

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934
(Amendment No. 3)

National Gypsum Company
(Name of Issuer)

Common Stock, \$.01 par value
(Title of Class of Securities)

636317109
(CUSIP Number)

Paul J. Polking, NationsBank Corporation,
NationsBank Corporate Center, Charlotte, NC 28255 (704) 386-2400
(Name, Address and Telephone Number of Person Authorized to Receive Notices
and Communications)

January 31, 1995
(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(b)(3) or (4), check the following box [] .

Check the following box if a fee is being paid with the statement [] .
(A fee is not required only if the reporting person: (1) has a previous statement on file reporting beneficial ownership of more than five percent of the class of securities described in Item 1; and (2) has filed no amendment subsequent thereto reporting beneficial ownership of five percent or less of such class.) (See Rule 13d-7.)

This document contains 49 pages.
The exhibit index begins on page 6.

SCHEDULE 13D

CUSIP NO. 636317109

1 NAME OF REPORTING PERSON
S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

NATIONSBANK CORPORATION

2 CHECK THE APPROPRIATE BOX IF
A MEMBER OF A GROUP (a) [check mark]
(b) []

3 SEC USE ONLY

4 SOURCE OF FUNDS

OO

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS ()
REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)

6 CITIZENSHIP OR PLACE OF ORGANIZATION
NC

NUMBER OF
SHARES
BENEFICIALLY
OWNED BY
EACH
REPORTING
PERSON
WITH

7 SOLE VOTING POWER
8,799

8 SHARED VOTING POWER
0

9 SOLE DISPOSITIVE POWER
6,646

10 SHARED DISPOSITIVE POWER
0

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
8,799

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11)
EXCLUDES CERTAIN SHARES [check mark]

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
less than 0.1%

14 TYPE OF REPORTING PERSON
CO

PRELIMINARY STATEMENT

This Amendment No. 3 (this "Amendment") amends and supplements the Statement on Schedule 13D filed with the Securities and Exchange Commission on November 23, 1994, as amended (the "Statement"), with respect to the shares of Common Stock, \$.01 par value per share (the "Common Stock"), of National Gypsum Company, a Delaware corporation (the "Issuer"), by NationsBank Corporation (the "Reporting Person"). Capitalized terms used herein without definition have the same meanings as those ascribed to them in the Statement. Information contained herein with respect to persons other than the Reporting Person has been obtained from public filings under the Securities Exchange Act of 1934, as amended, or has been provided to the Reporting Person by the relevant party. The Reporting Person has not independently verified and assumes no responsibility for the accuracy or completeness of such information.

As reported in the Statement, the Reporting Person may be deemed a member of a group (within the meaning of Section 13(d) (3) of the Securities Exchange Act of 1934, as amended) with Delcor, Inc., a Delaware corporation ("Delcor"), and First Union Corporation with respect to ownership of Common Stock. Delcor and Golden Eagle Industries, Inc., acting jointly, and First Union Corporation have each filed separate statements on Schedule 13D. The Reporting Person anticipates that any future amendment to this Statement may be included in a joint statement with other members of such group, which joint statement would not be eligible for electronic filing under Regulation S-T. Accordingly, the Reporting Person expects that this Amendment constitutes the Reporting Person's final amendment to be filed electronically under Regulation S-T.

Item 4. Purpose of Transaction.

On January 31, 1995, the Reporting Person and its banking affiliate, NationsBank, N.A. (Carolinas), issued a commitment letter to Delcor, Inc., a Delaware corporation ("Delcor"), to provide equity and debt financing to the Issuer to partially fund Delcor's proposal to the Board of Directors of the Issuer that the Issuer effect a recapitalization. A copy of such commitment letter (the "Recapitalization Financing Commitment") is filed as Exhibit 9 hereto, which is incorporated by reference herein.

The terms of Delcor's recapitalization proposal are set forth in a letter from Delcor addressed to the Board of Directors of the Issuer, a copy of which is attached hereto as Exhibit 10 (the "Recapitalization Proposal"). The Recapitalization Proposal is incorporated by reference herein.

