

**CONFIDENTIAL**



Ralph Clayton & Sons

Clayton Block Co., Inc.

Clayton Sand Co.

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March 28, 2002

Nova Stone Exporters, Inc.  
RR3  
Bridgewater, Nova Scotia B4V 2W2  
Canada

Attention: Mark Lowe

**RE: LETTER OF INTENT REGARDING THE FORMATION AND FUNDING OF A NEW CANADIAN PARTNERSHIP TO BE OWNED BY WHOLLY OWNED CANADIAN SUBSIDIARIES OF NOVA STONE EXPORTERS, INC. AND BILCON OF NEW JERSEY, INC.**

Dear Mr. Lowe:

The purpose of this letter of intent ("Letter") is to set forth certain non-binding understandings and certain binding agreements between Bilcon of New Jersey, Inc. ("BNJ") a New Jersey corporation to be formed and wholly owned by individuals of the Clayton family and Nova Stone Exporters, Inc., a corporation formed pursuant to the laws of Nova Scotia, Canada ("NSE") regarding the joint formation of a proposed Canadian partnership ("Partnership") between a Nova Scotia unlimited liability company ("NSULC") that will be a wholly owned subsidiary of BNJ and either NSE or a newly formed Canadian corporation ("NEWCO") that will be wholly owned by NSE. Partnership will be formed to engage in the development, management and operation of an aggregate mining, processing and distribution facility (the "Quarry") to be operated on approximately 350 acres situated in Digby County, Province of Nova Scotia, Canada (the "Premises"), which Premises are to be subject to a certain Aggregate Lease Agreement by and between NSE, as Lessee and Jason R. Lineberger and Lida C. Lineberger and John A. Johnson and Joan L. Johnson, as Lessor (the "Lease").

The following numbered paragraphs reflect our understanding with respect to the formation and funding of Partnership, but are not to constitute a complete statement of, or a legally binding or enforceable agreement or commitment on the part of BNJ or NSE with respect to the matters described therein and are further subject to a thirty (30) day due diligence, to be performed by BNJ following acceptance and execution of this Letter and such additional time as may be required to set forth such matters in definitive, legally binding, written agreements to be negotiated and entered into by and between BNJ and NSE.

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1. Members of the Clayton family will form BNJ, which will be an "S" corporation formed in the United States pursuant to the laws of the State of New Jersey. NSULC will be wholly owned by BNJ.
2. NSE may cause NEWCO to be formed under the laws of Nova Scotia, Canada for the purpose of entering into Partnership with NSULC.
3. Either NSE or NEWCO will contribute, or cause to be contributed, to Partnership, the following:
  - (a) The Lease;
  - (b) Permits for a suitable docking facility for loading post-Panamax Class ships (the "Dock Permit"); and
  - (c) Any and all licenses and/or permits necessary or desirable to allow operation of the Quarry, with a minimal annual production of two million (2,000,000) tons per year, to operate on the entire 350 acre Premises (the "Mining License").
4. BNJ will cause the NSULC to contribute cash, in an amount up to eight million five hundred thousand dollars (\$8,500,000), to Partnership, as follows:
  - (a) upon acceptance and execution of this Letter by NSE, one hundred twenty-five thousand dollars (\$125,000), to be placed in escrow with Bathgate, Wegener and Wolf and, upon formation of Partnership and assignment of the Lease to Partnership, to be released to Partnership and distributed to NEWCO (or NSE) as an advance against future capital draws;
  - (b) At an agreed upon starting date, subsequent to the assignment to Partnership of the Lease and a mining license sufficient to allow the Quarry to operate on at least ten (10) acres of the Premises, sufficient funds for Partnership to pay a weekly management fee of \$3,000 to Mark Lowe or his designee, who will be retained by Partnership and be responsible for starting-up and overseeing the Quarry, including operations, marketing and sales, as well as obtaining, maintaining and renewing any and all permits and/or licenses, including the Mining



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License and the Dock Permit, necessary or desirable for operation of the Quarry on the entire 350 acre Premises;

