Upon a demand of any stockholder for a vote by ballot on any question or at the direction of the chairman that a vote by ballot be taken on any question, such vote shall be taken. On a vote by ballot each ballot shall be signed by the stockholder voting, or by his or her proxy, if there be such proxy, and shall state the number of shares voted.

Section 9. List of Stockholders. It shall be the duty of the Secretary or other officer of the Corporation who shall have charge of its stock ledger, either directly or through another officer of the Corporation designated by him or her or through a transfer agent appointed by the Board of Directors, to prepare and make, at least ten (10) days before every meeting of the stockholders, a complete list of the stockholders entitled to vote at the meeting arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to said meeting, either at a place within the city where said meeting is to be held, which place shall be specified in the notice of said meeting, or, if not so specified, at the place where said meeting is to be held. The list shall also be produced and kept at the time and place of said meeting during the whole meeting, and may be inspected by any stockholder who is present. The stock ledger shall be the only

evidence as to who are the stockholders entitled to examine the stock ledger, such list or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

Section 10. Inspectors of Votes. At each meeting of the stockholders the chairman of such meeting may appoint two Inspectors of Votes to act at it. Each appointed Inspector of Votes shall first subscribe to an oath or affirmation faithfully to execute the duties of an Inspector of Votes at the meeting with strict impartiality and according to the best of his or her ability. The Inspector of Votes, if any, shall take charge of the ballots at the meeting and after the balloting on any question shall count the ballots cast and shall make a report in writing to the Secretary of the meeting of the results of the vote. An Inspector of Votes need not be a stockholder of the Corporation, and any officer of the Corporation may be an Inspector of Votes on any question other than a vote for or against his or her election to any position within the Corporation or on any other question in which he or she may be directly interested.

Section 11. Business to be Conducted.

(a) At any annual meeting of the stockholders, only such business shall be conducted as is properly brought before the meeting. In order for business to be properly brought before the meeting, the business must either be (1) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors; (2) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (3) otherwise properly brought before the meeting by a stockholder. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation, not more than 65 days prior to the meeting nor later than 10 business days after the giving of notice of the meeting to the stockholders by the Corporation; provided, however, that in the event that less than 15 days' notice of the date of the meeting is given to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the fifth business day preceding the date of the meeting. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (1) a brief description of the business which the stockholder wishes to bring before the annual meeting and the reasons for conducting such business at the annual meeting; (2) the name and record address of the stockholder proposing such business; (3) the class and

number of shares of the Corporation which are beneficially owned by the stockholder, and (4) any material interest of the stockholder in such business.

(b) Notwithstanding anything in these By-laws to the contrary, no business shall be conducted at the annual meeting except in accordance with the procedures set forth in this Section 11 of Article II; provided, however, that nothing in this Section 11 of Article II shall be deemed to preclude discussion by any stockholder of any business properly brought before the annual meeting.

(c) The Chairman of the Board or other officer presiding at the annual meeting shall determine whether business is properly brought before the meeting in accordance with the provisions of this Section 11 and, if not, he or she shall so declare to the meeting and any such business not so brought shall not be transacted.

Section 12. Stockholder Nomination of Directors. Not more than 65 days prior to the date of an annual meeting nor later than 10 business days after the giving of notice thereof to the stockholders, any stockholder who intends to make a nomination of a candidate for election to the Board of Directors at such annual meeting shall deliver a notice to the Secretary of the Corporation setting forth (1) as to each nominee whom the stockholder wishes to nominate for election or reelection as a director (i) the name, age, business address and residence address of the nominee; (ii) the principal occupation or employment of the nominee; (iii) the class and number of shares of capital stock of the Corporation which are beneficially owned by the nominee; and (iv) any other information concerning the nominee that would be required, under the rules and regulations of the Securities and Exchange Commission, in a proxy statement soliciting proxies for the election of such nominee as a director; and (2) as to the stockholder giving the notice (i) the name and record address of the stockholder and (ii) the class and number of shares of capital stock of the Corporation which the stockholder beneficially owns; provided, however, that in the event that less than 15 days' notice of the annual meeting is given to stockholder, notice by the stockholder to be timely must be so delivered not later

than the close of business on the fifth day preceding the meeting. Each notice shall include a signed consent to serve as a director of the Corporation, if elected, of each such nominee. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such person to serve as a director.

ARTICLE III.

BOARD OF DIRECTORS.

Section 1. General Powers. The property, business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

Section 2. Number, Qualification and Term of Office. Subject to the requirements of the laws of the State of Delaware and of the Certificate of Incorporation of the Corporation, the Board of Directors may from time to time by resolution determine the number of directors which shall be not less than three but not more than eighteen directors. Directors need not be stockholders. Directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one third of the total number of directors constituting the entire Board of Directors. At each Annual Meeting of Stockholders, successors to the class of directors whose terms expire at that Annual Meeting shall be elected for a three year term. If the number of directors is changed, an increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, but in no case shall a decrease in the number of directors shorten the term of any incumbent director. A director shall hold office until the Annual Meeting of Stockholders for the year in which his or her term expires and until his or her successor is elected and qualified, subject, however, to prior death, resignation, retirement, disqualification or removal from office.

Section 3. Election of Directors. At each meeting of the stockholders for the election of directors, the persons receiving the greatest number of votes, up to the number of directors to be elected, shall be the directors. Such election need not be by ballot.

Section 4. Resignations. Any director may resign at any time by giving written notice of resignation to the Corporation. The resignation shall take effect at the time specified, or, if the time when it becomes effective is not

specified, then it shall take effect immediately upon its receipt by the Secretary. Unless otherwise specified in the resignation, acceptance is not necessary to make it effective.

Section 5. Removal of Directors. Subject to the rights of the holders of any class or series of stock then outstanding, any director, or the entire Board of Directors, may be removed from office at any time, with or without cause. The vacancy in the Board of Directors caused by the removal of a director may be filled by the stockholders at any annual meeting or special meeting called for such purpose, or if the stockholders fail to fill the vacancy, by the Board of Directors as provided in Section 6 of this Article III. The term of a director elected to fill a vacancy caused by the removal of a director shall expire at the same time as the term of the other directors of the class in which the vacancy occurred.

Section 6. Vacancies, etc. If there is a vacancy in the Board of Directors caused by the death, resignation, disqualification or removal of a director, or by an increase in the number of directors, the vacancy may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. The term of any director so elected by the Board of Directors shall expire at the same time as the term of the other directors of the class for which the new directorship is created or in which the vacancy occurred.

Section 7. Place of Meeting, etc. The Board of Directors may hold its meetings at any place within or without the State of Delaware as it may determine.

Section 8. Organization Meeting. After each annual meeting of stockholders at which directors are elected, and on the same day, the Board of Directors shall meet for the purpose of organization and the transaction of other business at the place where the annual meeting of the stockholders is held. Notice of the meeting need not be given. The meeting may be held at any other time or place designated in a notice given as

hereinafter provided for special meetings of the Board of Directors or in a consent and waiver of notice of meeting signed by all the directors.

Section 9. Regular Meetings. Regular meetings of the Board of Directors shall be held at such times as the Board of Directors shall determine. If the day fixed for the regular meeting is a legal holiday where the meeting is to be held, then the meeting shall be held at the same hour on the next succeeding business day. Except as otherwise provided by law, notices of regular meetings need not be given.

Section 10. Special Meetings; Notice. Special meetings of the Board of Directors shall be held whenever called by the Chairman of the Board, the Secretary, or a majority of the directors in office. Notice of each such meeting shall be mailed, addressed to each director at the director's residence or usual place of business, at least two (2) days before the day on which such meeting is to be held or shall be sent to the director at the director's residence or usual place of business by telegraph, cable, wireless or other form of recorded communication or be delivered personally or by telephone not later than the day before the day on which the special meeting is to be held. Each notice shall state the time and place of the meeting but need not state the purpose thereof, except as otherwise herein expressly provided. Notice of any meeting of the Board of Directors need not, however, be given to any director, if the director waives notice before or after the meeting in writing or by telegraph, cable, wireless or other form of recorded communication, or if the director is present at such meeting without protest. Any meeting of the Board of Directors shall be a legal meeting, even if no notice has been given, if all the directors of the Corporation are present at the meeting.

Section 11. Quorum and Manner of Acting. Except as otherwise provided by statute or by these By-laws, one-third of the total number of directors constituting the whole Board (but not less than two) shall be required to constitute a quorum for the transaction of business at any meeting, and the act of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors. Members of the Board of Directors, or any committee designated by the Board, may participate in a meeting of the Board or such committee by means of conference telephone or other similar communications equipment by means of which all persons participating can hear each other and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting. In the absence of a quorum, a majority of the directors present may adjourn any meeting until a quorum is present. Notice of any adjourned meeting need not be given.

Section 12. Action by Consent. Unless otherwise restricted by the Certificate of Incorporation or these By-laws, any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting if all members of the Board of Directors consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors.

Section 13. Remuneration. Unless otherwise expressly provided by resolution adopted by the Board of Directors, none of the directors shall, as such, receive any stated remuneration for his or her service; but the Board of Directors may at any time or from time to time by resolution provide that a specified sum shall be paid to any director of the Corporation, either as his or her annual remuneration as such director or member of any committee of the Board of Directors and may, in addition, provide for remuneration for his or her attendance at each meeting of the Board of Directors or any such committee. The Board of Directors may also likewise provide that the Corporation shall reimburse each director for any expenses paid by him or her on account of his or her attendance at any meeting. Nothing in this Section contained shall be construed to preclude any director from serving the Corporation or its affiliates in any other capacity and receiving remuneration therefor.

ARTICLE IV.

COMMITTEES.

Section 1. Standing Committees: How Constituted and Powers. The Board of Directors may in its discretion, by resolution passed by a majority of the whole Board, designate an Executive Committee, an Audit Committee, and a Compensation Committee, consisting of two or more of the Directors. The members

of all Committees shall serve at the pleasure of the Board and may be removed at any time, with or without cause.

Section 2.

(a) The Executive Committee. The Executive Committee shall have and may exercise, when the Board is not in session, the power of the Board of Directors in the management of the business and affairs of the Corporation, and shall have the power to authorize the seal of the Corporation to be affixed to all papers which may require it. The Executive Committee shall have the power and authority to declare a dividend and authorize the issuance of stock. However, the Executive Committee shall not have the power (1) to fill vacancies on the Board of Directors or the Executive Committee; or (2) to make or amend or repeal By-laws of the Corporation; or (3) to change the dividend policy of the Corporation; to increase, decrease, or omit any dividend; or (4) to remove or appoint any officer or director of the Corporation; or (5) to recommend to the stockholders an amendment to the Certificate of Incorporation; or (6) to recommend to the stockholders the authorization of new securities of the Corporation; or (7) to recommend to the stockholders the sale, lease, or exchange of all, or substantially all, of the Corporation's property and assets; or (8) to approve any acquisition involving more than $10,000,000 in assets or sales or purchase price; or (9) to recommend to the stockholders a dissolution of the Corporation or a revocation of a dissolution; or (10) to adopt an agreement of merger or consolidation under Section 251 or 252 of the Delaware General Corporation Law.

(b) The Audit Committee. The Audit Committee shall (1) recommend the principal auditors of the Corporation; (2) consult with the principal auditors with regard to the plan of audit; (3) review the report of the audit and the accompanying management letter; (4) consult with the principal auditors with regard to the adequacy of internal controls; (5) consult with the Corporation's internal auditors on the above matters, and (6) have such other duties and responsibilities as may be delegated to it from time to time.

(c) The Compensation Committee. The Compensation Committee shall approve and recommend to the Board of Directors (1) compensation arrangements; (2) the adoption of any compensation plans in which officers and directors are eligible to participate for senior management; (3) the granting of stock options or any benefits under any such plans; and shall have (4) such other duties and responsibilities as may be delegated to it from time to time. In connection with the Corporation's stock option plans, the Compensation Committee shall have the power to determine the terms and provisions of the respective stock option agreements (which need not be identical) and to make all other determinations necessary or advisable for the administration of such plans. The Compensation Committee shall have the authority to determine the persons to whom, and the

time or times at which, options may be granted, the number of shares to be subject to each, the price at which the shares subject thereto may be purchased, the period of each option and other terms and conditions thereof; provided, however, that the Compensation Committee shall not have authority to authorize the issuance of stock of the Corporation.

Section 3. Organization, etc. The Chairman of a Standing Committee, selected by the members of the Board of Directors, shall act as chairman at all the meetings of the Standing Committee and the Secretary shall act as secretary thereof. In case the chairman or secretary of a Standing Committee is absent from any meeting of a committee, the Committee may appoint a chairman or secretary as the case may be, of the meeting.

Section 4. Meetings. Regular meetings of the Standing Committees (of which no notice shall be necessary) may be held on any day and at any place, fixed by a resolution adopted by a majority of a Committee or of the Board and communicated to all its members. Special meetings of a Committee shall be held whenever called by the Chairman of a Standing Committee, the Chairman of the Board, the Secretary, or a majority of the members of a Standing Committee then in office. Notice of each special meeting of a Committee shall be given by mail, telegraph, cable, or wireless or other form of recorded communication or be delivered personally or by telephone to each member of the Committee no later than the day before the day on which such meeting is to be held. Notice of any such meeting need not be given to any member of the Committee, however, if waived by the member in writing or by telegraph, cable, wireless, or other form of recorded communication, or if he or she shall be present at such meeting without protest. Any meeting of a Committee shall be a legal meeting without any notice given, if all the members of the committee are present

at it. Subject to the provisions of this Article IV, a Committee, by resolution adopted by a majority of the whole Committee, may fix its own rules or procedures, and it shall keep a record of its procedures and report them to the Board of Directors at its next regular meeting after such procedures shall have been fixed. All such proceedings shall be subject to revision or alteration by the Board of Directors; provided, however, that third parties shall not be prejudiced by any such revisions or alterations.

Section 5. Quorum and Manner of Acting. A majority of a Standing Committee shall constitute a quorum for the transaction of business, and the act of the majority of those present at a meeting thereof at which a quorum is present shall be the act of a Committee.

Section 6. Other Committees. The Board of Directors, by resolution passed by the majority of the whole Board, may designate other Committees, each Committee to consist of two or more members. Except as otherwise provided by law, the Committees shall have and may exercise, to the extent provided by the resolution, the powers of the Board in the management of the business and affairs of the Corporation, and have the power to authorize the seal of the Corporation to be affixed to all papers which require it. The Committees shall have the names determined by the Board. Members of the Committees may participate in meetings by conference call, or similar means as set forth in Section 11 of Article III.

Section 7. Action by Consent. Unless otherwise restricted by the Certificate of Incorporation or these By-laws, any action required or permitted to be taken at any meeting of a Standing or other Committee may be taken without a meeting if all members of the Committee consent in writing. The writing must then be filed with the minutes of the proceedings of the Committee.

Section 8. Reports. Each Committee shall report all action taken by such Committee to the Board at its next meeting.

ARTICLE V.

OFFICERS.

Section 1. Number. The officers of the Corporation shall be a Chairman of the Board, a President, one or more Executive Vice Presidents, one or more Senior Vice Presidents, one or more Vice Presidents, a Secretary, a Treasurer, a Controller, and, any other officers appointed pursuant to Section 3 of this Article V. Any two or more offices, except those of President and Secretary, may be held by the same person.

Section 2. Election, Term of Office and Qualifications. The officers shall be elected annually by the Board of Directors, and, except in the case of officers appointed in accordance with the provisions of Section 3 of this

Article V, each shall hold office until the next annual election of officers and until his or her successor has been duly elected and qualified, or until his or her death, or until he or she shall resign or be removed.

Section 3. Other Officers. The Corporation may have any other officers and agents deemed necessary by the Board of Directors. The other officers and agents shall be appointed in the manner, have the duties and hold their offices for the terms determined by the Board of Directors. The Board of Directors may delegate to any principal officer the power to appoint or remove any other officers or agents.

Section 4. Resignations. Any officer may resign at any time by giving written notice of resignation to the Corporation. The resignation shall take effect at the time specified or, if the time when it becomes effective is not specified, then it shall take effect immediately upon its receipt by the Secretary. Unless otherwise specified in the notice of resignation, the acceptance of such is not necessary to make it effective.

Section 5. Removal. Any officer may be removed, with or without cause, by a vote of a majority of the whole Board of Directors at a regular meeting or a special meeting called for the purpose.

Section 6. Vacancies. A vacancy in any office because of death, resignation, removal or any other cause shall be filled for the unexpired portion of the term in the manner prescribed in these By-laws for election or appointment to such office.

Section 7. The Chairman of the Board. The Chairman of the Board (who shall be a Director) shall be the Chief Executive Officer of the Corporation, unless the Board otherwise directs, and shall preside at all meetings of stockholders. The Chairman of the Board shall perform such other duties and may exercise such other powers as from time to time may be assigned to him or her by these By-laws or by the Board of Directors. In the absence of the President the Chairman shall perform all of the duties and exercise all powers of the President.

Section 8. The President. The President, subject to the general control of the Chairman of the Board, unless the Board otherwise directs, shall be the Chief Operating Officer of the Corporation. The President shall supervise generally the affairs of the Corporation and shall have all powers and perform all duties incident to the office of a president and, unless the Board otherwise directs, chief operating officer of a corporation and as provided in these By-laws. The President shall exercise such other powers and perform such other duties as may be assigned to him or her by the Board of Directors or the Chairman of the Board.

Section 9. Executive Vice Presidents, Senior Vice Presidents and Vice Presidents. The Executive Vice Presidents, Senior Vice Presidents and Vice Presidents shall perform such duties and may exercise such powers as from time to time may be assigned to them by these By-laws, the Board of Directors, the Chairman of the Board or the President.

Section 10. The Secretary and the Assistant Secretaries. The Secretary shall (1) record or cause to be recorded in books kept for the purpose, the minutes of the meetings of the stockholders, the Board of Directors, the Standing Committees, and all other committees of the Board of Directors, if any, (2) see that all notices are duly given in accordance with the provisions of these By-laws and as required by law, (3) be custodian of all corporate records (other than financial) and of the seal of the Corporation and shall have the power to cause the seal to be affixed to all documents which are duly authorized to be executed on behalf of the Corporation, (4) keep the list of stockholders including the post-office address of each stockholder, and make all proper changes in the list retaining and filing his or her authority for all such entries, or see that the books, reports, statements, certificates and all other documents and records required by law are properly kept and filed, and (5) in general, perform all duties incident to the office of Secretary and such other duties as may, from time to time, be assigned to him or her by the Board of Directors, the Chairman of the Board or the President.

At the request of the Secretary, or in his or her absence or disability, any Assistant Secretary shall perform any of the duties of the Secretary and, when so acting, shall have all the powers of, and be subject to all the restrictions upon, the Secretary. Except where by law the signature of the Secretary is required, each of the Assistant Secretaries shall possess the same power as the Secretary to sign certificates, contracts, obligations and other instruments of the Corporation, and to affix the seal of the Corporation to such

instruments, and attest them.

Section 11. The Treasurer and the Assistant Treasurers. The Treasurer shall (1) have charge and custody of, and be responsible for, all funds and securities of the Corporation, and shall deposit all such funds in the name of the Corporation in the banks, trust companies or other depositaries selected in accordance with the provisions of these By-laws, (2) render to the Board of Directors, whenever the Board may require him or her so to do, and shall present at the annual meeting of the stockholders, if called upon so to do, a report of all his or her transactions as Treasurer, (3) in general, perform all duties incident to the office of Treasurer and such other duties as may, from time to time, be assigned to him or her by the Board of Directors, the Chairman of the Board or the President.

If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his or her duties in such sum and with such surety or sureties as the Board of Directors shall determine.

At the request of the Treasurer, or in his or her absence or disability, any Assistant Treasurer may perform any of the duties of the Treasurer and, when so acting, shall have all the power of, and be subject to all the restrictions upon, the Treasurer. Except where by law the signature of the Treasurer is required, each of the Assistant Treasurers shall possess the same power as the Treasurer to sign all certificates, contracts, obligations and other instruments of the Corporation.

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Section 12. The Controller. The Controller shall be the chief accounting officer of the Corporation, and as such shall be in charge of all internal audits and accounting procedures and records. The Controller shall render to the Board of Directors, whenever he or she deems it appropriate or whenever the Board may require him or her so to do, appropriate financial or other reports as to the Corporation.

Section 13. Salaries. The salaries of the Chairman of the Board, the Chief Executive Officer and the President shall be fixed from time to time by the Board of Directors. The salaries of the other officers shall be fixed from time to time by the Chief Executive Officer after consultation with the Compensation Committee. The salaries of any officers appointed by a principal officer pursuant to Section 3 of this Article V shall be fixed from time to time by the principal officer appointing such officers. No officer shall be prevented from receiving such salary by reason of the fact that he or she is also a director of the Corporation.

ARTICLE VI.

CONTRACTS, CHECKS, LOANS AND DEPOSITS.

Section 1. Contracts, Checks, etc. All contracts and agreements authorized by the Board of Directors, and all checks, drafts, bills of exchange or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Corporation, shall be signed by the officer(s) or agent(s) designated by the Board of Directors. The designation may be general or confined to specific instances.

Section 2. Proxies in Respect of Securities of Other Corporations. Unless otherwise provided by resolution adopted by the Board of Directors, the Chairman of the Board, the President or a Vice President may appoint an attorney(s) or agent(s) to exercise in the name and on behalf of the Corporation the powers and rights of the Corporation as the holder of stock or other securities in any other corporation, to vote or to consent in respect of such stock or other securities. The Chairman of the Board, the President or a Vice President may instruct the person(s) so appointed as to the manner of exercising such powers and rights and the Chairman of the Board or the President may execute all such written proxies, powers of attorney or other written instruments as he or she may deem necessary for the Corporation to exercise such powers and rights.

ARTICLE VII.

CERTIFICATES OF STOCK, BOOKS AND RECORDS.

Section 1. Form, Signature. The certificates of stock of the Corporation shall be numbered and shall be entered in the books of the Corporation as they are issued. They shall exhibit the holder's name and number of shares and shall be signed by the Chairman of the Board, the President or a Vice President and the Secretary or an Assistant Secretary. Any or all such signatures on the certificate may be a facsimile. If any officer of the Corporation who has

signed, or whose facsimile signature has been placed upon such certificate ceases to be such before such certificate has been issued, the certificate may nevertheless be issued by the Corporation with the same effect as though such person were such officer at the date of issuance.

Section 2. Transfer. Transfers of stock shall be made on the books of the Corporation only by the person named in the certificate or by attorney lawfully constituted in writing, and upon surrender of the certificate therefor.

Section 3. Closing of Transfer Books. The Board of Directors may close the transfer books in their discretion for a period not exceeding thirty days preceding any meeting of the stockholders, or the day appointed for the payment of a dividend.

Section 4. Record Owner. The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact and accordingly shall not be bound to recognize any equitable or other claim to or interest in the share on the part of any other person, whether or not the Corporation has express or other notice of it, except as expressly provided by the laws of Delaware.

Section 5. Lost Certificates. Any person claiming a certificate of stock to be lost, stolen or destroyed shall make an affidavit or affirmation of that fact in form satisfactory to the Corporation and shall if the officers

so require give the Corporation a bond of indemnity, in form and with one or more sureties satisfactory to the officers, in an amount which in the sole discretion of the officers is sufficient to indemnify the Corporation against any claim that may be made against it on account of the alleged loss, theft or destruction, or the issuance of a new certificate, whereupon a new certificate may be issued of the same tenor and for the same number of shares as the one alleged to be lost, stolen or destroyed.

Section 6. Books and Records. The books and records of the Corporation may be kept at such places within or without the State of Delaware as the Board of Directors may determine.

Section 7. Fixing Date for Determination of Stockholders of Record. In order that the Corporation may determine the identity of the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any other change, conversion or exchange of stock or for any other purpose, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty (60) days nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action. If, in any case involving the determination of stockholders for any purpose other than notice of or voting at a meeting of stockholders a record date is not fixed, the record date for determining stockholders for such purpose shall be the close of business on the day on which the Board of Directors shall adopt the resolution. A determination of stockholders entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

ARTICLE VIII.

DIVIDENDS.

Subject to the provisions of law and of the Certificate of Incorporation, the Board of Directors or the Executive Committee, at any regular or special meeting, may declare and pay dividends upon a share of stock either (a) out of its surplus as defined in and computed in accordance with the provisions of law or (b) in case it shall not have any such surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year, whenever and in the amount advisable depending on the Board of Directors' or the Executive Committee's, as the case may be, opinion of the condition of the Corporation.

Before payment of any dividend or making any distribution of profits, the Board of Directors or Executive Committee in its sole discretion may set aside out of the surplus or net profits of the Corporation a sum as a reserve fund to meet contingencies, or to equalize dividends, or to repair or maintain any property of the Corporation, or for any other purpose the directors think conducive to the interests of the Corporation.

ARTICLE IX.

SEAL.

The corporate seal shall bear the name of the Corporation, the year in which the Corporation was incorporated (1968) and the words "CORPORATE SEAL -- DELAWARE."

ARTICLE X.

FISCAL YEAR.

The fiscal year of the Corporation shall end on the thirty-first day of December in each year.

ARTICLE XI.

INDEMNIFICATION.

Section 1. Action, etc. Other Than by or in the Right of the Corporation. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he or she, or a person of whom he or she was or is the legal representative, is or was a director, officer, employee, agent or member of a management committee of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee, agent or member of a management committee of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans. The indemnification shall be against charges, expenses (including attorneys' fees), judgments, liabilities, ERISA excise taxes, fines, penalties and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, that he or she had reasonable cause to believe that his or her conduct was unlawful.

Section 2. Actions, etc. by or in the Right of the Corporation. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation. However, no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 3. Determination of Right to Indemnification. Any indemnification under Section 1 or 2 of this Article (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he or she has met the applicable standard of conduct set forth in Section 1 or 2 of this Article. This determination shall be made (i) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (ii) if such a quorum is not obtainable, or, even if obtainable and a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (iii) by the stockholders.

Section 4. Right to Indemnification. Notwithstanding the other provisions of this Article, to the extent that a director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1 or 2 of this Article, or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith.

Section 5. Prepaid Expenses. Expenses (including attorneys' fees) incurred by an officer or director in defending a civil, criminal, administrative or investigative action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an

undertaking by or on behalf of the director or officer to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Corporation as authorized in this Article.

Section 6. Other Rights and Remedies. The indemnification and advancement of expenses provided by, or granted pursuant to, the other subsections of this Article shall not be deemed exclusive of any other rights to which any person seeking indemnification or advancement of expenses may be entitled under any By-laws, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office.

Section 7. Continuation of Rights. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 8. Insurance. Upon resolution passed by the Board of Directors, the Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against the liability under the provisions of this Article.

Section 9. Expenses as a Witness. To the extent any director, officer, employee, member of a management committee or agent of the Corporation is by reason of such position, or a position with another entity at the request of the Corporation, a witness in any action, suit or proceeding, he shall be indemnified against all costs and expenses actually and reasonably incurred by him or her on his or her behalf in connection therewith.

ARTICLE XII.

AMENDMENTS.

All By-laws of the Corporation shall be subject to alteration or repeal, and new By-laws may be made, by the stockholders at any annual or special meeting, or, except as otherwise provided by the Certificate of Incorporation, these By-laws or by law, by the affirmative vote of a majority of the directors then in office given at any regular or special meeting of the Board of Directors.

EXHIBIT L

LONE STAR INDUSTRIES, INC.

AND

BANK

AS

TRUSTEE

INDENTURE
DATED AS OF , 1993

$75,000,000

10% SENIOR NOTES DUE 2003

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- ---

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This cross-reference tables does not constitute a part of the Indenture.

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INDENTURE dated as of , 1993 between LONE STAR INDUSTRIES, INC., a Delaware corporation (the "Company"), and Bank, a national banking association (the "Trustee").

Each party agrees as follows for the benefit of the other party and for the equal and ratable benefit of the Holders of the Company's 10% Senior Notes due 2003 (the "Securities").

ARTICLE 1.

DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.01 DEFINITIONS.

"Actual Knowledge" has the meaning assigned to such term in Section 6.01

hereof.

"Affiliate" means any Person directly or indirectly controlling or controlled by or under common control with the Company; provided, however, that the term Affiliate shall not include any Subsidiary of the Company. For this purpose, "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Agent" means any Registrar, Paying Agent or Co-Registrar.

"Bankruptcy Law" has the meaning assigned to such term in Section 6.01 hereof.

"Board of Directors" means the Board of Directors of the Company or any committee of the Board authorized to act for it hereunder.

"Business Day" has the meaning assigned to such term in Section 11.11 hereof.

"Capitalized Lease" means, at the time any determination thereof is to be made, any lease of property, real or personal, in respect of which the present value of the minimum rental commitment would be capitalized on a balance sheet of the lessee in accordance with generally accepted accounting principles.

"Capitalized Rent" under any Capitalized Lease shall mean, at any time as of which the amount thereof is to be determined, the lesser of (i) 10 times the amount of the maximum net rent payable under such lease during any period of 12 consecutive months subsequent to the date as of which the rental obligation is to be determined, or (ii) the aggregate amount of net rent payable over the remaining period of the lease. The net rent payable under any lease for any period shall be the total amount of the rent payable by the lessee with respect to such period but shall not include amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water rates and similar charges. The amount to be included in net rent for any given period with respect to any portion thereof which may be a variable shall be such amount as the Company shall in good faith determine is reasonably to be expected to be due as a result of such variable. The remaining period of any lease shall be the period from the date of determination to the earlier of the expiration of the lease by its terms or the date on which the lessee has a right to terminate the lease, provided that if payments are required to be made by the lessee in connection with the termination of such lease, the amount of such payments shall be deemed to be net rent.

"Capital Stock" means any stock of any class of a corporation.

"Common Stock" means the common stock, par value $1.00 per share, of the Company or any security into which the common stock may be converted.

"Company" means the party named as such above until a successor replaces it pursuant to the applicable provision hereof, and thereafter means such successor.

"Computation Date" shall have the meaning assigned to such term in Section 4.08 hereof.

"Consolidated Net Income" means net income of the Company, and its Restricted Subsidiaries, all as consolidated and determined in accordance with generally accepted accounting principles; provided, however, that (i) there shall not be included in Consolidated Net Income any undistributed earnings of an Unrestricted

Subsidiary, and (ii) in case an Unrestricted Subsidiary shall be designated as a Restricted Subsidiary), the net income of such Subsidiary for the period commencing December 31, 1993 or the date such Subsidiary became a Restricted Subsidiary, whichever is later, shall be included in the consolidation in so determining Consolidated Net Income.

"Consolidated Retained Earnings" shall mean the Retained Earnings of the Company and its Restricted Subsidiaries, determined on a consolidated basis in accordance with generally accepted accounting principles; provided, however, that there shall not be included in Consolidated Retained Earnings any undistributed earnings of an Unrestricted Subsidiary.

"Corporate Trust Office of the Trustee" shall be at the address of the Trustee specified in Section 11.02 or such other address as the Trustee may give

notice of to the Company.

"Custodian" has the meaning assigned to such term in Section 6.01 hereof.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Effective Date" has the meaning assigned in the Plan of Reorganization.

"Event of Default" has the meaning assigned to such term in Section 6.01 hereof.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

"Excepted Lease" shall mean (i) any lease expiring not later than the third anniversary of its inception, (ii) any lease of, or of space in, any office building or storage facility, (iii) any lease of real property upon which any office building or storage facility is or is to be constructed, (iv) any lease existing on the Effective Date and renewals or extensions thereof and (v) any lease from the Company or any Restricted Subsidiary to the Company or any Restricted Subsidiary.

"Fair Value" means fair market value as determined in good faith by the Board of Directors.

"Guarantee" means the Guarantee of even date with this Indenture made for the benefit of the Securityholders by certain Affiliates of the Company as the same may be amended, modified or supplemented from time to time.

"GAAP" means generally accepted accounting principles in effect from time to time.

"Holder" or "Securityholder" means a Person in whose name a Security is registered on the Registrar's books.

"Indebtedness" of any Person shall mean, without duplication, (a) all indebtedness for money borrowed, created, incurred or assumed by such Person or guaranteed by such Person or for which it is otherwise liable or responsible (such as by agreement to purchase indebtedness of others), (b) all amounts owing by such Person under Purchase Money Indebtedness or other purchase money liens or conditional sales or other title retention agreements, (c) all indebtedness secured by any mortgage, pledge or other lien or encumbrance upon property owned by such Person, even though such Person has not assumed or become liable for the payment of such indebtedness, and (d) all Capitalized Rent for all rental obligations on any Capitalized Lease for real property (other than Excepted Leases); provided, however,that in determining the Indebtedness of any Person, there shall be excluded (i) any obligations arising from Production Payment Transactions, (ii) in the case of the Company, the Guarantee Agreement dated of even date herewith between the Company, and Bank, as Trustee, and the obligation on any Notes hereafter issued thereunder and (iii) any particular indebtedness if, upon or prior to the maturity thereof, there shall have been deposited with the proper depository in trust money (or evidences of such indebtedness if permitted by the instrument creating such indebtedness) in the necessary amount to pay, redeem or satisfy such indebtedness, and thereafter such money and evidences of indebtedness so deposited shall not be included in any computation of the assets of such Person.

"Indenture" means this Indenture as amended from time to time.

"Legal Holiday" has the meaning assigned to such term in Section 11.11 hereof.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or similar encumbrance in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any Capitalized Lease in the nature thereof, and any filing of or agreement to give any financing statement under the Uniform Commercial Code or equivalent statutes of any jurisdiction other than an information filing), but does not include, in the case of the Company and its Restricted Subsidiaries, the lien granted to the Trustee under Section 7.07 hereof.

"Maturity Date" of the Securities means July 31, 2003.

"Net Proceeds" with respect to any Sale of Assets, means the cash (in U.S.

dollars or currency freely convertible into U.S. dollars) received by the Company or any of its Restricted Subsidiaries from such Sale of Assets after (i) provision for all income or other taxes measured by or resulting from such sale or other disposition or the transfer of the proceeds thereof to the Company that are payable by the Company or any of its Subsidiaries, (as reasonably and in good faith estimated by the Chief Financial Officer of the Company or such Subsidiary), (ii) payment of all brokerage commissions, legal and accounting fees and expenses and other fees and expenses related to such sale or other disposition, (iii) deduction of any amounts received by any Subsidiary that are not legally available for direct or indirect distribution or loan to the Company, (iv) deduction of any amounts required to be paid to the lender pursuant to any Permitted Working Capital Loans upon such Sale of Assets, (v) deduction of amounts provided by the Company or its Subsidiaries as a reserve on its regularly prepared balance sheets, in accordance with generally accepted accounting principles consistently applied (including, without limitation, subject to the next succeeding sentence, all amounts escrowed, pledged or otherwise set aside to assume payment of such liabilities), against any liabilities associated with the assets sold in such Sale of Assets and retained by the Company or its Subsidiaries, including, without limitation, pension and other postemployment benefit liabilities and liabilities related to environmental matters, or against any indemnification obligations associated with the sale or other disposition, (vi) deduction of amounts set aside in good faith for the acquisition or improvement of assets as contemplated by clause (vii) of the definition of "Sale of Assets," and (vii) deduction of any amounts required to discharge any Liens on the assets sold, leased, conveyed or otherwise disposed of. Net Proceeds (i) shall not include any proceeds from the sale of pursuant to the Plan of Reorganization, but (ii) shall include, when received in cash, any Net Proceeds from the sale or other disposition of any non-cash proceeds received by the Company or any of its Subsidiaries from a Sale of Assets and (iii) shall include, when received in cash, any Net Proceeds released from escrow, pledge or other set aside and amounts no longer reserved or appropriate to be set aside as described in clauses (v) or (vi), respectively, of the immediately preceding sentence.

"Officer" means the Chairman of the Board, the President, any Senior Vice-President, Executive Vice-President or any other Vice-President, the Treasurer or the Secretary of the Company.

"Officer's Certificate" means a certificate signed by any Officer of the Company.

"Opinion of Counsel" means a written opinion from legal counsel, who may be an employee of or counsel for the Company or other counsel reasonably acceptable to the Trustee.

"Paying Agent" has the meaning assigned to such term in Section 2.03 hereof.

"Permitted Acquisitions" means acquisitions approved the Board of Directors (including by way of merger or consolidation) of all or substantially all of the stock or assets of any Person or any division or line of business, provided that neither the Company nor any Subsidiary of the Company (other than the acquired Person and its Subsidiaries) has any liability, contingent or otherwise, for the payment of any deferred portion of the purchase price therefor, other than Purchase Money Indebtedness, or for any Indebtedness, obligation or liability, contingent or otherwise, of the acquired Person, division or line of business other than any such liability, contingent or otherwise, which the Company could incur without violation of this Agreement.

"Permitted Liens" means (i) Liens which may be granted from time to time to secure and/or maintain Permitted Working Capital Loans; (ii) Liens provided for in the Plan of Reorganization or existing on the

Effective Date or thereafter created to replace such Liens; (iii) Liens in favor of the Trustee on all property and funds held or collected by the Trustee as security for the performance by the Company of its obligations of payment to, and reimbursement and indemnification of, the Trustee for its services under the Indenture; (iv) Liens for taxes or assessments and similar charges, or imposed in connection with litigation or asserted claims, either not delinquent or contested in good faith by appropriate proceedings and as to which the Company or a Subsidiary shall have set aside on its books such reserves as it deems adequate; (v) Liens incurred, or pledges and deposits made, in connection with workers' compensation, unemployment insurance and other social security benefits, or securing the performance of leases, contracts (other than for the repayment of borrowed money), statutory obligations, progress payments, surety and appeal bonds and other obligations of like nature, but only to the extent

any of the foregoing are incurred in good faith in the ordinary course of business; (vi) Liens imposed by law, such as mechanics', carriers', warehousemen's, materialmen's and vendors' Liens, incurred in good faith in the ordinary course of business; (vii) zoning restrictions, easements, licenses, covenants, reservations, restrictions on the use of real property or irregularities of title incident thereto that do not in the aggregate materially detract from the value of the property or assets of the Company or any of its Subsidiaries, as the case may be, or materially impair the use of such property in the operation of the Company's or any Subsidiary's business; (viii) Liens created by Subsidiaries of the Company to secure Indebtedness of such Subsidiaries to the Company or to other Subsidiaries thereof; (ix) any Lien on any asset acquired pursuant to any Permitted Acquisition or on the Capital Stock or other securities of any Unrestricted Subsidiary or any asset (including the stock of any Subsidiary thereof) of any Unrestricted Subsidiary; (x) Liens on assets acquired in connection with the incurrence of Purchase Money Indebtedness; (xi) Liens granted in connection with the incurrence of Refinancing Indebtedness; (xii) Liens in favor of the Pension Benefits Guaranty Corporation or otherwise arising out of or in connection with any employee benefit plans; (xiii) Liens incurred in connection with any Production Payment Transaction; (xiv) any other Liens securing obligations not exceeding, in the aggregate, $1.5 million; or (xv) any Liens incurred in connection with West Nyack Indebtedness.

"Permitted Subordinated Indebtedness" means unsecured Indebtedness incurred by the Company or any Restricted Subsidiary provided (i) no payment of principal thereon is made or required to be made on or before the Maturity Date, (ii) no payment of principal or interest is made during the continuance of an Event of Default, and (iii) at the time of incurrence thereof there is no outstanding Default or Event of Default.

"Permitted Working Capital Loans" means loans (or contingent liability with respect to letters of credit) under committed revolving credit, working capital or letter of credit facilities which may or may not be secured by a lien on inventory and/or Receivables that the Company or any Restricted Subsidiary of the Company may have from time to time, to the extent that the aggregate principal amount of all such Indebtedness outstanding under all such facilities at any time does not exceed the value of the inventory and Receivables on the books of the Company and its Subsidiaries, taken as a whole.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

"Plan of Reorganization" means the Company's Amended Consolidated Plan of Reorganization, as amended from time to time.

"Preferred Stock", as applied to the stock of any Person, shall mean any class of stock of such Person which has a preference in respect of dividends of such Person or other distribution of assets, or in respect of amounts payable in the event of any voluntary or involuntary liquidation, dissolution and winding up of such Person, over any other class of stock of such Person.

"Production Payment Transaction" means any sale or transfer by the Company or any Restricted Subsidiary of (1) sand, gravel, limestone and other minerals for a period of time until, or in an amount such that, the purchaser or transferee will realize therefrom a specified amount of money (however determined) or a specified amount of such sand, gravel, limestone and other minerals, or (2) any other interest in property of the character commonly referred to as a "production payment", whether or not the instrument or instruments of sale or transfer, or creating the production payment, impose obligations with respect to the operation, use or maintenance of the properties sold or transferred or subject to the production payment.

"Purchase Money Indebtedness" means any Indebtedness incurred by the Company or any of its Restricted Subsidiaries in connection with the acquisition by the Company or such Subsidiary, after the Effective Date, of equipment or other fixed assets, including Indebtedness incurred to finance, refinance or refund the cost (including the cost of construction) of such assets; provided that (i) the principal amount of such Indebtedness does not exceed the Fair Value of the assets being acquired or the cost of construction paid by or charged to the Company or such Restricted Subsidiary and (ii) such Indebtedness shall not be secured by any assets of the Company or any Restricted Subsidiary other than the assets with respect to which such Indebtedness is incurred.

"Redemption Price" has the meaning assigned to such term in Section 3.07 hereof.

"Receivables" means all "accounts", all "chattel paper", all "instruments" evidencing "accounts" and all proceeds thereof, as each such term is defined in the Uniform Commercial Code as in effect in the State of New York on the Effective Date.

"Refinancing Indebtedness" means Indebtedness the proceeds of which are used to extend, renew, refinance or refund then outstanding Indebtedness of the Company or its Restricted Subsidiaries if such refinancing or refunding Indebtedness (i) does not have a Principal amount in excess of the Principal amount of the Indebtedness being so refinanced or refunded, plus customary fees, expenses and costs related to the incurrence of such Refinancing Indebtedness; (ii) gives its holders collateral with no greater value (as determined by the Company's Board of Directors) and no more Guaranties from the Company and its Subsidiaries (other than Unrestricted Subsidiaries) than the Indebtedness being refinanced; (iii) amortizes no more quickly and has a maturity date no earlier than the Indebtedness being refinanced; and (iv) is at least as junior or no more senior in right of payment to the Securities, as the case may be, as the Indebtedness being refinanced (other than with respect to any portion for which repayment is secured by Permitted Liens or Guarantees of Unrestricted Subsidiaries or third parties).

"Registrar" has the meaning assigned to such term in Section 2.03 hereof.

"Restricted Subsidiary" means: (A) any Subsidiary other than: (i) a Subsidiary substantially all of the physical properties of which are located, and substantially all of the business of which is carried on, outside the limits of the United States of America (including Alaska and Hawaii) or which is organized under the laws of any jurisdiction other than the United States of America, the District of Columbia, the Commonwealth of Puerto Rico, the States or the possessions of the United States; (ii) a Subsidiary the primary business of which consists of purchasing accounts receivable and/or making loans secured by accounts receivable and/or making investments in or in the development of real estate (other than for sale or lease to the Company or its Restricted Subsidiaries) or providing services directly related thereto, or which is otherwise primarily engaged in the finance business or in the real estate business; or (iii) Rosebud Holdings, Inc. and its Subsidiaries; and (B) any Subsidiary specified in clause (i) or (ii) of paragraph (A) above which the Company, by resolution of the Board of Directors, shall have designated as a Restricted Subsidiary.

"Retained Earnings" of any Person shall mean the amount which would be shown as retained earnings on a balance sheet of such Person as of the date the determination is being made.

"Sale of Assets" means any sale, lease or other conveyance of a material amount of assets (including by way of merger or consolidation) of the Company or its Restricted Subsidiaries out of the ordinary course of business (including the Capital Stock of any Restricted Subsidiary of the Company but excluding the Capital Stock of the Company), as the case may be, if and to the extent (but only to the extent) that all such sales, leases and other conveyances from and after the Effective Date result in aggregate Net Proceeds in excess of $5 million; provided, however, that the term "Sale of Assets" shall not include (i) any consolidation or merger involving the Company or any Restricted Subsidiary for the purpose of reincorporating the Company or such Subsidiary in another jurisdiction; (ii) the involvement of the Company or any Restricted Subsidiary in a merger, consolidation or reorganization approved by the holders of % or more of the then outstanding principal amount of the Securities; (iii) any sale, lease, conveyance or other disposition of any assets of Rosebud Holdings, Inc. and its Subsidiaries or any other Person in which Rosebud Holdings, Inc. has an interest, directly or indirectly; (iv) any sale, lease, conveyance or other disposition of assets among or between

the Company and one or more of its Restricted Subsidiaries or among or between Restricted Subsidiaries, including, without limitation, the merger of any Restricted Subsidiary with and into the Company or any other Restricted Subsidiary of the Company; (v) any sale, lease, conveyance or other disposition of the stock or any assets of any Unrestricted Subsidiary; (vi) any Production Payment Transaction; (vii) any sale, lease, conveyance or other disposition of assets of the Company or any Restricted Subsidiary to the extent the proceeds thereof are reinvested substantially contemporaneously with their receipt in the acquisition or improvement of assets by the Company and/or any Restricted Subsidiary which the Board of Directors has in good faith determined will be useful in the business to be conducted by the Company or such Restricted Subsidiary; or (viii) any sale, lease, conveyance or other disposition of assets pursuant to a sale-leaseback arrangement permitted pursuant to this Indenture.