Under the Recapitalization Proposal, 75 percent of the shares of Common Stock of the Issuer other than shares held by Delcor and 784,999 shares held by First Union Corporation would be redeemed by the Issuer pro rata for cash at a per share price of \$46 (the "Transaction Price"). In addition, under the Recapitalization Proposal, Delcor would purchase from the Issuer for cash additional shares of Common Stock at the Transaction Price, such that upon completion of the redemption and additional investment by Delcor, Delcor would hold approximately 54.5 percent of the then outstanding common shares on a fully diluted basis. The Reporting Person would acquire from the Issuer for approximately \$36.1 million in cash

784,999 shares of a new class of common stock ("Class B Common Stock"), which would have the same rights as Common Stock except for limited voting privileges, at the \$46 per share Transaction Price. First Union Corporation would exchange its existing 784,999 shares of Common Stock for 784,999 shares of Class B Common Stock. The Reporting Person and First Union Corporation would each acquire from the Issuer for \$50 million in cash shares of a new \$100 million issue of redeemable preferred stock of the Issuer (the "Redeemable Preferred Stock") that would pay dividends at a rate of 9 percent per annum, carry no warrants, and have an eight-year maturity. The Redeemable Preferred Stock would be callable by the Issuer, at any time, with no premium, would have limited voting privileges and would vote together as a class with Common Stock.

NationsBank, N.A. (Carolinas) has provided Delcor with a commitment to provide the Issuer with a \$162.5 million, five-year reducing revolving credit facility to supply a portion of the remaining funds required to effect the recapitalization and meet future working capital needs.

The Recapitalization Financing Commitment sets forth the Reporting Person's commitment to acquire from the Issuer shares of Class B Common Stock and Redeemable Preferred Stock and the commitment of NationsBank N.A., (Carolinas) to provide the reducing revolving credit facility on the terms described above. The Reporting Person intends to use working capital to provide funds under the Recapitalization Financing Commitment.

On January 31, 1995, First Union Corporation and First Union National Bank of North Carolina also issued to Delcor a commitment (the "First Union Recapitalization Commitment") for First Union Corporation to purchase from the Issuer shares of Class B Common Stock and Redeemable Preferred Stock as described above and for First Union National Bank of North Carolina to provide the Issuer with a \$162.5 million, five-year reducing revolving credit facility. A copy of the First Union Recapitalization Commitment is filed as Exhibit 11 hereto, which is incorporated herein by reference.

On January 31, 1995, Delcor accepted the Recapitalization

Financing Commitment and the First Union Recapitalization Commitment.

Item 6. Contracts, Arrangements, Understandings or Relationships With Respect to Securities of the Issuer.

The information set forth in Item 4 of this Amendment is incorporated herein by reference.

Item 7. Material to be Filed as Exhibits.

The Recapitalization Financing Commitment is filed as Exhibit 9 hereto. The Recapitalization Proposal is filed as Exhibit 10 hereto. The First Union Recapitalization Commitment is filed as Exhibit 11 hereto.

Signatures.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this Amendment is true, complete and correct.

Dated: February 1, 1995

NATIONSBANK CORPORATION

By: /s/ Paul J. Polking
Paul J. Polking, Executive Vice
President and General Counsel

EXHIBIT INDEX

EXHIBIT	TITLE	SEQUENTIALLY NUMBERED PAGE
1*	Certain information regarding the directors and executive officers of NationsBank Corporation	
2*	Commitment letter of NationsBank Corporation and NationsBank of North Carolina dated November 15, 1994 addressed to Delcor, Inc.	
3*	Letter dated November 15, 1994 from Delcor, Inc. to the Board of Directors of National Gypsum Company setting forth the terms of a proposed merger between a company to be formed by Delcor, Inc. and National Gypsum Company	
4*	Commitment letter of First Union Corporation and First Union National Bank of North Carolina, N.A. dated November 15, 1994 addressed to Delcor, Inc.	
5*	Certain information regarding Delcor, Inc.	
6*	Certain information regarding First Union Corporation	
7*	Letter dated December 12, 1994 from National Gypsum Company to Delcor, Inc.	
8*	Press release dated December 13, 1994 issued by Delcor, Inc.	
9	Commitment letter of NationsBank Corporation and NationsBank, N.A. (Carolinas) dated January 31, 1995 addressed to Delcor, Inc.	8
10	Letter dated January 31, 1995 from Delcor, Inc. to the Board of Directors of National Gypsum Company	26

11 Commitment letter of First Union Corporation and
First Union National Bank of North Carolina dated
January 31, 1995 addressed to Delcor, Inc.