- (c) Additional cash in an amount up to six million five hundred thousand dollars (\$6,500,000), inclusive of all amounts previously contributed by BNU pursuant to subparagraphs 4(a) and (b), above, as needed, to acquire equipment and to start-up operations of the Quarry, provided, however, that not more than \$325,000.00 dollars, inclusive of all amounts previously contributed to Partnership in accordance with subparagraphs 4(a) and (b) above, shall be funded until such time as Partnership has acquired the Dock Permit and the Mining License; and
  - (d) Subject to and contingent upon Partnership acquiring both the Dock Permit and the Mining License prior to December 31, 2002;
    - (i) cash in the amount of one million dollars (\$1,000,000) on January 2, 2004; and
    - (ii) cash in the amount of one million dollars (\$1,000,000) on January 2, 2005.
5. Once the Quarry has commenced production, but in no event prior to Partnership acquiring the Dock Permit and the Mining License, Partnership profit shall be allocated and cash flow from Partnership operations shall be distributed ninety-nine percent (99%) to NEWCO (or NSE) and one percent (1%) to NSULC until such time as NEWCO (or NSE) has been allocated One Million Five Hundred Thousand Dollars (\$1,500,000) more profit than NSULC. Prior thereto and, thereafter, all profit allocations and cash flow distributions shall be equal.
6. If Partnership has not acquired both the Dock Permit and the Mining License by December 31, 2002, at any time thereafter, NSULC shall have the right to either:
- (a) participate, through the Partnership or otherwise, in a similarly structured transaction for a quarry at a site located in Victoria Beach, Nova Scotia and presently controlled by NSE; or
  - (b) cause the dissolution of the Partnership, at which time NSULC shall receive a return of all contributions made up



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to that time. NSULC's right to receive a return of its contributions shall be secured by (i) a collateral assignment of the Lease, (ii) a blanket security interest in all of the equipment, permits and other assets of the Partnership, and (iii) the personal guarantee of Mark Lowe, provided, however, that such guarantee shall be limited to the amount of distributions made to NEWCO and/or NSE (including the \$125,000 advance referred to in paragraph 4(a), above.)

7. Upon execution of counterparts of this Letter by you and SSC, the following lettered paragraphs will constitute the legally binding and enforceable agreement of you and BNJ (in recognition of the significant costs to be borne by you and BNJ in pursuing this transaction and further in consideration of the mutual undertakings as to the matters described herein.)
- (a) **Best Efforts.** BNJ and NSE will negotiate in good faith and use their best efforts to arrive at mutually acceptable and definitive agreements with regard to the formation and funding of Partnership for approval, execution and delivery on the earliest reasonably practicable date.
- (b) **Exclusive Dealing.** You will not offer the right to acquire, either directly or indirectly, by sale, joint venture or otherwise, any interest in or to the Lease or the Quarry to any party other than BNJ and its affiliates nor will you enter into negotiations with any other party regarding the acquisition, directly or indirectly, of any rights in or to the Lease or the Quarry, during the pendency of negotiations between BNJ and you and neither BNJ nor you will unilaterally terminate these negotiations.
- (c) **Assignment of the Lease.** You hereby represent and warrant to BNJ that you now have or will acquire all rights to the Lease and, upon formation of Partnership, you will cause the Lease to be assigned to the Partnership.
- (d) **Costs.** BNJ and NSE will each be solely responsible for and bear all of its own respective expenses, including, without limitation, broker's fees, expenses of legal counsel, accountants and other advisors, incurred at any time in connection with pursuing or consummating the transactions contemplated hereby.
- (e) **Disclosures.** Prior to formation of Partnership and assignment of the Lease thereto, neither you nor BNJ shall make



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any public or private release of information regarding the matters contemplated herein except as may be legally required or necessary or appropriate and not inconsistent with the best interests of the other party or the prompt consummation of the transactions contemplated by this Letter.

This letter represents BNJ's offer to proceed with the transactions as stated herein on the above terms and conditions. Please indicate your acceptance of and agreement with the foregoing by executing and returning to us a duplicate copy of this letter.

Very truly yours,

BILCON OF NEW JERSEY, INC.

BY:   
William R. Clayton, President

Accepted and Agreed to this  
28<sup>th</sup> day of March, 2002

NOVA STONE EXPORTERS, INC.

By:   
Patricia B. Howard, President

  
Mark Lowe, Individually