For purposes of this Indenture, a reinvestment of proceeds shall be considered substantially contemporaneous if completed within 24 months of receipt and a material amount of assets means assets with a Fair Value of at least $2 million.

"SEC" means the Securities and Exchange Commission.

"Securities" means the Notes issued under this Indenture

"Senior Notes" means the Securities.

"Subsidiary" shall mean any Person more than 50% of the outstanding voting stock of which is owned, directly or indirectly, by the Company or by one or more other Subsidiaries. For the purposes of this definition, "voting stock" means stock which ordinarily has voting power for the election of directors, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

"TIA" means the Trust Indenture Act of 1939 (15 U.S. Code sec.sec. 77aaa-77bbbb) as in effect on the date of this Indenture, except as provided in Section 9.03.

"Total Borrowed Funds" shall mean at any time the aggregate, without duplication, of (i) Indebtedness of the Company and its Restricted Subsidiaries; (ii) the amount of any Indebtedness incurred by any Person other than the Company or a Restricted Subsidiary which the Company or a Restricted Subsidiary has guaranteed or for which it is otherwise liable or responsible (such as by agreement to purchase indebtedness of others); (iii) amounts of Indebtedness borrowed by Unrestricted Subsidiaries or Affiliates of the Company or its Restricted Subsidiaries to the extent such amounts are loaned to the Company or a Restricted Subsidiary regardless of any accounting treatment employed by the Company's independent public accountants for "netting" such loans against the investment of the Company or any Restricted Subsidiary in such Unrestricted Subsidiary or Affiliate; and (iv) Purchase Money Indebtedness; provided, however,that in computing Total Borrowed Funds of any Person, there shall be excluded (x) Permitted Subordinated Indebtedness of the Company and its Restricted Subsidiaries and (y) any particular indebtedness if, upon or prior to the maturity thereof, there shall have been deposited with the proper depository in trust, money (or evidences of such indebtedness if permitted by the instrument creating such indebtedness) in the necessary amount to pay, redeem or satisfy such indebtedness, and thereafter such money and evidences of indebtedness so deposited shall not be included in any computation of the assets of such Person.

"Total Capitalization" means at any time, without duplication, for the Company and its Restricted Subsidiaries, (A) the sum of (i) Total Borrowed Funds, (ii) par or stated value of outstanding shares of Preferred Stock, (iii) the par or stated value of issued and outstanding shares of any class or classes of the Company's Common Stock, (iv) the amounts paid in respect of the Company's Capital Stock in excess of capital not previously distributed, (v) Consolidated Retained Earnings, (vi) the amount of deferred income taxes of the Company and its Subsidiaries appearing in the most recent audited consolidated balance sheet of the Company and its Subsidiaries at such time and (vii) any amount which under GAAP would result in a credit to equity in connection with the issuance and/or exercise of warrants, options or convertible securities.

"Trustee" means the party named as such in this Indenture until a successor replaces it and thereafter means the successor.

"Trust Officer" means any officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

"Unrestricted Subsidiary" shall mean any Subsidiary which is not a Restricted Subsidiary; all Unrestricted Subsidiaries as of the date of this Indenture are listed on Schedule hereto.

"U.S. Government Obligations" means direct non-callable obligations of, or non-callable obligations guaranteed by, the United States of America for the payment of which the full faith and credit of the United States of America is pledged.

"West Nyack Indebtedness" means the first $25 million of principal amount of Indebtedness from time to time outstanding (and accrued interest thereon), including without limitation Capitalized Leases, sale-leaseback transactions or any other kind of Indebtedness incurred in connection with the West Nyack Modernization.

"West Nyack Modernization" means the proposed modernization of the Company's West Nyack, New York, plant and related facilities.

SECTION 1.02 INCORPORATION BY REFERENCE OF TRUST INDENTURE ACT.

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture.

The following TIA terms used in this Indenture have the following meanings:

"indenture securities" means the Securities.

"indenture security holder" means a Securityholder.

"indenture to be qualified" means this Indenture.

"indenture trustee" or "institutional trustee" means the Trustee.

"obligor" on the indenture securities means the Company.

All other terms used in this Indenture that are not otherwise defined herein and are defined by the TIA, are defined by TIA reference to another statute, or are defined by SEC rule under the TIA, have the meanings so assigned to them.

SECTION 1.03 RULES OF CONSTRUCTION.

Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) "or" is not exclusive;

(3) words in the singular include the plural and in the plural include the singular except where the nontext manifestly otherwise requires;

(4) provisions apply to successive events and transactions; and

(5) "herein", "hereof " and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

ARTICLE 2.

THE SECURITIES

SECTION 2.01 FORM AND DATING.

The Securities and the Trustee's certificate of authentication shall be substantially in the form set forth in Exhibit A, which is incorporated all forms a part of this Indenture. The Securities may have such notations, legends or endorsements as are required by law, stock exchange rule or usage. Each Security shall be dated the date of its authentication.

SECTION 2.02 EXECUTION AND AUTHENTICATION.

Two Officers shall sign the Securities for the Company by manual or facsimile signature. The Company's seal shall be reproduced on the Securities.

If an Officer whose signature is on a Security no longer holds that office at the time the Security is authenticated, the Security shall nevertheless be valid.

A Security shall not be valid until authenticated by the manual or facsimile signature of the Trustee. The signature shall be conclusive evidence that tile Security has been authenticated by the Trustee under this Indenture.

The Trustee shall authenticate Securities for original issue in the aggregate principal amount of up to $75,000,000 upon a written order of the Company signed by two Officers or by an Officer and an Assistant Treasurer or Assistant Secretary of the Company. Such order shall specify the amount of Securities to be authenticated and the date on which the original issue of Securities is to be authenticated. The aggregate principal amount of Securities outstanding at any time may not exceed the amount of Securities issued pursuant to this paragraph except as provided in Section 2.07.

The Trustee may appoint an authenticating agent acceptable to the Company to authenticate Securities. An authenticating agent may authenticate Securities whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with the Company or any Affiliate.

The Securities shall be issuable only in registered form without coupons and only in denominations of $1,000 and integral multiples thereof.

SECTION 2.03 REGISTRAR AND PAYING AGENT.

The Company shall maintain in the Borough of Manhattan, The City of New York, an office or agency where Securities may be presented for registration of transfer or for exchange (the "Registrar"), and an office or agency where Securities may be presented for payment (the "Paying Agent"). The Registrar shall keep a register of the Securities and of their transfer and exchange. The Company may appoint or change one or more co-registrars and one or more additional paying agents without notice, and may act in any such capacity, on its own behalf provided that if the Trustee is acting as registrar or paying agent, the Company shall give the Trustee at least five Business Days prior written notice of such change. The term "Paying Agent" includes any additional paying agent.

The Company shall enter into an appropriate agency agreement with any Agent not a party to this Indenture. The agreement shall implement the promises of this Indenture that relate to such Agent. The Company shall notify the Trustee of the name and address of any Agent not a party to this Indenture. If the Company fails to maintain a Registrar or Paying Agent, the Trustee shall act as such.

The Company initially appoints the Trustee as Registrar and Paying Agent.

SECTION 2.04 PAYING AGENT TO HOLD MONEY IN TRUST.

Each Paying Agent shall hold in trust for the benefit of the Securityholders or the Trustee all moneys held by the Paying Agent for the payment of principal of or interest on the Securities, and shall notify the Trustee of any default by the Company in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. The Company may at any time require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent shall have no further liability for the money. If the Company acts as Paying Agent, it shall segregate and hold as a separate trust fund all money held by it as Paying Agent.

SECTION 2.05 SECURITYHOLDER LISTS.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Securityholders. If the Trustee is not the Registrar, the Company shall furnish to the Trustee on or before each interest payment date and at such other times as the Trustee may request in writing a list, in such form and as of such date as the Trustee may reasonably require, of the names and addresses of Securityholders.

SECTION 2.06 TRANSFER AND EXCHANGE.

When Securities are presented to the Registrar or a co-Registrar with a request to register their transfer or to exchange them for an equal principal amount of Securities of other authorized denominations accompanied by a written instrument or instruments of transfer, in form satisfactory to the Company and the Registrar, duly executed by the registered owner or by his or her attorney duly authorized in writing, the Registrar shall register the transfer or make the exchange if the requirements of Section 8-401(l) of the New York Uniform Commercial Code are met. To permit registrations of transfer and exchanges, the Trustee shall authenticate Securities at the Registrar's request. The Company or the Trustee, as the case may be, shall not be required (i) to issue, authenticate, register the transfer of or exchange any Security during a period beginning at the opening of business 15 days before the mailing of a notice of redemption of the Securities selected for redemption under Section 3.03 and ending at the close of business on the day of such mailing, or (ii) to register the transfer of or exchange any Security so selected for redemption in whole or in part, except the unredeemed portion of Securities being redeemed in part.

No service charge shall be made for any registration of transfer or

exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer, registration of transfer or exchange of Securities, other than exchanges pursuant to Sections 2.10, 3.06 or 9.05 not involving any transfer.

Anything in this Indenture to the contrary notwithstanding, but subject to the payment of interest to the Holders of the Securities on the applicable record date, the parties hereto and any agent thereof may deem and treat the Holder of any Securities, prior to due presentment thereof for registration of transfer, as the absolute owner of such Securities for all purposes (whether or not the Securities shall be overdue and notwithstanding any, notation of ownership or other writing thereon) and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by any notice to the contrary.

SECTION 2.07 REPLACEMENT SECURITIES.

If the Holder of a Security claims that the Security has been mutilated, lost, destroyed or wrongfully taken, the Company shall execute and issue and, upon the Company's request, the Trustee shall authenticate and deliver a replacement Security if their respective reasonable requirements as well as the requirements of applicable law are met and, in the case of a mutilated Security, such mutilated Security is surrendered to the Trustee. If required by the Trustee or the Company, an indemnity bond must be furnished by such Holder in an amount sufficient in the judgment of the Trustee or the Company, as the case may be, to indemnity and protect the Company, the Trustee and any other Agent and hold them harmless from any loss which any of them may suffer if a Security is replaced. The Company or the Trustee may charge for its reasonable expenses in replacing a Security.

If any mutilated, destroyed or wrongfully taken Security, has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security when due.

Every replacement Security is an additional obligation of the Company.

SECTION 2.08 OUTSTANDING SECURITIES.

Securities outstanding at any time are all the Securities authenticated by the Trustee except those canceled by it, those delivered to it for cancellation, and those described in this Section as not outstanding. A

Security does not cease to be outstanding solely because the Company or one of its Subsidiaries or Affiliates is a Holder of the Security.

If a Security is replaced pursuant to Section 2.07, it ceases to be outstanding unless the Trustee receives proof satisfactory to it, or a court holds, that the replaced Security is held by a bona fide purchaser.

If the Paying Agent (if other than the Company) or the Trustee holds on a redemption date or the Maturity Date money sufficient to pay the principal of, and accrued interest on, the Securities payable on that date, then on and after that date such Securities shall be deemed to be no longer outstanding and interest on them shall cease to accrue.

SECTION 2.09 SECURITIES HELD BY THE COMPANY OR AN AFFILIATE.

In determining whether the Holders of the required principal amount of Securities have concurred in any direction, request, waiver or consent under this Indenture, Securities owned by the Company or any Subsidiary or Affiliate of the Company shall be disregarded, except that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, request, waiver or consent, only Securities which the Trustee knows are so owned shall be so disregarded.

SECTION 2.10 TEMPORARY SECURITIES.

Until definitive Securities are ready for delivery, the Company may prepare and execute and the Trustee shall authenticate and deliver temporary Securities. Temporary Securities shall be substantially in the form of definite Securities, but may have such variations as the Company considers appropriate for temporary Securities. The Company shall prepare and execute and the Trustee shall authenticate and deliver Securities in exchange for temporary Securities without unreasonable delay.

SECTION 2.11 CANCELLATION.

The Company may at any time deliver Securities to the Trustee for cancellation. The Registrar and Paying Agent shall forward to the Trustee any, Securities surrendered to them for registration of transfer, exchange or payment. The Trustee shall cancel all Securities surrendered for registration of transfer, exchange, payment or cancellation and, at the option of the Company, shall destroy canceled Securities and deliver a certificate of any such destruction to the Company. The Company may not issue new Securities to replace Securities that it has paid or delivered to the Trustee for cancellation.

SECTION 2.12 DEFAULTED INTEREST.

If and to the extent the Company defaults in a payment of interest on the Securities, it shall pay the defaulted interest in any lawful manner. It may pay the defaulted interest to the Persons who are Securityholders on a subsequent special record date. The Company shall fix such record date and payment date. At least 15 days before the record date, the Company shall mail to Securityholders, with a copy to the Trustee. a notice that states the record date, payment date and amount of interest to be paid.

ARTICLE 3.

REDEMPTION

SECTION 3.01 NOTICES TO TRUSTEE.

If the Company wants to redeem Securities pursuant to Section 3.07 or is required to redeem Securities pursuant to Section 3.08, it shall notify the Trustee, by means of an Officer's Certificate at least 60 days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Trustee), of the redemption date and the principal amount of Securities to be redeemed. If the Company elects to reduce the amount of Securities required to be redeemed pursuant to Section 3.08 as provided therein, it shall notify the Trustee at least 60 days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Trustee)

of the amount of the reduction and the basis for it. If the Company elects to credit against any such redemption Securities it has not previously delivered to the Trustee for cancellation, it shall deliver the Securities with the notice.

SECTION 3.02 SELECTION OF SECURITIES TO BE REDEEMED.

If less than all the Securities are to be redeemed, the Trustee shall select the Securities to be redeemed on a pro rata basis, by lot or such other method as the Trustee shall deem fair and equitable. The Trustee shall make the selection from Securities outstanding and not previously called for redemption. The Trustee may select for redemption portions of the principal of Securities that hand denominations larger than $1,000. The Securities and portions of them it selects shall be in amounts of $1.000 or whole multiples of $1,000. The provisions of this Indenture that apply, to Securities called for redemption also apply to portions of Securities called for redemption. For purposes of any such selection the Company will, upon request of the Trustee, close for a period of 15 days preceding the mailing of any notice of redemption the registry books of the Company with respect to the Securities.

SECTION 3.03 NOTICE OF REDEMPTION.

At least 15 days but not more than 60 days before a redemption date, the Company shall mail a notice of redemption by first-class mail to each Holder whose Securities are to be redeemed.

The notice shall identify the Securities and the principal amount thereof to be redeemed and shall state:

(1) the redemption date;

(2) the Redemption Price (and the amount of accrued interest to be paid on the Securities called for redemption);

(3) the name and address of the Paying Agent;

(4) the provisions of the Securities and this Indenture pursuant to which the Securities are to be redeemed;

(5) that Securities called for redemption must be surrendered to the Paying

Agent to collect the Redemption Price;

(6) that interest on Securities called for redemption ceases to accrue on and after the redemption date unless the Company shall default in the payment of the Redemption Price; and

(7) the CUSIP number of the Securities.

At the Company's request, the Trustee shall give the notice of redemption in the Company's name and at the Company's expense.

SECTION 3.04 EFFECT OF NOTICE OF REDEMPTION.

Once a notice of redemption is mailed in accordance with tile provisions hereof, the Securities called for redemption become due and payable on the redemption date at the Redemption Price and, on and after such redemption date (unless the Company shall default in the payment of the Redemption Price), such Securities shall cease to bear interest and such Securities shall be deemed not to be outstanding hereunder and shall not be entitled to any benefits hereunder, except to receive payment of the Redemption Price together with all accrued interest to the date fixed for redemption. Upon surrender to the Paying Agent, such Securities shall be paid at the Redemption Price plus accrued interest to the redemption date.

SECTION 3.05 DEPOSIT OF REDEMPTION PRICE.

On or before the Business Day immediately preceding the redemption date, the Company shall deposit with the Paying Agent money in funds immediately available on the redemption date sufficient to pay the Redemption Price of and accrued interest on all Securities to be redeemed on that date.

SECTION 3.06 SECURITIES REDEEMED IN PART.

Upon surrender of a Security that is redeemed in part, the Trustee shall authenticate for the Holder a new Security equal in principal amount to the unredeemed portion of the Security surrendered.

SECTION 3.07 OPTIONAL REDEMPTION.

The Securities may be redeemed at the option of the Company in whole at any time or in part from time to time at a price equal to the principal amount to be redeemed (the "Redemption Price") plus accrued and unpaid interest to the date of such optional redemption. The Securities may also be redeemed or prepaid by purchase by the Company on the open market from time to time, without penalty or premium.

SECTION 3.08 MANDATORY REDEMPTION UPON SALE OF ASSETS.

Neither the Company nor any Restricted Subsidiary may consummate a Sale of Assets unless, within 120 days after consummation, all of the Net Proceeds received as a result of the Sale of Assets (after setting aside a sufficient amount of such proceeds so as to leave the Company with $5 million in net working capital and after setting aside any proceeds to be reinvested in accordance with clause (vii) of the proviso to the definition of Sale of Assets) are deposited with the Trustee to redeem outstanding Securities at a price equal to the Redemption Price plus accrued and unpaid interest to the date of such redemption. With the approval of the Board of Directors, the Company may elect, for purposes of this Section 3.08, to be deemed to have deposited with the Trustee and applied Net Proceeds to the redemption of Securities to the extent it shall acquire, before or after such Sale of Assets, in lieu of making all or any portion of the deposit and redemptions of such Securities provided for in this Section 3.08, through open market or other purchases, Securities with a principal amount equal to the principal amount of Securities which could have been redeemed with such amount of Net Proceeds (upon payment of the Redemption Price plus accrued and unpaid interest thereon) upon redemption pursuant to Section 3.07 and that have not been previously credited against redemptions or purchases upon a Sale of Assets or a required sinking fund payment under Section 3.09, provided any Securities so purchased shall be delivered to the Trustee for cancellation within 120 days after the receipt of such Net Proceeds.

SECTION 3.09 SINKING FUND PAYMENTS.

The Company shall make three payments of $10,000,000 each into a sinking fund account maintained at office of the Trustee commencing in the year 2000. The first such payment shall be made on or before July , 2000, the second on or before July , 2001 and the third on or before July , 2002. All funds in

such account shall, at the Company's direction, from time to time, be held in cash in an interest-bearing account, or invested in U.S. Government Obligations designated by the Company with a maturity, date not later than one business day before the Maturity Date ("bonds"). The funds in the sinking fund account shall be used to redeem Securities from time to time on or before the Maturity Date as and when directed by the Company. The amount of any such required sinking fund payment may be reduced by the principal amount of any Securities that the Company has optionally redeemed or purchased and delivered to the Trustee for cancellation and that have not been previously credited against redemptions or purchases upon a Sale of Assets or a required sinking fund payment. For purposes of this Indenture, funds held by the Trustee shall be deemed held by the Paying Agent. In the event that, at any time, the principal amount of any Securities previously redeemed under this Section or delivered by the Company to the Trustee for cancellation under this Section plus any cash (together with the proceeds of the bonds, including, without limitation, principal, interest and premium) in the sinking fund account at any time that the Company is not in default hereunder exceeds the lesser of (i) the then outstanding principal amount of Securities and (ii) $30,000,000, the excess shall be returned to the Company.

ARTICLE 4.

COVENANTS

SECTION 4.01 PAYMENT OF SECURITIES.

The Company shall pay the principal of and interest on the Securities on the dates and in the manner provided in the Securities and this Indenture. Principal and interest shall be considered paid on the date due if the Paying Agent (if other than the Company) holds on that date money sufficient to pay all principal and interest then due. The Company shall pay interest on overdue principal at the rate borne by the Securities.

SECTION 4.02 MAINTENANCE OF OFFICE OR AGENCY.

The Company will maintain in the Borough of Manhattan, The City of New York, an office or agency where Securities may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee.

The Company may also from time to time designate one or more other offices or agencies where the Securities may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, The City of New York, for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

The Company hereby designates the Corporate Trust Office of the Trustee as an agency of the Company in accordance with Section 2.03.

SECTION 4.03 CORPORATE EXISTENCE.

Except as permitted in Article 5, the Company, and its Restricted Subsidiaries shall each do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence; provided, however, that the Company shall not be required to preserve any corporate existence if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and its Restricted Subsidiaries as a whole and that the loss thereof is not disadvantageous in any material respect to the Holders.

SECTION 4.04 PAYMENT OF TAXES.

The Company will pay or discharge or cause to be paid or discharged, before the same shall become delinquent (i) all taxes, assessments and governmental charges levied or imposed upon the Company or any Restricted Subsidiary, and (ii) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a material Lien upon the property of the Company or any Restricted Subsidiary; provided, however, that the Company shall not be required to pay or

discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings and for which it has set aside on its books such reserves as it deems adequate.

SECTION 4.05 MAINTENANCE OF PROPERTIES.

The Company will cause the material properties owned by the Company or any Restricted Subsidiary for use in the conduct of its business or the business of any such Restricted Subsidiary to be maintained and kept in good condition, repair and working order (subject to ordinary wear and tear) and will cause to be made all necessary repairs thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted: provided, however, that nothing in

this Section shall prevent the Company from discontinuing the maintenance or repair of any such properties if such discontinuance is, in the judgment of the Company, desirable in the conduct of its business or the business of any Restricted Subsidiary and not disadvantageous in any material respect to the Holders.

SECTION 4.06 SEC REPORTS.

Within 15 days after the Company files with the SEC copies of its annual and quarterly reports and other information, documents and reports (or copies of such portions of any of the foregoing as the SEC may by rules and regulations prescribe) which it is required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act, the Company shall deliver the same to the Trustee. The Company will mail copies of its annual reports and quarterly reports as filed with the SEC, other than exhibits to any such report unless such exhibits are themselves incorporated by reference in such report, to any Securityholder upon request. If the Company shall cease to be subject to the requirements of Section 13 or 15(d) of the Exchange Act, the Company shall deliver to the Trustee and to each Securityholder, within 15 days after the date by which it would have been required to make such a filing with the SEC, audited annual financial statements prepared in accordance with generally accepted accounting principles and unaudited condensed quarterly financial statements, including any notes thereto, each comparable to that which the Company, would have been required to include in such annual reports, information, documents or other reports if the Company were then subject to the requirements of Section 13 or 15(d) of the Exchange Act. The Company also shall comply with the other provisions of TIA sec. 314(a).

SECTION 4.07 COMPLIANCE CERTIFICATE.

The Company shall deliver to the Trustee within 120 days after the end of each fiscal year of the Company, and within 60 days after the end of each of the first three fiscal quarters of the Company, an Officer's Certificate stating that, after a review of the activities of the Company during such period and of the Company's performance under this Indenture, whether or not, to the best knowledge of the signer thereof based on such review, there has been any Default or Event of Default by the Company in performing any of its obligations under this Indenture or the Securities. If the signer does know of any such Default or Event of Default, the certificate shall describe the Default or Event of Default and its status.

SECTION 4.08 RESTRICTED INVESTMENTS AND RESTRICTED STOCK PAYMENTS.

The Company will not declare any dividends (other than dividends payable solely in capital stock of the Company or dividends required under the terms of a preferred stock issued by a company which is at the time of such issuance or later becomes a Restricted Subsidiary) on any capital stock of the Company or make any payment on account of the purchase, redemption or other retirement of any shares of such stock or make any distribution in respect thereof, either directly or indirectly, and the Company will not itself, and will not permit any Restricted Subsidiary to, make any investment in Unrestricted Subsidiaries, unless such dividends are declared to be payable not more than 120 days after the date of declaration, and unless, after giving effect to such proposed dividend or other such payment or distribution or investment and to any other dividends declared but not yet paid, each of the following conditions is complied with at the date (hereinafter called the "Computation Date") of such declaration (in case of a dividend) or of such other payment or distribution or investment:

(i) Total Borrowed Funds of the Company and its Restricted Subsidiaries, taken as a whole, is not more than 60% of Total Capitalization of the Company

and its Restricted Subsidiaries, taken as a whole, and

(ii) the sum of

(1) Consolidated Net Income computed for the period commencing on the Effective Date to and including the Computation Date, plus:

(2) the aggregate amount of net cash proceeds to tile Company from sale subsequent to the Effective Date of shares of its Capital Stock, but only insofar as such proceeds do not exceed the aggregate amount of all payments made subsequent to the Effective Date or then being made on account

of the purchase, redemption or retirement of any shares of its Capital Stock shall be greater than the sum of

(3) the aggregate amount of all such dividends declared and all such other such payments and distributions in respect of Capital Stock made during the period commencing on the Effective Date to and including the Computation Date, plus

(4) the excess, if any, of (i) the amount of the aggregate unliquidated investment (computed as hereinbelow provided) on the Computation Date of the Company and all Restricted Subsidiaries in Unrestricted Subsidiaries, over (ii) the aggregate of (x) $, being the amount of the aggregate unliquidated investment (so computed) on the Effective Date of the Company and all Restricted Subsidiaries in Unrestricted Subsidiaries (y) an amount of up to $5 million which may be invested by the Company in Construction Aggregates Ltd., to the extent useful for its working capital needs and (z) the amount included in Consolidated Net Income, if any, by which the aggregate of the net profits realized upon any sales for cash after the Effective Date by tile Company and its Restricted Subsidiaries of its or their investments in Unrestricted Subsidiaries exceeds the aggregate of the net losses, if any, realized upon any such sales (such profits and losses to be determined in accordance with generally accepted accounting principles and, in the case of profits, after deducting all applicable taxes); provided that the profit or loss on all, such sale to the Company or to any Subsidiary shall not be included in such computation:

provided, however, that without regard to the foregoing restrictions of this Section, (i) the Company may retire any shares of any class of its Capital Stock by exchange for, or out of the proceeds of the substantially concurrent sale of, other shares of its Capital Stock, and neither any such retirement nor any such proceeds so used shall be included in any computation provided for in this Section 4.08 and (ii) any Restricted Subsidiary may make any required payments (including without limitation, dividend, sinking fund, and mandatory redemption payments) on or in respect of any Preferred Stock of such Restricted Subsidiary which exists on the Effective Date or is outstanding at any time hereafter that the issuer of such Preferred Stock first becomes a Restricted Subsidiary. For purposes of this Section 4.08, the issuance of Capital Stock upon the conversion of any Indebtedness of the Company shall be deemed to constitute a sale for cash of such capital stock and the net proceeds of such sale shall be deemed to be an amount equal to the principal amount of such Indebtedness, less applicable expenses and cash payments for fractional shares.

For the purposes of any computation under this Section 4.08, the amount of any dividend declared or other payment or distribution made in property other than cash, and the amount of any investment in an Unrestricted Subsidiary made through the transfer to it of any such property, shall be deemed to be Fair Value (as determined by the Board of Directors) of such property at the time of declaration (in the case of dividends) or at the time of payment or distribution or investment.

Also for the purpose of any computation under this Section 4.08, the aggregate unliquidated investment of the Company and Restricted Subsidiaries in any Unrestricted Subsidiary shall be computed in accordance with generally accepted accounting principles and shall include all investments by means of stock purchase, loan, advance, guarantee, capital contribution or otherwise, provided, however, that

(A) amounts invested by the Company through the exchange of its stock for stock of any Unrestricted Subsidiary or for assets contemporaneously transferred to an Unrestricted Subsidiary shall be disregarded;

(B) undistributed earnings of an Unrestricted Subsidiary shall not be

included;

(C) there shall not be deducted from the amounts invested in any Unrestricted Subsidiary any amounts received by the Company or any Restricted Subsidiary (as dividends, interest or otherwise) as earnings on its investment in such Unrestricted Subsidiary;

(D) write-ups, write-downs or write-offs after the Effective Date, of investments in Unrestricted Subsidiaries shall be disregarded; and

(E) accounts receivable from an Unrestricted Subsidiary arising in the ordinary course of business from the sale of goods or services shall not be included.

SECTION 4.09 TRANSACTIONS WITH AFFILIATES.

The Company will not, and will not permit any of its Restricted Subsidiaries to, engage in any material transaction with any of its Affiliates (other than the Company or other Restricted Subsidiaries) unless (i) such transaction is in the ordinary course of business or (ii) the Board of Directors in good faith determines that such transaction is in the best interest of the Company or such Restricted Subsidiary. Nothing in this Section 4.09 shall prohibit any transactions pursuant to any agreement existing as of the Effective Date.

SECTION 4.10 LIMITATION ON TOTAL BORROWED FUNDS AND LIENS.

(a) The Company will not, and will not permit any Restricted Subsidiary, directly or indirectly, to create, incur or assume or guarantee or otherwise become liable or responsible for, any Indebtedness, unless immediately thereafter and after giving effect thereto, Total Borrowed Funds of the Company and its Restricted Subsidiaries, taken as a whole, will not be more than 60% of Total Capitalization of the Company and its Restricted Subsidiaries, taken as a whole; provided, however, that nothing contained in this paragraph 4.10(a) shall prevent (i) the Company or any Restricted Subsidiary from creating, incurring or assuming or guaranteeing or otherwise becoming liable or responsible for any Refinancing Indebtedness, or (ii) a Restricted Subsidiary from creating, incurring, or assuming, or guaranteeing or otherwise becoming liable or responsible for Indebtedness to the Company or another Restricted Subsidiary, (iii) the Company or any Restricted Subsidiary, from entering into any sale and lease-back transaction the proceeds of which are reinvested substantially contemporaneously with their receipt in connection with the acquisition or improvement of capital assets of the Company and/or any of its Restricted Subsidiaries.

For purposes of this paragraph 4.10(a) and Section 4.08: (a) at the time that a corporation becomes a Restricted Subsidiary it shall be deemed to have created at such time all the Indebtedness it has outstanding immediately after such time, and (b) in case any Restricted Subsidiary shall sell, transfer or otherwise dispose of any Indebtedness owing by the Company, or in case the Capital Stock of any Restricted Subsidiary which holds Indebtedness owing by the Company or any other Restricted Subsidiary, shall be sold, transferred or otherwise disposed of, such sale, transfer or disposition shall be deemed to constitute the creation of such Indebtedness, and (c) if, after the Effective Date, there shall be one or more changes in GAAP applicable to the Company or any of its Restricted Subsidiaries which would cause the Company or any Restricted Subsidiary to be prohibited from or restricted in taking some action where the Company and its Restricted Subsidiary would not have been so prohibited or restricted in the absence of such change in GAAP, then such change shall be ignored in making any computation contemplated by Section 4.08 or 4.10.

(b) The Company will not, and will not permit any of its Restricted Subsidiaries to, create, incur, assume or suffer to exist any Lien on any asset owned by the Company or any of its Restricted Subsidiaries except Permitted Liens.

SECTION 4.11 CONFLICTING AGREEMENTS.

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any agreement or execute any instrument (other than agreements or instruments that relate solely to Permitted Working Capital Loans and agreements involving Production Payment Transactions) that by its terms expressly prohibits or otherwise would have the effect of prohibiting the Company from redeeming or otherwise making any payments on or with respect to the Securities pursuant to their terms and the terms of this Indenture.

SECTION 4.12 LIMITATION ON DIVIDENDS AND CERTAIN OTHER RESTRICTIONS AFFECTING SUBSIDIARIES.

Except as otherwise provided by the terms of this Indenture, any Permitted Working Capital Loans, any agreements involving Production Payment Transactions or any agreements existing on the Effective Date, the Company will not, and will not permit any of its Restricted Subsidiaries to create or otherwise cause or suffer to exist or to become effective any encumbrance or restriction on the ability of any of its Restricted Subsidiaries (i) to pay dividends, make loans, extend guarantees or make any other distributions to the Company or to other Restricted Subsidiaries, or to pay any Indebtedness owed to the Company or a Restricted Subsidiary of the Company; (ii) to make loans or advances to the Company or another Restricted Subsidiary;

or (iii) to transfer any of their respective properties or assets to the Company, other than such encumbrances or restrictions existing under or by reason of (a) applicable law, (b) customary non-assignment provisions of any lease governing a leasehold interest of the Company or any of its Subsidiaries, (c) restrictions on the transfer of assets acquired in connection with the incurrence of Purchase Money Indebtedness and (d) Permitted Liens.

SECTION 4.13 LIMITATION ON RESTRICTED SUBSIDIARY INDEBTEDNESS.

The Company will not suffer or permit any Restricted Subsidiary to:

(a) directly or indirectly, create, incur or assume, guarantee or otherwise become liable or responsible for, or suffer to exist, any Indebtedness except (i) Indebtedness owed to the Company or a Restricted Subsidiary, (ii) Indebtedness secured by mortgages or other Liens permitted by the terms of this Agreement, (iii) Indebtedness outstanding at the time such Restricted Subsidiary became a Restricted Subsidiary, (iv) Indebtedness listed on Schedule to this Indenture, (v) Indebtedness in accordance with the definition of West Nyack Indebtedness, (vi) Permitted Working Capital Loans; (vii) Purchase Money Indebtedness, (viii) the Guarantee, and (ix) Refinancing Indebtedness;

(b) have outstanding (i) any Preferred Stock other than Preferred Stock owned by the Company or a Restricted Subsidiary or Preferred Stock outstanding at the time such Restricted Subsidiary became a Restricted Subsidiary, or (ii) more than one class of Common Stock unless more than 50% of the outstanding shares of each class of Common Stock is owned by the Company or by one or more of its earlier Restricted Subsidiaries; or

(c) issue or sell any Capital Stock of such Restricted Subsidiary to any Person other than the Company or a Restricted Subsidiary, except for (i) shares of Common Stock issued or sold solely for the purpose of qualifying directors, shares of Common Stock issued for the purpose of paying a pro rata stock dividend on the Common Stock of such Restricted Subsidiary, and (ii) additional shares of Common Stock sold in a subscription offer to the holders of the outstanding shares of Common Stock of such Restricted Subsidiary provided that the Company and its other Restricted Subsidiaries shall acquire a portion of such additional shares at least equal to the proportion of the outstanding shares of Common Stock of such Restricted Subsidiary theretofore owned by them.

SECTION 4.14 RESTRICTED SUBSIDIARIES.

The Company:

(a) will not, and will not suffer or permit any Restricted Subsidiary to, sell, transfer or otherwise dispose of any outstanding Capital Stock or Indebtedness of a Restricted Subsidiary owned by the Company or another Restricted Subsidiary to any Person other than the Company or a Restricted Subsidiary (except for directors' qualifying shares or shares of Capital Stock or Indebtedness sold, transferred or disposed of in order to comply with any applicable law, governmental regulation, order or decree) unless (x) (i) the Restricted Subsidiary, the Capital Stock and Indebtedness of which are so being sold, transferred or disposed of, does not own any Capital Stock or Indebtedness of any other Restricted Subsidiary and (ii) all outstanding Capital Stock and all Indebtedness of the Restricted Subsidiary, the Capital Stock and Indebtedness of which are so being sold, transferred or disposed of (which outstanding Capital Stock and Indebtedness are owned by the Company or any, Restricted Subsidiary), are sold, transferred or otherwise disposed of at one time as an entirety, in a single transaction or related series of transactions, for a consideration and upon terms deemed by the Board of Directors to be adequate and

satisfactory; or (y) the Indebtedness sold, transferred or otherwise disposed of, if newly created on the date of such disposition, would have been permitted as of such date under Section 4.10 and 4.13;

(b) will not suffer or permit a Restricted Subsidiary to consolidate or merge with or into any other Person, or to lease, sell or transfer all or substantially all of its property and assets to any Person, except that:

(1) a Restricted Subsidiary may so consolidate or merge into, or may so lease, sell or transfer such property, and assets to, the Company;

(2) a Restricted Subsidiary may so consolidate or merge with or into any other Person or may so lease, sell or transfer such property and assets to any other Person if, after giving effect to the transaction, the entity surviving such consolidation or merger, or acquiring such property and assets, will be a Restricted Subsidiary; and

(3) a Restricted Subsidiary may so sell such property and assets for a consideration and upon terms deemed by the Board of Directors to be adequate and satisfactory; and

(c) will not suffer or permit any Unrestricted Subsidiary to own any Capital Stock of a Restricted Subsidiary.

Promptly after the designation of a Subsidiary as a Restricted Subsidiary the Company will notify the Trustee in writing of such designation.

SECTION 4.15 WAIVER OF STAY, EXTENSION OR USURY LAWS.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any usury law or other law which would prohibit or release the Company from paying all or any portion of the principal or interest on the Securities as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Indenture, and (to the extent that it may lawfully do so) the Company hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but it will suffer and permit the execution of every such power as though no such law had been enacted.

SECTION 4.16 MAINTENANCE OF INSURANCE AND RECORDS, COMPLIANCE WITH LAW.

(a) Except to the extent that, in the exercise of its good faith business judgment, the Company believes the cost to be incurred in procuring and/or maintaining insurance to be excessive in view of the benefit to be derived therefrom, the Company shall, and shall cause its Restricted Subsidiaries to, maintain with financially sound and reputable insurers such (i) liability and property and casualty insurance as may be required by law and (ii) such other insurance, to such extent and against such hazards and liabilities, substantially equivalent to the insurance that comparable companies maintain.

(b) The Company shall keep, or cause to be kept, true books and records and accounts in which entries will be made of all of the business transactions of the Company and its Restricted Subsidiaries which shall be full and correct in all material respects, in accordance with sound business practices, and reflect in their respective financial statements adequate accruals and appropriate reserves, all in accordance with generally accepted accounting principles.

(c) The Company shall, and shall cause its Restricted Subsidiaries to, comply with all statutes, laws, ordinances, or governmental rules and regulations to which it is subject, noncompliance with which would materially and adversely affect the prospects, earnings, properties, assets or condition, financial or otherwise, of the Company and its Restricted Subsidiaries taken as a whole.

SECTION 4.17 LIMITATION ON REDEMPTION OF CERTAIN PERMITTED SUBORDINATED INDEBTEDNESS.

The Company will not, and will not permit any of its Restricted Subsidiaries to, at any time that an Event of Default remains uncured hereunder or at any time prior to the Maturity Date (i) redeem pursuant to the optional redemption provisions thereof, or make any optional payment of principal on, any Permitted Subordinated Indebtedness; (ii) defease Permitted Subordinated Indebtedness; or (iii) issue to the holders of

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Permitted Subordinated Indebtedness in exchange therefor any property or assets (other than the proceeds of any Refinancing Indebtedness incurred with respect to such Permitted Subordinated Indebtedness or securities which do not require payments of principal or interest and are not mandatorily redeemable on or prior to the Maturity Date).

SECTION 4.18 VALUE OF CLAIMS REPRESENTED BY SECURITIES.

The parties hereto covenant and agree that in any case connected under Chapter 11 of Title 11 of the United States Code subsequent to the Effective Date involving the Company, the claims represented by the Securities shall equal the full principal amount of the Securities, plus accrued and unpaid interest at the stated rates set forth in the Securities.

SECTION 4.19 INVESTMENT COMPANY ACT OF 1940.

The Company will not, and will not permit any of its Restricted Subsidiaries to, take any action resulting in its becoming an "investment company" (as such term is defined in the Investment Company Act of 1940, as amended).

SECTION 4.20 NOTICE OF DEFAULT.

In the event that any Default under this Indenture shall occur, the Company will give prompt written notice of such Default to the Trustee, specifying the nature and status of such Default and the steps which the Company or its Subsidiaries have taken or propose to take in order to cure such Default.

ARTICLE 5.

SUCCESSORS

SECTION 5.01 WHEN COMPANY MAY MERGE, ETC.

The Company shall not consolidate or merge with or into, or sell, assign, transfer or lease all or substantially all of the assets of the Company and its Restricted Subsidiaries, taken as a whole, to, any Person unless:

(i) the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale or conveyance shall have been made, is an entity organized and existing under the laws of the United States, any state thereof or the District of Columbia; and

(ii) the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale or conveyance shall have been made, assumes by supplemental indenture all the obligations of the Company under the Securities and this Indenture (including, without limitation, those under Section 3.9 hereof).

The Company shall deliver to the Trustee prior to the consummation of the proposed transaction an Officer's Certificate to the foregoing effect and an Opinion of Counsel stating that the proposed transaction and supplemental indenture comply with this Indenture.

SECTION 5.02 SUCCESSOR SUBSTITUTED.

Upon any consolidation or merger or transfer or lease of all or substantially all of the assets of the Company and its Restricted Subsidiaries, taken as a whole, in accordance with Section 5.1, the successor Person formed by such consolidation or into which the Company is merged or to which such sale, assignment, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, and shall assume every duty and obligation of, the Company under this Indenture with the same effect as if such successor corporation had been named as the Company herein. When the successor corporation assumes all obligations of the Company hereunder, all obligations of the predecessor corporation shall terminate.

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ARTICLE 6.

DEFAULTS AND REMEDIES

SECTION 6.01 EVENTS OF DEFAULT.

An "Event of Default" occurs if:

(1) the Company defaults in the payment of interest on any Security when the same becomes due and payable, whether at maturity, in connection with any redemption, by acceleration or otherwise, and such default continues for a period of 30 days;

(2) the Company defaults in the payment of the principal of any Security when the same becomes due and payable, whether at maturity, in connection with any redemption, by acceleration or otherwise and such default continues for a period of 30 days after the earlier of (i) the date on which written notice of such failure, requiring the Company to remedy the same, shall have been given to the Company by the Trustee, or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the Securities at the time outstanding or (ii) the date on which the Company had Actual Knowledge of such failure;

(3) the Company or any of its Restricted Subsidiaries fails to observe or perform in any material respect any of its covenants or agreements in the Securities or this Indenture, which failure continues for a period of 30 days after the earlier of (i) the date on which written notice of such failure, requiring the Company to remedy the same, shall have been given to the Company by the Trustee, or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the Securities at the time outstanding or (ii) the date on which the Company had Actual Knowledge of such failure;

(4) (a) the Company or any of its Restricted Subsidiaries, fails to pay when due (whether at maturity, in connection with any mandatory amortization or redemption, by acceleration or otherwise) any principal or interest on any Indebtedness with an aggregate outstanding principal amount in excess of $5 million, whether any such Indebtedness is outstanding as of the date of which Indenture or is hereafter outstanding, which default continues for the greater of any period of grace applicable thereto or 60 days from the date of such default, or (b) a default or event of default, as defined in one or more indentures, agreements or other instruments evidencing or under which the Company or any of its Restricted Subsidiaries individually or collectively have, as of the date of this Indenture or hereafter, outstanding at least $5 million aggregate principal amount of Indebtedness, shall happen and be continuing and such Indebtedness shall have accelerated so that it is due and payable prior to the date on which it would otherwise have become due and payable, and such acceleration shall not be rescinded or annulled within 60 days after the earlier of (i) the date on which written notice of such acceleration shall have been given to the Company by the Trustee, or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the Securities at the time outstanding or (ii) the date on which the Company had Actual Knowledge of such acceleration; provided that if such default or event of default under such indenture or other instrument shall be remedied or cured by the Company or the Restricted Subsidiary or waived by the holders of such Indebtedness, then the Event of Default under this Indenture by reason thereof shall be deemed likewise to have been thereupon remedied, cured or waived without further action upon the part of either the Trustee or any of the Holders of Securities;

(5) one or more final judgments against the Company or any of its Restricted Subsidiaries for payments of money which in the aggregate exceed $5 million, are entered by a court of competent jurisdiction and such judgments are not rescinded, annulled, stayed or discharged within 90 days;

(6) the Company and its Restricted Subsidiaries, taken as a whole become insolvent;

(7) the Company or any of its material Restricted Subsidiaries pursuant to or within the meaning of any Bankruptcy Law:

(a) commences a voluntary case,

(b) consents to the entry of a judgment, decree or order for relief against it in an involuntary case or proceeding,

(c) consents to the appointment of a Custodian of the Company or such material Subsidiary or for all or substantially all of its property,

(d) makes a general assignment for the benefit of its creditors, or

(e) applies for, consents to or acquiesces in the appointment of, or taking possession by a Custodian;

(8) a court of competent jurisdiction enters a judgment, decree or order for relief in respect of the Company or any of its material Restricted Subsidiaries in an involuntary case or proceeding under any Bankruptcy Law which shall

(a) approve as properly filed a petition seeking reorganization, arrangement, adjustment or composition;

(b) appoint a Custodian for any part of its property; or

(c) order the winding up or liquidation of its affairs;

and such judgment, decree or order remains unstayed and in effect for a period of sixty (60) consecutive days; or

(9) any bankruptcy or insolvency petition or application is filed, or any bankruptcy case or insolvency proceeding is commenced against the Company or any of its material Restricted Subsidiaries and such petition, application, case or proceeding is not dismissed or stayed within ninety (90) days.

The term "Bankruptcy Law" means Title 11, U.S. Code or any similar Federal or State law for the relief of debtors. The term "Custodian" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law. The term "Actual Knowledge" means the actual knowledge of any executive officer of the Company; provided, however, that each executive officer of the Company shall be deemed to have actual knowledge of any fact that would have come to such officer's attention if he or she had exercised reasonable care in performing his or her duties, given the nature of his or her duties and the Company's business and organization.

SECTION 6.02 ACCELERATION.