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* Previously filed

EXHIBIT 9

NationsBank Corporation
NationsBank Corporate Center
Charlotte, NC 28255

NationsBank

CONFIDENTIAL

January 31, 1995

Delcor, Inc.
1110 East Morehead Street
Charlotte, NC 28204

Attention: Mr. W. D. Cornwell, Jr.
President

Gentlemen:

NationsBank, N.A. (Carolinas) and NationsBank Corporation or an affiliate thereof (collectively, "NationsBank") are pleased to confirm to Delcor, Inc. ("Delcor"), their commitment to provide to National Gypsum Company (the "Company"), on the terms, for the purposes and subject to the conditions set forth below and in the summary of certain terms attached hereto (the "Term Sheets") the following: (i) a senior debt facility (the "Senior Debt Facility") in an aggregate amount of up to \$162,500,000, (ii) a subscription to purchase from the Company Cumulatively Mandatorily Redeemable Preferred Stock (the "Preferred Stock") in an aggregate amount of \$50,000,000 and (iii) the purchase of 784,999 shares of Class B Common Stock of the Company for a cash purchase price per share equal to the Transaction Price (as defined below) (the "Common Equity"). As NationsBank understands the proposed transaction (the "Transaction"), Delcor will enter into a reclassification agreement (the "Transaction Agreement") with the Company that will provide for the redemption of approximately 75% of the outstanding Common Stock of the Company held by persons other than NationsBank, Delcor (and its affiliates) and First Union National Bank of North Carolina and its affiliates (collectively, "First Union"). The redemption price per share will not exceed the amount discussed between NationsBank and Delcor (the "Transaction Price"). The Senior Debt Facility, the Preferred Stock proceeds and the Common Equity (collectively, the "NationsBank Financing") are being provided to enable the Company to (i) complete the Transaction, (ii) provide for the ongoing working capital and capital spending needs of the Company, and (iii) pay certain fees and expenses related to the Transaction. If the Transaction is restructured as a dividend, a cash-out merger, or otherwise, this commitment letter and the Term Sheets shall be modified to reflect the revised structure.

This Commitment Letter replaces and supersedes the Commitment Letter between NationsBank and Delcor, dated November 15, 1994, except with respect to the indemnification, contribution and expense reimbursement provisions thereof, which remain in full force and effect.

NationsBank's commitment is to provide 50% of a \$325,000,000 Senior Debt Facility that will be co- agented by NationsBank and First Union. First Union will commit to provide 50% of the Senior Debt Facility and will also (i) purchase \$50,000,000 of Preferred Stock and (ii) contribute 784,999 of common stock of the Company in exchange for

784,999 shares of Class B Common Stock of the Company.

Our commitment to provide the NationsBank Financing will be funded simultaneously with the completion of the Transaction and is subject to the conditions set forth herein and in the attached Term Sheets, including the right to assign or transfer all or part of this commitment for the NationsBank Financing to any of our affiliated corporations or banks and to any third parties. Our commitment to provide the NationsBank Financing will terminate on September 30, 1995 if the Transaction shall not have become effective on or prior to such date.

You agree that this Commitment Letter is for your confidential use only and will not be disclosed by you to any person other than your accountants, attorneys and other advisors and the Company and such of their respective officers, directors, agents, accountants, attorneys and other advisors as need to be provided therewith, and only then in connection with the Transaction and on a confidential basis, except that you may make public disclosure of the existence and amount of NationsBank's commitment and undertaking hereunder, you may file a copy of the Commitment Letter in any public record in which it is required by law to be filed, and you may make such other public disclosure of the terms and conditions hereof as you are required by law, in the reasonable opinion of your counsel, to make.

Delcor agrees to indemnify each of NationsBank and its affiliates and their respective directors, officers, employees, agents and controlling persons (each, an "Indemnified Party") from and against any and all losses, claims (whether valid or not), damages and liabilities, joint or several, to which such Indemnified Party may become subject, related to or arising out of the Transaction and will reimburse each Indemnified Party for all expenses (including reasonable attorneys' fees and expenses) as they are incurred in connection with the investigation of, preparation for or defense of any pending or threatened claim or any action or proceeding arising therefrom. Notwithstanding the foregoing, the obligation to indemnify any Indemnified Party hereunder shall not apply in respect of any loss, claim, damage or liability to the extent that a court of competent jurisdiction shall have determined by final judgment that such loss, claim, damage or liability resulted from such Indemnified Party's willful malfeasance, gross negligence or bad faith. In the event that the foregoing indemnity is unavailable or insufficient to hold an Indemnified Party harmless, then Delcor will contribute to amounts paid or payable by such Indemnified Party in respect of such Indemnified Party's losses, claims, damages or liabilities

in such proportions as appropriately reflect the relative benefits received by and fault of Delcor and such Indemnified Party in connection with the matters as to which such losses, claims, damages or liabilities relate and other equitable considerations.

If any action, proceeding, or investigation is commenced, as to which any Indemnified Party proposes to demand such indemnification, it shall notify Delcor with reasonable promptness; provided, however, that any failure by such Indemnified Party to notify Delcor shall not relieve Delcor from its obligations hereunder except to the extent Delcor is prejudiced thereby. Delcor shall be entitled to assume the defense of any such action, proceeding, or investigation, including the employment of counsel and the payment of all fees and expenses. The Indemnified Party shall have the right to employ separate counsel in connection with any such action, proceeding, or investigation and to participate in the defense thereof, but the fees and expenses of such counsel shall be paid by the Indemnified Party, unless (a) Delcor has failed to assume the defense and employ counsel as provided herein, (b) Delcor has agreed in writing to pay such fees and expenses of separate counsel, or (c) an action, proceeding, or investigation has been commenced against the Indemnified Party and Delcor and representation of both Delcor and the Indemnified Party by the same counsel would be inappropriate because of actual or potential conflicts of interest between the parties (in the case of NationsBank, the existence of any such actual or potential conflict of interest to be determined by NationsBank, taking into account, among other things, any relevant regulatory concerns). In the case of any circumstance described in clauses (a), (b), or (c) of the immediately preceding sentence, Delcor shall be responsible for the reasonable fees and expenses of such separate counsel; provided, however, that Delcor shall not in any event be required to pay the fees and expenses of more than one separate counsel for all Indemnified Parties. Delcor shall be liable only for settlement of any claim against an Indemnified Party made with Delcor's written consent.

Delcor agrees to pay to us the fees for the Senior Debt Facility outlined in the fee letter and supplemental fee letter, each dated the date hereof (the "Fee Letters"). Delcor also agrees to reimburse us for all of our out-of-pocket expenses (including the reasonable fees and disbursements of our counsel) in connection with the Transaction and the NationsBank Financing, described herein.

The provisions of the three immediately preceding paragraphs shall survive any termination of this letter.

Delcor acknowledges that NationsBank has advised Delcor that the services to be provided hereunder and the amount of fees and the obligation to reimburse expenses are in no way conditioned upon Delcor's obtaining from NationsBank or any affiliate of NationsBank any other service or any loan or other financial product.

If you are in agreement with the foregoing, please sign and return the enclosed copy of this letter and the Fee Letters to NationsBank no later than 5:00 p.m. Eastern Standard Time, on or before January 31, 1995. This commitment shall terminate at such time unless a signed copy of this letter and the Fee Letters have been delivered to us.

Very Truly Yours,

NATIONSBANK CORPORATION

By: Edward J. Brown, III
Edward J. Brown, III
President, Corporate Bank

NATIONSBANK, N.A. (CAROLINAS)

By: Edward J. Brown, III
Edward J. Brown, III
President, Corporate Bank

Agreed to and accepted this
31st day of January, 1995

DELCOR, INC.

By: W. D. Cornwell, Jr.
W. D. Cornwell, Jr.
President

NATIONAL GYPSUM COMPANY

Summary of Certain Terms

Senior Debt Facility

Borrower: National Gypsum Company (the "Company").

Facility: A five-year Reducing Revolving Credit Facility (the "Revolver" or the "Senior Debt Facility").

Commitment: \$325,000,000, subject to the mandatory commitment reductions outlined below (the "Commitment")

Maturity Date: The later of June 30, 2000 or the date five years after the Closing Date.

Agents: NationsBank, N.A. (Carolinas) ("NationsBank") and First Union National Bank of North Carolina ("First Union") (collectively, the "Agents").