If an Event of Default (other than an Event of Default specified in Section 6.01(6), (7), (8) or (9)) occurs and is continuing, the Trustee by notice to the Company, or the Holders of at least 25% in principal amount of the Securities by notice to the Company and the Trustee, may declare the principal of and accrued interest on all the Securities to be due and payable. Upon such declaration such principal and interest shall be due and payable immediately. If an Event of Default specified in Section 6.01(6), (7), (8) or (9) occurs, all unpaid principal and accrued interest on the Securities then outstanding shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Securityholder. The Holders of at least 66 2/3% of the principal amount of the Securities may rescind an acceleration and its consequences by notice to the Trustee if the rescission would not conflict with any judgment or decree and if the outstanding Events of Default have been cured or waived except, unless theretofore cured, nonpayment of principal or interest that has become due solely because of the acceleration. No such rescission shall affect any subsequent Default or impair any right or remedy with respect thereto.

SECTION 6.03 OTHER REMEDIES.

Notwithstanding any other provision of this Indenture, if an Event of Default occurs and is continuing, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the payment of principal of or interest on the Securities or to enforce the performance of any provision of the Securities, this Indenture or the Guarantee.

The Trustee may maintain a proceeding even if it does not possess any of the Securities or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Securityholder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All remedies are cumulative.

In case the Trustee shall have proceeded to enforce any rights under this Indenture or the Guarantee and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, then and in every such case the Company, the Trustee and the Holders shall,

subject to any determination in such proceeding, be restored respectively to their former positions and rights hereunder, and all rights, remedies and powers of the Company and the Trustee shall continue as though no such proceeding had been taken.

SECTION 6.04 WAIVER OF PAST DEFAULTS.

Subject to Section 6.07 and 9.02, the Holders of at least 66 2/3% of the principal amount of the Securities by notice to the Trustee may waive an existing Default or Event of Default and its consequences. When a Default or Event of Default is waived, it is cured and ceases.

SECTION 6.05 CONTROL BY MAJORITY.

The Holders of a majority in principal amount of the Securities may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it. The Trustee, however, may refuse to follow any direction that conflicts with law or this Indenture, is unduly prejudicial to the rights of any Securityholder or would subject the Trustee to personal liability; provided, the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction. The Company may set a record date for purposes of determining who may exercise such control.

SECTION 6.06 LIMITATION ON SUITS.

Except as provided in Section 6.07, a Securityholder may pursue a remedy with respect to this Indenture or the Securities only if:

(1) the Holder gives to the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in principal amount of the Securities make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer to the Trustee indemnity reasonably satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and

(5) during such 60-day period the Holders of a majority in principal amount of the Securities do not give the Trustee a direction inconsistent with the request.

A Securityholder may not use this Indenture to prejudice the rights of any other Securityholder or to obtain a preference or priority over any other Securityholder.

SECTION 6.07 RIGHTS OF HOLDERS TO RECEIVE PAYMENT.

Notwithstanding any other provision of this Indenture, the right of any Holder of a Security to receive payment of principal of and interest on the Security, on or after the respective due dates (prior to any acceleration) expressed in the Security, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of the Holder.

SECTION 6.08 COLLECTION SUIT BY TRUSTEE.

If an Event of Default specified in Section 6.01(1) or (2) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company for the whole amount of principal and interest in default.

SECTION 6.09 TRUSTEE MAY FILE PROOFS OF CLAIMS.

The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee, any predecessor Trustee and the Securityholders allowed in any judicial proceedings relative to the Company, its creditors or its property.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder of the Securities any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize

the Trustee to vote in respect of the claim of any Holder of the Securities in any such proceeding.

SECTION 6.10 PRIORITIES.

If the Trustee collects any money pursuant to this Article, it shall pay out the money in the following order:

First: to the Trustee for amounts due under Section 7.07;

Second: to Securityholders for amounts due and unpaid on the Securities for principal and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Securities for principal and interest, respectively;

Third: to the Company or such other Person as is legally entitled thereto.

The Trustee may fix a record date and payment date for any payment by it to Securityholders pursuant to this Section.

SECTION 6.11 UNDERTAKING FOR COSTS.

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require any party litigating the suit other than the Trustee to file an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable cost, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.07, or a suit by Holders of more than 10% in principal amount of the Securities.

ARTICLE 7.

TRUSTEE

SECTION 7.01 ACCEPTANCE OF TRUSTS; DUTIES OF TRUSTEE.

The Trustee hereby accepts the trusts imposed upon it by this Indenture and covenants and agrees to perform the same as herein expressed.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture and the Guarantee, and use the same degree of care and skill in their exercise, as a prudent Person would exercise or use under the circumstances in the conduct of his or her own affairs.

(b) Except during the continuance of an Event of Default:

(1) The Trustee need perform only those duties that are specifically set forth in this Indenture and no others.

(2) In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(1) This paragraph does not limit the effect of paragraph (b) of this Section 7.01.

(2) The Trustee shall not be liable with respect to any error of judgment made in good faith by a Trust Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts.

(3) The Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05.

(d) Every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b) and (c) of this Section 7.01.

(e) The Trustee may refuse to exercise any of its rights or powers under this Indenture at the request of any Holders unless such Holders shall have offered to the Trustee indemnity reasonably satisfactory to it against any loss, liability or expense. No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its rights or power, if it has reasonable grounds for believing, and does believe in good faith, that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(f) The Trustee shall not be liable for interest on any money received by it except as expressly provided with respect to the sinking fund account or as the Trustee may agree with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

SECTION 7.02 RIGHTS OF TRUSTEE.

(1) The Trustee may rely on any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(2) Before the Trustee acts or refrains from acting, it may require an Officer's Certificate and/or an Opinion of Counsel and may consult with its counsel. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Certificate, Opinion or advice of such counsel.

(3) The Trustee may act through agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

SECTION 7.03 INDIVIDUAL RIGHTS OF TRUSTEE.

The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or an Affiliate thereof with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights. The Trustee, however, must comply with Sections 7.10 and 7.11.

SECTION 7.04 TRUSTEE'S DISCLAIMER.

The Trustee makes no representation as to the validity or adequacy of this Indenture or the Securities, and it shall not be responsible for any statement in the Securities other than its certificate of authentication.

SECTION 7.05 NOTICE OF DEFAULTS.

If a Default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail to each Securityholder a notice of the Default within 90 days after it occurs. Except in the case of a Default in payment of principal of or interest on any Security, the Trustee may withhold the notice if and so long as it in good faith determines that withholding the notice is in the interests of Securityholders.

SECTION 7.06 REPORTS BY TRUSTEE TO HOLDERS.

Within 60 days after each beginning , 1994, the Trustee shall mail to each Securityholder as required by TIA sec. 313(c) a brief report dated as of such date that complies with TIA sec. 313(a). The Trustee also shall comply with TIA sec. 313(b).

A copy of each report at the time of its mailing to Securityholders shall be filed by the Trustee with the SEC and each stock exchange, if any, on which the Securities are listed. The Company shall notify the Trustee when the Securities are listed on any stock exchange.

SECTION 7.07 COMPENSATION AND INDEMNITY.

The Company shall pay to the Trustee from time to time such compensation for its services as shall be agreed upon in writing. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all reasonable out-of-pocket expenses, advances and disbursements incurred by it. Such expenses shall include the reasonable compensation and out-of-pocket expenses of the

Trustee's agents and counsel.

Except as hereinafter provided in this paragraph, the Company shall indemnify the Trustee against any loss or liability (including the reasonable fees and expenses of counsel) incurred by it in connection with the administration of this trust and the performance of its duties hereunder. The Company need not pay any amount in respect of a settlement made without its consent. The Trustee shall notify the Company promptly of any claim for which it may seek indemnification. The Company need not reimburse any expense or indemnify against any loss or liability incurred by the Trustee through the Trustee's negligence or bad faith.

To secure the Company's payment obligations in this Section, the Trustee shall have a lien prior to the Securities on all money or property held or collected by the Trustee except that held in trust to pay principal and interest on particular Securities.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.01(6), (7), (8) or (9) occurs, the expenses and the compensation for services are intended to constitute expenses of administration under any Bankruptcy Law.

SECTION 7.08 REPLACEMENT OF TRUSTEE.

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section.

The Trustee may resign by so notifying the Company. The Holders of a majority in principal amount of the Securities may remove the Trustee by so notifying the Trustee and the Company and may appoint a successor Trustee with the Company's consent. The Company may remove the Trustee if:

(1) the Trustee fails to comply with Section 7.10;

(2) the Trustee is adjudged a bankrupt or an insolvent;

(3) a receiver or other public officer takes charge of the Trustee or its property;

(4) the Trustee becomes incapable of acting; or

(5) in the Company's good faith judgment, the Trustee's fees and expense structure for acting as such hereunder become materially noncompetitive.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in principal amount of the Securities may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

If a successor Trustee does not take office within 30 days after the retiring Trustee resigned or is removed, the retiring Trustee, the Company or the Holders of at least 10% in principal amount of the Securities may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee fails to comply with Section 7.10, any Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Securityholders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.07.

SECTION 7.09 SUCCESSOR TRUSTEE BY MERGER, ETC.

If the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to another corporation, the successor corporation without any further act shall be the successor Trustee.

SECTION 7.10 ELIGIBILITY; DISQUALIFICATION.

This Indenture shall always have a Trustee who satisfies the requirements of TIA sec. 310(a)(1). The Trustee shall always have a combined capital and surplus of at least $50,000,000 as set forth in its most recent published annual report of condition. The Trustee shall comply with TIA sec. 310(b), including the optional provision permitted by the second sentence of TIA sec. 310(b)(9).

SECTION 7.11 PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY.

The Trustee shall comply with TIA sec. 311(a), excluding any creditor relationship listed in TIA sec. 311(b). A Trustee who has resigned or been removed shall be subject to TIA sec. 311(a) to the extent indicated.

ARTICLE 8.

DISCHARGE OF INDENTURE

SECTION 8.01 TERMINATION OF COMPANY'S OBLIGATIONS.

All of the Company's obligations under this Indenture shall terminate when all Securities previously authenticated and delivered (other than mutilated, destroyed, lost or stolen Securities which have been replaced or paid) have been delivered to the Trustee for cancellation or if:

(1) the Securities mature within six months or all of them are to be called for redemption within six months;

(2) the Company irrevocably deposits in trust with the Trustee, pursuant to an irrevocable trust and security agreement in form and substance reasonably satisfactory to the Trustee, money or U.S. Government Obligations sufficient to pay principal of and interest on the Securities to maturity or redemption, as the case may be, and all other sums payable by the Company to the Holders of the Securities hereunder. The Company may make the deposit only during the six-month period. Immediately after making the deposit, the Company shall give notice of such event of the Holders;

(3) the Company has paid or caused to be paid all sums then payable by the Company to the Trustee hereunder as of the date of such deposit;

(4) the Company has delivered to the Trustee an Officer's Certificate stating that all conditions precedent provided for herein relating to the satisfaction and discharge of this Indenture have been complied with; and

(5) the Company has delivered to the Trustee either (i) an unqualified Opinion of Counsel, stating that the Holders of the Securities (a) will not recognize income, gain or loss for Federal income tax purposes as a result of such deposit (and the defeasance contemplated in connection therewith) and (b) will be subject to Federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred, or (ii) an applicable favorable ruling to that effect received from or published by the Internal Revenue Service.

Notwithstanding the foregoing, the Company's obligations in Sections 2.03, 2.04, 2.05, 2.06, 2.07, 4.01, 7.07, 7.08 and 8.03 shall survive until the Securities are no longer outstanding and the Company's obligations pursuant to Sections 7.07 and 8.03 shall survive any such termination.

After a deposit pursuant to this Section 8.01, the Trustee upon request shall acknowledge in writing the discharge of the Company's obligations under the Securities and this Indenture except for those surviving obligations specified above.

In order to have money available on a payment date to pay principal or interest on the Securities, the U.S. Government Obligations shall be payable as to principal or interest on or before such payment date in such amounts as will provide the necessary money.

SECTION 8.02 APPLICATION OF TRUST MONEY.

The Trustee shall hold in trust money or U.S. Government Obligations deposited with it pursuant to Section 3.05, 3.08, 3.09 and 8.01. It shall apply the deposited money and the money from U.S. Government Obligations through the Paying Agent and in accordance with this Indenture to the payment of principal of and interest on the Securities.

SECTION 8.03 REPAYMENT TO COMPANY.

The Trustee and the Paying Agent shall promptly pay to the Company upon request any excess money or securities held by them at any time. The Trustee and the Paying Agent shall pay to the Company upon request any money held by them for the payment of principal or interest that remains unclaimed for two years; provided, however,that the Trustee or such Paying Agent, before being required to make any such repayment, may, at the expense of the Company, cause to be published once in a newspaper of general circulation in The City of New York or cause to be mailed to each Holder, a notice stating that such money remains and that, after a date specified therein, which shall not be less than 30 days from the date of such publication or mailing, any unclaimed balance of such money then remaining will be repaid to the Company. After payment to the Company, Securityholders entitled to the money must look to the Company for payment as general creditors unless an applicable abandoned property law designates another Person.

SECTION 8.04 REINSTATEMENT.

If the Trustee or Paying Agent is unable to apply any money or U.S. Government Obligations in accordance with Section 8.01 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's obligations under this Indenture and the Securities shall be revived and reinstated as though no deposit has occurred pursuant to Section 8.01 until such time as the Trustee or Paying Agent is permitted to apply all such money or U.S. Government Obligations in accordance with Section 8.01; provided, however, that if the Company has made any payment of interest on or principal of any Securities because of the reinstatement of obligations, the Company shall be subrogated to the rights of the Holders of such Securities to receive such payment from the money or U.S. Government Obligations held by the Trustee or Paying Agent.

ARTICLE 9.

AMENDMENTS

SECTION 9.01 WITHOUT CONSENT OF HOLDERS.

The Company, with the consent of the Trustee, may amend or supplement this Indenture or the Securities without notice to or the consent of any Securityholder:

(1) to cure any ambiguity, omission, defect or inconsistency;

(2) to comply with Section 5.01;

(3) to provide for uncertified securities; or

(4) to make any change that does not adversely affect the rights of any Securityholder.

SECTION 9.02 WITH CONSENT OF HOLDERS.

The Company, with the consent of the Trustee, may amend or supplement this Indenture or the Securities without notice to any Securityholder but with the written consent of the Holders of at least 66 2/3% (except as hereinafter provided) of the principal amount of the Securities. Subject to Section 6.07, the Holders of a majority (except as hereinafter provided) in principal amount of the Securities may waive compliance by the Company with any provision of this Indenture or the Securities without notice to all Securityholders. However, without the consent of each Securityholder affected, no amendment, supplement or waiver, including a waiver pursuant to Section 6.04, may:

(1) reduce the amount of Securities whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the rate of or change the time for payment of interest on any Security;

(3) reduce the principal of or change the fixed maturity of any Security or alter the redemption provisions with respect thereto;

(4) waive a default in the payment of principal of, premium, if any, or interest on any Security;

(5) make any Security payable in money other than that stated in the Security; or

(6) make any change in Section 6.04, Section 6.07 or this Section 9.02.

Promptly after an amendment under this Section becomes effective, the Company shall mail to the Securityholders a notice briefly describing the amendment.

It shall not be necessary for the consent of the Holders under this Section to approve the particular form of any proposed amendment or supplement, but it shall be sufficient if such consent approves the substance thereof.

SECTION 9.03 COMPLIANCE WITH TRUST INDENTURE ACT.

Every amendment to this Indenture or the Securities shall comply with the TIA as then in effect.

SECTION 9.04 REVOCATION AND EFFECT OF CONSENTS.

Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder of a Security is a continuing consent by the Holder and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security, even if notation of the consent is not made on any Security. However, any such Holder or subsequent Holder may revoke the consent as to his Security, or portion of a Security if the Trustee receives the notice of revocation before the date the amendment, supplement or waiver becomes effective. An amendment, supplement or waiver becomes effective in accordance with its terms.

After an amendment, supplement or waiver becomes effective with respect to the Securities, it shall bind every Securityholder unless it makes a change described in any of clauses (1) through (6) of Section 9.02. In that case the amendment, supplement or waiver shall bind each Holder of a Security who has consented to it and, provided that notice of such amendment, supplement or waiver is reflected on a Security, that evidences the same debt as the consenting Holder's Security, every subsequent Holder of a Security, or portion of a Security that evidences the same debt as the consenting Holder's Security.

SECTION 9.05 NOTATION ON OR EXCHANGE OF SECURITIES.

If an amendment, supplement or waiver changes the terms of a Security, the Trustee may require the Holder of the Security to deliver it to the Trustee. The Trustee may place an appropriate notation on the Security about the changed terms and return it to the Holder. Alternatively, if the Company or the Trustee so determines, the Company in exchange for the Security shall issue and the Trustee shall authenticate a new Security that reflects the changed terms.

SECTION 9.06 TRUSTEE PROTECTED.

The Trustee need not sign any amendment, supplement or waiver authorized pursuant to this Article that adversely affects the Trustee's rights. The Trustee shall be entitled to receive and rely upon an Opinion of Counsel and an Officer's Certificate that any supplemental indenture complies with the Indenture.

ARTICLE 10.

GUARANTEE

SECTION 10.01 GUARANTEE.

Certain of the Company's Subsidiaries have entered into a Guarantee for the benefit of the Securityholders. Under the terms of the Guarantee, the Subsidiaries guarantee to the Securityholders the Company's performance of its obligations hereunder.

Each Securityholder, by accepting a Security, agrees to all of the terms and provisions of the Guarantee pursuant to which the Securities will be guaranteed, as the same may be in effect or may be amended from time to time pursuant to its terms.

SECTION 10.02 FURTHER ASSURANCES.

The Company and certain of its Subsidiaries have executed and delivered and will execute and deliver all such instruments and documents, and have done and

will do all such acts and other things, at the Company's expense, as may be necessary or desirable, or that the Trustee may reasonably request, to give full force and effect to the Guarantee, in the case of the existence of an Event of Default, to enable the Trustee to exercise and enforce the Securityholders' rights and remedies with respect to the Guarantee.

SECTION 10.03 AUTHORIZATION OF ACTIONS TO BE TAKEN BY THE TRUSTEE UNDER THE GUARANTEE.

The Trustee may, in its sole discretion and without the consent of the Securityholders take all actions it deems necessary or appropriate in order to (i) enforce any of the terms of the Guarantee and (ii) collect and receive any and all amounts payable in respect of the obligations of the Company hereunder. Subject to the provisions of the Guarantee, the Trustee shall have power to institute and to maintain such suits and proceedings as it may deem expedient to preserve or protect its interests and the interests of the Securityholders.

SECTION 10.04 AUTHORIZATION OF RECEIPT OF FUNDS BY THE TRUSTEE UNDER THE GUARANTEE.

The Trustee is authorized to receive any funds for the benefit of Securityholders distributed under the Guarantee, and to make further distribution of such funds to the Holders according to the provisions of this Indenture.

SECTION 10.05 TERMINATION OF GUARANTEE.

Upon the payment in full of all obligations of the Company under this Indenture and the Securities, the Trustee shall, at the request of the Company, deliver a certificate to the Subsidiaries which executed the Guarantee stating that such obligations have been paid in full.

ARTICLE 11.

MISCELLANEOUS

SECTION 11.01 TRUST INDENTURE ACT CONTROLS.

If any provision of this Indenture limits, qualifies or conflicts with another provision which is required to be included in this Indenture by the TIA, the required provision shall control.

SECTION 11.02 NOTICES.

Any notice or communication by the Company or the Trustee to the other is duly given if in writing and when delivered in person, mailed by first-class mail or by express delivery to the other's address stated in this Section 11.02. The Company or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

Any notice or communication to a Securityholder shall be mailed by first-class mail to his or her address shown on the register kept by the Registrar. Failure to mall a notice or communication to a Securityholder or any defect in it shall not affect its sufficiency with respect to other Securityholders.

If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

If the Company mails a notice or communication to Securityholders, it shall mail a copy to the Trustee and each Agent at the same time.

All notices or communications shall be in writing.

The Company's address is:

The Trustee's address is:

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SECTION 11.03 COMMUNICATION BY HOLDERS WITH OTHER HOLDERS.

Securityholders may communicate pursuant to TIA sec. 312(b) with other Securityholders with respect to their rights under this Indenture or the Securities. The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA sec. 312(c).

SECTION 11.04 ACTION BY SECURITYHOLDERS.

Whenever in this Indenture it is provided that the Holders of a specified percentage in aggregate principal amount of the Securities may take any action (including the making of any demand or request, the giving of any notice, consent or waiver or the taking of any other action), the fact that at the time of taking any such action the Holders of such specified percentage have joined therein may be evidenced by (a) any instrument or any number of instruments of similar tenor executed by Holders of Securities in person or by agent or proxy appointed in writing, or (b) by the record of the Holders of Securities in favor thereof, at any meeting of Holders duly called and held in accordance with the provisions of Article 12, or (c) by a combination of such instrument or instruments and any such record of such meeting of Holders, but in each case only to the extent that the Holders of Securities shall not have revoked such action, consent or vote pursuant to Section 9.04 and Section 11.06.

SECTION 11.05 PROOF OF EXECUTION OF INSTRUMENTS AND OF HOLDING OF SECURITIES.

Proof of the execution of any instrument by a Holder of Securities or his or her agent or proxy and proof of the holding by any Person of any of the Securities shall be sufficient if made in the following manner:

(1) The fact and date of the execution by any such Person of any instrument may be proved by the certificate of any notary public or other officer of any jurisdiction authorized to take acknowledgements of deeds to be recorded in such jurisdiction that the Person executing such instrument acknowledged to him or her the execution thereof, or by an affidavit of a witness to such execution sworn to before any such notary or other such officer. Such certificate or affidavit shall also constitute sufficient proof of the authority of the Person executing any instrument in cases where Securities are not held by Persons in their individual capacities.

(2) The fact and date of execution of any such instrument may also be proved in any other manner which the Trustee deems sufficient.

(3) The ownership of Securities shall be proved by the register of such Security or by a certificate of the Registrar thereof.

(4) The Trustee shall not be bound to recognize any Person as a Securityholder unless his or her title to any Security is proved in the manner provided in this Article 11.

The Trustee may require such additional proof of any matter referred to in this Section 11.05 as it shall deem necessary.

SECTION 11.06 REVOCATION OF CONSENTS; FUTURE HOLDERS BOUND.

Subject to Section 9.04, at any time prior to (but not after) the evidencing to the Trustee, as provided in Section 11.04, of the taking of any action by the Holders of the required percentage of the aggregate principal amount of the Securities specified in this Indenture in connection with such action, any Holder of a Security which is shown by the evidence to be included in the Securities the Holders of which have consented to such action may, by filing written notice with the Trustee at its principal office and upon proof of holding as provided in Section 11.05, revoke such action so far as concerns such Security. Except as aforesaid, any such action taken by the Holder of any Security shall be conclusive and binding upon such Holder and upon all future holders and owners of such Security and of any Security issued in exchange or substitution therefor, irrespective of whether or not any notation in regard thereto is made upon such Security. Any action taken by the Holders of the required percentage of the aggregate principal amount of the Securities

specified in this

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Indenture in connection with such action shall be conclusive and binding upon the Company, the Trustee and the holders of all the Securities.

SECTION 11.07 OBLIGATION TO DISCLOSE BENEFICIAL OWNERSHIP OF SECURITIES.

All Securities shall be held and owned upon the express condition that, upon demand of any regulatory agency having jurisdiction over the Company, and pursuant to law or regulation empowering such agency to assert such demand, any registered Holder shall disclose to such agency the identity of the beneficial owner of all Securities held thereby.

SECTION 11.08 CERTIFICATE AND OPINION AS TO CONDITIONS PRECEDENT.

Upon any request or application by the Company to the Trustee to take any action under this Indenture the Company shall furnish to the Trustee:

(1) an Officer's Certificate stating that, in the opinion of the signer, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(2) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

Each signer of an Officer's Certificate or an Opinion of Counsel may (if so stated) rely upon an Opinion of Counsel as to legal matters and an Officer's Certificate as to factual matters if such signer reasonably and in good faith believes in the accuracy of the document relied upon.

SECTION 11.09 STATEMENTS REQUIRED IN CERTIFICATE OR OPINION.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(1) a statement that the Person making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of such Person, he or she has made such examination or investigation as is necessary to enable such Person to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been complied with.

SECTION 11.10 RULES BY TRUSTEE AND AGENTS.

The Trustee may make reasonable rules for action by or at a meeting of Securityholders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for their respective functions.

SECTION 11.11 LEGAL HOLIDAYS.

A "Legal Holiday" is a Saturday, a Sunday or a day on which banking institutions are not required to be open in The City of New York, in the State of New York or in the city in which the Trustee or any Paying Agent under this Indenture administers its corporate trust business. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue on that payment for the intervening period.

A "Business Day" is a day other than a legal Holiday.

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SECTION 11.12 NO RECOURSE AGAINST OTHERS.

All liability of any director, officer, employee or stockholder, as such, of the Company with respect to the Securities is waived and released.

SECTION 11.13 DUPLICATE ORIGINALS.

The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

SECTION 11.14 GOVERNING LAW.

The laws of the State of New York, without regard to principles of conflicts of law, shall govern this Indenture and the Securities.

SECTION 11.15 NO ADVERSE INTERPRETATION OF OTHER AGREEMENTS.

This Indenture may not be used to interpret another indenture, loan or debt agreement of the Company or a Subsidiary. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

SECTION 11.16 SUCCESSORS.

All agreements of the Company in this Indenture and the Securities shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors.

SECTION 11.17 SEPARABILITY.

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and a Holder shall have no claim therefor against any party hereto.

SECTION 11.18 TABLE OF CONTENTS, HEADINGS, ETC.

The Table of Contents, Cross-Reference Table and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms or provisions hereof.

ARTICLE 12.

MEETINGS OF HOLDERS OF SECURITIES

SECTION 12.01 PURPOSES OF MEETINGS.

A meeting of Holders of Securities may be called at any time and from time to time pursuant to the provisions of this Article 12 for any of the following purposes:

(a) to give any notice to the Company or to the Trustee, or to give any direction to the Trustee, or to waive any non-performance hereunder, and its consequences, or to take any other action authorized to be taken by Holders of Securities pursuant to any of the provisions of this Indenture;

(b) to remove the Trustee and appoint a successor trustee pursuant to the provisions of Section 7.08;

(c) to consent to the execution of an indenture or indentures supplemental hereto pursuant to the provisions of Article 9;

(d) to take any other action authorized to be taken by or on behalf of the Holders of any specified aggregate principal amount of the Securities under any other provision of this Indenture or under applicable law.

SECTION 12.02 CALL OF MEETINGS BY TRUSTEE.

The Trustee may at any time call a meeting of Holders of Securities to take any action specified in Section 12.01, to be held at such time and at such place in the State of New York, as the Trustee shall determine. Notice of each meeting of the Holders of Securities, setting forth the time and the place of such meeting and, in general terms, the action proposed to be taken at such meeting, shall be mailed by the Trustee to the Holders of the Securities, not less than 20 nor more than 60 days prior to the date fixed for the meeting, at their last addresses as they shall appear on the register of the Securities.

SECTION 12.03 CALL OF MEETINGS BY COMPANY OR SECURITY HOLDERS.

If at any time the Company, pursuant to a resolution of its Board of Directors, or the holders of at least twenty percent in aggregate principal amount of the Securities then outstanding, shall have requested the Trustee to call a meeting of Holders of Securities to take any action authorized in Section 12.01, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have mailed notice of such meeting within twenty days after receipt of such request, then the Company or the Holders of Securities in the amount above specified, as the case may be, may determine the time and the place in the State of New York for such meeting, and may call such meeting by mailing notice thereof as provided in Section 12.02.

SECTION 12.04 PERSONS ENTITLED TO VOTE AT MEETING.

To be entitled to vote at any meeting of Holders of Securities, a person shall (a) be a Holder of Securities or (b) be a person appointed by an instrument in writing as proxy by a Holder of Securities. The only persons who shall be entitled to be present or speak at any meeting of the Holders of the Securities shall be the persons entitled to vote at such meeting and their counsel and any representatives of the Company and its counsel.

SECTION 12.05 REGULATIONS FOR MEETING.

Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders of the Securities in regard to the appointment of proxies, the proof of the holding of Securities, the appointment and duties of inspectors of votes, the submission and examination of proxies and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall think fit. Except as otherwise permitted or required by any such regulations, the holding of Securities shall be proved in the manner specified in Section 11.05 and the appointment of any proxy shall be proved in the manner specified in such Section 11.05 or by having the signature of the person executing the proxy witnessed or guaranteed by any bank, banker, trust company or New York Stock Exchange, Inc. member firm satisfactory to the Trustee.

The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Holders of the Securities as provided in Section 12.03, in which case the Company or the Holders of the Securities calling the meeting, as the case may be, shall in like manner appoint a temporary chairman, and a permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Holders of a majority in principal amount of the Securities represented at the meeting and entitled to vote.

At any meeting of Holders of Securities, the presence of persons holding or representing Securities in an aggregate principal amount sufficient to take action upon the business for the transaction of which such meeting was called shall be necessary to constitute a quorum; but, if less than a quorum be present, the persons holding or representing a majority in aggregate principal amount of the Securities represented at the meeting may adjourn such meeting with the same effect, for all intents and purposes, as though a quorum had been present.

SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

LONE STAR INDUSTRIES, INC.

By:

Title:

[SEAL]

Attest:

- ---
Title:

BANK

By:

Title:

[SEAL]

Attest:

- ---
Title:

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EXHIBIT A

REGISTERED [FACE OF SECURITY] REGISTERED
NUMBER DOLLARS

LONE STAR INDUSTRIES, INC.

10% SENIOR NOTE DUE 2003

LONE STAR INDUSTRIES, INC., a Delaware corporation (herein called the "Company"), for value received, hereby promises to pay to or registered assigns, the principal sum of Dollars on ,* 2003, and to pay interest thereon as provided on the reverse hereof, until the principal hereof is paid or duly provided for.

Interest Payment Dates: and of each year, commencing , 1994

Record Dates:

The provisions on the back of this certificate are incorporated as if set forth on the face hereof.

IN WITNESS WHEREOF, LONE STAR INDUSTRIES, INC., has caused this instrument to be duly signed under its corporate seal.

[SEAL]

LONE STAR INDUSTRIES, INC.

By:

Title:

By:

Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities referred to in the within-mentioned Indenture.

- ---------- BANK

as Trustee

By:
- ---
Signatory

Dated:
- ---
- ---
* [7 months] after anniversary of Effective Date

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[REVERSE OF SECURITY]

LONE STAR INDUSTRIES, INC.

10% SENIOR NOTE DUE 2003

1. Interest. Lone Star Industries, Inc., a Delaware corporation (the "Company"), promises to pay interest on the principal amount of this Security at

the rate per annum shown above. The Company will pay interest semi-annually in arrears on and of each year, commencing , 1994. Interest on the Securities will accrue from the most recent date to which interest has been paid (or, if no interest has been paid, from the Effective Date, as defined in the below-mentioned Indenture). Interest on overdue principal shall accrue at the rate per annum of 11% from the due date until paid in full. Interest shall be computed on the basis of a 360-day year of 12 30-day months.

2. Method of Payment. The Company will pay interest on the Securities (except defaulted interest) to the persons who are registered Holders of Securities at the close of business on the record date set forth on the face of this Security next preceding the applicable interest payment date. Holders must surrender Securities to a Paying Agent to collect principal payments. The Company will pay principal and interest in money of the United States that at the time of payment is legal tender for payment of public and private debts. However, the Company may pay principal and interest by check payable in such money. It may mail an interest check to a Holder's registered address.

3. Paying Agent and Registrar. Initially, Bank (the "Trustee") will act as Paying Agent and Registrar. The Company may change any Paying Agent, Registrar or coregistrar without notice. The Company may act in any such capacity.

4. Indenture. The Company has issued the Securities under an Indenture dated as of (the "Indenture") between the Company and the Trustee. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S. Code sec.sec. 77aaa = 7 = 7bbbb) (the "Act") as in effect on the date of the Indenture. The Securities are subject to all such terms, and Securityholders are referred to the Indenture and the Act for a statement of such terms. The Securities are obligations of the Company limited to up to $75,000,000 aggregate principal amount (except for Securities issued in substitution for destroyed, mutilated, lost or stolen Securities). Terms used herein which are defined in the Indenture have the meanings assigned to them in the Indenture.

5. Voluntary Prepayments or Redemption. The Securities may be redeemed at the option of the Company in whole at any time or in part from time to time at the principal amount plus accrued and unpaid interest to the date of such optional redemption. The Securities may also be redeemed or prepaid by purchase by the Company on the open market from time to time without penalty or premium.

6. Sinking Fund. The Company must make three payments of $10,000,000 each into a specified sinking fund provided for in the Indenture. The first payment of $10,000,000 shall be made on [ ],* 2000, the second on [ ], 2001, and the third on [ ], 2002. Payments pursuant to this paragraph shall be made to the in accordance with the provisions of the Indenture. The amount of any sinking fund payment the Company is required to make may be reduced by the principal amount of any Securities that the Company has optionally redeemed or purchased and delivered to the Trustee for cancellation and that have not been previously credited against redemptions or purchases upon a Sale of Assets or required sinking fund payments.

7. Mandatory Redemption Upon Sale of Assets. Within 120 days after the consummation of a Sale of Assets, the Company shall deposit with the Trustee the Net Proceeds (after setting aside a sufficient amount of such proceeds as to leave the Company with $5 million in net working capital) and apply them to redeem that principal amount of Securities such that the aggregate Redemption Price, plus accrued and unpaid interest to the redemption date, of such Securities equals such Net Proceeds (after setting aside such working capital reserves). With the approval of the Board of Directors, the Company may before or after such Sale of Assets, in lieu of making such deposit and redemptions provided for in this Section 7, in whole or in part, the Company may deposit with the Trustee for cancellation some or all of the Securities acquired through open

market purchases of Securities, in a principal amount equal to the principal amount of securities which could have been redeemed with such amount of Net Proceeds. The principal amount of Securities that the Company is otherwise required to redeem or purchase for cancellation upon any Sale of Assets may be reduced based on the Securities that the Company has optionally redeemed or purchased and so delivered to the Trustee for cancellation and that have not been previously credited against redemptions or purchases upon a Sale of Assets or required sinking fund payments.

8. Guarantee. The Securityholders are the beneficiaries of a Guarantee

made by certain Subsidiaries of the Company. A Securityholder by accepting this Note agrees to all of the terms and conditions of the Guarantee.

9. Denominations, Transfer Exchange. The Securities are in registered form without coupons in denominations of $1,000 and whole multiples of $1,000. The transfer of Securities may be registered and Securities may be exchanged as provided in the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents. No service charge shall be made for any such registration or transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. The Registrar need not exchange or register the transfer of any Security selected for redemption in whole or in part (except the unredeemed portion of securities being redeemed in part). Also, it need not exchange or register the transfer of any Securities for a period of 15 days before a selection of Securities to be redeemed.

10. Persons Deemed Owners. The registered Holder of this Note may be treated as its owner for all purposes.

11. Merger or Consolidation. The Company and its Restricted Subsidiaries, as a whole, may not consolidate or merge with or into, or sell, assign, transfer or lease all or substantially all of its assets to another person unless: (i) the person is an entity organized and existing under the laws of the United States, any state thereof or the District of Columbia; and (ii) such entity assumes by supplemental indenture all the obligations of the Company under the Securities and the Indenture.

12. Amendments and Waivers. Subject to certain exceptions, the Indenture or the Securities may be amended with the consent of the Holders of at least 66 2/3% of the principal amount of the Securities outstanding, and certain existing defaults may be waived with the consent of the Holders of 66 2/3% of the principal amount of the Securities. Without the consent of any Securityholder, the Indenture or the Securities may be amended to cure any ambiguity, omission, defect or inconsistency, to provide for uncertificated Securities in addition to certificated Securities, to comply with Section 5.01 of the Indenture or to make any change that does not adversely affect the right of any Securityholder.

13. Defaults and Remedies. An Event of Default is: default in the payment of interest on any Security when the same becomes due and payable, whether at maturity, in connection with any redemption, by acceleration or otherwise, and such default continues for a period of 30 days; default in the payment of the principal of any Security when the same becomes due and payable, whether at maturity, in connection with any redemption, by acceleration or otherwise, which failure continues for a period of 30 days after either notice shall have been given to the Company or the date on which the Company had Actual Knowledge of such failure; or failure by the Company or any Restricted Subsidiary to observe or perform in any material respect any of its other covenants or agreements in the Securities or the Indenture, which further continues for a period of 30 days after either notice shall have been given to the Company or the date on which the Company had Actual Knowledge of such failure; failure by the Company or any of its Restricted Subsidiaries to pay when due any principal or interest on any Indebtedness with an aggregate outstanding principal amount in excess of $5 million, which default continues for the greater of any period of grace applicable thereto or 60 days from the date of such default; a default or event of default, as defined in one or more indentures, agreements or other instruments evidencing or under which the Company or any of its Restricted Subsidiaries individually or collectively have outstanding at least $5 million aggregate principal amount of Indebtedness and such Indebtedness shall have been accelerated so that it is due and payable prior to the date on which it would otherwise have become due and payable, and such acceleration shall not be rescinded or annulled within 60 days after either notice shall have been given to the Company or the Company had actual knowledge

of such acceleration, unless cured or waived; entry of one or more final judgments against the Company or any of its Restricted Subsidiaries for payments of money which in the aggregate exceed $5 million, by a court of competent jurisdiction and such judgments are not rescinded, annulled, stayed or discharged within 90 days; the Company and its Restricted Subsidiaries, taken as a whole, shall become insolvent; the commencement of a voluntary case under the Federal Bankruptcy law; or the occurrence of certain other events under the Bankruptcy law, including but not limited to the entry of a judgment for relief in respect of the Company or any of its material Restricted Subsidiaries by a court of competent jurisdiction which remains unstayed and in effect for 90 days.

14. Trustee Dealings with Company. Bank, the Trustee under the Indenture, or any banking institution serving as successor Trustee thereunder, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or its Affiliates and Restricted Subsidiaries, and may otherwise deal with the Company or its Affiliates and Restricted Subsidiaries, as if it were not Trustee.

15. No Recourse Against Others. No director, officer, employee, or stockholder, as such, of the Company shall have any liability for any obligations of the Company under the Securities or the indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Securityholder by accepting a Security waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

16. Authentication. This Security shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

17. Abbreviations. Customary abbreviations may be used in the name of a Securityholder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties,) JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

THE COMPANY WILL FURNISH TO ANY SECURITYHOLDER UPON WRITTEN REQUEST AND WITHOUT CHARGE A COPY OF THE INDENTURE. REQUESTS MAY BE MADE TO: LONE STAR INDUSTRIES, INC.

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ASSIGNMENT FORM

To assign this Security, fill in the form below:

I or we assign and transfer this Security to:

- ---

- ---

- ---
(Print or type assignee's name, address and zip code)

- ---

- ---
(Insert Assignee's Soc. Sec. or Tax I.D. No.)

and irrevocably appoint
agent to transfer this Security on the books of the Company.
The agent may substitute another to act for him or her.

<TABLE>

<S>	<C>
Date:	Signature(s):
----------	---------- (Sign exactly as your name(s) appear on the other side of this Security)
Signature(s) guaranteed by:	---------- (All signatures must be guaranteed by a member of a national securities exchange or of the National Association of Securities Dealers, Inc. or by a commercial bank or trust company located in the United States)

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EXHIBIT M

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- ----------
- ----------

ROSEBUD HOLDINGS, INC.

AND

BANK

AS

TRUSTEE

INDENTURE

DATED AS OF , 1993

10% ASSET PROCEEDS NOTES DUE 1997

- ----------
- ----------

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(a)(2)	7.10
(a)(3)	Not Applicable
(a)(4)	Not Applicable
	7.08;
(b)	7.10
(c)	Not Applicable
311(a)	7.11
(b)	7.11
(c)	Not Applicable
312(a)	2.05
(b)	11.03
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(c)(1)	11.08
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(c)(3)	Not Applicable
(d)	10.02
(e)	11.09
(f)	Not Applicable
315(a)	7.01
(b)	7.05
(c)	7.01
(d)	7.01
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316(a)(last sentence)	2.09
(a)(1)(A)	6.05
(a)(1)(B)	6.04
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This cross-reference tables does not constitute a part of the Indenture.

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INDENTURE dated as of , 1993 between ROSEBUD HOLDINGS, INC., a Delaware corporation (the "Company"), and Bank, a national banking association (the "Trustee").

Each party agrees as follows for the benefit of the other party and for the equal and ratable benefit of the Holders of the Company's 10% Asset Proceeds Notes due 1997 (the "Securities").

ARTICLE 1.

DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.01 DEFINITIONS.

"Actual Knowledge" has the meaning assigned to such term in Section 6.01 hereof.

"Affiliate" means any Person directly or indirectly controlling or controlled by or under common control with the Company; provided, however, that the term Affiliate shall not include any Subsidiary of the Company. For this purpose, "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Agent" means any Registrar, Paying Agent, Collateral Agent or Co-Registrar.

"Bankruptcy Law" has the meaning assigned to such term in Section 6.01 hereof.

"Board of Directors" means the Board of Directors of the Company or any committee of the Board authorized to act for it hereunder.

"Business Day" has the meaning assigned to such term in Section 11.10 hereof.

"Capital Stock" means any stock of any class of a corporation.

"Collateral Agency Agreement" means the Pledge, Intercreditor and Collateral Agency Agreement of even date with this Indenture among the Company, the Trustee and , as the Collateral Agent thereunder as the same may be amended, modified or supplemented from time to time.

"Collateral Agent" means the party named as such in the Collateral Agency Agreement until a successor replaces it, and thereafter means the successor.

"Common Stock" means the common stock, par value $1.00 per share, of the Company or any security into which the common stock may be converted.

"Company" means the party named as such above until a successor replaces it pursuant to the applicable provision hereof, and thereafter means such successor.

"Corporate Trust Office of the Trustee" shall be at the address of the Trustee specified in Section 11.02 or such other address as the Trustee may give notice of to the Company.

"Custodian" has the meaning assigned to such term in Section 6.01 hereof.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Deferred Notice" has the meaning assigned to such term in Section 2.13 hereof.

"Effective Date" has the meaning assigned in the Plan of Reorganization.

"Event of Default" has the meaning assigned to such term in Section 6.01 hereof.

"Exchange Act" means the Securities Exchange Act of 1934 and the rules and regulations of the SEC promulgated thereunder.

"Guarantee Agreement" means the Guarantee Agreement of even date with this Indenture among the Company and the Trustee, as the same may be amended, modified or supplemented from time to time.

"Guarantor" has the meaning assigned to such term in the Guarantee Agreement.

"Holder" or "Securityholder" means a Person in whose name a Security is registered on the Registrar's books.

"Indebtedness" means, with respect to any Person and without duplication, any liability, whether or not contingent (i) in respect of borrowed money or evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof) or representing the balance deferred and unpaid of the purchase price of any property or services (including without limitation pursuant to Purchase Money Indebtedness or capital leases), except any such balance that constitutes a trade payable arising in the

ordinary course of business, (ii) under any agreement related to the fixing of interest rates on any Indebtedness, such as an interest rate swap, cap or collar agreement if and to the extent the same would constitute a liability on the balance sheet of such Person prepared in accordance with generally accepted accounting principles, or (iii) in respect of letters of credit issued at the request of such Person, and shall also include, to the extent not otherwise included, all Indebtedness of any other Person for which such Person is or could become liable or which is secured by a Lien on an asset of such Person, whether or not such Indebtedness is assumed by such Person, and the guaranty of any of the foregoing items.

"Indenture" means this Indenture as amended from time to time.

"Investment" means providing, other than in the ordinary course of business or a Sale of Assets, any cash or assets to, or becoming liable in respect of any Indebtedness of, any Person other than a Subsidiary existing on the Effective Date, whether or not in exchange for securities of any Person or other consideration, provided, however, the taking of notes issued by an acquiring Person in connection with a Sale of Assets shall not constitute the making of an Investment.

"Legal Holiday" has the meaning assigned to such term in Section 11.10 hereof.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or similar encumbrance in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any capitalized lease in the nature thereof, and any filing of or agreement to give any financing statement under the Uniform Commercial Code or equivalent statutes of any jurisdiction, other than an information filing), but does not include, in the case of the Company, the lien granted to the Trustee under Section 7.07 hereof.

"Maturity Date" of the Securities means, subject to Section 2.13 hereof, , 1997.

"Net Proceeds" with respect to any Sale of Assets, means the cash (in U.S. dollars or currency freely convertible into U.S. dollars) received by the Company or any of its Subsidiaries from such Sale of Assets after (i) provision for all income or other taxes measured by or resulting from such sale or other disposition or the transfer of the proceeds thereof to the Company that are payable by the Company or any of its Subsidiaries (as reasonably and in good faith estimated by the Chief Financial Officer of the Company or such Subsidiary), (ii) payment of all brokerage commissions, legal and accounting fees and expenses and other fees and expenses related to such sale or other disposition, (iii) deduction of any amounts received by any Subsidiary that are not legally available for direct or indirect distribution to the Company, (iv) deduction of any amounts required to discharge any Permitted Liens on the assets sold, leased or otherwise conveyed, and (v) deduction of any amounts required to be paid to the lender pursuant to any Permitted Working Capital Loans upon such Sale of Assets, and (vi) deduction of appropriate amounts provided by the Company or its Subsidiaries as a reserve on its regularly prepared balance sheets, in accordance with generally accepted accounting principles consistently applied (including, without limitation, subject to the next succeeding sentence, all amounts escrowed, pledged or otherwise set aside to assume payment of such liabilities), against any liabilities associated with the assets sold in such Sale of Assets and retained by the Company or its Subsidiaries, including, without limitation, pension and other postemployment benefit liabilities and liabilities related to environmental matters, or against any indemnification obligations associated with the sale or other

disposition. Net Proceeds shall include (i) when received in cash, any Net Proceeds from the sale or other disposition of any non-cash proceeds received by the Company or any of its Subsidiaries from a Sale of Assets and (ii) when received in cash, any Net Proceeds released from escrow, pledge or other set aside and amounts no longer reserved under generally accepted accounting principles as described in clause (vi) of the immediately preceding sentence.