Administrative Agent: NationsBank

Syndication Agent: First Union

Lenders: NationsBank and First Union, and a group of other financial institutions reasonably acceptable to the Agents and the Company (the "Lenders").

Use of Proceeds: To consummate the Transaction described in the Commitment Letter, to pay certain fees and expenses related to the Transaction and to provide for the Company's ongoing working capital and capital spending requirements.

Interest Rates: The interest rates on the Revolver will be a function of the Company's Total Funded Debt to Operating Cash Flow ("Leverage Ratio") as determined quarterly on a rolling four

quarters basis. Operating Cash Flow will equal the Company's earnings before interest, taxes, depreciation and amortization ("EBITDA"). The Company will have the option of borrowing at a spread over the Base Rate (defined as the higher of the Administrative Agent's Prime Rate, the Three Month CD Rate plus .50%, and the Federal Funds Rate plus .50%) or the Adjusted London Interbank Offered Rate ("LIBOR"). The applicable rates will be based on the following table:

Leverage Ratio	Spread Over Base	Spread Over LIBOR
(plus/minus sign) 2.0x	1.25%	2.75%
1.50x - 1.99x	0.75%	2.25%
1.00x - 1.49x	0.25%	1.75%
0.50x - .99x	0.00%	1.25%
< .50x	0.00%	0.75%

The interest rates on the Revolver will increase by two (2) percentage points per annum upon the occurrence and during the continuance of any payment default under the Loan Agreement.

The Loan Agreement shall include the Agents' standard protective provisions for such matters as increased costs, funding losses, illegality and withholding taxes.

Interest Payments: At the end of each applicable Interest Period or quarterly, if earlier, calculated on an actual 360 day basis for both Base Rate and LIBOR Loans.

Interest Periods: LIBOR interest periods: 30, 60, or 90 days, subject to availability.

Interest Rate Protection: Within 90 days following the closing, the Company must obtain reasonably acceptable interest rate protection through interest rate swaps, caps or other instruments reasonably satisfactory to the Agents, against increases in interest rates for a minimum of \$100,000,000 or such lesser amount as the Agents may agree, for a period of at least two years. In the event the Company obtains Interest Rate Protection from any Lender, then such Lender may secure the Company's obligations thereunder on a pari-passu basis with the Senior Debt Facility.

Facility Fee: 1/2 of 1% per annum, on the unutilized portion of the Revolver Commitment, payable quarterly in arrears.

Security: A perfected first priority security interest in all of the Company's assets, including the pledge of the stock of all the Company's subsidiaries.

Mandatory Reductions: The Revolver Commitment shall be reduced by \$40,000,000

on each anniversary of the Closing Date. The maximum available amount under the Revolver during any year is as follows:

Year	Revolver Commitment
1	\$325,000,000
2	\$285,000,000
3	\$245,000,000
4	\$205,000,000
5	\$165,000,000

Any outstanding amounts under the Revolver on the Maturity Date shall be payable in full.

In addition to the scheduled reductions, the Revolver Commitment will be reduced on an annual basis in an amount equal to 50% of the Company's Excess Cash Flow (defined as net income plus depreciation, amortization and all other non-cash charges, adjusted for changes in working capital, minus capital expenditures, principal payments and permitted dividends) for such period, beginning with the period ending December 31, 1996.

The Revolver Commitment will also be reduced by the amount equal to the net cash proceeds in excess of \$5,000,000 from the sale of any of the Company's assets outside the normal course of business. In addition, the Revolver will be payable in full immediately upon any change of control which results in Delcor, Inc. or its affiliates owning less than 51% of the voting Common Stock of the Company.

Mandatory Prepayments:

The Company will be required to prepay the Revolver from time to time as necessary to insure that the outstanding balance on the Revolver does not exceed the Revolver Commitment.

Voluntary Prepayments:

The Company may reduce the amount outstanding under the Revolver at any time and thereafter reborrow. In addition, the Company may, at its option, upon five business days' notice to the Agents, permanently reduce the unutilized portion of the Revolver in part (in principal amounts of at least \$1,000,000 or, if greater, an integral multiple thereof) or in whole.

Conditions Precedent to Closing:

The funding of the Revolver will be subject to satisfaction of customary conditions precedent for similar financings and for this transaction in particular, including but not limited to each of the following:

- (i) All documentation relating to the Revolver shall have been completed and reviewed to the Agents' and their counsels' satisfaction;
- (ii) Delcor and the Company shall have entered into a definitive agreement (the "Transaction Agreement"), on terms acceptable to the Agents in their sole discretion, and the Transaction contemplated thereby shall be consummated simultaneously with the funding of the Revolver;
- (iii) The Agents shall have received an environmental survey (or audit if so requested), acceptable in form to the Agents and prepared by the Company (or an environmental assessment firm acceptable to the Agents) with respect to the Company's fixed assets;
- (iv) The Company shall have received a commitment for a \$162,500,000 Senior Debt Facility from First Union on the same terms and conditions as outlined herein;
- (v) The Company shall have received a minimum of \$100,000,000 in cash proceeds from the issuance of Cumulative Mandatorily Redeemable Preferred Stock on

terms and conditions reasonably acceptable to the Agents;

- (vi) The Company shall have received \$150,000,000 in cash proceeds from the issuance of voting Common Stock to Delcor, Inc. on terms and conditions reasonably acceptable to the Agents;
- (vii) The Company shall have received cash proceeds from the issuance of 784,999 shares of Class B Common Stock to NationsBank, in an amount equal to the Transaction Price per share, on terms and conditions reasonably acceptable to the Agents;
- (viii) The Company shall have issued 784,999 shares of Class B Common Stock to First Union in exchange for 784,999 shares of the Company's voting Common Stock;
- (ix) All governmental, regulatory, shareholder and third party consents and approvals, if any, necessary to effect the Transaction and related financing shall have been obtained and remain in effect;
- (x) No material adverse change shall have occurred in the business, assets, financial condition, prospects, or results of operations of the Company and its subsidiaries, taken as a whole, and, except as specifically disclosed in the most recent form 10-Q and any subsequent form 8-K filed by the Company prior to the date hereof with the Securities and Exchange Commission, there shall exist no condition, event, or occurrence that, individually or in the aggregate, could reasonably be expected to result in a material adverse change in the business, assets, financial condition, prospects, or results of operations of the Company and its subsidiaries, taken as a whole;
- (xi) The Rights Agreement dated November 23, 1994, between the Company and Wachovia Bank of North Carolina, N.A., shall have been terminated or appropriately amended, in form and substance satisfactory to the Agents, so that the consummation of the Transaction will not cause the rights issued thereunder to become exercisable.
- (xii) All of the Company's existing senior indebtedness shall be repaid in full at closing;
- (xiii) There shall not be any pending proceeding requesting an injunction or a restraining order with respect to the Transaction or the NationsBank Financing or challenging the validity or enforceability of the Transaction or the NationsBank Financing;
- (xiv) If requested, the Agents shall have received appraisals in satisfactory form on certain of the Company's fixed assets prepared by an independent valuation firm acceptable to the Agents; and
- (xv) The Agents shall have received such other documents, opinions, certificates and agreements in connection with the Transaction and the Senior Debt Facility, all in form and substance satisfactory to the Agents as they shall reasonably request.

**Representations
and Warranties:**

The Loan Agreement will include representations and warranties customarily found in the Agents' loan agreements for similar financings and any additional representations and warranties appropriate in the context of the proposed Transaction, including that the Company has made all requisite filings with the Securities and Exchange Commission and that such filings contained no material misstatements or omissions as of the date of filing.

Covenants: The Loan Agreement will include covenants customarily found in the Agents' loan agreements for similar financings and any additional covenants appropriate in the context of the proposed Transaction. Such covenants shall in any event include:

- (1) Limitations on Liens;
- (2) Limitations on Cash Dividends, Distributions and Stock Repurchases;
- (3) Limitations on Additional Indebtedness;
- (4) Limitations on Transactions with Shareholders and Affiliates;

- (5) Limitations on Capital Expenditures and Cash Acquisitions; and
- (6) Certain other covenants, including financial covenants (such as fixed charge and interest coverage ratio tests, leverage tests, and minimum current ratio tests) acceptable to the Agents.