"Officer" means the Chairman of the Board, the President, any Senior Vice-President, Executive Vice-President or any other Vice-President, the Treasurer or the Secretary of the Company.

"Officer's Certificate" means a certificate signed by any Officer of the Company.

"Opinion of Counsel" means a written opinion from legal counsel, who may be an employee of or counsel for the Company or other counsel reasonably acceptable to the Trustee.

"Paying Agent" has the meaning assigned to such term in Section 2.03 hereof.

"Permitted Indebtedness" means indebtedness deemed by the Board of Directors to be appropriate to maintain the assets, business and operations of Subsidiaries pending sale of the following types: (i) Permitted Working Capital Loans; (ii) Indebtedness (other than any Indebtedness set forth in the other clauses of this definition), provided that the proceeds of such Indebtedness are used within 120 days of its incurrence to retire all outstanding Securities; (iii) Purchase Money Indebtedness; (iv) Refinancing Indebtedness; (v) Indebtedness of Subsidiaries of the Company to the Company or other Subsidiaries of the Company; and (vi) unsecured Indebtedness incurred by the Company or any Subsidiary, provided that (A) no payment of principal thereon is made or is required to be made on or before the Maturity Date, (B) no payment of interest or principal is made thereon during the continuance of any Event of Default and (C) at the time of the incurrence of such Indebtedness, there is no outstanding Default or Event of Default.

"Permitted Liens" means (i) Liens contemplated by the Collateral Agency Agreement; (ii) Liens which may be granted from time to time to secure and/or maintain Permitted Working Capital Loans; (iii) Liens existing on the Effective Date or thereafter created to replace such Liens; (iv) Liens in favor of the Trustee or the Collateral Agent on all property and funds held or collected by the Trustee or the Collateral Agent as security for the performance by the Company of its obligations of payment to, and reimbursement and indemnification of, the Trustee and the Collateral Agent for their services under the Indenture and the Collateral Agency Agreement, respectively; (v) Liens for taxes or assessments and similar charges, or imposed in connection with litigation or asserted claims, either not delinquent or contested in good faith by appropriate proceedings and as to which the Company or a Subsidiary thereof shall have set aside on its books such reserves as it deems adequate; (vi) Liens incurred, or pledges and deposits made, in connection with workers' compensation, unemployment insurance and other social security benefits, or securing the performance of leases, contracts (other than for the repayment of borrowed money), statutory obligations, progress payments, surety and appeal bonds and other obligations of like nature, but only to the extent any of the foregoing are incurred in good faith in the ordinary course of business; (vii) Liens imposed by law, such as mechanics', carriers', warehousemen's, materialmen's and vendors' Liens, incurred in good faith in the ordinary course of business; (viii) zoning restrictions, easements, licenses, covenants, reservations, restrictions on the use of real property or irregularities of title incident thereto that do not in the aggregate materially detract from the value of the property or assets of the Company or any of its Subsidiaries, as the case may be, or materially impair the use of such property in the operation of the Company's or any Subsidiary's business; (ix) Liens created by Subsidiaries of the Company to secure Permitted Indebtedness of such Subsidiaries to the Company or to other Subsidiaries thereof; (x) Liens on assets acquired in connection with the incurrence of Purchase Money Indebtedness; (xi) Liens granted in connection with the incurrence of Refinancing Indebtedness; or (xii) Liens in favor of the Pension Benefits Guaranty Corporation or otherwise arising out of or in connection with any employee benefit plans.

"Permitted Working Capital Loans" means loans (or contingent liability with respect to letters of credit) under revolving credit, working capital or letter of credit facilities which may or may not be secured by a lien on inventory and/or Receivables that the Company or any Subsidiary of the Company may have from time to time, to the extent that the aggregate principal amount of all Indebtedness outstanding under all such facilities

at any time does not exceed the value of the inventory and Receivables on the books of the Company and its Subsidiaries taken as a whole.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

"Plan of Reorganization" means the Company's Amended Consolidated Plan of Reorganization, as amended from time to time.

"Pledged Collateral" shall have the meaning assigned to such term in the Collateral Agency Agreement.

"Principal" of a debt security means the principal of such security plus the then applicable premium, if any, on such security and less the amount, if any, of any unamortized original issue discount.

"Purchase Money Indebtedness" means any Indebtedness incurred by the Company or any of its Subsidiaries in connection with the acquisition by the Company or such Subsidiary, after the Effective Date, of equipment or other fixed assets, including Indebtedness incurred to finance, refinance or refund the cost (including the cost of construction) of such assets; provided that (i) the principal amount of such Indebtedness does not exceed the fair market value of the assets being acquired or the cost of construction paid by or charged to the Company or such Subsidiary and (ii) such Indebtedness shall not be secured by any assets of the Company or any Subsidiary of the Company other than the assets with respect to which such Indebtedness is incurred.

"Receivables" means all "accounts", all "chattel paper", all "instruments" evidencing "accounts" and all proceeds thereof, as each such term is defined in the Uniform Commercial Code as in effect in the State of New York on the Effective Date.

"Redemption Price" has the meaning assigned to such term in Section 3.07 hereof.

"Refinancing Indebtedness" means Indebtedness the proceeds of which are used to refinance or refund then outstanding Permitted Indebtedness of the Company or its Subsidiaries if such refinancing or refunding Indebtedness (i) does not have a Principal amount in excess of the Principal amount of the Indebtedness being so refinanced or refunded, plus customary fees, expenses and costs related to the incurrence of such Refinancing Indebtedness; (ii) gives its holders no more collateral and no more Guaranties from the Company and its Subsidiaries than the Indebtedness being refinanced; (iii) amortizes or matures no more quickly than the Indebtedness being refinanced; (iv) is at least as junior or no more senior in right of payment to the Securities, as the case may be, as the Indebtedness being refinanced; (v) is issued by the Company, if the Indebtedness being refinanced was issued by the Company, and (vi) is otherwise on terms that, taken as a whole, are at least as favorable to the borrower as those of the Indebtedness being refinanced.

"Registrar" has the meaning assigned to such term in Section 2.03 hereof.

"Sale of Assets" means any sale, lease or other conveyance of assets (including by way of merger or consolidation or pursuant to a sale-and-leaseback transaction) of the Company or any of its Subsidiaries (including the Capital Stock of any Subsidiary of the Company but excluding the Capital Stock of the Company), as the case may be, not made in the ordinary course of business (provided that any disposition of all or substantially all of the stock or assets of any Subsidiary of the Company or the assets of any division or line or business of the Company or any of its Subsidiaries shall not be deemed to be in the ordinary course of business), if and to the extent (but only to the extent) that all such sales, leases and other conveyances not made in the ordinary course of business from and after the Effective Date result in aggregate Net Proceeds in excess of $5 million; provided, however, that the term "Sale of Assets" shall not include (i) any consolidation or merger involving the Company for the purpose of reincorporating the Company in another jurisdiction or (ii) the involvement of the Company or any Subsidiary in a merger, consolidation or reorganization approved by the holders of 75% or more of the then outstanding principal amount of the Securities or (iii) any sale, lease, conveyance or other disposition of assets among or between the Company and one of its Subsidiaries or among or between such Subsidiaries, including, without limitation, the merger of any such Subsidiary with and into the Company or any other Subsidiary of the Company, (iv) any sale, lease, conveyance or other disposition of any assets of the Company or any Subsidiary, the proceeds of which are reinvested substantially

contemporaneously with their receipt in the acquisition or improvement of similar assets of the Company or any Subsidiary. For purposes of this Indenture, a reinvestment of proceeds shall be considered substantially contemporaneous if completed within 24 months of receipt.

"SEC" means the Securities and Exchange Commission.

"Securities" means the Asset Proceeds Notes issued under this Indenture.

"Subsidiary" shall mean any Person more than 50% of the outstanding voting stock of which is owned, directly or indirectly, by the Company or by one or more other Subsidiaries. For the purposes of this definition, "voting stock"

means stock which ordinarily has voting power for the election of directors, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

"TIA" means the Trust Indenture Act of 1939 (15 U.S. Code sec.sec. 77aaa-77bbbb) as in effect on the date of this Indenture, except as provided in Section 9.03.

"Trustee" means the party named as such in this Indenture until a successor replaces it and thereafter means the successor.

"Trust Officer" means any officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

"U.S. Government Obligations" means direct non-callable obligations of, or non-callable obligations guaranteed by, the United States of America for the payment of which the full faith and credit of the United States of America is pledged.

SECTION 1.02 INCORPORATION BY REFERENCE OF TRUST INDENTURE ACT.

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture.

The following TIA terms used in this Indenture have the following meanings:

"indenture securities" means the Securities.

"indenture security holder" means a Securityholder.

"indenture to be qualified" means this Indenture.

"indenture trustee" or "institutional trustee" means the Trustee.

"obligor" on the indenture securities means the Company.

All other terms used in this Indenture that are not otherwise defined herein and are defined by the TIA, are defined by TIA reference to another statute, or are defined by SEC rule under the TIA have the meanings so assigned to them.

SECTION 1.03 RULES OF CONSTRUCTION.

Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with generally accepted accounting principles in effect on the date hereof;

(3) "or" is not exclusive;

(4) words in the singular include the plural and in the plural include the singular except where the context manifestly otherwise requires;

(5) provisions apply to successive events and transactions; and

(6) "herein", "hereof" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

ARTICLE 2.

THE SECURITIES

SECTION 2.01 FORM AND DATING.

The Securities and the Trustee's certificate of authentication shall be substantially in the form set forth in Exhibit A, which is incorporated in and forms a part of this Indenture. The Securities may have such notations, legends or endorsements as are required by law, stock exchange rule or usage. Each Security shall be dated the date of its authentication.

SECTION 2.02 EXECUTION AND AUTHENTICATION.

Two Officers shall sign the Securities for the Company by manual or facsimile signature. The Company's seal shall be reproduced on the Securities.

If an Officer whose signature is on a Security no longer holds that office at the time the Security is authenticated, the Security shall nevertheless be valid.

A Security shall not be valid until authenticated by the manual or facsimile signature of the Trustee. The signature shall be conclusive evidence that the Security has been authenticated by the Trustee under this Indenture.

The Trustee shall authenticate Securities for original issue in the aggregate principal amount of up to $ upon a written order of the Company signed by two Officers or by an Officer and an Assistant Treasurer or Assistant Secretary of the Company. Such order shall specify the amount of Securities to be authenticated and the date on which the original issue of Securities is to be authenticated. The Trustee shall hereafter, from time to time, authenticate additional Securities for issuance pursuant to Section 4.01 upon a written order of the Company signed by two Officers or by an Officer and an Assistant Treasurer or Assistant Secretary of the Company specifying the amount of Securities to be authenticated and the date on which such later issue of Securities is to be authenticated. The aggregate principal amount of Securities outstanding at any time may not exceed $ million Securities issued pursuant to this paragraph except as provided in Section 2.07.

The Trustee may appoint an authenticating agent acceptable to the Company to authenticate Securities. An authenticating agent may authenticate Securities whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with the Company or any Affiliate.

The Securities shall be issuable only in registered form without coupons and only in denominations of $1,000 and integral multiples thereof.

SECTION 2.03 REGISTRAR AND PAYING AGENT.

The Company shall maintain in the Borough of Manhattan, The City of New York, an office or agency where Securities may be presented for registration of transfer or for exchange (the "Registrar"), and an office or agency where Securities may be presented for payment (the "Paying Agent"). The Registrar shall keep a register of the Securities and of their transfer and exchange. The Company may appoint or change one or more co-registrars and one or more additional paying agents without notice, and may act in any such capacity on its own behalf provided that if the Trustee is acting as registrar or paying agent, the Company shall give the Trustee at least five Business Days prior written notice of such change. The term "Paying Agent" includes any additional paying agent.

The Company shall enter into an appropriate agency agreement with any Agent not a party to this Indenture. The agreement shall implement the provisions of this Indenture that relate to such Agent. The Company shall notify the Trustee of the name and address of any Agent not a party to this Indenture. If the Company fails to maintain a Registrar or Paying Agent, the Trustee shall act as such.

The Company initially appoints the Trustee as Registrar and Paying Agent.

SECTION 2.04 PAYING AGENT TO HOLD MONEY IN TRUST.

Each Paying Agent shall hold in trust for the benefit of the Securityholders or the Trustee all moneys held by the Paying Agent for the payment of principal of or interest on the Securities, and shall notify the Trustee of any default by the Company in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. The Company may at any time require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent shall have no further liability for the money. If the Company acts as Paying Agent, it shall segregate and hold as a separate trust fund all money held by it as Paying Agent.

SECTION 2.05 SECURITYHOLDER LISTS.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Securityholders. If the Trustee is not the Registrar, the Company shall furnish

to the Trustee on or before each interest payment date and at such other times as the Trustee may request in writing a list, in such form and as of such date as the Trustee may reasonably require, of the names and addresses of Securityholders.

SECTION 2.06 TRANSFER AND EXCHANGE.

When Securities are presented to the Registrar or a co-Registrar with a request to register their transfer or to exchange them for an equal principal amount of Securities of other authorized denominations accompanied by a written instrument or instruments of transfer, in form satisfactory to the Company and the Registrar, duly executed by the registered owner or by his or her attorney duly authorized in writing, the Registrar shall register the transfer or make the exchange if the requirements of Section 8-401(1) of the New York Uniform Commercial Code are met. To permit registrations of transfer and exchanges, the Trustee shall authenticate Securities at the Registrar's request. The Company or the Trustee, as the case may be, shall not be required (i) to issue, authenticate, register the transfer of or exchange any Security during a period beginning at the opening of business 15 days before the mailing of a notice of redemption of the Securities selected for redemption under Section 3.03 and ending at the close of business on the day of such mailing, or (ii) to register the transfer of or exchange any Security so selected for redemption in whole or in part, except the unredeemed portion of Securities being redeemed in part.

No service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer, registration of transfer or exchange of Securities, other than exchanges pursuant to Sections 2.10, 3.06 or 9.05 not involving any transfer.

Anything in this Indenture to the contrary notwithstanding, but subject to the payment of interest to the Holders of the Securities on the applicable record date, the parties hereto and any agent thereof may deem and treat the Holder of any Securities, prior to due presentment thereof for registration of transfer, as the absolute owner of such Securities for all purposes (whether or not the Securities shall be overdue and notwithstanding any notation of ownership or other writing thereon) and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by any notice to the contrary.

SECTION 2.07 REPLACEMENT SECURITIES.

If the Holder of a Security claims that the Security has been mutilated, lost, destroyed or wrongfully taken, the Company shall execute and issue and, upon the Company's request, the Trustee shall authenticate and deliver a replacement Security if their respective reasonable requirements as well as the requirements of applicable law are met and, in the case of a mutilated Security, such mutilated Security is surrendered to the Trustee. If required by the Trustee or the Company, an indemnity bond must be furnished by such Holder in an amount sufficient in the judgment of the Trustee or the Company, as the case may be, to indemnify and protect the Company, the Trustee and any other Agent and hold them harmless from any loss which any of

them may suffer if a Security is replaced. The Company or the Trustee may charge for its reasonable expenses in replacing a Security.

If any mutilated, destroyed or wrongfully taken Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security when due.

Every replacement Security is an additional obligation of the Company.

SECTION 2.08 OUTSTANDING SECURITIES.

Securities outstanding at any time are all the Securities authenticated by the Trustee except those canceled by it, those delivered to it for cancellation, and those described in this Section as not outstanding. A Security does not cease to be outstanding solely because the Company or one of its Subsidiaries or Affiliates is a Holder of the Security.

If a Security is replaced pursuant to Section 2.07, it ceases to be outstanding unless the Trustee receives proof satisfactory to it, or a court holds, that the replaced Security is held by a bona fide purchaser.

If the Paying Agent (if other than the Company) or the Trustee holds on a

redemption date or Maturity Date money sufficient to pay the principal of, and accrued interest on, the Securities payable on that date, then on and after that date such Securities shall be deemed to be no longer outstanding and interest on them shall cease to accrue.

SECTION 2.09 SECURITIES HELD BY THE COMPANY OR AN AFFILIATE.

In determining whether the Holders of the required principal amount of Securities have concurred in any direction, request, waiver or consent under this Indenture, Securities owned by the Company or any Subsidiary or Affiliate of the Company shall be disregarded, except that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, request, waiver or consent, only Securities which the Trustee knows are so owned shall be so disregarded.

SECTION 2.10 TEMPORARY SECURITIES.

Until definitive Securities are ready for delivery, the Company may prepare and execute and the Trustee shall authenticate and deliver temporary Securities. Temporary Securities shall be substantially in the form of definitive Securities, but may have such variations as the Company considers appropriate for temporary Securities. The Company shall prepare and execute and the Trustee shall authenticate and deliver definitive Securities in exchange for temporary Securities without unreasonable delay.

SECTION 2.11 CANCELLATION.

The Company may at any time deliver Securities to the Trustee for cancellation. The Registrar and Paying Agent shall forward to the Trustee any Securities surrendered to them for registration of transfer, exchange or payment. The Trustee shall cancel all Securities surrendered for registration of transfer, exchange, payment or cancellation and, at the option of the Company, shall destroy canceled Securities and deliver a certificate of any such destruction to the Company. The Company may not issue new Securities to replace Securities that it has paid or delivered to the Trustee for cancellation.

SECTION 2.12 DEFAULTED INTEREST.

If and to the extent the Company defaults in a payment of interest on the Securities, it shall pay the defaulted interest in any lawful manner. It may pay the defaulted interest to the Persons who are Securityholders on a subsequent special record date. The Company shall fix such record date and payment date. At least 15 days before the record date, the Company shall mail to Securityholders, with a copy to the Trustee, a notice that states the record date, payment date and amount of interest to be paid.

SECTION 2.13 DEEMED REPAYMENTS; DEFERRAL OF MATURITY DATE.

If the Guarantor is required to make any payment of "Guarantor Obligations", as defined in the Guarantee Agreement, and actually makes such payment (whether in cash, Payment Notes (as clarified in the Guarantee Agreement) or a combination thereof), the Securities shall thereupon immediately (and without the need for any notice or action on the part of any Person) be deemed to have been repaid in an amount equal to all amounts of "Guarantor Obligations", as defined in the Guarantee Agreement, paid under the Guarantee Agreement (whether in cash, Payment Notes or a combination thereof) and the outstanding amount thereof shall be deemed accordingly reduced. In computing any such deemed repayment, each Payment Note issued by the Guarantor shall be deemed to have a value equal to the principal amount thereof. Such reduction shall be made proportionately among all Securities based on the principal amounts outstanding of such Securities immediately prior to such deemed repayment. Upon surrender of a Security that has been deemed to have been repaid in part, the Trustee shall authenticate for the Holder a new Security equal in principal amount to the portion of the Security remaining after such deemed repayment.

The Trustee may, with the concurrence of Holders owning an aggregate of % of the principal amount of the outstanding Securities, elect to defer the maturity dates under the Guarantee Agreement as contemplated in Section 2 thereof. Upon the delivery of a notice (a "Deferral Notice") by the Trustee so deferring such maturity date, the Maturity Date hereunder shall be automatically deferred for one year from the date of the original Maturity Date hereunder and any Default or Event of Default hereunder arising as a result of any nonpayment on the Maturity Date in effect prior to such deferral shall be automatically deemed waived without any further action or notice by any Person.

ARTICLE 3.

SECTION 3.01 NOTICES TO TRUSTEE.

If the Company wants to redeem Securities pursuant to Section 3.07 or is required to redeem Securities pursuant to Section 3.08, it shall notify the Trustee, by means of an Officer's Certificate at least 60 days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Trustee), of the redemption date and the principal amount of Securities to be redeemed. If the Company elects to reduce the amount of Securities required to be redeemed pursuant to Section 3.08 as provided therein, it shall notify the Trustee at least 60 days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Trustee) of the amount of the reduction and the basis for it. If the Company elects to credit against any such redemption Securities it has not previously delivered to the Trustee for cancellation, it shall deliver the Securities with the notice.

SECTION 3.02 SELECTION OF SECURITIES TO BE REDEEMED.

If less than all the Securities are to be redeemed, the Trustee shall select the Securities to be redeemed on a pro rata basis, by lot or such other method as the Trustee shall deem fair and equitable. The Trustee shall make the selection from Securities outstanding and not previously called for redemption. The Trustee may select for redemption portions of the principal of Securities that have denominations larger than $1,000. The Securities and portions of them it selects shall be in amounts of $1,000 or whole multiples of $1,000. The provisions of this Indenture that apply to Securities called for redemption also apply to portions of Securities called for redemption. For purposes of any such selection the Company will, upon request of the Trustee, close for a period of 15 days preceding the mailing of any notice of redemption the registry books of the Company with respect to the Securities.

SECTION 3.03 NOTICE OF REDEMPTION.

At least 15 days but not more than 60 days before a redemption date, the Company shall mail a notice of redemption by first-class mail to each Holder whose Securities are to be redeemed.

The notice shall identify the Securities and the principal amount thereof to be redeemed and shall state:

(1) the redemption date;

(2) the Redemption Price (and the amount of accrued interest to be paid on the Securities called for redemption);

(3) the name and address of the Paying Agent;

(4) the provisions of the Securities and this Indenture pursuant to which the Securities are to be redeemed;

(5) that Securities called for redemption must be surrendered to the Paying Agent to collect the Redemption Price;

(6) that interest on Securities called for redemption ceases to accrue on and after the redemption date unless the Company shall default in the payment of the Redemption Price; and

(7) the CUSIP number of the Securities.

At the Company's request, the Trustee shall give the notice of redemption in the Company's name and at the Company's expense.

SECTION 3.04 EFFECT OF NOTICE OF REDEMPTION.

Once a notice of redemption is mailed in accordance with the provisions hereof, the Securities called for redemption become due and payable on the redemption date at the Redemption Price and, on and after such redemption date (unless the Company shall default in the payment of the Redemption Price), such Securities shall cease to bear interest and such Securities shall be deemed not to be outstanding hereunder and shall not be entitled to any benefits hereunder, except to receive payment of the Redemption Price together with all accrued interest to the date fixed for redemption. Upon surrender to the Paying Agent, such Securities shall be paid at the Redemption Price plus accrued interest to the redemption date.

SECTION 3.05 DEPOSIT OF REDEMPTION PRICE.

On or before the Business Day immediately preceding the redemption date, the Company shall deposit with the Paying Agent money in funds immediately available on the redemption date sufficient to pay the Redemption Price of and accrued interest on all Securities to be redeemed on that date.

SECTION 3.06 SECURITIES REDEEMED IN PART.

Upon surrender of a Security that is redeemed in part, the Trustee shall authenticate for the Holder a new Security equal in principal amount to the unredeemed portion of the Security surrendered.

SECTION 3.07 OPTIONAL REDEMPTION.

The Securities may be redeemed at the option of the Company in whole at any time or in part from time to time at a price equal to the principal amount to be redeemed (the "Redemption Price") plus accrued and unpaid interest to the date of such optional redemption. The Securities may also be redeemed or prepaid by purchase by the Company on the open market, from time to time, without premium or penalty.

SECTION 3.08 REDEMPTION OR RETIREMENT UPON SALE OF ASSETS.

Following each Sale of Assets by the Company or any Subsidiary (a) all of the Net Proceeds received as a result of the Sale of Assets (after setting aside cash reserves such that the Company shall have cash equal to at least $5 million of working capital) shall be deposited in the Cash Collateral Account (as defined in the Collateral Agency Agreement) and all non-cash proceeds received by the Company and its Subsidiaries in respect of the Sale of Assets shall become Pledged Collateral immediately upon receipt thereof, and (b) so long as there shall be at least $5 million in the Cash Collateral Account after such deposit, all such Net Proceeds in the Cash Collateral Account shall be used to redeem Securities at the then current Redemption Price within 120 days after the receipt by the Company or any such Subsidiary, as the case may be, of such proceeds. With the approval of the Board of Directors, the Company may elect, for purposes of this Section

3.08, to be deemed to have deposited such Net Proceeds in the Cash Collateral Account and to have used them to redeem Securities pursuant to the preceding sentence to the extent it shall acquire, before or after such Sale of Assets, in lieu of making all or any portion of the redemptions provided for in this Section 3.08, through open market or other purchases, Securities with a principal amount equal to the principal amount of Securities which could have been redeemed with such amount of Net Proceeds (upon payment of the Redemption Price plus accrued and unpaid interest thereon) and that have not been previously credited against redemptions or purchases upon a Sale of Assets, provided any Securities so purchased shall be delivered to the Trustee for cancellation within 120 days after the receipt of such Net Proceeds.

ARTICLE 4.

COVENANTS

SECTION 4.01 PAYMENT OF SECURITIES.

The Company shall pay the principal of and interest on the Securities on the dates and in the manner provided in the Securities and this Indenture. Principal and interest shall be considered paid on the date due if the Paying Agent (if other than the Company) holds on that date money sufficient to pay all principal and interest then due. The Company shall pay interest on overdue principal at the rate borne by the Securities. At the Company's election, in lieu of providing for a cash payment on any interest payment date prior to the Maturity Date, the Company may pay all or any portion of the interest due on any such interest payment date by authorizing the Trustee to authenticate and deliver as an interest payment additional Securities in an aggregate principal amount equal to the amount of such interest payment or the portion thereof not paid in cash. The Trustee shall distribute such Securities authorized in lieu of cash to Holders pro rata, by lot or in such other manner, as the Trustee shall deem fair and equitable including providing for cash payments of interest amounts below $1,000.

SECTION 4.02 MAINTENANCE OF OFFICE OR AGENCY.

The Company will maintain in the Borough of Manhattan, The City of New

York, an office or agency where Securities may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee.

The Company may also from time to time designate one or more other offices or agencies where the Securities may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, The City of New York, for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

The Company hereby designates the Corporate Trust Office of the Trustee as an agency of the Company in accordance with Section 2.03.

SECTION 4.03 SALE OF ASSETS AND SUBSIDIARIES; CORPORATE EXISTENCE.

(a) The Company shall use all reasonable commercial efforts to cause its assets and its Subsidiaries expeditiously to be sold at the best obtainable prices to produce Net Proceeds to be applied to redemption and repayment of the Securities.

(b) Except as permitted in Article 5, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and, pending its sale or liquidation, the corporate existence of each Subsidiary of the Company; provided, however, that the Company shall not be

required to preserve any corporate existence if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and its Subsidiaries as a whole and that the loss thereof is not disadvantageous in any material respect to the Holders.

SECTION 4.04 PAYMENT OF TAXES.

The Company will pay or discharge or cause to be paid or discharged, before the same shall become delinquent (i) all taxes, assessments and governmental charges levied or imposed upon the Company or any Subsidiary of the Company, and (ii) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a material Lien upon the property of the Company or any Subsidiary of the Company; provided, however, that the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings and for which it has set aside on its books such reserves as it deems adequate.

SECTION 4.05 MAINTENANCE OF PROPERTIES.

Pending sale, the Company will cause the material properties owned by the Company or any Subsidiary of the Company for use in the conduct of its business or the business of any such Subsidiary to be maintained and kept in good condition, repair and working order (subject to ordinary wear and tear) and will cause to be made all necessary repairs thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted; provided, however, that nothing in this Section shall prevent the Company from discontinuing the maintenance or repair of any such properties if such discontinuance is, in the judgment of the Company, desirable in the conduct of its business or the business of any Subsidiary or in connection with the sale of any assets or Subsidiary and not disadvantageous in any material respect to the Holders.

SECTION 4.06 SEC REPORTS.

At such times as the Company may be required to file reports and other information with the SEC pursuant to Section 13 or 15(d) of the Exchange Act, the Company shall deliver to the Trustee, within 15 days after the Company files with the SEC copies of its annual and quarterly reports and other information, documents and reports (or copies of such portions of any of the foregoing as the SEC may by rules and regulations prescribe) copies of such documents which it is required to file pursuant to such Sections. The Company will mail copies of its

annual reports and quarterly reports as filed with the SEC, other than exhibits to any such report unless such exhibits are themselves incorporated by reference in such report, to any Securityholder upon request. If the Company is not subject or shall cease to be subject to the requirements of Section 13 or 15(d) of the Exchange Act, the Company shall deliver to the Trustee and to each Securityholder, within 15 days after the date by which it would have been required to make such a filing with the SEC, audited annual financial statements prepared in accordance with generally accepted accounting principles and unaudited condensed quarterly financial statements, including any notes thereto, each comparable to that which the Company would have been required to include in such annual reports, information, documents or other reports if the Company were then subject to the requirements of Section 13 or 15(d) of the Exchange Act. The Company also shall comply with the other provisions of TIA sec. 314(a).

SECTION 4.07 COMPLIANCE CERTIFICATE.

The Company shall deliver to the Trustee within 120 days after the end of each fiscal year of the Company, and within 60 days after the end of each of the first three fiscal quarters of the Company, an Officer's Certificate stating that, after a review of the activities of the Company during such period and of the Company's performance under this Indenture, whether or not, to the best knowledge of the signer thereof based on such review, there has been any Default or Event of Default by the Company in performing any of its Obligations under this Indenture or the Securities. If the signer does know of any such Default or Event of Default, the certificate shall describe the Default or Event of Default and its status.

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SECTION 4.08 LIMITATION ON STOCK PAYMENTS AND INVESTMENTS.

(a) The Company will not declare any dividends (other than dividends payable solely in Capital Stock of the Company) on any Capital Stock of the Company or make any payment on account of the purchase, redemption or other retirement of any shares of such stock or make any distribution in respect thereof.

(b) The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, make any Investment.

SECTION 4.09 TRANSACTIONS WITH AFFILIATES.

The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly (i) sell, lease, exchange, swap, transfer or otherwise dispose of any material amount of their respective properties, assets or securities to, (ii) purchase or lease any material amount of property, assets or securities from, (iii) make any material investment in, or (iv) enter into any material contract or agreement (other than contracts or agreements substantially in the form described or incorporated by reference in the Company's Disclosure Statement approved by the United States Bankruptcy Court) with or for the benefit of, an Affiliate (other than a Subsidiary of the Company), other than (A) transactions which the Board of Directors of the Company in good faith determines are on terms at least as favorable to the Company or such Subsidiary as could be obtained from an unaffiliated party and are consistent with Section 4.03(a) (provided that if any such transaction and any related transactions involve an amount or consideration having a fair market value in excess of $1,000,000, a majority of the directors who are not also employees, officers, directors or otherwise affiliated with any Affiliate which is a party to such transaction concur in such determination); (B) employment, compensation and similar arrangements for the benefit of directors and employees which the Board of Directors of the Company in good faith determines to be reasonable and in the best interests of the Company; and (C) transactions contemplated by the Management Agreement of even date herewith between the Company and the Guarantor. Nothing in this Section 4.09 shall prohibit any transactions pursuant to any agreement existing as of the Effective Date.

SECTION 4.10 LIMITATION ON ADDITIONAL INDEBTEDNESS AND LIENS.

(a) The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable with respect to any Indebtedness other than Permitted Indebtedness.

(b) The Company will not, and will not permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Lien on any asset owned by the Company or any of its Subsidiaries except Permitted Liens.

SECTION 4.11 CONFLICTING AGREEMENTS.

The Company will not, and will not permit any of its Subsidiaries to, enter into any agreement or execute any instrument (other than agreements or instruments that relate solely to Permitted Working Capital Loans or which exist on the Effective Date) that by its terms expressly prohibits or otherwise would have the effect of prohibiting the Company from redeeming or otherwise making any payments on or with respect to the Securities pursuant to their terms and the terms of this Indenture.

SECTION 4.12 LIMITATION ON DIVIDENDS AND CERTAIN OTHER RESTRICTIONS AFFECTING SUBSIDIARIES.

Except as otherwise provided by the terms of this Indenture and any Permitted Working Capital Loans, the Company will not, and will not permit any of its Subsidiaries to, create or otherwise cause or suffer to exist or to become effective any encumbrance or restriction on the ability of any of its Subsidiaries (i) to pay dividends, make loans, extend guarantees or make any other distributions to the Company or to other Subsidiaries, or to pay any Indebtedness owed to the Company or a Subsidiary of the Company; (ii) to make loans or advances to the Company or another Subsidiary; or (iii) to transfer any of their respective properties or assets to the Company, other than such encumbrances or restrictions existing under or by reason of (a) applicable law, (b) customary non-assignment provisions of any lease governing a leasehold interest of the

Company or any of its Subsidiaries, and (c) restrictions on the transfer of assets acquired in connection with the incurrence of Purchase Money Indebtedness.

SECTION 4.13 WAIVER OF STAY, EXTENSION OR USURY LAWS.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any usury law or other law which would prohibit or release the Company from paying all or any portion of the principal or interest on the Securities as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Indenture, and (to the extent that it may lawfully do so) the Company hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but it will suffer and permit the execution of every such power as though no such law had been enacted.

SECTION 4.14 MAINTENANCE OF INSURANCE AND RECORDS, COMPLIANCE WITH LAW.

(a) Except to the extent that, in the exercise of its good faith business judgment, the Company believes the cost to be incurred in procuring and/or maintaining insurance to be excessive in view of the benefit to be derived therefrom, the Company shall, and shall cause its Subsidiaries to, maintain with financially sound and reputable insurers such (i) liability and property and casualty insurance as may be required by law and (ii) such other insurance, to such extent and against such hazards and liabilities (but subject to reduction in coverage amount appropriate in light of any divestitures of assets made from time to time) equivalent to the insurance that it currently maintains.

(b) The Company shall keep, or cause to be kept, true books and records and accounts in which entries will be made of all of the business transactions of the Company and its Subsidiaries which shall be full and correct in all material respects, in accordance with sound business practices, and reflect in their respective financial statements adequate accruals and appropriate reserves, all in accordance with generally accepted accounting principles.

(c) The Company shall, and shall cause its Subsidiaries to, comply with all statutes, laws, ordinances, or governmental rules and regulations to which it is subject, noncompliance with which would materially adversely affect the prospects, earnings, properties, assets or condition, financial or otherwise, of the Company and its Subsidiaries taken as a whole.

SECTION 4.15 LIMITATION ON REDEMPTION OF CERTAIN INDEBTEDNESS.

The Company will not, and will not permit any of its Subsidiaries to, (i) redeem pursuant to the optional redemption provisions thereof, or make any optional payment of principal on, any Permitted Indebtedness; (ii) defease Permitted Indebtedness; or (iii) issue to the holders of Permitted Indebtedness in exchange therefor any property or assets (other than the proceeds of any Refinancing Indebtedness incurred with respect to such Permitted Indebtedness or

securities which do not require payments of principal or interest and are not mandatorily redeemable on or prior to the Maturity Date).

SECTION 4.16 VALUE OF CLAIMS REPRESENTED BY SECURITIES.

The parties hereto covenant and agree that in any case commenced under Chapter 11 of Title 11 of the United States Code subsequent to the Effective Date involving the Company, the claims represented by the Securities shall equal the full principal amount of the Securities, plus accrued and unpaid interest at the stated rates set forth in the Securities.

SECTION 4.17 NOTICE OF DEFAULT.

In the event that any Default under this Indenture shall occur, the Company will give prompt written notice of such Default to the Trustee, specifying the nature and status of such Default and the steps which the Company or its Subsidiaries have taken or propose to take in order to cure such Default.

SECTION 4.18 INVESTMENT COMPANY ACT OF 1940.

The Company will not, and will not permit any of its Subsidiaries to, take any action resulting in its becoming an "investment company" (as such term is defined in the Investment Company Act of 1940, as amended).

ARTICLE 5.

SUCCESSORS

SECTION 5.01 WHEN COMPANY MAY MERGE, ETC.

The Company shall not consolidate or merge with or into any Person unless:

(i) the Person formed by or surviving any such consolidation or merger (if other than the Company) is an entity organized and existing under the laws of the United States, any state thereof or the District of Columbia; and

(ii) the Person formed by or surviving any such consolidation or merger (if other than the Company) assumes by supplemental indenture all the obligations of the Company under the Securities and this Indenture.

The Company shall deliver to the Trustee prior to the consummation of the proposed transaction an Officer's Certificate to the foregoing effect and an Opinion of Counsel stating that the proposed transaction and supplemental indenture comply with this Indenture.

SECTION 5.02 SUCCESSOR SUBSTITUTED.

Upon any consolidation or merger in accordance with Section 5.01, the successor Person formed by such consolidation or into which the Company is merged shall succeed to, and be substituted for, and may exercise every right and power of, and shall assume every duty and obligation of, the Company under this Indenture with the same effect as if such successor corporation had been named as the Company herein. When the successor corporation assumes all obligations of the Company hereunder, all obligations of the predecessor corporation shall terminate.

ARTICLE 6.

DEFAULTS AND REMEDIES

SECTION 6.01 EVENTS OF DEFAULT.

An "Event of Default" occurs if:

(1) the Company defaults in the payment of interest on any Security when the same becomes due and payable, whether at maturity, in connection with any redemption, by acceleration or otherwise, and such default continues for a period of 30 days;

(2) the Company defaults in the payment of the principal of any Security when the same becomes due and payable, whether at maturity, in connection with any redemption, by acceleration or otherwise and such default continues for a period of 30 days after the earlier of (i) the date on which written notice of such failure, requiring the Company to remedy the same, shall have been given to the Company by the Trustee, or to the

Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the Securities at the time outstanding or (ii) the date on which the Company had Actual Knowledge of such failure;

(3) the Company or any of its Subsidiaries fails to observe or perform in any material respect any of its other covenants or agreements in the Securities, this Indenture or the Collateral Agency Agreement or any other agreement or instrument now or hereafter entered into creating, perfecting, or evidencing the

Lien in and on any of the Pledged Collateral in favor of the Collateral Agent for the benefit of the Holders of the Securities, which failure continues for a period of 30 days after the earlier of (i) the date on which written notice of such failure, requiring the Company to remedy the same, shall have been given to the Company by the Trustee, or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the Securities at the time outstanding or (ii) the date on which the Company had Actual Knowledge of such failure;

(4) (a) the Company or any of its Subsidiaries fails to pay when due (whether at maturity, in connection with any mandatory amortization or redemption, by acceleration or otherwise) any principal or interest on any Indebtedness with an aggregate outstanding principal amount in excess of $2 million, whether any such Indebtedness is outstanding as of the date of this Indenture or is hereafter outstanding, which default continues for the greater of any period of grace applicable thereto or 60 days from the date of such default, or (b) a default or event of default, as defined in one or more indentures, agreements or other instruments evidencing or under which the Company or any of its Subsidiaries individually or collectively have, as of the date of this Indenture or hereafter, outstanding at least $2 million aggregate principal amount of Indebtedness, shall happen and be continuing and such Indebtedness shall have been accelerated so that it is due and payable prior to the date on which it would otherwise have become due and payable, and such acceleration shall not be rescinded or annulled within 60 days after the earlier of (i) the date on which written notice of such acceleration shall have been given to the Company by the Trustee, or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the Securities at the time outstanding or (ii) the date on which the Company had Actual Knowledge of such acceleration; provided that if such default or event of default under such indenture or other instrument shall be remedied or cured by the Company or the Subsidiary or waived by the holders of such Indebtedness, then the Event of Default under this Indenture by reason thereof shall be deemed likewise to have been thereupon remedied, cured or waived without further action upon the part of either the Trustee or any of the Holders of Securities;

(5) one or more final judgments against the Company or any of its Subsidiaries for payments of money which in the aggregate exceed $2 million, are entered by a court of competent jurisdiction and such judgments are not rescinded, annulled, stayed or discharged within 90 days;

(6) the Company and its Subsidiaries, taken as a whole, becomes insolvent;

(7) the Company or any of its material Subsidiaries, pursuant to or within the meaning of any Bankruptcy Law:

(a) commences a voluntary case,

(b) consents to the entry of a judgment, decree or order for relief against it in an involuntary case or proceeding,

(c) consents to the appointment of a Custodian of the Company or such material Subsidiary or for all or substantially all of its property,

(d) makes a general assignment for the benefit of its creditors, or

(e) applies for, consents to or acquiesces in the appointment of, or taking possession by a Custodian;

(8) a court of competent jurisdiction enters a judgment, decree or order for relief in respect of the Company or any of its material Subsidiaries in an involuntary case or proceeding under any Bankruptcy Law which shall

(a) approve as properly filed a petition seeking reorganization, arrangement, adjustment or composition;

(b) appoint a Custodian for any part of its property; or

(c) order the winding up or liquidation of its affairs;

and such judgment, decree or order remains unstayed and in effect for a period of sixty (60) consecutive days; or

(9) any bankruptcy or insolvency petition or application is filed, or any bankruptcy case or insolvency proceeding is commenced against, the Company or any of its material Subsidiaries and such petition, application, case or proceeding is not dismissed or stayed within ninety (90) days.

The term "Bankruptcy Law" means Title 11, U.S. Code or any similar Federal or State law for the relief of debtors. The term "Custodian" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law. The term "Actual Knowledge" means the actual knowledge of any executive officer of the Company; provided, however, that each executive officer of the Company shall be deemed to have actual knowledge of any fact that would have come to such officer's attention if he or she had exercised reasonable care in performing his or her duties, given the nature of his or her duties and the Company's business and organization.

SECTION 6.02 ACCELERATION.

If an Event of Default (other than an Event of Default specified in Section 6.01(6), (7), (8) or (9) occurs and is continuing, the Trustee by notice to the Company, or the Holders of at least 25% in principal amount of the Securities by notice to the Company and the Trustee, may declare the principal of and accrued interest on all the Securities to be due and payable. Upon such declaration such principal and interest shall be due and payable immediately. If an Event of Default specified in Section 6.01(6), (7), (8) or (9) occurs, all unpaid principal and accrued interest on the Securities then outstanding shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Securityholder. The Holders of at least 66 2/3% of the principal amount of the Securities may rescind an acceleration and its consequences by notice to the Trustee if the rescission would not conflict with any judgment or decree and if the outstanding Events of Default have been cured or waived except for nonpayments of any amounts that have become due solely because of the acceleration. No such rescission shall affect any subsequent Default or impair any right or remedy with respect thereto. In the event any Deferral Notice is provided to the Guarantor as provided in Section 2.13, any previous acceleration due to nonpayment on the Maturity Date in effect immediately prior to such deferral shall be automatically rescinded without any further action or notice by any Person and any Defaults or Events of Default arising as a result of such nonpayment shall be automatically deemed waived without any further action or notice by any Person.

SECTION 6.03 OTHER REMEDIES.

Notwithstanding any other provision of this Indenture, if an Event of Default occurs and is continuing, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the payment of principal of or interest on the Securities or to enforce the performance of any provision of the Securities or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Securities or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Securityholder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All remedies are cumulative.

In case the Trustee shall have proceeded to enforce any rights under this Indenture and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, then and in every such case the Company, the Trustee and the Holders shall, subject to any determination in such proceeding, be restored respectively to their former positions and rights hereunder, and all rights, remedies and powers of the Company and the Trustee shall continue as though no such proceeding had been taken.

SECTION 6.04 WAIVER OF PAST DEFAULTS.

Subject to Sections 6.07 and 9.02, the Holders of at least 66 2/3% of the principal amount of the Securities by notice to the Trustee may waive an existing Default or Event of Default and its consequences. When a Default or Event of Default is waived, it is cured and ceases.

SECTION 6.05 CONTROL BY MAJORITY.

The Holders of a majority in principal amount of the Securities may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it. The Trustee, however, may refuse to follow any direction that conflicts with law or this Indenture, is unduly prejudicial to the rights of any Securityholder or would subject the Trustee to personal liability; provided, the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction. The Company may set a record date for purposes of determining who may exercise such control.

SECTION 6.06 LIMITATION ON SUITS.

Except as provided in Section 6.07, a Securityholder may pursue a remedy with respect to this Indenture or the Securities only if:

(1) the Holder gives to the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in principal amount of the Securities make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer to the Trustee indemnity reasonably satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and

(5) during such 60-day period the Holders of a majority in principal amount of the Securities do not give the Trustee a direction inconsistent with the request.

A Securityholder may not use this Indenture to prejudice the rights of any other Securityholder or to obtain a preference or priority over any other Securityholder.

SECTION 6.07 RIGHTS OF HOLDERS TO RECEIVE PAYMENT.

Subject only to Section 2.13 and 6.02 hereof, the right of any Holder of a Security to receive payment of principal of and interest on the Security, on or after the respective due dates (prior to any acceleration) expressed in the Security, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of the Holder, except that no Holder of Securities shall have the right to institute any such suit if and to the extent that the institution or prosecution thereof or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver or loss of the Lien of the Collateral Agency Agreement upon any of the Pledged Collateral.

SECTION 6.08 COLLECTION SUIT BY TRUSTEE.

If an Event of Default specified in Section 6.01(1) or (2) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company for the whole amount of principal and interest in default.

SECTION 6.09 TRUSTEE MAY FILE PROOFS OF CLAIMS.

The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee, any predecessor Trustee and the Securityholders allowed in any judicial proceedings relative to the Company, its creditors or its property.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder of the Securities any plan of reorganization, arrangement, adjustment or composition

affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder of the Securities in any such proceeding.

SECTION 6.10 PRIORITIES.

If the Trustee collects any money pursuant to this Article, it shall pay out the money in the following order:

First: to the Trustee for amounts due under Section 7.07;

Second: to Securityholders for amounts due and unpaid on the Securities for principal and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Securities for principal and interest, respectively;

Third: to the Company or such other Person as is legally entitled thereto.

The Trustee may fix a record date and payment date for any payment by it to Securityholders pursuant to this Section.

SECTION 6.11 UNDERTAKING FOR COSTS.

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require any party litigating the suit other than the Trustee to file an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.07, or a suit by Holders of more than 10% in principal amount of the Securities.

ARTICLE 7.

TRUSTEE

SECTION 7.01 ACCEPTANCE OF TRUSTS; DUTIES OF TRUSTEE.

The Trustee hereby accepts the trusts imposed upon it by this Indenture and covenants and agrees to perform the same as herein expressed.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent Person would exercise or use under the circumstances in the conduct of his or her own affairs.

(b) Except during the continuance of an Event of Default:

(1) The Trustee need perform only those duties that are specifically set forth in this Indenture and no others.

(2) In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(1) This paragraph does not limit the effect of paragraph (b) of this Section 7.01.

(2) The Trustee shall not be liable with respect to any error of judgment made in good faith by a Trust Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts.

(3) The Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05.

(d) Every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b) and (c) of this Section 7.01.

(e) The Trustee may refuse to exercise any of its rights or powers under this Indenture at the request of any Holders unless such Holders shall have offered to the Trustee indemnity reasonably satisfactory to it against any loss, liability or expense. No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its rights or power, if it has reasonable grounds for believing, and does believe in good faith, that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(f) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

SECTION 7.02 RIGHTS OF TRUSTEE.

(1) The Trustee may rely on any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(2) Before the Trustee acts or refrains from acting, it may require an Officer's Certificate and/or an Opinion of Counsel and may consult with its counsel. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Certificate, Opinion or advice of such counsel.

(3) The Trustee may act through agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

SECTION 7.03 INDIVIDUAL RIGHTS OF TRUSTEE.

The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or an Affiliate thereof with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights. The Trustee, however, must comply with Sections 7.10 and 7.11.

SECTION 7.04 TRUSTEE'S DISCLAIMER.

The Trustee makes no representation as to the validity or adequacy of this Indenture or the Securities, and it shall not be responsible for any statement in the Securities other than its certificate of authentication.

SECTION 7.05 NOTICE OF DEFAULTS.

If a Default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail to each Securityholder a notice of the Default within 90 days after it occurs. Except in the case of a Default in payment of principal of or interest on any Security, the Trustee may withhold the notice if and so long as it in good faith determines that withholding the notice is in the interests of Securityholders.

SECTION 7.06 REPORTS BY TRUSTEE TO HOLDERS.

Within 60 days after each beginning with , 1994, the Trustee shall mail to each Securityholder as required by TIA sec. 313(c) a brief report dated as of such date that complies with TIA sec. 313(a). The Trustee also shall comply with TIA sec. 313(b).

A copy of each report at the time of its mailing to Securityholders shall be filed by the Trustee with the SEC and each stock exchange, if any, on which the Securities are listed. The Company shall notify the Trustee when the Securities are listed on any stock exchange.

SECTION 7.07 COMPENSATION AND INDEMNITY.

The Company shall pay to the Trustee from time to time such compensation for its services as shall be agreed upon in writing. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all reasonable out-of-pocket expenses, advances and disbursements incurred by it. Such expenses

shall include the reasonable compensation and out-of-pocket expenses of the Trustee's agents and counsel.

Except as hereinafter provided in this paragraph, the Company shall indemnify the Trustee against any loss or liability (including the reasonable fees and expenses of counsel) incurred by it in connection with the administration of this trust and the performance of its duties hereunder. The Company need not pay for any settlement made without its consent. The Trustee shall notify the Company promptly of any claim for which it may seek indemnification. The Company need not reimburse any expense or indemnify against any loss or liability incurred by the Trustee through the Trustee's negligence or bad faith.

To secure the Company's payment obligations in this Section, the Trustee shall have a lien prior to the Securities on all money or property held or collected by the Trustee except that held in trust to pay principal and interest on particular Securities.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.01(6), (7), (8) or (9) occurs, the expenses and the compensation for services are intended to constitute expenses of administration under any Bankruptcy Law.

SECTION 7.08 REPLACEMENT OF TRUSTEE.

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section.

The Trustee may resign by so notifying the Company. The Holders of a majority in principal amount of the Securities may remove the Trustee by so notifying the Trustee and the Company and may appoint a successor Trustee with the Company's consent. The Company may remove the Trustee if:

(1) the Trustee fails to comply with Section 7.10;

(2) the Trustee is adjudged a bankrupt or an insolvent;

(3) a receiver or other public officer takes charge of the Trustee or its property;

(4) the Trustee becomes incapable of acting; or

(5) in the Company's good faith judgment, the Trustee's fees and expense structure for acting as such hereunder become materially non-competitive.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in principal amount of the Securities may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

If a successor Trustee does not take office within 30 days after the retiring Trustee resigned or is removed, the retiring Trustee, the Company or the Holders of at least 10% in principal amount of the Securities may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee fails to comply with Section 7.10, any Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Securityholders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.07.

SECTION 7.09 SUCCESSOR TRUSTEE BY MERGER, ETC.

If the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to another corporation, the successor corporation without any further act shall be the successor Trustee.

SECTION 7.10 ELIGIBILITY; DISQUALIFICATION.

This Indenture shall always have a Trustee who satisfies the requirements of TIA sec. 310(a)(1). The Trustee shall always have a combined capital and surplus of at least $50,000,000 as set forth in its most recent published annual report of condition. The Trustee shall comply with TIA sec. 310(b), including the optional provision permitted by the second sentence of TIA sec. 310(b)(9).

SECTION 7.11 PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY.

The Trustee shall comply with TIA sec. 311(a), excluding any creditor relationship listed in TIA sec. 311(b). A Trustee who has resigned or been removed shall be subject to TIA sec. 311(a) to the extent indicated.

ARTICLE 8.

DISCHARGE OF INDENTURE

SECTION 8.01 TERMINATION OF COMPANY'S OBLIGATIONS.

All of the Company's obligations under this Indenture shall terminate when Securities previously authenticated and delivered (other than mutilated, destroyed, lost or stolen Securities which have been replaced or paid) have been delivered to the Trustee for cancellation or if:

(1) the Securities mature within six months or all of them are to be called for redemption within six months;

(2) the Company irrevocably deposits in trust with the Trustee, pursuant to an irrevocable trust and security agreement in form and substance reasonably satisfactory to the Trustee, money or U.S. Government Obligations sufficient to pay principal of and interest on the Securities to maturity or redemption, as the case may be, and all other sums payable by the Company to the Holders of the Securities hereunder. The Company may make the deposit only during the six-month period. Immediately after making the deposit, the Company shall give notice of such event to the Holders;

(3) the Company has paid or caused to be paid all sums then payable by the Company to the Trustee hereunder as of the date of such deposit;

(4) the Company has delivered to the Trustee an Officer's Certificate stating that all conditions precedent provided for herein relating to the satisfaction and discharge of this Indenture have been complied with; and

(5) the Company has delivered to the Trustee either (i) an unqualified Opinion of Counsel, stating that the Holders of the Securities (a) will not recognize income, gain or loss for Federal income tax purposes as a result of such deposit (and the defeasance contemplated in connection therewith) and (b) will be subject to Federal income tax on the same amounts and in the same manner and at the same

times as would have been the case if such deposit and defeasance had not occurred, or (ii) an applicable favorable ruling to that effect received from or published by the Internal Revenue Service.

Notwithstanding the foregoing, the Company's obligations in Sections 2.03, 2.04, 2.05, 2.06, 2.07, 4.01, 7.07, 7.08 and 8.03 shall survive until the Securities are no longer outstanding, and the Company's obligations pursuant to Sections 7.07 and 8.03 shall survive any such termination.

After a deposit pursuant to this Section 8.01, the Trustee upon request shall acknowledge in writing the discharge of the Company's obligations under the Securities and this Indenture except for those surviving obligations specified above.

In order to have money available on a payment date to pay principal or interest on the Securities, the U.S. Government Obligations shall be payable as to principal or interest on or before such payment date in such amounts as will provide the necessary money.

SECTION 8.02 APPLICATION OF TRUST MONEY.

The Trustee shall hold in trust money or U.S. Government Obligations deposited with it pursuant to Section 8.01, 3.05 and 3.08 and any cash or Payment Notes paid to it by the Guarantor under the Guarantee Agreement. It shall apply the deposited money and the money from U.S. Government Obligations

and any cash or Payment Notes paid to it by the Guarantor under the Guarantee Agreement through the Paying Agent and in accordance with this Indenture to the payment of principal of and interest on the Securities.

SECTION 8.03 REPAYMENT TO COMPANY.

The Trustee and the Paying Agent shall promptly pay to the Company upon request any excess money or securities held by them at any time. The Trustee and the Paying Agent shall pay to the Company upon request any money held by them for the payment of principal or interest that remains unclaimed for two years; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may, at the expense of the Company, cause to be published once in a newspaper of general circulation in The City of New York or cause to be mailed to each Holder, a notice stating that such money remains and that, after a date specified therein, which shall not be less than 30 days from the date of such publication or mailing, any unclaimed balance of such money then remaining will be repaid to the Company. After payment to the Company, Securityholders entitled to the money must look to the Company for payment as general creditors unless an applicable abandoned property law designates another Person.

SECTION 8.04 REINSTATEMENT.

If the Trustee or Paying Agent is unable to apply any money or U.S. Government Obligations in accordance with Section 8.01 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's obligations under this Indenture and the Securities shall be revived and reinstated as though no deposit has occurred pursuant to Section 8.01 until such time as the Trustee or Paying Agent is permitted to apply all such money or U.S. Government Obligations in accordance with Section 8.01; provided, however, that if the Company has made any payment of interest on or principal of any Securities because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Securities to receive such payment from the money or U.S. Government Obligations held by the Trustee or Paying Agent.

ARTICLE 9.

AMENDMENTS

SECTION 9.01 WITHOUT CONSENT OF HOLDERS.

The Company, with the consent of the Trustee, may amend or supplement this Indenture or the Securities without notice to or the consent of any Securityholder:

(1) to cure any ambiguity, omission, defect or inconsistency;

(2) to comply with Section 5.01;

(3) to provide for uncertified securities; or

(4) to make any change that does not adversely affect the rights of any Securityholder.

SECTION 9.02 WITH CONSENT OF HOLDERS.

The Company, with the consent of the Trustee, may amend or supplement this Indenture or the Securities without notice to any Securityholder but with the written consent of the Holders of at least 66 2/3% (except as hereinafter provided) of the principal amount of the Securities. Subject to Section 6.07, the Holders of a majority (except as hereinafter provided) in principal amount of the Securities may waive compliance by the Company with any provision of this Indenture or the Securities without notice to any Securityholder. However, without the consent of each Securityholder affected, no amendment, supplement or waiver (other than as provided in Section 2.13 and 6.02 hereof), including a waiver pursuant to Section 6.04, may:

(1) reduce the amount of Securities whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the rate of or change the time for payment of interest on any Security;

(3) reduce the principal of or change the fixed maturity of any

Security or alter the redemption provisions with respect thereto;

(4) waive a default in the payment of principal of, premium, if any, or interest on any Security;

(5) make any Security payable in money other than that stated in the Security; or

(6) make any change in Section 6.04, Section 6.07 or this Section 9.02.

Promptly after an amendment under this Section becomes effective, the Company shall mail to the Securityholders a notice briefly describing the amendment.

It shall not be necessary for the consent of the Holders under this Section to approve the particular form of any proposed amendment or supplement, but it shall be sufficient if such consent approves the substance thereof.

SECTION 9.03 COMPLIANCE WITH TRUST INDENTURE ACT.

Every amendment to this Indenture or the Securities shall comply with the TIA as then in effect.

SECTION 9.04 REVOCATION AND EFFECT OF CONSENTS.

Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder of a Security is a continuing consent by the Holder and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security, even if notation of the consent is not made on any Security. However, any such Holder or subsequent Holder may revoke the consent as to his Security or portion of a Security if the Trustee receives the notice of revocation before the date the amendment, supplement or waiver becomes effective. An amendment, supplement or waiver becomes effective in accordance with its terms.

After an amendment, supplement or waiver becomes effective with respect to the Securities, it shall bind every Securityholder unless it makes a change described in any of clauses (1) through (6) of Section 9.02. In that case the amendment, supplement or waiver shall bind each Holder of a Security who has consented to it and, provided that notice of such amendment, supplement or waiver is reflected on a Security that evidences the same debt as the consenting Holder's Security, every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security.

SECTION 9.05 NOTATION ON OR EXCHANGE OF SECURITIES.

If an amendment, supplement or waiver changes the terms of a Security, the Trustee may require the Holder of the Security to deliver it to the Trustee. The Trustee may place an appropriate notation on the Security about the changed terms and return it to the Holder. Alternatively, if the Company or the Trustee so determines, the Company in exchange for the Security shall issue and the Trustee shall authenticate a new Security that reflects the changed terms.

SECTION 9.06 TRUSTEE PROTECTED.

The Trustee need not sign any amendment, supplement or waiver authorized pursuant to this Article that adversely affects the Trustee's rights. The Trustee shall be entitled to receive and rely upon an Opinion of Counsel and an Officer's Certificate that any supplemental indenture complies with the Indenture.

ARTICLE 10.

SECURITY

SECTION 10.01 COLLATERAL AGENCY AGREEMENT AND GUARANTEE AGREEMENT.

The Company hereby agrees to grant and, with respect to the Company's outstanding Common Stock the Guarantor has granted pursuant to the Pledge Agreement, as defined in the Guarantee Agreement, to the Trustee for the benefit of the Securityholders a first priority security interest (subject to senior liens, if any, on) in the Pledged Collateral and the Common Stock, respectively.

Each Securityholder, by accepting a Security, agrees to all of the terms

and provisions of the Collateral Agency Agreement pursuant to which the Securities will be secured (including, without limitation, the provisions of Section 9 of the Collateral Agency Agreement providing for the release of the Pledged Collateral), the Guarantee Agreement and the Pledge Agreement, as the same may be in effect or may be amended from time to time pursuant to their terms. The due and punctual payment of the principal and interest on the Securities, when and as the same shall be due and payable, whether on an interest payment date, at maturity, by acceleration, following call for redemption or otherwise, and the payment and performance of all other obligations of the Company to the Holders or the Trustee under this Indenture, according to the terms hereof, shall be secured as and to the extent provided in the Collateral Agency Agreement and the Guarantee Agreement.

SECTION 10.02 FURTHER ASSURANCES.

The Company and its Subsidiaries have executed and delivered, filed and recorded (to the extent that it may currently do so under applicable law) and will execute and deliver, file and record, all instruments and documents, and have done and will do all such acts and other things, at the Company's expense, as may be necessary or desirable, or that the Trustee may reasonably request, to subject the Pledged Collateral to the Liens intended to be created pursuant to the Collateral Agency Agreement (which Liens are defined herein as the "Security Interests"), to perfect, maintain and protect the Security Interests and, in the case of the existence of an Event of Default, to enable the Trustee to exercise and enforce its rights and remedies with respect to the Security Interests.

The Company shall cause (a) TIA sec. 314(b), relating to Opinions of Counsel regarding the Liens created under the Collateral Agency Agreement and (b) TIA sec. 314(d), relating to the release of Pledged Collateral from the Liens created under the Collateral Agency Agreement and Officer's Certificates or other documents regarding fair value of the Pledged Collateral, to be complied with to the extent applicable. Any certificate or opinion required by TIA sec. 314(d) may be made by an Officer of the Company to the extent permitted by TIA sec. 314(d).

SECTION 10.03 AUTHORIZATION OF ACTIONS TO BE TAKEN BY THE TRUSTEE UNDER THE COLLATERAL AGENCY AGREEMENT AND THE GUARANTEE AGREEMENT.

Except as otherwise provided therein, the Trustee may, in its sole discretion and without the consent of the Securityholders, take all actions it deems necessary or appropriate in order to (i) enforce any of the terms of the Collateral Agency Agreement and the Guarantee Agreement and (ii) collect and receive any and all amounts payable in respect of the obligations of the Company thereunder. Such actions shall include, but not be limited to, advising, instructing or otherwise directing the Collateral Agent in connection with enforcing or effecting any term or provision of the Collateral Agency Agreement or the Guarantee Agreement. Subject to the provisions of the Collateral Agency Agreement and the Guarantee Agreement, the Trustee shall have power to institute and to maintain such suits and proceedings as it may deem expedient to prevent any impairment of the collateral pledged thereunder by any acts that may be unlawful or in violation of the Collateral Agency Agreement, the Guarantee Agreement, the Pledge Agreement under the Guarantee Agreement or this Indenture, and such suits and proceedings as the Trustee may deem expedient to preserve or protect its interests and the interests of the Securityholders in such collateral.

SECTION 10.04 AUTHORIZATION OF RECEIPT OF FUNDS BY THE TRUSTEE UNDER THE COLLATERAL AGENCY AGREEMENT AND THE GUARANTEE AGREEMENT.

The Trustee is authorized to receive any funds for the benefit of Securityholders distributed under the Collateral Agency Agreement or the Guarantee Agreement, and to make further distributions of such funds to the Holders according to the provisions of this Indenture.

SECTION 10.05 TERMINATION OF SECURITY INTEREST.

Upon the payment in full of all obligations of the Company under this Indenture and the Securities, the Trustee shall, at the request of the Company, deliver a certificate to the Collateral Agent stating that such obligations have been paid in full.

SECTION 10.06 SECURITY DOCUMENTS.

The Company shall take any and all actions required to cause the Collateral Agency Agreement to create, as security for the obligations under this Indenture and the Securities, a valid and enforceable perfected lien in and on all of the

Pledged Collateral, in favor of the Collateral Agent for the benefit of the Holders of the Securities, superior to and prior to the rights of all third Persons (other than) and subject to no other Liens other than Permitted Liens.

ARTICLE 11.

MISCELLANEOUS

SECTION 11.01 TRUST INDENTURE ACT CONTROLS.

If any provision of this Indenture limits, qualifies or conflicts with another provision which is required to be included in this Indenture by the TIA, the required provision shall control.

SECTION 11.02 NOTICES.

Any notice or communication by the Company or the Trustee to the other is duly given if in writing and when delivered in person, mailed by first-class mail or by express delivery to the other's address stated in this Section 11.02. The Company or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

Any notice or communication to a Securityholder shall be mailed by first-class mail to his or her address shown on the register kept by the Registrar. Failure to mail a notice or communication to a Securityholder or any defect in it shall not affect its sufficiency with respect to other Securityholders.

If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

If the Company mails a notice or communication to Securityholders, it shall mail a copy to the Trustee and each Agent at the same time.

All notices or communications shall be in writing.

The Company's address is:

The Trustee's address is:

SECTION 11.03 COMMUNICATION BY HOLDERS WITH OTHER HOLDERS.

Securityholders may communicate pursuant to TIA sec. 312(b) with other Securityholders with respect to their rights under this Indenture or the Securities. The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA sec. 312(c).

SECTION 11.04 ACTION BY SECURITYHOLDERS.

Whenever in this Indenture it is provided that the Holders of a specified percentage in aggregate principal amount of the Securities may take any action (including the making of any demand or request, the giving of any notice, consent or waiver or the taking of any other action), the fact that at the time of taking any such action the Holders of such specified percentage have joined therein may be evidenced by (a) any instrument or any number of instruments of similar tenor executed by Holders of Securities in person or by agent or proxy appointed in writing, or (b) by the record of the Holders of Securities in favor thereof, at any meeting of Holders duly called and held in accordance with the provisions of Article 12, or (c) by a combination of such instrument or

instruments and any such record of such meeting of Holders, but in each case only to the extent that the Holders of Securities shall not have revoked such action, consent or vote pursuant to Section 9.04 and Section 11.06.

SECTION 11.05 PROOF OF EXECUTION OF INSTRUMENTS AND OF HOLDING OF SECURITIES.

Proof of the execution of any instrument by a Holder of Securities or his or her agent or proxy and proof of the holding by any Person of any of the Securities shall be sufficient if made in the following manner:

(1) The fact and date of the execution by any such Person of any instrument may be proved by the certificate of any notary public or other officer of any jurisdiction authorized to take acknowledgements of deeds to be recorded in such jurisdiction that the Person executing such instrument acknowledged to him or her the execution thereof, or by an affidavit of a witness to such execution sworn to before any such notary or other such officer. Such certificate or affidavit shall also constitute sufficient proof of the authority of the Person executing any instrument in cases where Securities are not held by Persons in their individual capacities.

(2) The fact and date of execution of any such instrument may also be proved in any other manner which the Trustee deems sufficient.

(3) The ownership of Securities shall be proved by the register of such Security or by a certificate of the Registrar thereof.

(4) The Trustee shall not be bound to recognize any Person as a Securityholder unless his or her title to any Security is proved in the manner provided in this Article 11.

The Trustee may require such additional proof of any matter referred to in this Section 11.05 as it shall deem necessary.

SECTION 11.06 REVOCATION OF CONSENTS; FUTURE HOLDERS BOUND.

Subject to Section 9.04, at any time prior to (but not after) the evidencing to the Trustee, as provided in Section 11.04, of the taking of any action by the Holders of the required percentage of the aggregate principal amount of the Securities specified in this Indenture in connection with such action, any Holder of a Security which is shown by the evidence to be included in the Securities the Holders of which have consented to such action may, by filing written notice with the Trustee at its principal office and upon proof of holding as provided in Section 11.05, revoke such action so far as concerns such Security. Except as aforesaid, any such action taken by the Holder of any Security shall be conclusive and binding upon such Holder and upon all future holders and owners of such Security and of any Security issued in exchange or substitution therefor, irrespective of whether or not any notation in regard thereto is made upon such Security. Any action taken by the Holders of the required percentage of the aggregate principal amount of the Securities specified in this Indenture in connection with such action shall be conclusive and binding upon the Company, the Trustee and the holders of all the Securities.

SECTION 11.07 RULES BY TRUSTEE AND AGENTS.

The Trustee may make reasonable rules for action by or at a meeting of Securityholders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for their respective functions.

SECTION 11.08 CERTIFICATE AND OPINION AS TO CONDITIONS PRECEDENT.

Upon any request or application by the Company to the Trustee to take any action under this Indenture the Company shall furnish to the Trustee:

(1) an Officer's Certificate stating that, in the opinion of the signer, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(2) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

Each signer of an Officer's Certificate or an Opinion of Counsel may (if so stated) rely upon an Opinion of Counsel as to legal matters and an Officer's Certificate as to factual matters if such signer reasonably and in good faith believes in the accuracy of the document relied upon.

SECTION 11.09 STATEMENTS REQUIRED IN CERTIFICATE OR OPINION.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(1) a statement that the Person making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of such Person, he or she has made such examination or investigation as is necessary to enable such Person to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been complied with.

SECTION 11.10 LEGAL HOLIDAYS.

A "Legal Holiday" is a Saturday, a Sunday or a day on which banking institutions are not required to be open in The City of New York, in the State of New York or in the city in which the Trustee or any Paying Agent under this Indenture administers its corporate trust business. If a payment date is a Legal Holiday at a

place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue on that payment for the intervening period.

A "Business Day" is a day other than a Legal Holiday.

SECTION 11.11 NO RECOURSE AGAINST OTHERS.

All liability of any director, officer, employee or stockholder, as such, of the Company with respect to the Securities is waived and released.

SECTION 11.12 TABLE OF CONTENTS, HEADINGS, ETC.

The Table of Contents, Cross-Reference Table and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms or provisions hereof.

SECTION 11.13 DUPLICATE ORIGINALS.

The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

SECTION 11.14 GOVERNING LAW.

The laws of the State of New York, without regard to principles of conflicts of law, shall govern this Indenture and the Securities.

SECTION 11.15 NO ADVERSE INTERPRETATION OF OTHER AGREEMENTS.

This Indenture may not be used to interpret another indenture, loan or debt agreement of the Company or a Subsidiary. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

SECTION 11.16 SUCCESSORS.

All agreements of the Company in this Indenture and the Securities shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors.

SECTION 11.17 SEPARABILITY.

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and a Holder shall have no claim therefor against any party hereto.

ARTICLE 12.

MEETINGS OF HOLDERS OF SECURITIES

SECTION 12.01 PURPOSES OF MEETINGS.

A meeting of Holders of Securities may be called at any time and from time to time pursuant to the provisions of this Article 12 for any of the following purposes:

(a) to give any notice to the Company or to the Trustee, or to give any direction to the Trustee, or to waive any non-performance hereunder, and its consequences, or to take any other action authorized to be taken by Holders of Securities pursuant to any of the provisions of this Indenture;

(b) to remove the Trustee and appoint a successor trustee pursuant to the provisions of Section 7.08;

(c) to consent to the execution of an indenture or indentures supplemental hereto pursuant to the provisions of Article 9;

(d) to take any other action authorized to be taken by or on behalf of the Holders of any specified aggregate principal amount of the Securities under any other provision of this Indenture or under applicable law.

SECTION 12.02 CALL OF MEETINGS BY TRUSTEE.

The Trustee may at any time call a meeting of Holders of Securities to take any action specified in Section 12.01, to be held at such time and at such place in the State of New York, as the Trustee shall determine. Notice of each meeting of the Holders of Securities, setting forth the time and the place of such meeting and, in general terms, the action proposed to be taken at such meeting, shall be mailed by the Trustee to the Holders of the Securities, not less than 20 nor more than 60 days prior to the date fixed for the meeting, at their last addresses as they shall appear on the register of the Securities.

SECTION 12.03 CALL OF MEETINGS BY COMPANY OR SECURITY HOLDERS.

If at any time the Company, pursuant to a resolution of its Board of Directors, or the holders of at least twenty percent in aggregate principal amount of the Securities then outstanding, shall have requested the Trustee to call a meeting of Holders of Securities to take any action authorized in Section 12.01, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have mailed notice of such meeting within twenty days after receipt of such request, then the Company or the Holders of Securities in the amount above specified, as the case may be, may determine the time and the place in the State of New York for such meeting, and may call such meeting by mailing notice thereof as provided in Section 12.02.

SECTION 12.04 PERSONS ENTITLED TO VOTE AT MEETING.

To be entitled to vote at any meeting of Holders of Securities, a Person shall (a) be a Holder of Securities or (b) be a Person appointed by an instrument in writing as proxy by a Holder of Securities. The only Persons who shall be entitled to be present or speak at any meeting of the Holders of the Securities shall be the Persons entitled to vote at such meeting and their counsel and any representatives of the Company and its counsel.

SECTION 12.05 REGULATIONS FOR MEETING.

Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders of the Securities in regard to the appointment of proxies, the proof of the holding of Securities, the appointment and duties of inspectors of votes, the submission and examination of proxies and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall think fit. Except as otherwise permitted or required by any such regulations, the holding of Securities shall be proved in the manner specified in Section 11.05 and the appointment of any proxy shall be proved in the manner specified in such Section 11.05 or by having the signature of the Person executing the proxy witnessed or guaranteed by any bank, banker, trust company or New York Stock Exchange, Inc. member firm satisfactory to the Trustee.

The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Holders of the Securities as provided in Section 12.03, in which case the Company or the Holders of the Securities calling the meeting, as the

case may be, shall in like manner appoint a temporary chairman, and a permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Holders of a majority in principal amount of the Securities represented at the meeting and entitled to vote.

At any meeting of Holders of Securities, the presence of Persons holding or representing Securities in an aggregate principal amount sufficient to take action upon the business for the transaction of which such

meeting was called shall be necessary to constitute a quorum; but, if less than a quorum be present, the Persons holding or representing a majority in aggregate principal amount of the Securities represented at the meeting may adjourn such meeting with the same effect, for all intents and purposes, as though a quorum had been present.

SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

ROSEBUD HOLDINGS, INC.

By:

Title:

SEAL

Attest:

- ---
Title:

---------- BANK

By:

Title:

SEAL

Attest:

- ---
Title:

EXHIBIT A

REGISTERED NUMBER | FACE OF SECURITY | REGISTERED DOLLARS

ROSEBUD HOLDINGS, INC.

10% ASSET PROCEEDS NOTE DUE 1997

ROSEBUD HOLDINGS, INC., a Delaware corporation (herein called the "Company"), for value received, hereby promises to pay to or registered assigns, the principal sum of Dollars on , 1997, and to pay interest thereon as provided on the reverse hereof, until the principal hereof is paid or duly provided for.

Interest Payment Dates: and of each year, commencing , 1994

Record Dates: and of each year, commencing , 1994

The provisions on the back of this certificate are incorporated as if set forth on the face hereof.

IN WITNESS WHEREOF, ROSEBUD HOLDINGS, INC. has caused this instrument to be duly signed under its corporate seal.

SEAL ROSEBUD HOLDINGS, INC.

By:

Title:

By:

Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities referred to in the within-mentioned Indenture.

- ---------- BANK
as Trustee

By:

Signatory

Dated:

MA-1

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REVERSE OF SECURITY

ROSEBUD HOLDINGS, INC.

10% ASSET PROCEEDS NOTE DUE 1997

1. Interest. ROSEBUD HOLDINGS, INC., a Delaware corporation (the "Company"), promises to pay interest on the principal amount of this Security at the rate per annum shown above. The Company will pay interest semi-annually in arrears on and of each year, commencing , 1994. Interest on the Securities will accrue from the most recent date to which interest has been paid (or, if no interest has been paid, from the Effective Date, as defined in the below-mentioned Indenture). Interest on overdue principal shall accrue at the rate per annum of 11% from the due date until paid in full. Interest shall be computed on the basis of a 360-day year of 12 30-day months.

2. Method of Payment; Deemed Repayment; Deferral of Maturity Date.

(a) The Company will pay interest on the Securities (except defaulted interest) to the persons who are registered Holders of Securities at the close of business on the record date set forth on the face of this Security next preceding the applicable interest payment date. Holders must surrender Securities to a Paying Agent to collect principal payments. The Company will pay principal and interest in money of the United States that at the time of payment is legal tender for payment of public and private debts. However, the Company may pay principal and interest by check payable in such money. It may mail an interest check to a Holder's registered address. At the election of Company, interest may be paid, in whole or in part, on any interest payment date prior to the Maturity Date in additional Securities of like tenor with this Note in a principal amount equal to such interest payment amount or part thereof.

(b) If the Guarantor is required to make any payment of "Guarantor Obligations", as defined in the Guarantee Agreement, and actually makes such payment, the Securities shall thereupon immediately (and without the need for any notice or action on the part of any Person) be deemed to have been repaid in an amount equal to all amounts of "Guarantor Obligations", as defined in the Guarantee Agreement, paid under the Guarantee Agreement and the outstanding amount thereof shall be accordingly reduced. In computing any such deemed repayment, each Payment Note issued by the Guarantor shall be deemed to have a value equal to the principal amount thereof. Such reduction shall be made proportionately among all Securities based on the principal amounts outstanding of such Securities immediately prior to such deemed repayment. Upon surrender of a Security that has been deemed to have been repaid in part, the Trustee shall authenticate for the Holder a new Security equal in principal amount to the portion of the Security remaining after such deemed repayment.

The Trustee may, with the concurrence of Holders owning an aggregate of

% of the principal amount of the outstanding Securities, elect to defer the maturity dates under the Guarantee Agreement as contemplated in Section 2 thereof. Upon the delivery of a Deferred Notice by the Trustee so deferring such maturity date, the Maturity Date hereunder shall be automatically deferred for one year from the date of the original Maturity Date hereunder and any Default or Event of Default hereunder arising as a result of any nonpayment on the Maturity Date in effect prior to such deferral shall be automatically deemed waived without any further action or notice by any Person.

3. Paying Agent and Registrar. Initially, Bank (the "Trustee") will act as Paying Agent and Registrar. The Company may change any Paying Agent, Registrar or co-registrar without notice. The Company may act in any such capacity.

4. Indenture. The Company has issued the Securities under an Indenture dated as of (the "Indenture") between the Company and the Trustee. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S. Code sec.sec. 77aaa = 77bbbb) (the "Act") as in effect on the date of the Indenture. The Securities are subject to all such terms, and Securityholders are referred to the Indenture and the Act for a statement of such terms. The Securities are secured obligations of the Company limited to up to $ aggregate principal amount

(except for Securities issued in substitution for destroyed, mutilated, lost or stolen Securities). Terms used herein which are defined in the Indenture have the meanings assigned to them in the Indenture.

5. Optional Redemption. The Securities may be redeemed at the option of the Company in whole at any time or in part from time to time at the principal amount thereof (the "Redemption Price"), plus accrued and unpaid interest to the redemption date. The Securities may also be redeemed or prepaid by purchase by the Company on the open market from time to time without penalty or premium.

6. Mandatory Redemption. Within 120 days after the consummation of a Sale of Assets (as defined in the Indenture), the Company shall redeem that principal amount of Securities such that the aggregate Redemption Price, plus accrued and unpaid interest to the redemption date, of such Securities equals (i) 100% of the Net Proceeds (as defined in the Indenture) from such Sale of Assets less (ii) such reserves as are necessary to provide the Company with $5 million for working capital purposes. With the approval of the Board of Directors, the Company may before or after the Sale of Assets, in lieu of making the redemptions provided for in this Section 6, in whole or in part, effect open market purchases of Securities (with any Securities so purchased to be delivered to the Trustee for cancellation) in a principal amount equal to the principal amount of Securities which could have been redeemed hereunder with such amount of Net Proceeds, provided that such Securities have not been previously credited against redemptions or purchases upon a Sale of Assets.

7. Security. Securityholders are granted a first priority interest in the Pledged Collateral, subject to senior liens on pursuant to the Collateral Agency Agreement, as more fully set forth in the Indenture. Each Securityholder, by accepting a Security, agrees to all of the terms and provisions of the Collateral Agency Agreement and the Guarantee Agreement as the same may be amended from time to time.

8. Denominations, Transfer, Exchange. The Securities are in registered form without coupons in denominations of $1,000 and whole multiples of $1,000. The transfer of Securities may be registered and Securities may be exchanged as provided in the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents. No service charge shall be made for any such registration or transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. The Registrar need not exchange or register the transfer of any Security selected for redemption in whole or in part (except the unredeemed portion of securities being redeemed in part). Also, it need not exchange or register the transfer of any Securities for a period of 15 days before a selection of Securities to be redeemed.

9. Persons Deemed Owners. The registered Holder of any of the Securities may be treated as its owner for all purposes.

10. Merger or Consolidation. The Company may not consolidate or merge with or into, or sell, assign, transfer or lease all or substantially all of its assets to another person unless: the person is an entity organized and existing under the laws of the United States, any state thereof or the District of

Columbia; and such entity assumes by supplemental indenture all the obligations of the Company under the Securities and the Indenture.

11. Amendments and Waivers. Subject to certain exceptions, the Indenture or the Securities may be amended with the consent of the Holders of at least 66 2/3% of the principal amount of the Securities outstanding, and certain existing defaults may be waived with the consent of the Holders of 66 2/3% of the principal amount of the Securities. Without the consent of any Securityholder, the Indenture or the Securities may be amended to cure any ambiguity, omission, defect or inconsistency, to provide for uncertificated Securities in addition to certificated Securities, to comply with Section 5.01 of the Indenture or to make any change that does not adversely affect the right of any Securityholder.

12. Defaults and Remedies. An Event of Default is: default in the payment of interest on any Security when the same becomes due and payable, whether at maturity, in connection with any redemption, by acceleration or otherwise, which default continues for a period of 30 days; default in the payment of the principal of any Security when the same becomes due and payable, whether at maturity, in connection with any redemption, by acceleration or otherwise, which failure continues for a period of 30 days after either notice shall have been given to the Company or the date on which the Company had Actual Knowledge of such

failure; failure to observe or perform in any material respect any of the Company's other covenants or agreements in the Securities, the Indenture or the Collateral Agency Agreement, which continues for a period of 30 days after either notice shall have been given to the Company or the date on which the Company had Actual Knowledge of such failure; failure by the Company or any of its Subsidiaries to pay when due any principal or interest on any Indebtedness with an aggregate outstanding principal amount in excess of $2 million, which default continues for the greater of any period of grace applicable thereto or 60 days from the date of such default; a default or event of default, as defined in one or more indentures, agreements or other instruments evidencing or under which the Company or any of its Subsidiaries individually or collectively have, outstanding at least $2 million aggregate principal amount of Indebtedness shall happen and such Indebtedness shall have been accelerated so that it is due and payable prior to the date on which it would otherwise have become due and payable, and such acceleration shall not be rescinded or annulled within 60 days after either notice shall have been given to the Company on the date on which the Company had Actual Knowledge of such acceleration; entry of one or more final judgments against the Company or any of its Subsidiaries for payments of money which in the aggregate exceed $2 million, by a court of competent jurisdiction and such judgments are not rescinded, annulled, stayed or discharged within 90 days; the Company and its Subsidiaries, taken as a whole, becomes insolvent; the commencement of a voluntary case under the Federal Bankruptcy law; the occurrence of certain other events under a Bankruptcy Law, including but not limited to the entry of a judgment for relief in respect of the Company or any of its material Subsidiaries by a court of competent jurisdiction which remains unstayed and in effect for 60 days.

13. Trustee Dealings with Company. Bank, the Trustee under the Indenture, or any banking institution serving as successor Trustee thereunder, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not Trustee.

14. No Recourse Against Others. No director, officer, employee, or stockholder, as such, of the Company shall have any liability for any obligations of the Company under the Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Securityholder by accepting a Security waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

15. Authentication. This Security shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

16. Abbreviations. Customary abbreviations may be used in the name of a Securityholder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

THE COMPANY WILL FURNISH TO ANY SECURITYHOLDER UPON WRITTEN REQUEST AND WITHOUT CHARGE A COPY OF THE INDENTURE. REQUESTS MAY BE MADE TO: ROSEBUD

HOLDINGS, INC., .

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ASSIGNMENT FORM

To assign this Security, fill in the form below:

I or we assign and transfer this Security to:

- ----------

- ----------

- ----------
(Print or type assignee's name, address and zip code)

- ----------

- ----------
(Insert Assignee's Soc. Sec. or Tax I.D. No.)

and irrevocably appoint agent to transfer this Security on the books of the Company. The agent may substitute another to act for him or her.

.....

<TABLE>
<S> <C> <C>
Date: ---------- Signature(s): ----------

---------- (Sign exactly as your name(s) appear on the other side of this Security)

Signature(s) guaranteed by:

---------- (All signatures must be guaranteed by a member of a national securities exchange or of the National Association of Securities Dealers, Inc. or by a commercial bank or trust company located in the United States)
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EXHIBIT N

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EXHIBIT N

- ----------
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GUARANTEE AGREEMENT

BY

LONE STAR INDUSTRIES, INC.

IN FAVOR OF

EACH AND EVERY

"HOLDER"

OF

10% ASSET PROCEEDS NOTES DUE 1997

OF

ROSEBUD HOLDINGS, INC.

DATED AS OF , 1993

- ---
- ---

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GUARANTEE AGREEMENT

This Guarantee, dated as of , 1993, is made by LONE STAR INDUSTRIES, INC., a Delaware corporation (the "Guarantor"), in favor of each and every "Holder" of "Asset Proceeds Notes," as such terms (and all others used herein without definition) are defined in accordance with Section 1 below.

W I T N E S S E T H:

WHEREAS, on December 10, 1990, Lone Star Industries, Inc., a Delaware corporation and predecessor-in-interest of the Guarantor, and certain of its affiliates (collectively, the "Debtors"), filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code with the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court");

WHEREAS, on June 28, 1993, the Debtors filed an Amended Consolidated Plan of Reorganization (such plan, as it may be amended from time to time, the "Plan") in the bankruptcy proceeding describing the means by which, and the extent to which, claims against the Debtors in such bankruptcy proceeding will be satisfied;

WHEREAS, on , 1993, an order was entered by the Bankruptcy Court confirming the Plan; and

WHEREAS, it is a term of the Plan that the Guarantor shall execute and deliver this Guarantee which is the "Reorganized Lone Star Guarantee" defined in the Plan;

NOW, THEREFORE, in consideration of the foregoing, the sufficiency of which consideration is hereby acknowledged by the Guarantor, the Guarantor does hereby covenant and agree with the Trustee for the ratable benefit of the Holders as follows:

1. Definitions. The following terms shall have the meanings set forth after each:

"Affiliate", as to any Person, means any other Person directly or indirectly controlling or controlled by or under common control with that Person including any Subsidiary of that Person. For this purpose, "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Without limiting the foregoing, the Guarantor is an Affiliate of the Obligor for purposes hereof.

"Asset Proceeds Notes" shall mean the notes of the Obligor, in the aggregate initial principal amount of $138,118,000, issued from time to time by the Obligor pursuant to the Indenture including, without limitation, all such notes issued in respect of interest on other Asset Proceeds Notes.

"Bankruptcy Court" shall have the meaning ascribed thereto in the recitals.

"Business Day" shall mean a day other than a Saturday, Sunday or day on which banking institutions are not required to be open in The City of New York, in the State of New York or in the city in which the Trustee administers its corporate trust business.

"Compounding Date" shall mean each and commencing on the first such date following the date hereof.

"Covered Deficiency" shall mean the excess, if any, of (a) the sum of (i) $88,110,000 plus (ii) interest accrued on such amount (reduced from time to time by all payments (principal and interest) made by the Obligor under the Asset Proceeds Notes and by the amount (principal and accrued interest) of any Asset Proceeds Notes redeemed or otherwise purchased (including, without limitation, by purchase on the open market) by the Obligor or its Affiliates) from the date hereof to the date in respect of which the calculation of Covered Deficiency is to be made, at the rate of 10% per annum, compounded on each Compounding Date (computed on the basis of a 360-day year of 12 30-day months), over (b) the sum of all amounts paid (principal and interest) by the Obligor under the Asset Proceeds Notes (other than those held by the Obligor or its Affiliates) and the amount (principal and accrued interest) of Asset Proceeds Notes redeemed or otherwise purchased (including, without limitation, by purchase on the open market) by the Obligor or its

Affiliates (other than from the Obligor or its Affiliates) on or prior to the date in respect of which the calculation of Covered Deficiency is to be made; provided, however, in no event shall the Covered Deficiency exceed $20,000,000 plus interest accrued thereon from the date hereof to the date in respect of which the calculation of Covered Deficiency is to be made, at the rate of 10% per annum, compounded on each Compounding Date (computed on the basis of a 360-day year of 12 30-day months).

"Debtors" shall have the meaning ascribed thereto in the recitals.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Event of Default" shall have the meaning ascribed thereto in Section 6 hereof.

"Exchange Act" shall have the meaning ascribed thereto in Section 4(g) hereof.

"Guarantee" means this Guarantee, and any extensions, modifications, renewals, restatements, reaffirmations, supplements or amendments hereof.

"Guarantor" shall have the meaning ascribed thereto in the recitals.

"Guarantor Indenture" shall mean the indenture of even date herewith between the Guarantor and , as trustee, which indenture relates to the Guarantor's 10% Senior Notes Due 2003 in the initial principal amount of $75,000,000.

"Guarantor Obligations". Guarantor Obligations shall mean the obligations of the Guarantor to pay to the Trustee any amounts which are due and unpaid by the Obligor under the terms of the Asset Proceeds Notes (including, without limitation, Section 2.13 thereof) on the first business day after the Maturity Date; provided, however, in no event shall the Guarantor Obligations exceed the amount of the Covered Deficiency.

"Holders" shall mean each and every holder of an Asset Proceeds Note.

"Indenture" shall mean the Indenture of even date herewith between the Obligor and the Trustee, which Indenture relates to the Asset Proceeds Notes.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or similar encumbrance in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any capitalized lease in the nature thereof, and any filing of or agreement to give any financing statement under the New York Uniform Commercial Code or equivalent statutes of any jurisdiction other than an information filing).

"Maturity Date" shall have the meaning ascribed thereto in the Indenture, but may be deferred in yearly increments up to three years in accordance with Section 2(b) hereof.

"Obligor" shall mean Rosebud Holdings, Inc., a Delaware corporation and wholly-owned subsidiary of the Guarantor.

"Officer" means the Chairman of the Board, the President, any Senior Vice-President, Executive Vice-President or any other Vice-President, the Treasurer or the Secretary of the Guarantor.

"Officer's Certificate" means a certificate signed by an Officer of the Guarantor.

"Opinion of Counsel" means a written opinion from legal counsel, who may be an employee of or counsel for the Guarantor or other counsel reasonably acceptable to the Trustee.

"Payment Notes" shall mean unsecured promissory notes of the Guarantor which shall mature on July 31 of the fifth calendar year after their date of issuance and bear interest at a rate equal to 300 basis points above the current yield for five-year U.S. Treasury Bond obligations as of the date of the issuance of such Payment Notes. If required by the Trust Indenture Act of 1939, the Payment Notes will be issued in accordance with such act including, without limitation, being issued under an indenture duly qualified under such act. The Payment Notes shall be subordinate to the Senior Notes.

"Payment Notice" shall have the meaning ascribed thereto in Section 2 hereof.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

"Plan" shall have the meaning ascribed thereto in the recitals.

"Pledge Agreement" shall mean the pledge agreement of even date herewith pursuant to which the Guarantor grants a pledge of the common stock of the Obligor to the Trustee to secure the Guarantor's obligations hereunder (which shall not, for any purposes hereunder or under the Pledge Agreement, be deemed to include any obligations under the Payment Notes).

"Proscribed Distribution" shall have the meaning ascribed thereto in Section 4(a) hereof.

"Restricted Subsidiary" means: (A) any Subsidiary other than: (i) a subsidiary substantially all of the physical properties of which are located, and substantially all of the business of which is carried on, outside the limits of the United States of America (including Alaska and Hawaii) or which is organized under the laws of any jurisdiction other than the United States of America, the District of Columbia, the Commonwealth of Puerto Rico, the States or the possessions of the United States; (ii) a Subsidiary the primary business of which consists of purchasing accounts receivable and/or making loans secured by accounts receivable and/or making investments in or in the development of real estate (other than for sale or lease to the Guarantor or its Restricted Subsidiaries) or providing services directly related thereto, or which is otherwise primarily engaged in the finance business or in the real estate business; or (iii) the Obligor and its Subsidiaries; and (B) any Subsidiary specified in clause A(i) or (ii) above which the Guarantor, by resolution of its Board of Directors, shall have designated as a Restricted Subsidiary.

"SEC" shall have the meaning ascribed thereto in Section 4(g) hereof.

"Senior Notes" shall mean notes issued by the Guarantor in the aggregate principal amount of $75,000,000 pursuant to the Guarantor Indenture.

"Subsidiary" shall mean any Person more than 50% of the outstanding voting stock of which is owned, directly or indirectly, by the Guarantor or by one or more other Subsidiaries. For the purposes of this definition, "voting stock" means stock which ordinarily has voting power for the election of directors, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

"Trustee" shall mean , in its capacity as trustee under the Indenture.

2. Guarantor Obligations; Extension Notices; Payment and Deemed Repayment.

(a) The Guarantor hereby guarantees the payment of the Guarantor Obligations (and only the Guarantor Obligations). Subject to Section 6 hereof, the Guarantor Obligations shall become due and payable by the Guarantor hereunder, if at all, upon notice (a "Payment Notice") from the Trustee delivered not earlier than the first Business Day after the Maturity Date, and shall not be accelerated as a result of any acceleration of the Asset Proceeds Notes.

(b) In the event that any amounts remain outstanding under the Asset Proceeds Notes on the Maturity Date, the Trustee shall within sixty days after the Maturity Date either (i) deliver a Payment Notice in accordance with Section 2(a) or (ii) with the concurrence of Holders owning an aggregate of % of the principal amount of the outstanding Asset Proceeds Notes, elect to defer the Maturity Date for a period of one year. If the Trustee defers the Maturity Date, (x) no Payment Notice shall be made unless and until amounts remain outstanding under the Asset Proceeds Notes on the first Business Day following the Maturity Date as so deferred and (y) the maturity date of the Asset Proceeds Notes will be automatically deferred one year and all "Defaults" or "Events of Default" thereunder resulting from the nonpayment thereof prior to such deferral shall automatically be deemed cured and waived by all Holders and the Trustee. The Maturity Date may be deferred in yearly increments under this Section 2(b) up to three times (i.e. with a final Maturity Date not later than July 31, 2000).

(c) If any Guarantor Obligations become due and payable, the Guarantor shall promptly pay such amounts to the Trustee upon the Guarantor's receipt of a Payment Notice. Such payment may, in the discretion of the Guarantor, be made (i) in cash or by check; (ii) by issuance of Payment Notes; or

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(iii) by a combination of the types of payment described in clauses (i) and (ii). Upon payment of the Guarantor Obligations in accordance with this Section 2, (x) all obligations under this Guarantee and the Pledge Agreement shall terminate in their entirety; and (y) the Asset Proceeds Notes shall irrevocably be deemed to be repaid in an amount equal to the amount of all amounts of Guarantor Obligations paid hereunder and the outstanding amount thereof shall be deemed accordingly reduced. In computing any such deemed repayment, each Payment Note issued by the Guarantor shall be deemed to have a value equal to the principal amount thereof.

3. Nature of Guarantee. This Guarantee is unconditional, irrevocable and continuing in nature. Subject to the notice provisions set forth in Section 2 hereof, this Guarantee is a guarantee of prompt and punctual payment and performance, and is not merely a guarantee of collection.

4. Covenants of Guarantor.

(a) The Guarantor shall not directly or indirectly demand, accept or receive payment of any monies whatsoever by the Obligor, whether by way of repayment of debt, dividend, distribution, salary, consulting fee or otherwise, if such payment would constitute a breach of Sections 4.08 or 4.09 of the Indenture on the part of the Obligor (any such prohibited payment, a "Proscribed Distribution"). If, notwithstanding the provisions of this Guarantee, the Guarantor receives any Proscribed Distribution (including receipt in any bankruptcy or similar proceedings), the Guarantor shall hold such payment in trust for the Trustee and will promptly turn over such payment to the Trustee, in the form received, to be held by the Trustee in trust and applied to the Guarantor Obligations if appropriate in accordance with the terms of this Guarantee. In the event of (x) any insolvency, bankruptcy, receivership, custodianship, liquidation, reorganization, readjustment of debt, arrangement, composition, moratorium, assignment for the benefit of creditors, or other similar proceedings affecting the Obligor or its property or assets, or (y) any proceeding for voluntary liquidation, dissolution or other winding up or bankruptcy or other similar proceedings affecting the Obligor, then and in any such event the Asset Proceeds Notes shall first be (or, in accordance with the terms of the Indenture, be deemed to be) indefeasibly paid in full before any payment or distribution of any character, whether in cash, securities, obligations or other property, shall be made in respect of Proscribed Distributions.

(b) Except as specified in Section 7 hereof the Guarantor shall not sell, transfer, assign, pledge, exchange or otherwise encumber or dispose of, or grant any option or warrant with respect to, or cause the Obligor to issue, or grant any option or warrant with respect to the issuance of, any capital stock of the Obligor.

(c) The Guarantor shall not cause the Obligor to merge or consolidate with any other Person in violation of the Indenture. The Guarantor shall not consolidate or merge with or into, or sell, assign, transfer or lease all or substantially all of the assets of the Guarantor and its Restricted Subsidiaries, taken as a whole, to, any Person unless:

(i) the Person formed by or surviving any such consolidation or merger (if other than the Guarantor), or to which such sale or conveyance shall have been made, is an entity organized and existing under the laws of the United States, any state thereof or the District of Columbia; and

(ii) the Person formed by or surviving any such consolidation or merger (if other than the Guarantor), or to which such sale or conveyance shall have been made, assumes all the obligations of the Guarantor under the Guarantee.

The Guarantor shall deliver to the Trustee prior to the consummation of the proposed transaction an Officer's Certificate to the foregoing effect and an Opinion of Counsel stating that the proposed transaction complies with this Section 4(c).

(d) The Guarantor shall reimburse the Trustee for all payments made and expenses incurred by the Trustee, including fees, expenses and disbursements of attorneys acting for the Trustee in connection with the negotiation, execution and delivery of this Guarantee Agreement or the exercise or enforcement of any rights of the Trustee hereunder.

(e) Except as contemplated in the second sentence of Section 4(c) above, the Guarantor shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence.

(f) The Guarantor will pay or discharge or cause to be paid or discharged, before the same shall become delinquent (i) all taxes, assessments and governmental charges levied or imposed upon the Guarantor, and (ii) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a material Lien upon the property of the Guarantor; provided, however, that the Guarantor shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings and for which it has set aside on its books such reserves as it deems adequate.

(g) Within 15 days after the Guarantor files with the Securities and Exchange Commission (the "SEC") copies of its annual and quarterly reports and other information, documents and reports (or copies of such portions of any of the foregoing as the SEC may by rules and regulations prescribe) which it is required to file with the SEC pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"), the Company shall deliver the same to the Trustee. If the Guarantor shall cease to be subject to the requirements of Section 13 or 15(d) of the Exchange Act, the Guarantor shall deliver to the Trustee, within 15 days after the date by which it would have been required to make such a filing with the SEC, audited annual financial statements prepared in accordance with generally accepted accounting principles and unaudited condensed quarterly financial statements, including any notes thereto, each comparable to that which the Guarantor would have been required to include in such annual reports, information, documents or other reports if the Guarantor were then subject to the requirements of Section 13 or 15(d) of the Exchange Act.

(h) The Guarantor will not declare any dividends (other than dividends payable solely in capital stock of the Guarantor or dividends required under the terms of a preferred stock issued by a company which is at the time of such issuance or later becomes a Restricted Subsidiary) on any capital stock of the Guarantor or make any payment on account of the purchase, redemption or other retirement of any shares of such stock or make any distribution in respect thereof, either directly or indirectly, and the Guarantor will not itself, and will not permit any Restricted Subsidiary to, make any investment in any Subsidiaries which are not Restricted Subsidiaries, in each case to the extent such declaration, payment, redemption, retirement or investment would constitute a breach of Section 4.08 of the Guarantor Indenture.

(i) The Guarantor will not, and will not permit any of its Restricted Subsidiaries to, engage in any material transaction with any of its Affiliates (other than the Guarantor, the Obligor or their Restricted Subsidiaries) unless (i) such transaction is in the ordinary course of business or (ii) the Board of Directors of the Guarantor in good faith determines that such transaction is in the best interest of the Guarantor. Nothing in this Section 4(i) shall prohibit any transactions pursuant to any agreement existing as of the Effective Date.

(j) The Guarantor will not, and will not permit any of its Restricted Subsidiaries to, enter into any agreement or execute any instrument that by its terms expressly prohibits or otherwise would have the effect of prohibiting the Guarantor from making any payments pursuant to the terms of this Guarantee.

(k) The Guarantor shall keep, or cause to be kept, true books and records and accounts in which entries will be made of all of the business transactions of the Guarantor and its Restricted Subsidiaries which shall be full and correct in all material respects, in accordance with sound business practices, and reflect in their respective financial statements adequate accruals and appropriate reserves, all in accordance with generally accepted accounting principles.

(l) The Guarantor shall, and shall cause its Restricted Subsidiaries to, comply with all statutes, laws, ordinances, or governmental rules and regulations to which it is subject, noncompliance with which would materially adversely affect the prospects, earnings, properties, assets or condition, financial or otherwise, of the Guarantor and its Restricted Subsidiaries taken as a whole.

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(m) In the event that any Default under this Guarantee shall occur, the Guarantor will give prompt written notice of such Default to the Trustee, specifying the nature and status of such Default and the steps which the Guarantor or its Subsidiaries have taken or propose to take in order to cure such Default.

5. Continued Effectiveness of this Guarantee. The Guarantor hereby expressly agrees that its obligations hereunder shall be binding irrespective of any event or circumstance (except any act, event or circumstance which would constitute a discharge, release, defense, waiver or other satisfaction of or to the Obligor's obligations other than by reason of the Obligor's future bankruptcy, insolvency or inability to pay or perform its obligations) which might otherwise constitute a legal or equitable discharge or defense of a guarantor, indemnitor or surety under the laws of any jurisdiction, including, without limitation, any failure of, or delay in, due and timely demand or notice, and regardless of any change of circumstances, whether or not foreseen or foreseeable, whether or not knowledge or notice thereof is imputable to the Guarantor, and irrespective of any present or future law or order of any jurisdiction (or any agency thereof) purporting to reduce, amend or otherwise affect any obligation of the Guarantor under the terms hereof or to vary the terms hereof or of the Asset Proceeds Notes or the Indenture or any other instrument, writing or arrangement relating thereto and irrespective of any other circumstance (subject to the exception stated above), whether or not any of the foregoing might in any manner or to any extent vary the obligations of the Guarantor under this Guarantee or otherwise constitute a legal or equitable discharge or defense of a guarantor, indemnitor or surety.

The Guarantor hereby consents that at any time and from time to time, without notice to the Guarantor, the performance or observance by the Obligor of any term or covenant of the Asset Proceeds Notes or the Indenture or any other instrument pertaining thereto, or any other writing or arrangement relating to the Asset Proceeds Notes or the Indenture may be waived, the time of performance thereof extended, the time of any payment under the Asset Proceeds Notes accelerated or extended, and any provisions of the Asset Proceeds Notes or the Indenture amended, without affecting the liability of the Guarantor hereunder. The Guarantor hereby waives presentment and protest of any Asset Proceeds Note and waives all notices of every kind which may be required to be given by any statute, regulation or rule of law in any jurisdiction. The Guarantor hereby consents in all respects to the execution and delivery of the Asset Proceeds Notes and the Indenture and to all of the terms thereof, and acknowledges receipt of an executed counterpart of the Asset Proceeds Notes and the Indenture.

Anything herein to the contrary notwithstanding, the Guarantor shall have no obligation hereunder with respect to any act, event or obligation, or at any time, or under any circumstances, to the extent that any such obligation at such time, under then existing circumstances, exceeds the then corresponding obligation of the Obligor, if any; provided, that the foregoing shall not apply if the Obligor's obligation is affected by reason of the Obligor's future bankruptcy, insolvency or inability to pay or perform its obligations.

6. Events of Default.

(a) An "Event of Default" occurs if:

(1) the Guarantor defaults in the payment of Guarantor Obligations when the same becomes due and payable in accordance with Section 2 hereof, and such default continues for a period of 30 days;

(2) the Guarantor fails to observe or perform in any material respect any of its other covenants or agreements in this Guarantee, which failure continues for a period of 30 days after the earlier of (i) the date on which written notice of such failure, requiring the Guarantor to remedy the same, shall have been given to the Guarantor by the Trustee, or to the Guarantor and the Trustee by the Holders of at least 25% in aggregate principal amount of the Asset Proceeds Notes at the time outstanding or (ii) the date on which the Guarantor had Actual Knowledge of such failure;

(3) (a) the Guarantor fails to pay when due (whether at maturity, in connection with any mandatory amortization or redemption, by acceleration or otherwise) any principal or interest on any indebtedness with an aggregate outstanding principal amount in excess of $5 million, whether any such indebtedness is outstanding as of the date of this Guarantee or is hereafter outstanding, which default continues for the greater of any period of grace applicable thereto or 60 days from the date of such

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default, or (b) a default or event of default, as defined in one or more indentures, agreements or other instruments evidencing or under which the Guarantor has, as of the date of this Guarantee or hereafter, outstanding at least $5 million aggregate principal amount of indebtedness, shall happen and be continuing and such indebtedness shall have been accelerated so that it is due and payable prior to the date on which it would otherwise have become due and payable, and such acceleration shall not be rescinded or annulled within 60 days after the earlier of (i) the date on which written notice of such acceleration shall have been given to the Guarantor by the Trustee, or to the Guarantor and the Trustee by the Holders of at least 25% in aggregate principal amount of the Asset Proceeds Notes at the time outstanding or (ii) the date on which the Guarantor had Actual Knowledge of such acceleration; provided that if such default or event of default under such indenture or other instrument shall be remedied or cured by the Guarantor or waived by the holders of such indebtedness, then the Event of Default under this Guarantee by reason thereof shall be deemed likewise to have been thereupon remedied, cured or waived without further action upon the part of either the Trustee or any of the Holders of Asset Proceeds Notes;

(4) one or more final judgments against the Guarantor for payments of money which in the aggregate exceed $5 million are entered by a court of competent jurisdiction and such judgments are not rescinded, annulled, stayed or discharged within 90 days;

(5) the Guarantor and its Subsidiaries, taken as a whole, become insolvent;

(6) the Guarantor pursuant to or within the meaning of any Bankruptcy Law:

(a) commences a voluntary case,

(b) consents to the entry of a judgment, decree or order for relief against it in an involuntary case or proceeding,

(c) consents to the appointment of a Custodian of it or for all or substantially all of its property,

(d) makes a general assignment for the benefit of its creditors, or

(e) applies for, consents to or acquiesces in the appointment of, or taking possession by a Custodian;

(7) a court of competent jurisdiction enters a judgment, decree or order for relief in respect of the Guarantor in an involuntary case or proceeding under any Bankruptcy Law which shall

(a) approve as properly filed a petition seeking reorganization, arrangement, adjustment or composition;

(b) appoint a Custodian for any part of its property; or

(c) order the winding up or liquidation of its affairs; and such judgment, decree or order remains unstayed and in effect for a period of sixty (60) consecutive days; or

(8) any bankruptcy or insolvency petition or application is filed, or any bankruptcy case or insolvency proceeding is commenced against, the Guarantor or any of its material Restricted Subsidiaries and such petition, application, case or proceeding is not dismissed or stayed within ninety (90) days.

The term "Bankruptcy Law" means Title 11, U.S. Code or any similar Federal or State law for the relief of debtors. The term "Custodian" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law. The term "Actual Knowledge" means the actual knowledge of any executive officer of the Guarantor; provided, however, that each executive officer of the Guarantor shall be deemed to have actual knowledge of any fact that would have come to such officer's attention if he or she had exercised reasonable care in performing his or her duties, given the nature of his or her duties and the Guarantor's business and organization.

(b) If an Event of Default (other than an Event of Default specified in Section 6(a)(5), (6), (7) or (8) occurs and is continuing, the Trustee

by notice to the Guarantor, or the Holders of at least 25% in

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principal amount of the Asset Proceeds Notes by notice to the Guarantor and the Trustee, may declare the Guarantor Obligations to be accelerated. If an Event of Default specified in Section 6(a)(5), (6), (7) or (8) occurs, all Guarantor Obligations shall ipso facto be accelerated without any declaration or other act on the part of the Trustee or any Holder. Upon any acceleration of the Guarantor Obligations (i) if the Event of Default is specified in Section 6(a)(1), any Guarantor Obligations shall be due and payable and (ii) otherwise, the Guarantor shall irrevocably deposit in trust with the Trustee immediately available funds or obligations of the United States of America sufficient to pay all Guarantor Obligations on the first Business Day after the Maturity Date then in effect. Such deposit shall be made under the terms of an irrevocable trust (in form and substance reasonably satisfactory to the Trustee), and this Guarantee and the Pledge Agreement shall thereupon terminate except for the Guarantor's obligations to pay any Guarantor Obligations to the extent provided in Section 2 hereof (which payment shall be made, to the extent possible, from such trust fund) and the Trustee's obligation to return to the Guarantor any amounts remaining in such trust fund after such payment. The Holders of at least 66 2/3% of the principal amount of the Asset Proceeds Notes may rescind an acceleration and its consequences by notice to the Trustee if the rescission would not conflict with any judgment or decree and if the outstanding Events of Default have been cured or waived, except for nonpayment of (or failure to deposit, as the case may be) Guarantor Obligations due solely as a result of such acceleration. No such rescission shall affect any subsequent Event of Default or impair any right or remedy with respect thereto.

7. Pledge Agreement. To secure this Guarantee, the Guarantor is simultaneously herewith executing and delivering the Pledge Agreement.

8. Notices. Any notices or other communications required or permitted hereunder shall be in writing, and shall be sufficiently given if made by hand delivery, by telex, by telecopier or registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

To the Guarantor:

with a copy to:

To the Trustee:

Any party hereto may by notice to each other party designate such additional or different addresses as shall be furnished in writing by such party. Any notice or communication to any party hereto shall be deemed to have been given or made as of the date so delivered, if personally delivered; when answered back, if telexed; when receipt is acknowledged by telecopier confirmation, if telecopied; and five calendar days after mailing if sent by registered or certified mail (except that a notice of change of address shall not be deemed to have been given until actually received by the addressee). Any party hereto may give notice to the Holders at the addresses set forth for them in the register kept by the Registrar under the Indenture.

9. Binding Agreement; Assignment; Obligations Several. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, including, without limitation, and without the need for an express assignment or amendment, subsequent Holders of Asset Proceeds Notes (whether or not the Asset Proceeds Notes held by such persons are outstanding as of the date hereof or issued hereafter). This Agreement may not be assigned by the Guarantor; provided, however, that this Agreement shall be deemed to be automatically assigned by the Guarantor to any person which is a successor to the Guarantor, in accordance with the terms of this Guarantee. This Guarantee shall be deemed to be automatically assigned by the Trustee to any person who succeeds to the Trustee in accordance with the Indenture, and such assignee shall have all rights and powers of, and act as, the Trustee hereunder. Each Holder of the Asset Proceeds Notes, by its acceptance of any Asset Proceeds Notes, consents to and agrees to be bound by the provisions hereof.

10. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of New York without regard to its conflict of law principles, except as otherwise required by mandatory provisions of law.

11. Effectiveness; Termination. This Agreement shall become effective on the Effective Date. Upon the earlier of (i) payment of the Guarantor Obligations in accordance with Section 2 hereof or (ii) such time as the Covered Deficiency shall be $0 or less, this Agreement and the Pledge Agreement shall terminate. Upon the irrevocable deposit in trust by the Guarantor with the Trustee of immediately available funds or obligations of the United States of America sufficient to pay all Guarantor Obligations on the first Business Day after the Maturity Date then in effect, under the terms of an irrevocable trust agreement (in form and substance reasonably satisfactory to the Trustee) and this Guarantee and the Pledge Agreement shall terminate except for the Guarantor's obligations to pay any Guarantor Obligations to the extent provided in Section 2 hereof (which payment shall be made, to the extent possible, from such trust fund) and the Trustee's obligation to return to the Guarantor any amounts remaining in such trust fund after payment in full of any Guarantor Obligations.

12. Amendments, Supplements and Waivers.

(a) With the written consent of the Trustee and 66 2/3% of the Holders of the outstanding Asset Proceeds Notes, the Guarantor may, from time to time, enter into written supplemental agreements for the purpose of amending, modifying or waiving any provision of this Agreement or changing in any manner the rights of the Trustee and the Guarantor hereunder. Any such supplemental agreement shall be binding upon the Guarantor, the Trustee, the Holders of Asset Proceeds Notes, and their respective successors and permitted assigns.

(b) Notwithstanding the provisions of Section 12(a) above, the Trustee and the Guarantor may, at any time and from time to time, without the consent of any Holders of Asset Proceeds Notes, enter into any agreement supplemental hereto or any additional agreement or grant any waiver hereunder, in form satisfactory to the Trustee which:

(i) adds to the covenants of the Guarantor for the benefit of the Holders of the Asset Proceeds Notes or the Trustee, or surrenders any right or power herein conferred upon the Guarantor; or

(ii) cures any ambiguity, defect or inconsistency in this Agreement or makes any other change which does not adversely affect the rights of any Holder of any Asset Proceeds Notes hereunder.

Notice of any amendment, modification or waiver to this Agreement or of any additional or supplemental agreement entered into in accordance with Section 12(a) or (b) above shall be given by the Trustee to the Holders of Asset Proceeds Notes.

13. Inconsistent Provisions. If any provision of this Agreement shall be inconsistent with, or contrary to, any provision of the Indenture, such provision of the Indenture shall be controlling and shall supersede such inconsistent provisions hereof to the extent necessary to give full effect to such provision of the Indenture.

14. Severability. In the event that any provision contained in this Agreement shall for any reason be held to be illegal or invalid under the laws of any jurisdiction, such illegality or invalidity shall in no way impair the effectiveness of any other provision hereof or of such provision under the laws of any other jurisdiction; provided, that in the construction and enforcement of such provision under the laws of the jurisdiction in which such holding of illegality or invalidity exists, and to the extent only of such illegality or invalidity, this Agreement shall be construed and enforced as though such illegal or invalid provision had not been contained herein.

15. Headings. Section headings used herein are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

16. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, and all of which shall together constitute one and the same instrument. A complete set of counterparts shall be lodged with the Trustee.

IN WITNESS WHEREOF, the Trustee and the Guarantor have caused this Agreement to be executed and delivered by their respective officers thereunto duly authorized as of the day and year first above written.

LONE STAR INDUSTRIES, INC.

By:

Title:

BANK,
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as Trustee

By:

Title:

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EXHIBIT O

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EXHIBIT O

CURE AMOUNTS FOR EXECUTORY CONTRACTS
TO BE ASSUMED PURSUANT TO THE PLAN

1. Lease Agreement (#H021481), dated as of February 2, 1990, between Lone Star Industries, Inc. and AT&T Credit Corporation.

   Cure Amount for Defaults: $449.15

2. Lease Agreement (#G006461), between Lone Star Industries, Inc. and AT&T Credit Corporation.

   Cure Amount for Defaults: $65.87

3. Lease Agreement, dated February 15, 1989, between Caterpillar Financial Services Corporation and Lone Star Industries, Inc.

   Cure Amount for Defaults: $2,920.50

4. Rental Agreement, dated December 7, 1989, between Sylvan Equipment of New Jersey, Inc. and New York Trap Rock Corporation.

   Cure Amount for Defaults: $13,166.55

5. Lease Agreement, dated November 30, 1973, between Port Dock and Stone Corporation and New York Trap Rock Corporation.

   Cure Amount for Defaults: $4,651.38

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EXHIBIT P

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EXHIBIT P

CERTIFICATE OF INCORPORATION

OF

ROSEBUD HOLDINGS, INC.

The undersigned incorporator, in order to form a corporation under the General Corporation Law of the State of Delaware, certifies as follows:

FIRST: The name of the corporation is Rosebud Holdings, Inc.

SECOND: The registered office of the corporation is to be located at 1209 Orange Street, in the City of Wilmington, County of Kent, State of Delaware. The name of its registered agent at that address is The Corporation Trust Center.

THIRD: The purposes of the corporation are (i) to attempt to liquidate certain assets which will be transferred to it pursuant to a Plan of Reorganization (the "Plan") and to sell and realize the value of said assets and to distribute the proceeds of such sales as provided by the Plan and, in the interim before such liquidation is complete, to manage said assets in the ordinary course of business; and (ii) to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The corporation shall have the authority to issue One Thousand (1,000) shares of common stock, par value one dollar ($1.00) per share. The corporation shall not have the authority to issue nonvoting equity securities.

FIFTH: The name and mailing address of the sole incorporator are as follows:

Daniel J. Greaney, Esq.
Proskauer Rose Goetz & Mendelsohn
1585 Broadway
New York, New York 10036

SIXTH: Whenever a compromise or arrangement is proposed between this corporation and its creditors or any class of them and/or between this corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this corporation under the provisions of sec.279 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this corporation under the provisions of sec.279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders of class of stockholders of this corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors of class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class or creditors, and/or on all the stockholders or class of stockholders, of this corporation, as the case may be, and also on this corporation.

SEVENTH: To the fullest extent that elimination or limitation of the liability of directors is permitted by law, as the same is now or may hereafter be in effect, no director of the corporation shall be liable to the corporation or its stockholders for monetary damages for breach of his or her fiduciary duty as a director.

EIGHTH: The corporation shall, to the fullest extent permitted by law, as the same is now or may hereafter be in effect, indemnify each person (including the heirs, executors, administrators and other personal

representatives of such person) against expenses including attorneys' fees, judgments, fines and amounts paid in settlement, actually and reasonably incurred by such person in connection with any threatened, pending or completed suit, action or proceeding (whether civil, criminal, administrative or investigative in nature or otherwise) in which such person may be involved by reason of the fact that he or she is or was a director or officer of the corporation or is or was serving any other incorporated or unincorporated enterprise in such capacity at the request of the corporation.

NINTH: Unless, and except to the extent that the by-laws of the corporation shall so require, the election of directors of the corporation need not be by written ballot.

TENTH: The board of directors may from time to time adopt, amend or repeal the by-laws of the corporation, subject to the power of the stockholders to adopt any by-laws or to amend or repeal any by-laws adopted, amended or repealed by the board of directors.

IN WITNESS WHEREOF, I have hereunto set my hand this day of , 1993.

EXHIBIT Q

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EXHIBIT Q

BY-LAWS

OF

ROSEBUD HOLDINGS, INC.

1. MEETINGS OF STOCKHOLDERS.

1.1 Annual Meeting. The annual meeting of stockholders shall be held on the first Monday of May in each year, or as soon thereafter as practicable, and shall be held at a place and time determined by the board of directors (the "Board").

1.2 Special Meetings. Special meetings of the stockholders may be called by resolution of the Board or the Chairman of the Board or the president and shall be called by the Chairman of the Board, the president or secretary upon the written request (stating the purpose or purposes of the meeting) of a majority of the directors then in office or of the holders of a majority of the outstanding shares entitled to vote. Only business related to the purposes set forth in the notice of the meeting may be transacted at a special meeting.

1.3 Place and Time of Meetings. Meetings of the stockholders may be held in or outside Delaware at the place and time specified by the officers or stockholders requesting the meeting.

1.4 Notice of Meetings; Waiver of Notice. Written notice of each meeting of stockholders shall be given to each stockholder entitled to vote at the meeting, except that (a) it shall not be necessary to give notice to any stockholder who submits a signed waiver of notice before or after the meeting, and (b) no notice of an adjourned meeting need be given, except when required under section 1.5 or by law. Each notice of a meeting shall be given, personally or by mail, not fewer than 10 nor more than 60 days before the meeting and shall state the time and place of the meeting, and, unless it is the annual meeting, shall state at whose direction or request the meeting is called and the purposes for which it is called. If mailed, notice shall be considered given when mailed to a stockholder at his or her address on the corporation's records. The attendance of any stockholder at a meeting, without protesting at the beginning of the meeting that the meeting is not lawfully called or convened, shall constitute a waiver of notice by such stockholder.

1.5 Quorum. At any meeting of stockholders, the presence in person or by proxy of the holders of a majority of the shares entitled to vote shall constitute a quorum for the transaction of any business. In the absence of a quorum, a majority in voting interest of those present or, if no stockholders are present, any officer entitled to preside at or to act as secretary of the meeting, may adjourn the meeting until a quorum is present. At any adjourned meeting at which a quorum is present, any action may be taken that might have been taken at the meeting as originally called. No notice of an adjourned meeting need be given, if the time and place are announced at the meeting at which the adjournment is taken, except that, if adjournment is for more than 30 days or if, after the adjournment, a new record date is fixed for the meeting, notice of the adjourned meeting shall be given pursuant to section 1.4.

1.6 Voting; Proxies. Each stockholder of record shall be entitled to one vote for each share registered in his or her name. Corporate action to be taken by stockholder vote, other than the election of directors, shall be authorized by a majority of the votes cast at a meeting of stockholders, except as otherwise provided by law or by section 1.8. Directors shall be elected in the manner provided in section 2.1. Voting need not be by ballot, unless requested by a majority of the stockholders entitled to vote at the meeting or ordered by the chairman of the meeting. Each stockholder entitled to vote at any meeting of stockholders or to express consent to or dissent from corporate action in writing without a meeting may authorize another person to act for him or her by proxy. No proxy shall be valid after three years from its date, unless it provides otherwise.

1.7 List of Stockholders. Not fewer than 10 days prior to the date of any

meeting of stockholders, the secretary of the corporation shall prepare a complete list of stockholders entitled to vote at the meeting, arranged in alphabetical order and showing the address of each stockholder and the number of shares registered in his or her name. For a period of not fewer than 10 days prior to the meeting, the list shall be available during ordinary business hours for inspection by any stockholder for any purpose germane to the

meeting. During this period, the list shall be kept either (a) at a place within the city where the meeting is to be held, if that place shall have been specified in the notice of the meeting, or (b) if not so specified, at the place where the meeting is to be held. The list shall also be available for inspection by stockholders at the time and place of the meeting.

1.8 Action by Consent Without a Meeting. Any action required or permitted to be taken at any meeting of stockholders may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not fewer than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voting. Prompt notice of the taking of any such action shall be given to those stockholders who did not consent in writing.

2. BOARD OF DIRECTORS.

2.1 Number, Qualification, Election and Term of Directors. The business of the corporation shall be managed by the entire Board of Directors, which shall consist of such number of directors which shall be not less than three but not more than eighteen, as shall be determined, from time to time, by resolution of the Board of Directors. Initially, the entire Board shall consist of directors. The number of directors may by changed by resolution of a majority of the Board or by the stockholders, but no decrease may shorten the term of any incumbent director. Directors shall be elected at each annual meeting of stockholders by a plurality of the votes cast and shall hold office until the next annual meeting of stockholders and until the election and qualification of their respective successors, subject to the provisions of section 2.9. As used in these By-laws, the term "entire Board" means the total number of directors the corporation would have, if there were no vacancies on the Board.

2.2 Quorum and Manner of Acting. A majority of the entire Board shall constitute a quorum for the transaction of business at any meeting, except as provided in section 2.10. Action of the Board shall be authorized by the vote of the majority of the directors present at the time of the vote, if there is a quorum, unless otherwise provided by law or these By-laws. In the absence of a quorum, a majority of the directors present may adjourn any meeting from time to time until a quorum is present.

2.3 Place of Meetings. Meetings of the Board may be held in or outside Delaware.

2.4 Annual and Regular Meetings. Annual meetings of the Board, for the election of officers and consideration of other matters, shall be held either (a) without notice immediately after the annual meeting of stockholders and at the same place, or (b) as soon as practicable after the annual meeting of stockholders, on notice as provided in section 2.6. Regular meetings of the Board may be held without notice at such times and places as the Board determines. If the day fixed for a regular meeting is a legal holiday, the meeting shall be held on the next business day.

2.5 Special Meetings. Special meetings of the Board may be called by the Chairman of the Board, by the president or by a majority of the directors.

2.6 Notice of Meetings; Waiver of Notice. Notice of the time and place of each special meeting of the Board, and of each annual meeting not held immediately after the annual meeting of stockholders and at the same place, shall be given to each director by mailing it to such director at his or her residence or usual place of business at least three days before the meeting, or by delivering or telephoning or telegraphing it to him or her at least two days before the meeting. Notice of a special meeting also shall state the purpose or purposes for which the meeting is called. Notice need not be given to any director who submits a signed waiver of notice before or after the meeting or who attends the meeting without protesting at the beginning of the meeting the transaction of any business because the meeting was not lawfully called or convened. Notice of any adjourned meeting need not be given, other than by announcement at the meeting at which the adjournment is taken.

2.7 Board or Committee Action Without a Meeting. Any action required or

permitted to be taken by the Board or by any committee of the Board may be taken without a meeting, if all the members of the Board or the committee consent in writing to the adoption of a resolution authorizing the action. The resolution and

the written consents by the members of the Board or the committee shall be filed with the minutes of the proceedings of the Board or the committee.

2.8 Participation in Board or Committee Meetings by Conference Telephone. Any or all members of the Board or any committee of the Board may participate in a meeting of the Board or the committee by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at the meeting.

2.9 Resignation and Removal of Directors. Any director may resign at any time by delivering his or her resignation in writing to the Chairman of the Board, the president or the secretary of the corporation, to take effect at the time specified in the resignation; the acceptance of a resignation, unless required by its terms, shall not be necessary to make it effective. Any or all of the directors may be removed at any time, either with or without cause, by vote of the stockholders.

2.10 Vacancies. Any vacancy in the Board, including one created by an increase in the number of directors, may be filled for the unexpired term by a majority vote of the remaining directors, though less than a quorum.

2.11 Compensation. Directors shall receive such compensation as the Board determines, together with reimbursement of their reasonable expenses in connection with the performance of their duties. A director also may be paid for serving the corporation or its affiliates or subsidiaries in other capacities.

3. COMMITTEES.

3.1 Executive Committee. The Board, by resolution adopted by a majority of the entire Board, may designate an executive committee of one or more directors, which shall have all the powers and authority of the Board, except as otherwise provided in the resolution, section 141(c) of the General Corporation Law of Delaware or any other applicable law. The members of the executive committee shall serve at the pleasure of the Board. All action of the executive committee shall be reported to the Board at its next meeting.

3.2 Other Committees. The Board, by resolution adopted by a majority of the entire Board, may designate other committees of one or more directors, which shall serve at the Board's pleasure and have such powers and duties as the Board determines.

3.3 Rules Applicable to Committees. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In case of the absence or disqualification of any member of a committee, the member or members present at a meeting of the committee and not disqualified, whether or not a quorum, may unanimously appoint another director to act at the meeting in place of the absent or disqualified member. All action of a committee shall be reported to the Board at its next meeting. Each committee shall adopt rules of procedure and shall meet as provided by those rules or by resolutions of the Board.

4. OFFICERS.

4.1 Number; Security. The executive officers of the corporation shall be the Chairman of the Board, the president, one or more vice presidents (including an executive vice president, or senior vice president or other vice president, if the Board so determines), a secretary and a treasurer. Any two or more offices may be held by the same person. The board may require any officer, agent or employee to give security for the faithful performance of his or her duties.

4.2 Election; Term of Office. The executive officers of the corporation shall be elected annually by the Board, and each such officer shall hold office until the next annual meeting of the Board and until the election of his or her successor, subject to the provisions of section 4.4.

4.3 Subordinate Officers. The Board may appoint subordinate officers (including assistant secretaries and assistant treasurers), agents or employees, each of whom shall hold office for such period and have such

powers and duties as the Board determines. The Board may delegate to any executive officer or committee the power to appoint and define the powers and duties of any subordinate officers, agents or employees.

4.4 Resignation and Removal of Officers. Any officer may resign at any time by delivering his or her resignation in writing to the Chairman of the Board, the president or the secretary of the corporation, to take effect at the time specified in the resignation; the acceptance of a resignation, unless required by its terms, shall not be necessary to make it effective. Any officer elected or appointed by the Board or appointed by an executive officer or by a committee may be removed by the Board either with or without cause, and in the case of an officer appointed by an executive officer or by a committee, by the officer or committee that appointed such officer or by the president.

4.5 Vacancies. A vacancy in any office may be filled for the unexpired term in the manner prescribed in sections 4.2 and 4.3 for election or appointment to the office.

4.6 The Chairman of the Board. The Chairman of the Board (who shall be a Director) shall be the Chief Executive Officer of the Corporation, unless the Board otherwise directs, and shall preside at all meetings of stockholders. The Chairman of the Board shall perform such other duties and may exercise such other powers as from time to time may be assigned to him or her by these By-laws or by the Board of Directors. In the absence of the President the Chairman shall perform all of the duties and exercise all of the powers of the President.

4.7 The President. Subject to the control of the Chairman of the Board, unless the Board otherwise directs, the president shall be chief operating officer of the corporation, shall have general supervision over the business of the corporation and shall have such other powers and duties as presidents of corporations usually have or as the Board assigns to him or her. The President shall exercise such other powers and perform such other duties as may be assigned to him or her by the Board of Directors or the Chairman of the Board.

4.8 Vice President. Each vice president shall have such powers and duties as the Board, the Chairman of the Board or the president assigns to him or her.

4.9 The Treasurer. The treasurer shall be in charge of the corporation's books and accounts. Subject to the control of the Board, the treasurer shall have such other powers and duties as the Board, the Chairman of the Board or the president assigns to him or her.

4.10 The Secretary. The secretary shall be the secretary of, and keep the minutes of, all meetings of the Board and the stockholders, shall be responsible for giving notice of all meetings of stockholders and the Board, and shall keep the seal and, when authorized by the Board, apply it to any instrument requiring it. Subject to the control of the Board, the secretary shall have such powers and duties as the Board, the Chairman of the Board or the president assigns to him or her. In the absence of the secretary from any meeting, the minutes shall be kept by the person appointed for that purpose by the presiding officer.

4.11 Salaries. The Board may fix the officers' salaries, if any, or it may authorize the Chairman of the Board or the president to fix the salary of any other officer.

5. SHARES.

5.1 Certificates. The corporation's shares shall be represented by certificates in the form approved by the Board. Each certificate shall be signed by the Chairman of the Board, the president or a vice president, and by the secretary or an assistant secretary or the treasurer or an assistant treasurer, and shall be sealed with the corporation's seal or a facsimile of the seal. Any or all of the signatures on the certificate may be a facsimile.

5.2 Transfers. Shares shall be transferable only on the corporation's books, upon surrender of the certificate for the shares, properly endorsed. The Board may require satisfactory surety before issuing a new certificate to replace a certificate claimed to have been lost or destroyed.

5.3 Determination of Stockholders of Record. The Board may fix, in advance, a date as the record date for the determination of stockholders entitled to notice of or to vote at any meeting of the stockholders, or to express consent to or dissent from any proposal without a meeting, or to receive payment of any dividend or

the allotment of any rights, or for the purpose of any other action. The record date may not be more than 60 or fewer than 10 days before the date of the meeting or more than 60 days before any other action.

6. INDEMNIFICATION AND INSURANCE.

6.1 Right to Indemnification. Each person who was or is a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the corporation or is or was serving at the request of the corporation as a director, officer, employee, agent or member of the management committee of another corporation, partnership, joint venture, trust or other enterprise (including without limitation Lone Star Industries, Inc., a Delaware corporation and the parent of the Corporation), including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action or inaction in an official capacity or in any other capacity while serving as director, officer, employee or agent, shall be indemnified and held harmless by the corporation to the fullest extent permitted by the General Corporation Law of Delaware, as amended from time to time, against all costs, charges, expenses, liabilities and losses (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith, and that indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, except as provided in section 6.2, the corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by that person, only if that proceeding (or part thereof) was authorized by the Board. The right to indemnification conferred in these By-laws shall be a contract right and shall include the right to be paid by the corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the General Corporation Law of Delaware, as amended from time to time, requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by that person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding shall be made only upon delivery to the corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced, if it shall ultimately be determined that such director or officer is not entitled to be indemnified under these By-laws or otherwise. The corporation may, by action of its Board, provide indemnification to employees and agents of the corporation with the same scope and effect as the foregoing indemnification of directors and officers.

6.2 Right of Claimant to Bring Suit. If a claim under section 6.1 is not paid in full by the corporation within 30 days after a written claim has been received by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant also shall be entitled to be paid the expense of prosecuting that claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition, where the required undertaking, if any, is required and has been tendered to the corporation) that the claimant has failed to meet a standard of conduct that makes it permissible under Delaware law for the corporation to indemnify the claimant for the amount claimed. Neither the failure of the corporation (including its Board, its independent legal counsel or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is permissible in the circumstances because he or she has met that standard of conduct, nor an actual determination by the corporation (including its Board, its independent counsel or its stockholders) that the claimant has not met that standard of conduct, shall be a defense to the action or create a presumption that the claimant has failed to meet that standard of conduct.

6.3 Non-Exclusivity of Rights. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this section 6 shall not be exclusive of any other right any person may have or hereafter acquire under any statute, provision of the certificate of incorporation, bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

6.4 Insurance. The corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the corporation would have the power to indemnify such person against that expense, liability or loss under Delaware law.

6.5 Expenses as a Witness. To the extent any director, officer, employee or agent of the corporation is by reason of such position, or a position with another entity at the request of the corporation, a witness in any action, suit or proceeding, he shall be indemnified against all costs and expenses actually and reasonably incurred by him or her or on his or her behalf in connection therewith.

6.6 Indemnity Agreements. The corporation may enter into agreement with any director, officer, employee or agent of the corporation providing for indemnification to the fullest extent permitted by Delaware law.

7. MISCELLANEOUS.

7.1 Seal. The Board shall adopt a corporate seal, which shall be in the form of a circle and shall bear the corporation's name and the year and state in which it was incorporated.

7.2 Fiscal Year. The Board may determine the corporation's fiscal year. Until changed by the Board, the last day of the corporation's fiscal year shall be December 31.

7.3 Voting of Shares in Other Corporations. Shares in other corporations held by the corporation may be represented and voted by an officer of this corporation or by a proxy or proxies appointed by one of them. The Board may, however, appoint some other person to vote the shares.

7.4 Amendments. By-laws may be amended, repealed or adopted by the stockholders.

EXHIBIT R

PLEDGE AGREEMENT

AMONG

LONE STAR INDUSTRIES, INC.,

BANK,
AS COLLATERAL AGENT AND

BANK,
AS TRUSTEE FOR THE HOLDERS OF THE
10% ASSET PROCEEDS NOTES DUE 1997
OF

DATED AS OF , 1993

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EXHIBIT R

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PLEDGE AGREEMENT

PLEDGE AGREEMENT (the "Agreement"), dated as of , by and among Lone Star Industries, Inc., a Delaware corporation (the "Pledgor"), and Bank, as Collateral Agent and Bank, as Trustee (the "Asset Proceeds Note Trustee") with respect to the Securities issued under the Asset Proceeds Note Indenture (the "Asset Proceeds Note Indenture") of even date herewith between the Asset Proceeds Note Trustee and Rosebud Holdings, Inc., a wholly-owned subsidiary of the Pledgor (the "Obligor").

W I T N E S S E T H:

WHEREAS, the Asset Proceeds Note Trustee has entered into the Asset Proceeds Note Indenture pursuant to which the Obligor shall issue initially up to $ aggregate principal amount of 10% Asset Proceeds Notes due 1997 (the "Securities");

WHEREAS, the Pledgor has agreed, pursuant to a Guarantee Agreement of even date herewith (the "Guarantee Agreement"), to guarantee a portion of the Obligor's obligations under the Securities;

WHEREAS, the Pledgor is the legal and beneficial owner of the outstanding shares of common stock (the "Pledged Shares") set forth on Schedule I hereto of the Obligor;

WHEREAS, the Pledgor has agreed to grant a security interest in and to the Pledged Shares and other Pledged Collateral (as such term and all other capitalized terms used herein without definition are defined in Section 1 hereof) to secure the Secured Obligations;

WHEREAS, the security interest and rights of the Asset Proceeds Note Trustee and the Holders of Securities granted herein are intended to be in addition to the security interest and rights being granted by the Obligor in a Pledge [, Intercreditor] and Collateral Agency Agreement of even date herewith; and

WHEREAS, the parties hereto desire to set forth their understanding with respect to the Collateral Agent's rights and duties in and to the Pledged Collateral.

NOW, THEREFORE, in consideration of these premises and other benefits, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

Section 1. Definitions. As used herein, the following terms shall have the meanings set forth in this Section 1, and all other capitalized terms not otherwise defined herein shall have the meanings set forth in the Asset Proceeds Note Indenture. All terms not defined in the Asset Proceeds Note Indenture or in this Agreement shall have the same meaning as in Article 9 of the Uniform Commercial Code as in effect in the State of New York.

Acceptable Bank: means a bank or trust company in good standing and incorporated under the laws of the United States or any State thereof or

the District of Columbia, with a combined capital and surplus of at least $50,000,000 as set forth in its most recent published report of condition, with its principal corporate trust office within the United States.

Agreement: means this Pledge Agreement, as the same may be amended from time to time in accordance with its terms.

Asset Proceeds Note Indenture: means the Indenture, dated as of the date hereof, between the Obligor and the Asset Proceeds Note Trustee, pursuant to which the Securities are issued, as the same may be amended or supplemented from time to time in accordance with the terms thereof.

Asset Proceeds Note Trustee: means the Trustee, as defined in the Asset Proceeds Note Indenture, and any successor trustee appointed thereunder.

Collateral Agent: means Bank, in its capacity as Collateral Agent under this Agreement, until its resignation or removal as Collateral Agent pursuant to the provisions of Section 15 hereof and, upon such resignation or removal, any successor Collateral Agent appointed pursuant to the provisions of

Section 15 hereof until such successor's resignation or removal as Collateral Agent pursuant to the provisions of Section 15 hereof.

Event of Default: has the meaning assigned to such term in the Guarantee Agreement and shall also mean any failure by the Pledgor in any material respect to perform its agreements hereunder which is not cured or waived within 90 days after receipt of written notice thereof from the Collateral Agent or the Asset Proceeds Note Trustee stating the nature of the default.

Guarantee Agreement: has the meaning assigned to such term in the recitals.

Lien: means with respect to any asset, any mortgage, lien, pledge, charge, security interest or similar encumbrance in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any capitalized lease in the nature thereof, and any filing of or agreement to give any financing statement under the Uniform Commercial Code or equivalent statutes of any jurisdiction, other than an information filing).

Officer's Certificate: means a certificate signed by any executive officer of the Pledgor.

Opinion of Counsel: means a written opinion from legal counsel who is reasonably acceptable to the Collateral Agent. The counsel may be an employee of or counsel to the Pledgor, the Collateral Agent or the Asset Proceeds Note Trustee.

Pledge Documents: means, collectively, this Pledge Agreement and each of the stock powers and other instruments and documents pertaining to the Pledged Collateral required to be delivered by the Pledgor pursuant to the terms hereof, as the same may be amended, restated or otherwise modified from time to time in accordance with the terms hereof.

Pledged Collateral: means, collectively, (i) the Pledged Shares and the certificates representing the Pledged Shares and the Relevant Records, wherever located, whether now owned or existing or hereafter acquired or arising; and (ii) all additional shares of, and all securities convertible into, and warrants, options or other rights to purchase, stock of, or equity interest in, the Obligor from time to time acquired by the Pledgor in respect of the Pledged Shares, and the certificates representing such additional shares (any such additional shares shall constitute part of the Pledged Shares under and as defined in this Pledge Agreement); and (iii) all Proceeds of any of such Pledged Collateral.

Pledged Shares: has the meaning assigned to such term in the recitals hereto.

Proceeds: shall have the meaning ascribed thereto in the UCC and shall include, without limitation, the following: (a) whatever is now or hereafter received by the Pledgor upon the sale, exchange, collection or other disposition of any Pledged Collateral including, without limitation, all dividends, cash, options, warrants, rights, instruments and other

property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all Pledged Collateral; (b) any property now or hereafter acquired by the Pledgor with any Proceeds; and (c) any payments under insurance or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing.

Relevant Records: means, collectively, all documents, ledger sheets, files, books, records, indemnities, warranties, guaranties and insurance policies relating solely to the Pledged Shares.

Secured Obligations: means, collectively, all obligations of the Pledgor under the Guarantee Agreement (which shall not for any purposes be deemed to include any obligations under the Payment Notes, as defined in the Guarantee Agreement).

Securities: means the 10% Asset Proceeds Notes due 1997 issued by the Obligor under the Asset Proceeds Note Indenture, as in effect on the date hereof or as amended in accordance with the provisions thereof.

Securities Act: has the meaning assigned to such term in Section 7(b) hereof.

Security Interests: means the security interests in the Pledged Collateral granted hereunder in favor of the Collateral Agent on behalf of the Holders of the Securities.

Section 2. Certain Covenants. The Pledgor covenants that:

(a) except for the Security Interest and the other security interests contemplated hereby, it will not create, assume, incur or permit to exist or to be created, assumed or incurred, directly or indirectly, any Lien of any kind on the Pledged Collateral, and that it will defend the Pledged Collateral against, and take such action as is necessary to remove, any such Lien, and will defend the Security Interests against the claims and demands of all Persons; and

(b) it will advise the Collateral Agent promptly, in reasonable detail, of any Lien or claim made or asserted against any of the Pledged Collateral and of the occurrence of any other event that would have a material adverse effect on the enforceability of the Security Interests created hereunder or under the other Pledge Documents.

Section 3. The Security Interests.

(a) In order to secure the full and punctual payment and performance of the Secured Obligations in accordance with the terms of the Guarantee Agreement, the Pledgor hereby assigns and pledges to and with the Collateral Agent and grants to the Collateral Agent for the ratable benefit of the Holders of the Securities a continuing first priority security interest in and Lien upon all of the Pledgor's right, title and interest in the Pledged Collateral.

(b) In the event that the Pledgor at any time receives any Pledged Collateral, the Pledgor shall immediately pledge and deposit with the Collateral Agent such Pledged Collateral and appropriate documents of assignment relating thereto to be held by the Collateral Agent subject to all provisions of this Agreement.

(c) The Security Interests are granted as security only and shall not subject the Collateral Agent or any of the Holders of the Securities to, or transfer or in any way affect or modify, any obligation or liability of the Pledgor with respect to any of the Pledged Collateral or any transaction in connection therewith.

Section 4. Delivery of Pledged Securities.

(a) All certificates or instruments representing or evidencing the Pledged Collateral outstanding as of the date hereof shall be delivered to the Collateral Agent on the Effective Date and shall be held by the Collateral Agent pursuant hereto at all times during the term of this Agreement, and all certificates and instruments representing or evidencing stock or other securities acquired by the Pledgor after the date hereof and constituting Pledged Collateral hereunder shall be delivered to the Collateral Agent immediately upon, and held by the Collateral Agent at all times after, acquisition thereof by the Pledgor. All such certificates or instruments shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment endorsed in blank, all in form

and substance reasonably satisfactory to the Collateral Agent.

(b) The Pledgor agrees that it will not cause the Obligor to issue any securities or instruments, whether in addition to, by stock dividend or other distribution upon, or in substitution or exchange for, any Pledged Collateral or otherwise, except for securities and instruments that are issued to the Pledgor and promptly delivered to the Collateral Agent pursuant to Section 4(a) hereof and in which the Collateral Agent, for the account and benefit of the Holders of the Securities, has a valid and perfected first priority security interest free and clear of all other Liens and with respect to which no other party has any interest.

(c) Upon the occurrence and during the continuance of an Event of Default, the Collateral Agent shall have the right, at any time in its discretion, to transfer to or to register in the name of the Collateral Agent or any of its nominees any or all of the Pledged Collateral, including the Pledged Shares (with, in the discretion of the Collateral Agent, such transfer or registration expressly empowering the Collateral Agent to vote any voting securities included therein). In addition, the Collateral Agent shall have the right at any time to exchange certificates or instruments representing or evidencing Pledged Collateral for certificates or instruments of smaller or larger denominations.

Section 5. Filing; Further Assurances.

(a) The Pledgor at its own expense will execute, deliver, file and record any financing statement, specific assignment or other paper and take any action that may be necessary or desirable, or that the Collateral Agent may from time to time reasonably request, in order to create, preserve, perfect or validate any Security Interest intended to be granted hereunder or to enable the Collateral Agent to exercise and enforce its rights hereunder with respect to any of the Pledged Collateral, all in manner and form reasonably satisfactory to the Collateral Agent; provided, however, the Pledgor shall not be required to register any sale of the Pledged Collateral under the Securities Act. Without limiting the generality of the foregoing, the Pledgor will: (i) execute and file such financing or continuation statements, or amendments thereto and such other instruments or notices as may be necessary or desirable which the Collateral Agent may reasonably request in order to perfect and preserve the security interests granted or purported to be granted hereby; and (ii) deliver and pledge to the Collateral Agent all securities and instruments constituting Pledged Collateral duly endorsed and accompanied by duly executed instruments of transfer or assignments, all in form and substance satisfactory to the Collateral Agent. To the extent permitted by applicable law, the Pledgor hereby authorizes the Collateral Agent to execute and file without the signature of the Pledgor, in the name of the Collateral Agent or otherwise, Uniform Commercial Code financing statements and continuation statements, and fixture filings and amendments thereto (which may be carbon, photographic, photostatic or other reproductions of this Agreement or of a financing statement relating to this Agreement) that the Collateral Agent in its sole discretion may deem necessary or appropriate to further perfect the Security Interests or any of them.

(b) The Pledgor covenants that it will not enter into any agreement that would impair in any material respect the Security Interests granted hereunder.

(c) The Pledgor will furnish to the Collateral Agent, on request, from time to time statements and schedules further identifying and describing the Pledged Collateral and such other reports in connection with the Pledged Collateral as the Collateral Agent may reasonably request, all in reasonable detail.

Section 6. Right to Vote and to Receive Cash Distributions on Pledged Collateral; Appointment as Attorney-in-Fact.

(a) So long as no Event of Default has occurred and is continuing, the Pledgor shall be entitled (i) to exercise any and all voting and other consensual rights pertaining to the Pledged Collateral or any part thereof for any purpose not directly inconsistent with the express terms of this Agreement, the Guarantee Agreement or the Asset Proceeds Note Indenture and (ii) to receive any dividend or interest payment made in cash or other cash distribution made in respect of the Pledged Collateral to the extent not directly inconsistent with the express terms of this Agreement, the Guarantee Agreement or the Asset Proceeds Note Indenture.

(b) The Pledgor hereby irrevocably appoints the Collateral Agent as its proxyholder with respect to the Pledged Shares and any other voting securities forming a part of the Pledged Collateral with full power and authority to vote such Pledged Shares and other voting securities and to act otherwise with respect to such Pledged Shares and other voting securities on behalf of the

Pledgor, provided, that this proxy shall only be operative upon the occurrence of an Event of Default and only for so long as such Event of Default continues.

(c) The Pledgor hereby irrevocably appoints the Collateral Agent as the Pledgor's attorney-in-fact, with full power of substitution and with authority in the place and stead of the Pledgor and in its name or otherwise, from time to time in the Collateral Agent's discretion, upon the occurrence and during the continuance of an Event of Default to take any action and to execute any instrument which the Collateral Agent may deem reasonably necessary or advisable to accomplish the purposes of this Agreement, including, without limitation, (i) to continue the perfection of the Security Interests; (ii) to sell or otherwise transfer the relevant Pledged Collateral; (iii) to obtain the proceeds of and adjust insurance claims with respect to any Pledged Collateral; (iv) to ask, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Pledged Collateral; (v) to receive, endorse, and collect any drafts or other instruments, documents and chattel paper, in connection with clauses (iii) and (iv) above; and (vi) to file any claims or take any action or institute any proceedings which the Collateral Agent may deem necessary or desirable for the collection of any of the Pledged Collateral or otherwise to

enforce the rights of the Collateral Agent with respect to any of the Pledged Collateral; provided, however, that the Collateral Agent shall be under no obligation to take any action hereunder and, absent negligence or willful misconduct, the Collateral Agent shall have no liability or responsibility for any action taken or omission with respect thereto.

Section 7. Exercise of Remedies.

(a) Asset Proceeds Note Trustee's Notice. Upon notice by the Asset Proceeds Note Trustee to the Collateral Agent that any Event of Default has occurred and is continuing which has resulted in acceleration of the Secured Obligations, the Collateral Agent shall, to the extent consistent with the provisions of Section 7(c) below and the other provisions of this Agreement, as soon as is practicable but in no event later than ten Business Days thereafter, commence the taking of such actions toward collection or enforcement of this Agreement as instructed by the Asset Proceeds Note Trustee.

(b) Remedies Upon Acceleration. If so instructed by the Asset Proceeds Note Trustee (or if the Collateral Agent is the Asset Proceeds Note Trustee), the Collateral Agent may (provided the acceleration of the Secured Obligations has not been rescinded) exercise on behalf of the Holders of the Securities all the rights of a secured party under the Uniform Commercial Code or other applicable law with respect to the Pledged Collateral and, in addition, the Collateral Agent may, without being required to give any notice, except as herein provided or as may be required by mandatory provisions of law, sell, assign, give an option or options to purchase, contract to sell or otherwise dispose of and deliver said Pledged Collateral, or any part thereof, in one or more parcels at public or private sale or sales, at any exchange, broker's board or at any of the Collateral Agent's offices or elsewhere at such prices and on such terms as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. Any of the Holders of the Securities may be the purchaser of any or all of the Pledged Collateral so sold at any public sale (or, if the Pledged Collateral is of a type customarily sold in a recognized market or is a type which is the subject of widely distributed standard price quotations, at any private sale). The Collateral Agent is authorized, in connection with any such sale which includes Pledged Shares, if it deems it advisable so to do, (i) to restrict the prospective bidders on or purchasers of any of the Pledged Shares to investors who will represent and agree that they are purchasing for their own account for investment and not with a view to the distribution or sale of any such Pledged Shares, (ii) to cause to be placed on certificates for any or all of the Pledged Shares or on any other securities pledged hereunder a legend to the effect that such security has not been registered under the Securities Act of 1933, as amended (the "Securities Act"), and may not be disposed of in violation of the provision of the Securities Act, and (iii) to impose such other limitations or conditions in connection with any such sale as the Collateral Agent deems necessary or advisable in order to comply with the Securities Act or any other law. The Pledgor covenants and agrees that it will execute and deliver such documents and take such other action as the Collateral Agent reasonably deems necessary or advisable in order that any such sale may be made in compliance with law; provided that the Pledgor shall not be required to register any Pledged Collateral under the Securities Act. Upon any such sale, the Collateral Agent shall have the right to deliver, assign and transfer to the purchaser thereof the Pledged Collateral so sold. Each purchaser at any such sale shall hold the Pledged Collateral so sold absolutely and free from any claim or right of

whatsoever kind, including any equity or right of redemption of the Pledgor that may be waived, and the Pledgor, to the extent permitted by law, hereby specifically waives all rights of redemption, stay or appraisal that it has or may have under any law now existing or hereafter adopted. The Collateral Agent shall give the Pledgor not less than 10 days prior written notice of the time and place of any sale or other intended disposition of any of the Pledged Collateral (or such longer period as may be required by applicable law). The Collateral Agent and the Pledgor agree that such notice constitutes "reasonable notification" within the meaning of Section 9-504(3) of the Uniform Commercial Code. The notice shall (1) in case of a public sale, state the time and place fixed for such sale, (2) in case of sale at a broker's board or on a securities exchange, state the board or exchange at which such sale is to be made and the day on which the Pledged Collateral, or the portion thereof so being sold, will first be offered for sale at such board or exchange, and (3) in the case of a private sale, state the day after which such sale may be consummated. Any such public sale shall be held at such time or times during ordinary business hours and at such place or places as the Collateral Agent may fix in the notice of such sale. At any such sale, the Pledged Collateral may be sold in one lot as an entirety or in separate parcels, as the

Collateral Agent may determine. The Collateral Agent shall not be obligated to make any such sale pursuant to any such notice. The Collateral Agent may, without notice or publication, adjourn from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the same may be so adjourned. In case of any sale of all or any part of the Pledged Collateral on credit or for future delivery, the Pledged Collateral so sold may be retained by the Collateral Agent until the selling price is paid by the purchaser thereof, but the Collateral Agent shall not incur any liability in case of the failure of such purchaser to take up and pay for the Pledged Collateral so sold and, in case of any such failure, such Pledged Collateral may again be sold upon like notice. The Collateral Agent, instead of exercising the power of sale herein conferred upon it, may proceed by a suit or suits at law or in equity to foreclose the Security Interests and sell the Pledged Collateral, or any portion thereof, under a judgment or decree of a court or courts of competent jurisdiction.

(c) Rights of Collateral Agent.

(i) Right to Rely. The Collateral Agent may rely on any document reasonably believed by it to be genuine and to have been signed or presented by the proper person. The Collateral Agent need not investigate any fact or matter stated in any such document. Before the Collateral Agent acts or refrains from acting it may consult with counsel and may require an Officer's Certificate or an Opinion of Counsel. The Collateral Agent shall not be liable for any action it takes or omits to take in good faith in reliance on any such certificate or opinion.

(ii) Attorneys/Agents. The Collateral Agent may act through its attorneys and agents and shall not be responsible for the misconduct or negligence of any attorney or agent appointed with due care.

(iii) Good Faith Belief in Authority, Rights or Powers. The Collateral Agent shall not be liable for any action it takes or omits to take in the good faith belief that such act or omission was authorized or within its rights or powers.

(iv) No Investigation. The Collateral Agent shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, notice, request, direction, consent, order, bond, debenture or other paper or document, but the Collateral Agent, in its discretion, may (but shall not be obligated to) make such further inquiry or investigation into such facts or matters as it may see fit.

(v) Obligation to Act upon Instructions. The Collateral Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Agreement at the request, order or direction of the Asset Proceeds Note Trustee, pursuant to the provisions of this Agreement, unless the Asset Proceeds Note Trustee shall have offered to the Collateral Agent reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby. Upon receipt of such reasonable security or indemnity, however, the Collateral Agent shall act upon the instructions of the Asset Proceeds Note Trustee, with respect to the Pledged Collateral, in accordance with the terms hereof. Notwithstanding the foregoing, the Collateral Agent shall not take or refrain from taking such action if so taking or refraining from taking such

action, as the case may be, would violate applicable law or the terms of this Agreement, the Guarantee Agreement or the Asset Proceeds Note Indenture.

(vi) Reasonable Care. Beyond the exercise of reasonable care to assure the safe custody of the Pledged Collateral while held hereunder, the Collateral Agent shall have no duty or liability to preserve rights pertaining thereto, it being understood that the Collateral Agent shall not have responsibility for (a) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Pledged Collateral, whether or not the Collateral Agent has or is deemed to have knowledge of such matters, unless reasonably requested in writing to do so by the Pledgor, or (b) taking any necessary steps (other than steps taken in accordance with the standard of care set forth above to maintain possession of the Pledged Collateral) to preserve rights against any parties with respect to any Pledged Collateral.

(vii) Collateral Agent May Perform. Upon the occurrence and during the continuance of an Event of Default hereunder (including an Event of Default resulting from a failure to perform any agreement

contained herein), if the Pledgor fails to perform any agreement contained herein, the Collateral Agent may (but shall not be obligated to) itself perform, or cause performance of, such agreement, and the expenses of the Collateral Agent incurred in connection therewith shall be payable by the Pledgor under Section 12.

Section 8. Priority of Payments. The proceeds of any sale, disposition or other realization of the Pledged Collateral by the Collateral Agent or its agents or employees in the enforcement of its remedies as provided in Section 7 hereof shall be applied by the Collateral Agent in accordance with this Section 8:

(i) first, to the payment of the reasonable costs and expenses of such sale or other realization, including reasonable compensation to agents and counsel for the Collateral Agent, and all expenses, liabilities and advances incurred or made by the Collateral Agent in connection therewith, and any other unreimbursed fees and expenses for which the Collateral Agent is to be reimbursed pursuant to Section 12 hereof;

(ii) next, any surplus then remaining to the Asset Proceeds Note Trustee for (x) payment of all fees and expenses incurred by the Asset Proceeds Note Trustee in the course of the performance of its duties under this Agreement and the Guarantee Agreement but not reimbursed thereunder, if any, and then (y) payment of Guarantor Obligations in accordance with the Guarantee Agreement; and

(iii) any surplus then remaining to the Pledgor.

Section 9. Appointment. The Asset Proceeds Note Trustee, for the benefit of the Holders of Securities, hereby designates and appoints the Collateral Agent, and the Collateral Agent hereby accepts such appointment, to serve as collateral agent upon the terms and conditions set forth herein. The Asset Proceeds Note Trustee hereby irrevocably authorizes, and each Holder of Securities shall be deemed irrevocably to have authorized, the Collateral Agent:

(i) to take such action on behalf of Holders of the Securities under the provisions of this Agreement and to exercise such powers and to perform such duties hereunder as are specifically delegated to or required of the Collateral Agent by the terms hereof and such other powers as are reasonably incidental thereto; and

(ii) during the continuance of an Event of Default, to exercise, on behalf of Holders of the Securities, all remedies available to the Collateral Agent and to initiate, prosecute and defend any and all legal proceedings against the Pledgor hereunder.

Section 10. Nature of Duties. Neither the Collateral Agent nor any of its officers, directors, employees or agents shall be liable for any claims, losses, damages, penalties, actions, judgments, suits, liabilities, obligations, costs or expenses of any kind or nature whatsoever resulting from any action the Collateral Agent takes or omits to take under this Agreement or in connection therewith, unless caused by its or their negligence, bad faith or willful misconduct. The Collateral Agent may perform any of its duties hereunder by or through its agents or employees.

Section 11. Lack of Reliance on the Collateral Agent. The Collateral Agent shall have no duty or responsibility, either initially or on a continuing basis, to provide the Asset Proceeds Note Trustee or any Holder of Securities with any credit or other information with respect to the Pledgor whether coming into the Collateral Agent's possession before the issuance of the Securities or at any time or times thereafter, except as otherwise provided in this Agreement.

Section 12. Compensation and Indemnification.

(a) Compensation and Expenses. The Pledgor agrees to pay to the Collateral Agent, from time to time upon demand, reasonable compensation for the services of the Collateral Agent hereunder and all fees, costs and expenses of the Collateral Agent (including, without limitation, the reasonable fees and disbursements of counsel) (A) arising in connection with the preparation, execution, delivery, modification and termination of this Agreement, the enforcement of any of the provisions hereof or the performance of its duties hereunder, or (B) incurred or required to be advanced in connection with the sale or other disposition of any Pledged

Collateral pursuant to this Agreement and the preservation, protection, enforcement or defense of the Collateral Agent's rights under this Agreement and in and to the Pledged Collateral.

(b) Stamp and Other Taxes. The Pledgor hereby agrees to indemnify the Collateral Agent, the Asset Proceeds Note Trustee and each Holder of Securities for, and hold each of them harmless against, any present or future claim for liability for any mortgage, sales, transfer, gains, stamp or other similar tax and any penalties or interest with respect thereto, which may be assessed, levied or collected by any jurisdiction in connection with this Agreement or any Pledged Collateral.

(c) Filing Fees, Excise Taxes, Etc. The Pledgor hereby agrees to pay or to reimburse the Collateral Agent for any and all amounts in respect of all search, filing, recording and registration fees, taxes, excise taxes and other similar imposts which may be payable or determined to be payable in respect of the execution, delivery, performance and enforcement of this Agreement.

(d) Indemnification of Collateral Agent. The Pledgor shall indemnify the Collateral Agent, its officers, directors, employees and agents for, and hold each of them harmless against, any and all claims, demands, expenses (including but not limited to reasonable compensation, disbursements and expenses of the Collateral Agent's agents and counsel), losses or liabilities incurred by any of them without negligence, bad faith or willful misconduct on its part, in any way arising out of or in connection with the acceptance and administration of this Agreement and its rights or duties hereunder. The Collateral Agent shall notify the Pledgor promptly of any claim asserted against the Collateral Agent for which indemnity is sought hereunder. The Pledgor shall defend any such claim and the Collateral Agent shall provide reasonable cooperation at the Pledgor's expense in such defense. The Collateral Agent may have separate counsel and the Pledgor shall pay the reasonable fees and expenses of such counsel; provided, that the Pledgor will not be required to pay such fees and expenses if it assumes the Collateral Agent's defense and provides the Collateral Agent with an Opinion of Counsel that there is no conflict of interest between the Pledgor and the Collateral Agent in connection with such defense. The Pledgor need not pay any amounts in respect of any settlement made without its written consent. The Pledgor need not reimburse any expense or indemnify against any loss or liability to the extent incurred by the Collateral Agent through its negligence, bad faith or willful misconduct. When the Collateral Agent incurs expenses or renders services after an Event of Default relating to certain events of bankruptcy, reorganization or insolvency has occurred, such expenses and the compensation for such services are intended to constitute expenses of administration under any Bankruptcy Law.

(e) Survival of Obligations. All obligations set forth in this Section 12 shall survive the execution, delivery and termination of this Agreement and the payment of all other Secured Obligations.

(f) Lien on Pledged Collateral. To secure the obligations of the Pledgor set forth in this Section 12, the Collateral Agent shall have a lien pari passu with the first priority liens of the Holders of the Securities on all Pledged Collateral held or collected by the Collateral Agent in its capacity as such; provided, however, that only such portion of said obligations as bears the same ratio to the total amount of said obligations as the value of the remaining Pledged Collateral bears to the total value of the Pledged Collateral may be satisfied out of such portion of the Pledged Collateral.

Section 13. Collateral Agent's Dealings with the Pledgor. The Collateral Agent may accept deposits from, lend money to, or generally engage in any kind of banking, trust or other business with the Pledgor or any of its subsidiaries, in each case as if it were not the Collateral Agent hereunder.

Section 14. Securityholders. The Collateral Agent may deem and treat the registered owner of any of the Securities as the owner thereof for all purposes hereunder. Any request, authority or consent of any person or entity who, at the time of making such request or giving such authority or consent, is the registered owner of any of the Securities, shall be conclusive and binding upon any subsequent Holder of such Securities or other securities issued in exchange therefor. The Asset Proceeds Note Trustee agrees that it will furnish to the Collateral Agent lists of the registered owners of all Securities and the outstanding principal amount thereof within 10 Business Days after any written request therefor from the Collateral Agent. The Collateral Agent shall be entitled to rely on such lists as being accurate and complete.

Section 15. Resignation by or Removal of the Collateral Agent.

(a) Resignation; Removal. The Collateral Agent may resign from the performance of all of its functions and duties hereunder at any time by giving 60 Business Days' prior written notice to the Pledgor and the Asset Proceeds Note Trustee. Holders of % of the outstanding Securities may at any time remove the Collateral Agent by giving 20 Business Days' prior written notice to the Collateral Agent, the Pledgor, and the Asset Proceeds Note Trustee. The Pledgor may at any time remove the Collateral Agent, by giving 20 Business Days prior written notice to the Collateral Agent and the Asset Proceeds Note Trustee if, in the Pledgor's good faith judgment, the Collateral Agent's fees and expense structure for acting as such hereunder become materially non-competitive. Such resignation or removal shall take effect upon the appointment of a successor Collateral Agent pursuant to Section 15(b) or (c) below or as otherwise provided below.

(b) Appointment of Successor. Upon any such notice of resignation or removal, the Asset Proceeds Note Trustee or, if the Collateral Agent is removed by the Holders of the Securities the Holders of the outstanding Securities removing the Collateral Agent, as the case may be, shall appoint a successor Collateral Agent hereunder, which shall be an Acceptable Bank. If a successor Collateral Agent shall not have been so appointed within the period specified in Section 15(a) above, the Pledgor shall then appoint a successor Collateral Agent which shall be an Acceptable Bank and which shall serve as the Collateral Agent hereunder.

(c) Effectiveness of Resignation or Removal. A successor Collateral Agent shall deliver a written acceptance of its appointment to the retiring Collateral Agent, the Pledgor and the Asset Proceeds Note Trustee. Immediately thereafter, the retiring Collateral Agent shall transfer all property held by it as Collateral Agent to the successor Collateral Agent, subject to the Lien provided in Section 12(f) hereof, shall execute and deliver to the successor Collateral Agent such documents as are necessary to perfect or maintain the Security Interests, including any documents necessary to assign or transfer all interests of the retiring Collateral Agent in the Pledged Collateral to the successor Collateral Agent, in the form or forms adequate for proper filing or recording in such offices and such jurisdictions as are necessary to put the successor Collateral Agent in the same position as was the retiring Collateral Agent with respect to the Pledged Collateral. Thereupon, the resignation or removal of the retiring Collateral Agent shall become effective and the successor Collateral Agent shall have all the rights, powers and duties of the Collateral Agent under this Agreement. A successor Collateral Agent shall give notice of its succession to the Asset Proceeds Note Trustee.

(d) Consolidation, Merger, Etc. If the Collateral Agent consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the resulting, surviving or transferee corporation without any further act, if such resulting, surviving or transferee corporation is an Acceptable Bank, shall be the successor Collateral Agent. The transferring, merging or converting Collateral Agent shall, at its own expense, have all documents necessary to perfect or maintain the Security Interests, including any documents necessary to assign or transfer all interests of the transferring, merging or converting Collateral Agent in the Pledged Collateral, executed and delivered to it in the form or forms adequate for proper filing or recording in such offices and such jurisdictions as are necessary to put the successor Collateral Agent in the same position as the transferring, merging or converting Collateral Agent with respect to the Pledged Collateral.

(e) Compensation Continuing. Any person or entity acting as Collateral

Agent shall continue to be entitled to receive compensation as provided in Section 12 hereof so long as such person or entity acts as Collateral Agent hereunder.

Section 16. Collateral Account. The Collateral Agent shall establish an account in its name as Collateral Agent under this Agreement, on behalf of the Holders of the Securities, and shall maintain such accounts and administer the funds in such accounts in accordance with the terms hereof.

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Section 17. Notices. Any notices or other communications required or permitted hereunder shall be in writing, and shall be sufficiently given if made by hand delivery, by telex, by telecopier or registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

To the Pledgor:

with a copy to:

To the Collateral Agent:

To the Asset Proceeds Note Trustee:

Any party hereto may by notice to each other party designate such additional or different addresses as shall be furnished in writing by such party. Any notice or communication to any party hereto shall be deemed to have been given or made as of the date so delivered, if personally delivered; when answered back, if telexed; when receipt is acknowledged by telecopier confirmation, if telecopied; and five calendar days after mailing if sent by registered or certified mail (except that a notice of change of address shall not be deemed to have been given until actually received by the addressee). A copy of any notice given under this Agreement to any party shall also be given to each other party hereto. Pursuant to and not in limitation of the preceding sentence, any party hereto may give notice to the Holders of Securities at the addresses set forth for them in the register kept by the Registrar under the Asset Proceeds Note Indenture.

Section 18. Binding Agreement; Assignment; Obligations Several. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, including, without limitation, and without the need for an express assignment or amendment, subsequent Holders of Securities (whether or not the Securities held by such persons is outstanding as of the date hereof or issued hereafter). This Agreement may not be assigned by the Pledgor; provided, however, that this Agreement shall be deemed to be automatically assigned by the Pledgor to any person which is a successor to the Pledgor, in accordance with the terms of the Guarantee Agreement. This Agreement shall be deemed to be automatically assigned by the Collateral Agent to any person who succeeds to the Collateral Agent in accordance with Section 15 hereof, and such assignee shall have all rights and powers of, and act as, the Collateral Agent hereunder, and this Agreement shall be deemed to be automatically assigned by the Asset Proceeds Note Trustee to any person who succeeds it in accordance with the terms of the Asset Proceeds Note Indenture. Each Holder of the Securities, by its acceptance of any Securities, consents to and agrees to be bound by the provisions hereof.

Section 19. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of New York without regard to its conflict of law principles, except as otherwise required by mandatory provisions of law and except to the extent that remedies provided by the laws of any jurisdiction other than New York are governed by the laws of such jurisdiction.

Section 20. Effectiveness; Termination. This Agreement shall become effective on the Effective Date. Upon the payment in full of all the Secured Obligations (or their reduction to $0 or less in accordance with the terms of the Guarantee Agreement), the Security Interests and this Agreement shall terminate and all rights to the Pledged Collateral shall revert to the Pledgor. Upon termination of this Agreement, the Collateral Agent shall reassign and redeliver to the Pledgor, the Pledged Collateral hereunder which has not been sold, disposed of, retained or applied by the Collateral Agent in accordance with the terms hereof. Such reassignment and redelivery shall be without warranty by or recourse to the Collateral Agent, and shall be at the expense of the Pledgor. Thereafter, this Agreement shall not constitute a lien upon or grant any security interest to any person in any of the Pledged Collateral, and the Collateral Agent shall, at the Pledgor's expense, deliver to the Pledgor (i) written acknowledgement thereof and cancellation of this Agreement and (ii) such other documents as are reasonably requested by the Pledgor, in a form or forms

as reasonably requested by the Pledgor and adequate for proper filing or recording in such offices and such jurisdictions as the Pledgor reasonably deems necessary to release the Security Interests.

Section 21. Amendments, Supplements and Waivers.

(a) With the written consent of the Asset Proceeds Note Trustee or % of the Holders of the outstanding Securities, either the Collateral Agent or the Pledgor may, from time to time, enter into written supplemental agreements for the purpose of amending, modifying or waiving any provision of this Agreement or changing in any manner the rights of the Collateral Agent, the Asset Proceeds Note Trustee and the Pledgor hereunder. Any such supplemental agreement shall be binding upon the Pledgor, the Collateral Agent, the Asset Proceeds Note Trustee, all Holders of Securities, and their respective successors and permitted assigns. The Collateral Agent shall not enter into any such supplemental agreement unless it shall have received an Officer's Certificate of the Pledgor and an Opinion of Counsel to the effect that the execution, delivery and performance of such supplemental agreement will not result in an Event of Default.

(b) Notwithstanding the provisions of Section 21(a) above, the Collateral Agent and the Pledgor may, at any time and from time to time, without the consent of the Asset Proceeds Note Trustee or any Holders of Securities, enter into agreements supplemental hereto or additional agreements or grant any waiver hereunder, in form satisfactory to the Collateral Agent, in which a security interest is granted in favor of the Collateral Agent for the benefit of the Holders of the Securities or which:

(i) adds to the covenants of the Pledgor for the benefit of the Holders of the Securities or the Asset Proceeds Note Trustee, or surrenders any right or power herein conferred upon the Pledgor; or

(ii) cures any ambiguity, defect or inconsistency in this Agreement or makes any other change which does not adversely effect the rights of any Holder of any Securities hereunder.

Notice of any amendment, modification or waiver to this Agreement or of any additional or supplemental agreements entered into in accordance with Section 21(a) or (b) above shall be given by the Collateral Agent to the Asset Proceeds Note Trustee, and the Asset Proceeds Note Trustee shall give such notice to the Holders of Securities.

Section 22. Inconsistent Provisions. If any provision of this Agreement shall be inconsistent with, or contrary to, any provision of the Guarantee Agreement, such provision of the Guarantee Agreement shall be controlling and shall supersede such inconsistent provisions hereof to the extent necessary to give full effect to such provision of the Guarantee Agreement.

Section 23. Severability. In the event that any provision contained in this Agreement shall for any reason be held to be illegal or invalid under the laws of any jurisdiction, such illegality or invalidity shall in no way impair the effectiveness of any other provision hereof or of such provision under the laws of any other jurisdiction; provided, that in the construction and enforcement of such provision under the laws of the jurisdiction in which such holding of illegality or invalidity exists, and to the extent only of such illegality or invalidity, this Agreement shall be construed and enforced as though such illegal or invalid provision had not been contained herein.

Section 24. Headings. Section headings used herein are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

Section 25. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, and all of which shall together constitute one and the same instrument. A complete set of counterparts shall be lodged with the Collateral Agent and the Asset Proceeds Note Trustee.

Section 26. Exhibits and Schedules. Exhibits and Schedules attached hereto shall be deemed part of this Agreement of fully as if set forth in full herein.

IN WITNESS WHEREOF, the Collateral Agent, the Asset Proceeds Note Trustee and the Pledgor have caused this Agreement to be executed and delivered by their respective officers thereunto duly authorized as of the day and year first above written.

---------- BANK,
as Asset Proceeds Note Trustee

By:

Its:

---------- BANK,
as Collateral Agent

By:

Its:

LONE STAR INDUSTRIES, INC.

By:

Its:

SCHEDULE I

PLEDGED SHARES

EXHIBIT S

EXHIBIT S

WARRANT AGREEMENT

WARRANT AGREEMENT dated , 1993 between LONE STAR INDUSTRIES, INC. (the "Company"), and , as Warrant Agent (the "Warrant Agent").

The Company proposes to issue Common Stock Purchase Warrants, as hereinafter described (the "Warrants"), to purchase an aggregate of 3,333,333 shares (subject to adjustment as provided herein) of its Common Stock, $1.00 par value (the "Common Stock"), (the shares of Common Stock issuable on exercise of the Warrants being referred to herein as the "Warrant Shares"), pursuant to the Amended Consolidated Plan of Reorganization of the Company. Each Warrant shall entitle the holder thereof to purchase one share (subject to adjustment as provided herein) of Common Stock.

The Company wishes the Warrant Agent to act on behalf of the Company and the Warrant Agent is willing to act in connection with the issuance, separation, transfer, exchange and exercise of Warrants.

In consideration of the foregoing and for the purposes of defining the terms and provisions of the Warrants and the respective rights and obligations thereunder of the Company and the registered owners of the Warrants (the "Holders"), the Company and the Warrant Agent hereby agree as follows:

SECTION 1. Appointment of Warrant Agent. The Company hereby appoints the Warrant Agent to act as agent for the Company in accordance with the instructions set forth in this Agreement, and the Warrant Agent hereby accepts such appointment.

SECTION 2. Transferability and Form of Warrant.

2.1 Registration. The Warrants shall be numbered and shall be registered in a Warrant Register as they are issued. The Company and the Warrant Agent shall be entitled to treat the Holder of any Warrant as the owner in fact

thereof for all purposes and shall not be bound to recognize any equitable or other claim to or interest in such Warrant on the part of any other person.

2.2 Transfer. The Warrants shall be transferable only on the books of the Company maintained at the principal office of the Warrant Agent upon delivery thereof duly endorsed by the Holder or by his duly authorized attorney or representative, or accompanied by proper evidence of succession, assignment or authority to transfer. In all cases of transfer by an attorney, the original power of attorney, duly approved, or a copy thereof, duly certified, shall be deposited and remain with the Warrant Agent. In case of transfer by executors, administrators, guardians or other legal representatives, duly authenticated evidence of their authority shall be produced, and may be required to be deposited and remain with the Warrant Agent in its discretion. Upon any registration of transfer, the Warrant Agent shall countersign and deliver a new Warrant or Warrants to the persons entitled thereto.

2.3 Form of Warrant. The text of the Warrant and the Purchase Form shall be substantially as set forth in Exhibit A attached hereto. The price per Warrant Share and the number of Warrant Shares issuable upon exercise of each Warrant are subject to adjustment upon the occurrence of certain events, all as hereinafter provided. The Warrant shall be executed on behalf of the Company by its Chairman of the Board, President or one of its Vice Presidents, under its corporate seal reproduced thereon attested by its Secretary or an Assistant Secretary. The signature of any such officers on the Warrants may be manual or facsimile.

Warrants bearing the manual or facsimile signature of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any one of them shall have ceased to hold such office prior to the delivery of such Warrants or did not hold such offices on the date of this Agreement.

Warrants shall be dated as of the date of countersignature thereof by the Warrant Agent either upon initial issuance or upon division, exchange, substitution or transfer.

SECTION 3. Countersignature of Warrants. The Warrants shall be countersigned by the Warrant Agent (or any successor to the Warrant Agent then acting as warrant agent under this Agreement) and shall

not be valid for any purpose unless so countersigned. Warrants may be countersigned, however, by the Warrant Agent (or by its successor as warrant agent hereunder) and may be delivered by the Warrant Agent, notwithstanding that the persons whose manual or facsimile signatures appear thereon as proper officers of the Company shall have ceased to be such officers at the time of such countersignature, issuance or delivery. The Warrant Agent shall, upon written instructions of the Chairman of the Board, President, one of the Vice Presidents or the Secretary of the Company, countersign, issue and deliver Warrants entitling the Holders thereof to purchase not more than 3,333,333 Warrant Shares (subject to Section 7 hereof and adjustment pursuant to Section 10 hereof) and shall countersign and deliver Warrants as otherwise provided in this Agreement.

SECTION 4. Exchange of Warrant Certificates. Each Warrant certificate may be exchanged for another certificate or certificates entitling the Holder thereof to purchase a like aggregate number of Warrant Shares as the certificate or certificates surrendered then entitle such Holder to purchase. Any Holder desiring to exchange a Warrant certificate or certificates shall make such request in writing delivered to the Warrant Agent, and shall surrender, properly endorsed, the certificate or certificates to be so exchanged. Thereupon, the Warrant Agent shall countersign and deliver to the person entitled thereto a new Warrant certificate or certificates, as the case may be, as so requested.

SECTION 5. Term of Warrants; Exercise of Warrants.

5.1 Term of Warrants. Subject to the terms of this Agreement, each Holder shall have the right, which may be exercised until the close of business on December 31, 1998, to purchase from the Company the number of fully paid and nonassessable Warrant Shares which the Holder may at the time be entitled to purchase on exercise of such Warrants.

5.2 Exercise of Warrants. Warrants may only be exercised for the purchase of whole Warrant Shares. Warrants may be exercised upon surrender to the Company at the principal office of the Warrant Agent, of the certificate or certificates evidencing the Warrants to be exercised (except as otherwise provided below), together with the form of election to purchase on the reverse thereof duly

filled in and signed, and upon payment to the Warrant Agent for the account of the Company of the Warrant Price (as defined in and determined in accordance with the provisions of Sections 9 and 10 hereof), for the number of Warrant Shares in respect of which such Warrants are then exercised. Payment of the aggregate Warrant Price shall be made in cash or by certified or official bank check.

Subject to Section 6 hereof, upon such surrender of Warrants and payment of the Warrant Price as aforesaid, the Company shall issue and cause to be delivered with all reasonable dispatch to or upon the written order of the Holder, and in such name or names as the Holder may designate, a certificate or certificates for the number of full Warrant Shares so purchased upon the exercise of such Warrants, together with cash, as provided in Section 12 hereof, in respect of any fractional Warrant Shares otherwise issuable upon such exercise of Warrants. Such certificate or certificates shall be deemed to have been issued and any person so designated to be named therein shall be deemed to have become a holder of record of such Warrant Shares as of the date of the surrender of such Warrants and payment of such Warrant Price, as aforesaid; provided, however, that if, at the date of surrender of such Warrants and payment of such Warrant Price, the transfer books for the Warrant Shares or other class of stock purchasable upon the exercise of such Warrants shall be closed, the certificates for the Warrant Shares in respect of which such Warrants are then exercised shall be issuable as of the date on which such books shall next be opened and until such date the Company shall be under no duty to deliver any certificate for such Warrant Shares; provided further, however, that the transfer books of record, unless otherwise required by law, shall not be closed at any one time for a period longer than twenty days. The rights of purchase represented by the Warrants shall be exercisable, at the election of the Holders thereof, either in full or from time to time in part and, in the event that a certificate evidencing Warrants is exercised in respect of less than all of the Warrant Shares purchasable on such exercise at any time prior to the date of expiration of the Warrants, a new certificate evidencing the remaining Warrant or Warrants will be issued, and the Warrant Agent is hereby irrevocably authorized to countersign and to deliver the required new Warrant certificate or certificates pursuant to the provisions of this Section and of

Section 3 hereof and the Company, whenever required by the Warrant Agent, will supply the Warrant Agent with Warrant certificates duly executed on behalf of the Company for such purpose.

SECTION 6. Payment of Taxes. The Company will pay all documentary stamp taxes, if any, attributable to the initial issuance of Warrant Shares upon the exercise of Warrants; provided, however, that the Company shall not be required to pay any tax or taxes which may be payable in respect of any transfer involved in the issue or delivery of any Warrants or certificates for Warrant Shares in a name other than that of the registered Holder of Warrants in respect of which such Warrant Shares are issued.

SECTION 7. Mutilated or Missing Warrants. In case any of the certificates evidencing the Warrants shall be mutilated, lost, stolen or destroyed, the Company may in its discretion issue, and the Warrant Agent shall countersign and deliver in exchange and substitution for and upon cancellation of the mutilated Warrant certificate, or in lieu of and substitution for the Warrant certificate lost, stolen or destroyed, a new Warrant certificate of like tenor and representing an equivalent right or interest; but only upon receipt of evidence satisfactory to the Company and the Warrant Agent of such loss, theft or destruction of such Warrant and indemnity, if requested, also satisfactory to them. An applicant for such a substitute Warrant certificate shall also comply with such other reasonable regulations and pay such other reasonable charges as the Company or the Warrant Agent may prescribe.

SECTION 8. Reservation of Warrant Shares: Purchase of Warrants.

8.1 Reservation of Warrant Shares. There have been reserved, and the Company shall at all times keep reserved, out of its authorized Common Stock, a number of shares of Common Stock sufficient to provide for the exercise of the rights of purchase represented by the outstanding Warrants. The Transfer Agent for the Common Stock and every subsequent transfer agent for any shares of the Company's capital stock issuable upon the exercise of any of such rights of purchase will be irrevocably authorized and directed at all times to reserve such number of authorized shares as shall be requisite for such purpose. The Company will keep a copy of this Agreement on file with the Transfer Agent or its successors and with every subsequent transfer agent for any shares of the Company's capital stock issuable upon the exercise of the rights of purchase represented by the Warrants. The Warrant Agent is hereby irrevocably authorized to requisition from time to time from the Transfer Agent or its successors the

stock certificates required to honor outstanding Warrants upon exercise thereof in accordance with the terms of this Agreement. The Company will supply such Transfer Agent or its successors with duly executed stock certificates for such purposes and will provide or otherwise make available any cash which may be payable as provided in Section 12 hereof. All Warrants surrendered in the exercise of the rights thereby evidenced shall be cancelled by the Warrant Agent and shall thereafter be delivered to the Company.

8.2 Purchase of Warrants by the Company. The Company shall have the right, except as limited by law, other agreement or herein, to purchase or otherwise acquire Warrants at such times, in such manner and for such consideration as it may deem appropriate.

8.3 Call of Warrants by the Company. The Company shall have the right to redeem any or all of the Warrants, at $0.01 per Warrant, subject to adjustment in accordance with Section 10 hereof, on or after December 31, 1996, in the event that the closing bid price of the Common Stock (if then traded in the over-the-counter market) or the closing price of the Common Stock (if then traded on the National Association of Securities Dealers Automated Quotations System ("NASDAQ") or on a national securities exchange) for any thirty consecutive trading days ending the day prior to the date of the notice of redemption has exceeded $23.70. If less than all the Warrants are to be redeemed, the Warrant Agent shall select the Warrants to be redeemed from those then outstanding, by a method the Warrant Agent considers fair and appropriate.

Notice of the redemption shall be mailed not less than thirty days prior to the date scheduled for such redemption (the "Call Date") and shall be given to the Warrant Agent and the Holders in accordance with the provisions of Section 19 hereof. At the same time that the notice of redemption is mailed to the Holders pursuant to this Section, notice shall also be given by publication, at least once in one or more newspapers printed in the English language and in general circulation in The City of New York, New York, and such notice shall state the date, place and price of such redemption. Each Holder shall continue to have the right to

exercise Warrants until 5:00 P.M., New York time, on the first day immediately preceding the Call Date on which the Warrant Agent is open for the transaction of business. Not later than two business days after the Call Date, the Company shall deposit with the Warrant Agent funds sufficient to purchase all of the Warrants called for redemption pursuant to this Section 8.3 which are outstanding at 5:00 P.M., New York time, on the date when the right to exercise expires.

8.4 Cancellation of Warrants. In the event the Company shall purchase or otherwise acquire Warrants, the same shall thereupon be delivered to the Warrant Agent and be cancelled by it and retired. The Warrant Agent shall cancel any Warrants surrendered for exchange, substitution, transfer or exercise in whole or in part.

SECTION 9. Warrant Price. The price per share at which Warrant Shares shall be purchasable upon exercise of Warrants (the "Warrant Price") shall be $19.75, subject to adjustment pursuant to Section 10 hereof.

SECTION 10. Adjustment of Warrant Price and Number of Warrant Shares. The number and kind of securities purchasable upon the exercise of each Warrant and the Warrant Price shall be subject to adjustment from time to time upon the happening of certain events, as hereinafter defined.

10.1 Mechanical Adjustments. The number of Warrant Shares purchasable upon the exercise of each Warrant and the Warrant Price shall be subject to adjustment as follows:

(a) In case the Company shall (i) pay a dividend in shares of Common Stock or make a distribution in shares of Common Stock, (ii) subdivide its outstanding shares of Common Stock, (iii) combine its outstanding shares of Common Stock into a smaller number of shares of Common Stock or (iv) issue by reclassification or recapitalization of its shares of Common Stock other securities of the Company, the number of Warrant Shares purchasable upon exercise of each Warrant immediately prior thereto shall be adjusted so that the Holder of each Warrant shall be entitled to receive the kind and number of Warrant Shares or other securities of the Company which he or she would have owned or have been entitled to receive after the happening of any of the events described above, had such Warrant been exercised immediately prior to the happening of such event or any record date with respect thereto. An adjustment made pursuant to this paragraph (a) shall become effective immediately after the effective date of such event

retroactive to the record date, if any, for such event.

(b) In case the Company shall distribute to all holders of its shares of Common Stock evidences of its indebtedness or assets (excluding cash dividends or distributions payable out of consolidated earnings or earned surplus and dividends or distributions referred to in paragraph (a) above) or rights, options or warrants or convertible or exchangeable securities containing the right to subscribe for or purchase shares of Common Stock, then in each case the number of Warrant Shares thereafter purchasable upon the exercise of each Warrant shall be determined by multiplying the number of Warrant Shares theretofore purchasable upon the exercise of each Warrant, by a fraction, of which the numerator shall be the then current market price per share of Common Stock (as defined in Section 10.1(c) hereof) on the date of such distribution, and of which the denominator shall be the then current market price per share of Common Stock, less the then fair value (as determined by the Board of Directors of the Company, whose determination shall be conclusive) of the portion of the assets or evidences of indebtedness so distributed or of such subscription rights, options or warrants, or of such convertible or exchangeable securities applicable to one share of Common Stock. Such adjustment shall be made whenever any such distribution is made, and shall become effective on the date of distribution retroactive to the record date for the determination of stockholders entitled to receive such distribution.

(c) For the purpose of any computation under Section 10.1(b) and Section 12 hereof, the current market price per share of Common Stock at any date shall be the average representative closing bid price of the Common Stock (if then traded in the over-the-counter market) or the average closing price of the Common Stock (if then traded on NASDAQ's National Market System or on a national securities exchange) for the five consecutive trading days ending the day prior to the date as of which such computation is made.

(d) No adjustment in the number of Warrant Shares purchasable hereunder shall be required unless such adjustment would require an increase or decrease of at least 1% in the number of Warrant Shares purchasable upon the exercise of each Warrant; provided, however, that any adjustments which by reason of this Section 10.1(d) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations shall be made to the nearest one-thousandth of a share.

(e) Whenever the number of Warrant Shares purchasable upon the exercise of each Warrant is adjusted, as herein provided, the Warrant Price payable upon exercise of each Warrant shall be adjusted by multiplying such Warrant Price immediately prior to such adjustment by a fraction, of which the numerator shall be the number of Warrant Shares purchasable upon the exercise of each Warrant immediately prior to such adjustment, and of which the denominator shall be the number of Warrant Shares so purchasable immediately thereafter.

(f) For the purpose of this Section 10.1, the term "shares of Common Stock" shall mean (i) the class of stock designated as the Common Stock of the Company at the date of this Agreement, or (ii) any other class of stock resulting from successive changes or reclassification of such shares consisting solely of changes in par value, or from par value to no par value, or from no par value to par value. In the event that at any time, as a result of an adjustment made pursuant to paragraph (a) above, the Holders shall become entitled to purchase any shares of the Company other than shares of Common Stock, thereafter the number of such other shares so purchasable upon exercise of each Warrant and the Warrant Price of such shares shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Warrant Shares contained in Section 10.1(a) through Section 10.1(e), inclusive, above, and the provisions of Section 5 and Sections 10.2 and 10.3 hereof, with respect to the Warrant Shares, shall apply on like terms to any such other shares.

10.2 Voluntary Adjustment by the Company. The Company may at its option, at any time during the term of the Warrants, reduce the then current Warrant Price to any amount deemed appropriate by the Board of Directors of the Company.

10.3 Notice of Adjustment. Whenever the number of Warrant Shares purchasable upon the exercise of each Warrant or the Warrant Price of such Warrant Shares is adjusted, as herein provided, the Company shall cause the Warrant Agent promptly to mail by first class mail, postage prepaid, to each

Holder notice of such adjustment or adjustments and shall deliver to the Warrant Agent a certificate of a firm of independent public accountants selected by the Board of Directors of the Company (who may be the regular accountants employed by the Company) setting forth the number of Warrant Shares purchasable upon the exercise of each Warrant and the Warrant Price of such Warrant Shares after such adjustment, setting forth a brief statement of the facts requiring such adjustment and setting forth the computation by which such adjustment was made. Such certificate shall be conclusive of the correctness of such adjustment. The Warrant Agent shall be entitled to rely on such certificate and shall be under no duty or responsibility with respect to any such certificate, except to exhibit the same, from time to time, to any Holder desiring an inspection thereof during reasonable business hours. The Warrant Agent shall not at any time be under any duty or responsibility to any Holders to determine whether any facts exist which may require any adjustment of the Warrant Price or the number of Warrant Shares or other stock or property purchasable on exercise thereof, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed in making such adjustment.

10.4 No Adjustment for Dividends. Except as provided in subsection 10.1, no adjustment in respect of any dividend shall be made during the term of a Warrant or upon the exercise of a Warrant.

10.5 Preservation of Purchase Rights Upon Consolidation, etc. In case of any consolidation of the Company with or merger of the Company into another corporation or in case of any sale or conveyance to another corporation of the property of the Company as an entirety or substantially as an entirety, the Company or such successor or purchasing corporation, as the case may be, shall execute with the Warrant Agent an agreement that each Holder shall have the right thereafter upon payment of the Warrant Price in effect

immediately prior to such action to purchase upon exercise of each Warrant the kind and amount of shares and other securities and property which he would have owned or have been entitled to receive after the happening of such consolidation, merger, sale or conveyance had such Warrant been exercised immediately prior to such action. The Company shall mail by first class mail, postage prepaid, to each Holder, notice of the execution of any such agreement. Such agreement shall provide for adjustments, which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 10. The provisions of this Section 10.5 shall similarly apply to successive consolidations, mergers, sales or conveyances. The Warrant Agent shall be under no duty or responsibility to determine the correctness of any provisions contained in any such agreement relating either to the kind or amount of shares of stock or other securities or property receivable upon exercise of Warrants or with respect to the method employed and provided therein for any adjustments.

10.6 Statement on Warrants. Irrespective of any adjustments in the Warrant Price or the number or kind of shares purchasable upon the exercise of the Warrants, Warrant certificates theretofore or thereafter issued may continue to express the same price and number and kind of shares as are stated in the Warrant certificates initially issuable pursuant to this Agreement.

SECTION 11. Expiration of Warrants. At 5:00 p.m. E.S.T, on December 31, 1998, all outstanding Warrants shall become void and all rights of all holders thereof and thereunder and under this Agreement shall cease.

SECTION 12. Fractional Interests. The Company shall not be required to issue fractional Warrant Shares on the exercise of Warrants. The number of full Warrant Shares which shall be issuable upon the exercise of Warrants shall be computed on the basis of the aggregate number of Warrant Shares purchasable on exercise of the Warrants so presented. If any fraction of a Warrant Share would, except for the provisions of this Section 12, be issuable on the exercise of any Warrant (or specified portion thereof), the Company shall pay an amount in cash equal to the then current market price per Warrant Share (as defined in Section 10.1(c) above) multiplied by such fraction.

SECTION 13. No Rights as Stockholders; Notices to Holders. Nothing contained in this Agreement or in any of the Warrants shall be construed as conferring upon the Holders or their transferees the right to vote or to receive dividends or to consent to or receive notice as stockholders in respect of any meeting of stockholders for the election of directors of the Company or any other matter, or any rights whatsoever as stockholders of the Company. If, however, at any time prior to the expiration of the Warrants and prior to their exercise, any of the following events shall occur:

(a) the Company shall declare any dividend payable in any securities upon its shares of Common Stock or make any distribution (other than a cash

dividend) to the holders of its shares of Common Stock; or

(b) the Company shall offer or grant to the holders of its shares of Common Stock any additional shares of Common Stock or securities convertible into shares of Common Stock or any right to subscribe thereto; or

(c) a dissolution, liquidation or winding up of the Company (other than in connection with a consolidation, merger, or sale of all or substantially all of its property, assets, and business as an entirety) shall be proposed;

then in any one or more of said events, the Company shall (a) give notice in writing of such event to the Warrant Agent and the Holders as provided in Section 19 hereof and (b) cause notice of such event to be published once in one or more newspapers printed in the English language and in general circulation in New York, New York, such giving of notice and publication to be completed at least fifteen days prior to the date fixed as a record date or the date of closing the transfer books for the determination of the stockholders entitled to such dividend, distribution, or subscription rights, or for the determination of stockholders entitled to vote on such proposed dissolution, liquidation or winding up. Such notice shall specify such record date or the date of closing the transfer books, as the case may be. Failure to publish or mail such notice or any defect therein or in the publication or mailing thereof shall not affect the validity

of any action taken in connection with such dividend, distribution or subscription rights, or proposed dissolution, liquidation or winding up.

SECTION 14. Disposition of Proceeds on Exercise of Warrants; Inspection of Warrant Agreement. The Warrant Agent shall account promptly to the Company with respect to Warrants exercised and concurrently pay the Company all monies received by the Warrant Agent for the purchase of the Warrant Shares through the exercise of such Warrants.

The Warrant Agent shall keep copies of this Agreement and any notices given or received hereunder available for inspection by the Holders during normal business hours at its principal office in New York, New York. The Company shall supply the Warrant Agent from time to time with such numbers of copies of this Agreement as the Warrant Agent may request.

SECTION 15. Merger or Consolidation or Change of Name of Warrant Agent. Any corporation into which the Warrant Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Warrant Agent shall be a party, shall be the successor to the Warrant Agent hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such corporation would be eligible for appointment as a successor Warrant Agent under the provisions of Section 17 hereof. In case at the time such successor to the Warrant Agent shall succeed to the agency created by this Agreement, any of the Warrants shall have been countersigned but not delivered, any such successor to the Warrant Agent may adopt the countersignature of the original Warrant Agent and deliver such Warrants so countersigned; and in case at that time any of the Warrants shall not have been countersigned, any successor to the Warrant Agent may countersign such Warrants either in the name of the predecessor Warrant Agent or in the name of the successor Warrant Agent; and in all such cases Warrants shall have the full force provided in the Warrants and in this Agreement.

In case at any time the name of the Warrant Agent shall be changed and at such time any of the Warrants shall have been countersigned but not delivered, the Warrant Agent may adopt the countersignatures under its prior name and deliver such Warrants so countersigned; and in case at that time any of the Warrants shall not have been countersigned, the Warrant Agent may countersign such Warrants either in its prior name or in its changed name; and in all such cases such Warrants shall have the full force provided in the Warrants and in this Agreement.

SECTION 16. Concerning the Warrant Agent. The Warrant Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Company and the Holders, by their acceptance of Warrants, shall be bound:

16.1 Correctness of Statements. The statements contained herein and in the Warrants shall be taken as statements of the Company and the Warrant Agent

assumes no responsibility for the correctness of any of the same except such as describe the Warrant Agent or action taken by it. The Warrant Agent assumes no responsibility with respect to the distribution of the Warrants except as herein otherwise provided.

16.2 Breach of Covenants. The Warrant Agent shall not be responsible for any failure of the Company to comply with the covenants contained in this Agreement or in the Warrants to be complied with by the Company.

16.3 Performance of Duties. The Warrant Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents (which shall not include its employees) and shall not be responsible for the misconduct of any agent appointed with due care.

16.4 Reliance on Counsel. The Warrant Agent may consult at any time with legal counsel satisfactory to it (who may be counsel for the Company) and the Warrant Agent shall incur no liability or responsibility to the Company or to any Holder in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with the opinion or the advice of such counsel.

16.5 Proof of Actions Taken. Whenever in the performance of its duties under this Agreement the Warrant Agent shall deem it necessary or desirable that any fact or matter be proved or established by the

Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed conclusively to be proved and established by a certificate signed by the Chairman of the Board, the President, any Executive Vice President, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary of the Company and delivered to the Warrant Agent; and such certificate shall be full authorization to the Warrant Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.

16.6 Compensation. The Company agrees to pay the Warrant Agent reasonable compensation for all services rendered by the Warrant Agent in the performance of its duties under this Agreement, to reimburse the Warrant Agent for all expenses, taxes (other than taxes based on income) and governmental charges and other charges of any kind and nature incurred by the Warrant Agent in the performance of its duties under this Agreement, and to indemnify the Warrant Agent and save it harmless against any and all liabilities, including judgments, costs and counsel fees, for anything done or omitted by the Warrant Agent in the performance of its duties under this Agreement except as a result of the Warrant Agent's negligence or bad faith.

16.7 Legal Proceedings. The Warrant Agent shall be under no obligation to institute any action, suit or legal proceeding or to take any other action likely to involve expense unless the Company or one or more Holders shall furnish the Warrant Agent with reasonable security and indemnity for any costs and expenses which may be incurred, but this provision shall not affect the power of the Warrant Agent to take such action as the Warrant Agent may consider proper, whether with or without any such security or indemnity. All rights of action under this Agreement or under any of the Warrants may be enforced by the Warrant Agent without the possession of any of the Warrants or the production thereof at any trial or other proceeding relative thereto, and any such action, suit or proceeding instituted by the Warrant Agent shall be brought in its name as Warrant Agent, and any recovery of judgment (other than in respect of a claim under Section 16.6) shall be for the ratable benefit of the Holders, as their respective rights or interests may appear.

16.8 Other Transactions in Securities of Company. The Warrant Agent and any stockholder, director, officer or employee of the Warrant Agent may buy, sell or deal in any of the Warrants, or other securities of the Company or have a pecuniary interest in any transaction in which the Company may be interested, or contract with the Company or otherwise act as fully and freely as though it were not Warrant Agent under this Agreement. Nothing herein shall preclude the Warrant Agent from acting in any other capacity for the Company or for any other legal entity.

16.9 Liability of Warrant Agent. The Warrant Agent shall act hereunder solely as agent, and its duties shall be determined solely by the provisions hereof. The Warrant Agent shall not be liable for anything which it may do or refrain from doing in connection with this Agreement except for its own negligence or bad faith.

16.10 Reliance on Documents. The Warrant Agent will not incur any liability or responsibility to the Company or to any Holder for any action taken in reliance on any notice, resolution, waiver, consent, order, certificate, or other paper, document or instrument reasonably believed by it to be genuine and to have been signed, sent or presented by the proper party or parties.

16.11 Validity of Agreement, etc. The Warrant Agent shall not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution hereof by the Warrant Agent) or in respect of the validity or execution of any Warrant (except its countersignature thereof) or in respect of the necessity or the extent of any adjustment to the Warrant Price or the number of Warrant Shares purchasable under a Warrant; nor shall the Warrant Agent by any act hereunder be deemed to make any representation or warranty as to the authorization, reservation, value or registration under securities laws of any Warrant Shares (or other stock) to be issued pursuant to this Agreement or any Warrant, or as to whether any Warrant Shares (or other stock) will, when issued, be validly issued, fully paid and non-assessable, or as to the Warrant Price or the number or amount of Warrant Shares or other securities or other property issuable upon exercise of any Warrant or the method employed in making any adjustment to the foregoing.

16.12 Instructions from Company. The Warrant Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from the Chairman of the Board, the

President, any Executive Vice President, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary of the Company and to apply to such officers for advice or instructions in connection with its duties, and shall not be liable for any action taken or suffered to be taken by it in good faith in accordance with instructions of any such officer or officers.

SECTION 17. Change of Warrant Agent. The Warrant Agent may resign and be discharged from its duties under this Agreement by giving to the Company sixty days' notice in writing. The Warrant Agent may be removed by like notice to the Warrant Agent from the Company. If the Warrant Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Warrant Agent. If the Company shall fail to make such appointment within a period of sixty days after such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Warrant Agent or by any Holder (who shall with such notice submit his Warrant for inspection by the Company), then any Holder may apply to any court of competent jurisdiction for the appointment of a successor to the Warrant Agent. Any successor warrant agent, whether appointed by the Company or such a court, shall be a bank or trust company, in good standing, incorporated under the laws of the United States of America or any state thereof and having at the time of its appointment as warrant agent a combined capital and surplus of at least $50,000,000, or a stock transfer company. After appointment, the successor warrant agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Warrant Agent without further act or deed; but the former Warrant Agent shall deliver and transfer to the successor warrant agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Failure to file any notice provided for in this Section 17, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Warrant Agent or the appointment of the successor warrant agent, as the case may be. In the event of such resignation or removal, the successor warrant agent shall mail, first class, to each Holder, written notice of such resignation or removal and the name and address of such successor warrant agent.

SECTION 18. Identity of Transfer Agent. Forthwith upon the appointment of any subsequent transfer agent for the Common Stock, or any other shares of the Company's capital stock issuable upon the exercise of the Warrants, the Company will file with the Warrant Agent a statement setting forth the name and address of such subsequent transfer agent.

SECTION 19. Notices. Any notice pursuant to this Agreement by the Company or by any Holder to the Warrant Agent, or by the Warrant Agent or by any Holder to the Company, shall be in writing and shall be mailed first class, postage prepaid, or delivered (a) to the Company, at its offices at 300 First Stamford Place, P.O. Box 120014, Stamford, Connecticut 06912-0014, with copies to , ; or (b) to the Warrant Agent, to , . Each party hereto may from time to time change the address to which notices to it are to be delivered or mailed hereunder by similar notice in writing the other party.

Any notice mailed pursuant to this Agreement by the Company or the Warrant Agent to the Holders shall be in writing and shall be mailed first class, postage prepaid, or delivered to such Holders at their respective addresses on the books of the Warrant Agent.

SECTION 20. Supplements and Amendments. The Company and the Warrant Agent may from time to time supplement or amend this Agreement, without the approval of any Holder in order to cure any ambiguity or to correct or supplement any provision contained herein which may be defective or inconsistent with any other provision herein, or to make any other provisions in regard to matters or questions arising hereunder which the Company and the Warrant Agent may deem necessary or desirable and which shall not be inconsistent with the provisions of the Warrants and which shall not adversely affect the interests of the Holders. Any supplement or amendment to this Agreement which would adversely affect the interests of the Holders may be made by the Company and the Warrant Agent only with the approval of the holders of a majority of the outstanding Warrants. Upon such approval, such supplement or amendment shall be binding on all Holders.

SECTION 21. Successors. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Warrant Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

SECTION 22. Merger or Consolidation of the Company. The Company will not merge or consolidate with or into any other corporation unless the corporation resulting from such merger or consolidation (if not the Company) shall expressly assume, by supplemental agreement satisfactory in form to the Warrant Agent and executed by such resulting corporation and delivered to the Warrant Agent, the due and punctual performance and observance of each and every covenant and condition of this Agreement to be performed and observed by the Company.

SECTION 23. Applicable Law. This Agreement and each Warrant issued hereunder shall be governed by, and construed in accordance with, the laws of the State of New York, without giving effect to any principles of conflicts of law.

SECTION 24. Benefits of this Agreement. Nothing in this Agreement shall be construed to give any person or corporation other than the Company, the Warrant Agent, and the Holders any legal or equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Company, the Warrant Agent and the Holders of the Warrants.

SECTION 25. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

SECTION 26. Captions. The captions of the Sections and subsections of this Agreement have been inserted for convenience only and shall not be deemed part of or used in the construction of this Agreement.

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

LONE STAR INDUSTRIES, INC.

By: ----------

Title: ----------,

---

as Warrant Agent

By: ----------

Title: ----------

NO. ------

EXHIBIT A
WARRANTS

LONE STAR INDUSTRIES, INC.

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

COMMON STOCK PURCHASE WARRANTS

THIS CERTIFIES THAT, for value received , the registered holder hereof, or registered assigns (the "Holder"), is entitled to purchase from Lone Star Industries, Inc., a Delaware corporation (the "Company"), subject to the terms and conditions hereof and of the Warrant Agreement referred to below, at any time on or after the date of this Common Stock Purchase Warrant (the "Warrant") and until 5:00 p.m. E.S.T. on December 31, 1998, at the purchase price of $19.75 per share (the "Warrant Price"), the number of shares of Common Stock, no par value, of the Company (the "Common Stock") which is initially equal to the number of Warrants set forth above. The number of shares purchasable upon exercise of this Warrant and the Warrant Price per share shall be subject to adjustment from time to time as set forth in the Warrant Agreement referred to below, and these Warrants are subject to repurchase by the Company on the terms and conditions contained in such Warrant Agreement.

This Warrant may be exercised in whole or in part by presentation of this Warrant with the Purchase Form on the reverse side hereof duly executed and simultaneous payment of the Warrant Price (subject to adjustment) at the principal office of (the "Warrant Agent"). Payment of such price shall be made at the option of the Holder hereof in cash, by certified or official check or any combination thereof.

This Warrant is one of a duly authorized issue of Warrants evidencing the right to purchase initially an aggregate of up to 3,333,333 shares of Common Stock issued pursuant to a Plan of Reorganization under and in accordance with a Warrant Agreement dated as of , 1993 between the Company and the Warrant Agent and is subject to the terms and provisions contained in the Warrant Agreement, to all of which the Holder of this Warrant by acceptance hereof consents. A copy of the Warrant Agreement may be obtained for inspection by the Holder hereof upon written request to the Warrant Agent.

Upon any partial exercise of this Warrant, there shall be countersigned and issued to the Holder hereof a new Warrant in respect of the shares of Common Stock as to which this Warrant shall not have been exercised. This Warrant may be exchanged at the office of the Warrant Agent by surrender of this Warrant properly endorsed either separately or in combination with one or more other Warrants for one or more new Warrants entitling the Holder thereof to purchase the same aggregate number of shares as were purchasable on exercise of the Warrant or Warrants exchanged. No fractional shares will be issued upon the exercise of this Warrant, but the Company shall pay the cash value of any fraction upon the exercise of one or more Warrants. This Warrant is transferable at the office of the Warrant Agent in New York, New York in the manner and subject to the limitations set forth in the Warrant Agreement.

The Holder hereof, until his or her transfer has been recorded on the books of the Company, may be treated by the Company, the Warrant Agent, and all other persons dealing with this Warrant as the absolute owner hereof for any purpose and as the person entitled to exercise the rights represented hereby, or to the transfer hereof on the books of the Company, any notice to the contrary notwithstanding.

This Warrant does not entitle any Holder hereof to any of the rights of a stockholder of the Company.

This Warrant shall not be valid or obligatory for any purpose until it shall have been countersigned by the Warrant Agent.

DATED:

<TABLE>
<S> <C>
LONE STAR INDUSTRIES, INC.
By:

Title:

COUNTERSIGNED: (Corporate Seal)

- ----------
as Warrant Agent Attest:

By:
---------- ----------
Authorized Signature Secretary

Title:

</TABLE>

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LONE STAR INDUSTRIES, INC.

PURCHASE FORM

The undersigned hereby irrevocably elects to exercise the right of purchase represented by the within Warrant Certificate for, and to purchase thereunder, shares of the stock provided for therein, herewith makes payment in full for such shares in the amount of $ by delivery of cash and/or certified or official bank check, all in accordance with the terms and conditions specified in the within Warrant Certificate and the Warrant Agreement therein referred to, and requests that certificates for such shares be issued in the name indicated below and delivered to the address stated below:

- ----------
(Please Print Name, Address and Social Security No.)

- ----------

- ----------

- ----------

and, if said number of shares shall not be all the shares purchasable thereunder, that a new Warrant Certificate for the balance remaining of the Warrants under the within Warrant Certificate be registered in the name of the undersigned Warrantholder or his or her Assignee as below indicated and delivered to the address stated below.

DATED: , 19

Name of Warrantholder or Assignee:----------
(Please Print)

Address:----------

- ----------

- ----------

- ----------

Signature:----------

<TABLE>
<S> <C> <C>
Signature Guaranteed By: NOTE: The above signature must correspond with the name as written upon the face of this Warrant Certificate in every particular, without alteration or
- ---------- enlargement or any change whatever, unless this Warrant has been assigned.
</TABLE>

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ASSIGNMENT

(TO BE SIGNED ONLY UPON ASSIGNMENT OF WARRANT)

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers

unto

- ---

(Name and Address of Assignee Must Be Printed or Typewritten)

the within Warrant, hereby irrevocably constituting and appointing
attorney to transfer said Warrant on the Company, with
full power of substitution in the premises.

DATED , 19

Signature of Registered Holder

<TABLE>
<S> <C> <C>
Signature Guaranteed By: NOTE: The above signature must correspond with the name as written upon the face of this Warrant Certificate in every particular, without alteration or enlargement or any change whatever, unless this Warrant has been assigned.

- ---

</TABLE>

LONE STAR INDUSTRIES, INC.

PURCHASE FORM

The undersigned hereby irrevocably elects to exercise the right of purchase represented by the within Warrant Certificate for, and to purchase thereunder, shares of the stock provided for therein, herewith makes payment in full for such shares in the amount of $ by delivery of cash and/or certified or official bank check, all in accordance with the terms and conditions specified in the within Warrant Certificate and the Warrant Agreement therein referred to, and requests that certificates for such shares be issued in the name indicated below and delivered to the address stated below:

- ---

(Please Print Name, Address and Social Security No.)

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- ---

- ---

and, if said number of shares shall not be all the shares purchasable thereunder, that a new Warrant Certificate for the balance remaining of the Warrants under the within Warrant Certificate be registered in the name of the undersigned Warrantholder or his Assignee as below indicated and delivered to the address stated below.

DATED: , 19

Name of Warrantholder or Assignee:

(Please Print)

Address:

- ---

- ---

Signature:

<TABLE>
<S> <C> <C>
Signature Guaranteed By: NOTE: The above signature must correspond with the name as written upon the face of this Warrant Certificate in every particular, without alteration or enlargement or any change whatever, unless this Warrant has been assigned.

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EXHIBIT T

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EXHIBIT T

LONE STAR INDUSTRIES, INC. MANAGEMENT STOCK OPTION PLAN

1. PURPOSE

The purpose of the Lone Star Industries, Inc. Management Stock Option Plan (the "Plan") is, by means of stock options, to provide officers and key management, professional and technical employees ("Employees") of Lone Star Industries, Inc. (the "Company") and its present and future subsidiaries (within the meaning of Section 424 of the Internal Revenue Code of 1986, as amended (the "Code")), with an increased incentive to make significant contributions to the performance and growth of the Company and its subsidiaries, to increase stock ownership of Employees, and to attract and retain Employees of exceptional ability.

2. ADMINISTRATION

(a) The Plan shall be administered by the Compensation Committee of the Board of Directors (the "Committee") appointed by the Board of Directors consisting of two or more members of the Board, each of whom shall be a "disinterested person" within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934 (the "1934 Act").

(b) The Committee shall have full and complete authority in its discretion, but subject to the provisions of the Plan; to authorize the grant of options under the Plan; to select those Employees to be granted stock options under the Plan; to determine the number of stock options to be granted to an Employee; to determine the time or times at which such options shall be granted; to establish the terms and conditions to be contained in option agreements under the Plan; to remove any restrictions and conditions upon such stock options; and to adopt such rules and regulations and to make all other determinations deemed necessary or desirable for administration of the Plan.

(c) All decisions of the Committee pursuant to the provisions of the Plan, all determinations and selections made by the Committee pursuant to such provisions and related orders and resolutions of the Board shall be final and conclusive.

3. ELIGIBILITY AND PARTICIPATION

The class of employees eligible to receive stock options under the Plan are officers and other key management, professional and technical employees who shall be selected by the Committee from those employees who, in the opinion of the Committee, are in positions which enable them to make significant contributions to the performance and growth of the Company and its subsidiaries.

4. STOCK OPTIONS

Stock options to purchase full shares of common stock, par value $1 per share ("Common Stock"), of the Company may at the discretion of the Committee be Incentive Stock Options (as defined in Section 422 of the Code) or Non-Incentive Stock Options or both. Incentive Stock Options and Non-Incentive Stock Options are sometimes hereinafter collectively referred to as "stock options" or "options".

5. DETERMINATION OF OPTION PRICE

The option price of a share of Common Stock covered by each stock option shall be determined by the Committee but shall not be less than the fair market value of a share of Common Stock on the date of grant of such stock option. Such fair market value shall be the average of the high and low prices of a share of Common Stock in New York Stock Exchange composite market transactions, as reported by The Wall Street Journal, on the date of grant of the stock option.

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6. OPTION TERM

The term within which each stock option is exercisable shall be for such period as the Committee may determine, but such term shall not exceed a period of ten years in the case of Incentive Stock Options and ten years and one day in the case of Non-Incentive Stock Options from the date of grant of an option.

7. OPTION AGREEMENTS

Each stock option shall be evidenced by an option agreement containing such terms and conditions, consistent with the provisions of the Plan, as the Committee shall from time to time determine. Such terms and conditions, at the discretion of the Committee, may include, without limitation, provisions with respect to the time or times at which the stock option is exercisable, the effect of termination of employment upon right of exercise, the manner of exercise of such stock option, the payment for Common Stock either with other shares of Common Stock or with cash or with both, and payment of income tax withholding requirements in connection with the exercise of a Non-Incentive Stock Option by the Company withholding or an Employee delivering shares of Common Stock.

8. DATE OF GRANT

The date of grant of a stock option shall occur when the granting of the stock option is authorized by the Committee, or such later date as may be specified by the Committee in such authorization.

9. LIMIT ON VALUE OF INCENTIVE STOCK OPTIONS

The aggregate fair market value (determined as of the time the option is granted) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by an Employee during any calendar year (under all plans of the Company or any subsidiary of the Company which provide for the granting of Incentive Stock Options) shall not exceed $100,000.

10. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION

In the event of changes in the Common Stock by reason of stock dividends, split-ups, recapitalizations, mergers, consolidations, combinations or exchanges of shares and the like, the maximum number of shares of Common Stock subject to the Plan and the number of shares and option price per share of all stock subject to outstanding options shall be adjusted by the Committee as shall be necessary to maintain the proportionate interest of the optionees and preserve, without exceeding, the value of the options.

11. TERMINATION OF EMPLOYMENT

During its term, an option may be exercised both while the holder thereof continues to be an Employee and during the three month period following termination of employment. Such three month period shall be one year in the case of disability (within the meaning of Section 22(e)(3) of the Code) or of death.

12. TRANSFERABILITY OF OPTIONS

Options under the Plan shall not be assignable or transferable, or subject to encumbrance or charge of any nature, otherwise than (i) by will or the laws of descent and distribution, (ii) pursuant to a qualified domestic relations order as defined in the Code or Title I of the Employee Retirement Income Security Act, or the rules thereunder; and (iii) to members of the Employee's immediate family (i.e., the Employee's children, grandchildren and spouse), or to one or more trusts for the benefit of such immediate family members, or partnerships in which such family members are the only partners, provided that any such transfer shall be permitted only if: (1) the option holder does not receive any consideration for such transfer, (2) written notice of such proposed transfer and the details thereof shall have been furnished to the Committee, and (3) the stock option agreement with respect to the options being transferred (including any amendment thereof), which shall have been approved by the Committee, expressly permits such transfer. Any options transferred to such immediate family members, trusts or partnerships will continue to be subject to the same terms and

conditions that were applicable to such options immediately prior to their transfer. Any transfer in violation of this paragraph shall be void and of no effect. Unless transferred in accordance with this paragraph, a stock option may be exercised, during the lifetime of the Employee to whom such stock option was granted, only by such Employee.

13. AMENDMENT AND TERMINATION

The Board of Directors of the Company may at any time and from time to time amend, suspend or terminate the Plan in whole or in part; provided, however, that the Board of Directors may not amend the Plan without the approval of the Company's stockholders if such approval is required to comply with Rule 16b-3 under the 1934 Act or the Delaware General Corporation Law or, with respect to Incentive Stock Options, Section 422 of the Code, or any applicable rules of the National Association of Securities Dealers, Inc. or the New York Stock Exchange, or any successor provisions. No such amendment, suspension or termination may, without the consent of the Employee to whom an option shall theretofore have been granted, adversely affect the rights of such Employee under such option.

14. COMMON STOCK RESERVED FOR PLAN

Subject to adjustment as provided in Section 10 hereof, the aggregate number of shares of Common Stock which may be issued under options and which shall be reserved for purposes of the Plan shall be 700,000. Authorized but unissued shares or treasury shares or both may be utilized for purposes of the Plan. Such number of reserved shares shall be reduced if and to the extent that treasury shares rather than authorized but unissued shares of Common Stock shall be utilized for purposes of the Plan. If any stock option shall expire or terminate for any reason without having been exercised in full, the unpurchased shares under such option shall again become available for purposes of the Plan.

15. USE OF COMMON STOCK FOR INCOME TAX WITHHOLDING REQUIREMENTS

Any option granted hereunder may provide, at the discretion of the Committee, for appropriate arrangements for the satisfaction by the Company and the Employee of all federal, state, local or other income tax withholding requirements applicable to the exercise of the option, such arrangements may include, in the Committee's discretion, the right of the Employee to require the Company to withhold in the form of shares of Common Stock from any transfer of shares of Common Stock to an Employee in connection with the exercise of an option or to receive transfers of shares of Common Stock from the Employee in connection with the exercise of an option.

16. MISCELLANEOUS PROVISIONS

(a) Nothing in the Plan or in any stock option granted pursuant to the Plan shall confer on any Employee the right to continue in the employ of the Company or any of its subsidiaries or affect in any way the right of the Company or any such subsidiary to terminate such Employee's employment at any time.

(b) The grant of stock options under the Plan shall not confer upon any Employee any of the rights of a stockholder until due exercise of the Employee's stock option and until the Employee shall have received a certificate or certificates therefor.

(c) No option may be exercised with respect to a fractional share.

17. DURATION OF PLAN

The Plan shall expire on the tenth anniversary of the earlier of its approval by the Board or the Stockholders of the Company, unless earlier terminated, and no stock option shall be granted after expiration or termination but stock options previously granted shall remain outstanding in accordance with their applicable terms and conditions and the terms and conditions of the Plan.

18. SECTION 16(B) COMPLIANCE

It is the intention of the Company that the Plan shall comply in all respects with Rule 16b-3 under the 1934 Act and, if any Plan provision is later found not to be in compliance with Section 16 of the 1934 Act, the provision shall be deemed null and void, and in all events the Plan shall be construed in favor of its meeting the requirements of Rule 16b-3. Notwithstanding anything in the Plan to the contrary, the Board, in its absolute discretion, may bifurcate the Plan so as to restrict, limit or condition the use of any provision of the Plan to participants who are officers subject to Section 16 of the 1934 Act without so restricting, limiting or conditioning the Plan with respect to other participants.

19. EFFECTIVE DATE OF PLAN

The Plan shall be effective as of Effective Date of the Plan of Reorganization.

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LONE STAR INDUSTRIES, INC. DIRECTORS STOCK OPTION PLAN

1. PURPOSE

The purpose of the Lone Star Industries, Inc. Directors Stock Option Plan (the "Plan") is, by the means of stock options, to encourage ownership in Lone Star Industries, Inc. (the "Company") by outside directors of the Company whose continued services are considered essential to the Company's growth and progress and to provide them with a further incentive to continue as directors of the Company.

2. ADMINISTRATION

(a) The Plan shall be administered by the board of directors of the Company (the "Board").

(b) Grants of options under the Plan and the amount and nature of such grants shall be automatic in accordance with Section 4 hereof.

(c) All decisions of the Board pursuant to the provisions of the Plan shall be final and conclusive.

3. PARTICIPATION IN THE PLAN

Each non-employee member of the Board shall be a participant in the Plan. No person who is also an employee of the Company or one of its subsidiaries shall be a participant except with respect to any options received prior to becoming such an employee.

4. STOCK OPTIONS

Each director who was not an employee of the Company or one of its subsidiaries during the six month period preceding the date options are distributed shall receive on the first business day following the first meeting of the Board of Directors to occur after the confirmation of the Company's plan of reorganization and thereafter on the first business day following the final adjournment of the Company's Annual Meeting of Stockholders (commencing with the Annual Meeting of Stockholders held during the first calendar year beginning after the Board meeting resulting in the initial grant of options and continuing thereafter during the term of the Plan) an option to purchase 1,000 shares of the Company's common stock, par value $1 per share ("Common Stock"), provided there is a sufficient number of shares available; otherwise the number of shares shall be prorated.

5. DETERMINATION OF OPTION PRICE

The option price of a share of Common Stock covered by each stock option shall be the fair market value of a share of Common Stock on the date of grant of such stock option. Such fair market value (the "Fair Market Value") shall be the average of the high and low prices of a share of Common Stock in New York Stock Exchange composite market transactions, as reported by The Wall Street Journal, on the date of grant of the stock option. In no event shall the purchase price be less than the par value of the shares.

6. OPTION TERM

The term within which each stock option is exercisable shall be ten years from the date of distribution of an option. No option shall be exercised prior to six months after the date on which the option was distributed. While an optionee is a director of the Company and in the case of an optionee who ceases to be a director of the Company by reason of retirement, full and complete disability, or death, an option may be exercised prior to its expiration only by the optionee or, in the case of death, by the executor or administrator of optionee's estate or by a person who acquired the right to exercise such option by bequest or inheritance. All option privileges continue for five (5) years after retirement, full and complete disability or death, but not after the expiration of the option term. Otherwise, an option may only be exercised within the ninety day period after an optionee ceases to be a director of the Company.

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7. OPTION AGREEMENTS

Each stock option shall be evidenced by an option agreement containing such terms and conditions, consistent with the provisions of the Plan, as the Board shall from time to time determine.

8. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION

In the event of changes in the Common Stock by reason of stock dividends, split-ups, recapitalizations, mergers, consolidations, combinations or exchanges of shares and the like, the maximum number of shares of Common Stock subject to the Plan and the number of shares and option price per share of all stock subject to outstanding options shall be adjusted as shall be necessary to maintain the proportionate interest of the optionees and preserve without exceeding, the value of the options.

9. TRANSFERABILITY OF OPTIONS

Options under the Plan shall not be assignable or transferable, or subject to encumbrance or charge of any nature, otherwise than by will or the laws of descent and distribution. A stock option may be exercised, during the lifetime of a director to whom such stock option was granted, only by such director.

10. AMENDMENT AND TERMINATION

The Board may at any time and from time to time amend, suspend or terminate the Plan in whole or in part; provided, however, that the Board may not amend the Plan without the approval of the Company's stockholders if such approval is required to comply with Rule 16b-3 under the Securities Exchange Act of 1934 (the "1934 Act") or the Delaware General Corporation Law or any applicable rules of the National Association of Securities Dealers, Inc. or the New York Stock Exchange; and provided further, that the Plan shall not be amended more than once every six months, other than to comport with changes in the Internal Revenue Code of 1986, as amended, the Employee Retirement Income Security Act, or the rules thereunder. No such amendment, suspension or termination may, without the consent of a director to whom an option shall theretofore have been granted, adversely affect the rights of such director under such option.

11. COMMON STOCK RESERVED FOR PLAN

Subject to adjustment under Section 8, the aggregate number of shares of Common Stock which may be issued under options and which shall be reserved for purposes of the Plan shall be 50,000. Authorized but unissued shares or treasury shares or both may be utilized for purposes of the Plan. Such number of reserved shares shall be reduced if and to the extent that treasury shares rather than authorized but unissued shares of Common Stock shall be utilized for purposes of the Plan. If any stock option shall expire or terminate for any reason without having been exercised in full, the unpurchased shares under such option shall again become available for purposes of the Plan.

12. PAYMENT

(a) Payment for all shares shall be made in cash or with Common Stock or a combination of both delivered at the time that an option, or any part thereof, is exercised. No shares shall be issued until full payment therefor has been made. Common Stock used as payment shall have been owned by the optionee not less than six months preceding the date the option is exercised and shall be valued at its Fair Market Value.

(b) Any option granted hereunder shall provide that a director may, at least six months prior to the first exercise by such director of an option, elect (which election shall be irrevocable and cover all options granted to the director hereunder) to provide for the satisfaction of all obligations of the Company and the optionee under all federal, state, local or other income tax withholding requirements applicable to the exercise of the option (i) by the Company's withholding shares of Common Stock from any transfer of shares of Common Stock to such director in connection with the exercise of an option or (ii) by such director's transferring shares of Common Stock to the Company. Common Stock transferred to satisfy withholding obligations pursuant to

the immediately preceding sentence shall have been owned by the optionee not less than six months preceding the date the option is exercised and shall be valued at its Fair Market Value.

13. MISCELLANEOUS PROVISIONS

(a) The grant of stock options under the Plan shall not confer upon any director any of the rights of a shareholder until due exercise of the director's

stock option and until the director shall have received a certificate or certificates therefor.

(b) No option may be exercised with respect to a fractional share.

14. DURATION OF PLAN

The Plan shall expire on the tenth anniversary of the earlier of approval of the Board or the stockholders of the Company, unless earlier terminated, and no stock option shall be granted after expiration or termination but stock options previously granted shall remain outstanding in accordance with their applicable terms and conditions and the terms and conditions of the Plan.

15. SECTION 16(B) COMPLIANCE

It is the intention of the Company that the Plan shall comply in all respects with Rule 16b-3 under the 1934 Act and, if any Plan provision is later found not to be in compliance with Section 16 of the 1934 Act, the provision shall be deemed null and void, and in all events the Plan shall be construed in favor of its meeting the requirements of Rule 16b-3.

16. EFFECTIVE DATE OF PLAN

The Plan shall be effective as of Effective Date of the Plan of Reorganization.