Permitted Dividends: So long as no Event of Default has occurred and is continuing, the Company will be permitted to pay cash dividends on the Preferred Stock and Common Stock in amounts of up to 50% of the Company's net income calculated prior to giving effect to the dividend for such period (the "Permitted Dividends") as long as (i) the Company has at least \$25,000,000 of cash and/or availability under the Revolver and (ii) the Company's ratio of Total Funded Debt to Operating Cash Flow on a trailing four quarters basis is less than 2.0x. Permitted Dividends may be paid on a quarterly basis no sooner than 15 days after receipt by the Lenders of the Company's quarterly financial statements confirming compliance with the above conditions. Cash dividends shall not be permitted if after giving effect to such payment, the Company would be in default of the Senior Debt Facility or the conditions outlined above.

Permitted Indebtedness: So long as no Event of Default has occurred and is continuing, the Company will be permitted to incur additional indebtedness (the "Permitted Indebtedness") as long as (i) the sum of all Permitted Indebtedness and the Commitment is equal to or less than \$425,000,000; (ii) the Company's ratio of Total Debt (including the unutilized portion of the Revolver) to Operating Cash Flow on a trailing four quarters basis is less than 3.0x; and (iii) the terms and conditions of the Permitted Indebtedness are reasonably satisfactory to the Agents.

Events of Default: Those customarily found in the Agents' loan agreements for similar financings and any additional events of default appropriate in the context of the proposed Transaction.

Syndication: Following the signing of a definitive Transaction Agreement between Delcor and the Company, the Company shall use its best efforts to assist the Agents in syndicating the Senior Debt Facility. The initial syndication shall be a coordinated process

under which both Agents shall reduce their commitments on a pro-rata basis until such time as they reach their desired hold level or mutually agree to terminate the joint syndication process.

Assignments and Participation: After completion of the initial syndication process, any Lender may participate or assign its interest in the Senior Debt Facility in minimum amounts of at least \$5,000,000 subject to the approval of the Company and the Agents, which shall not be unreasonably withheld.

In addition, at any time, any Lender may transfer all or part of its commitment under the Senior Debt Facility to an affiliate.

- Miscellaneous:
- (1) North Carolina state law to govern;
 - (2) All terms and conditions contained in the Agreements to be reasonably satisfactory to the Agents and to their counsel. The Company shall reimburse the Agents for all reasonable out-of pocket expenses including, but not limited to, the reasonable fees and disbursements of their counsel in connection with the preparation and execution of the Agreements and the reasonable fees and expenses of any third party consultants retained to assist the Agents in analyzing any environmental, asbestos or solvency related issues, in each case whether or not the transactions herein contemplated shall be consummated or the Senior Debt Facility shall be executed or closed;
 - (3) Usual provisions regarding survival of Agreements, waiver and delay, extensions of maturity, modifications of agreements, severability, counterparts and enforcements, headings, definition of accounting terms in accordance with GAAP, waiver of jury trial; and
 - (4) The Loan Agreement shall contain voting requirements that shall allow 66 2/3% in principal amount to approve certain waivers, modifications and amendments subject to customary unanimity requirements.

Cumulative Mandatorily Redeemable Preferred Stock

Issuer: National Gypsum Company (the "Company").

Facility: Cumulative Mandatorily Redeemable Preferred Stock (the "Preferred Stock").

Amount: \$50,000,000 (the "Purchase Price").

Shares Issued: 50,000.

Price Per Share: \$1,000 (the "Purchase Price Per Share").

Purchaser: NationsBank Corporation or an affiliate thereof ("NationsBank").

Use of Proceeds: To facilitate the consummation of the Transaction as described in the Commitment Letter.

Redemption Date: 8 years from closing.

Dividend Rate: 9.0%.

Dividend Payments: Quarterly; to be paid in cash, subject to the terms of the Senior Debt Facility.

Call Protection: None.

Voting Rights: Non-voting, unless required to comply with the Company's bankruptcy order, in which case the Preferred Stock will have minimal voting rights (voting together with common shareholders as a single class).

Conditions Precedent: The purchase of the Preferred Stock will be subject to the execution of a satisfactory Preferred Stock Agreement, and any necessary related documents; as well as the satisfaction of conditions precedent as outlined in the Senior Debt Facility, which are hereby incorporated by reference, and any other conditions

deemed appropriate by the Purchaser for similar financings

and for this transaction in particular.

Protective Provisions:

The Company shall not, without first obtaining consent or approval of the holders of at least two-thirds of the Preferred Stock, do any of the following:

- (i) Create any senior stock having preference or priority over the Preferred Stock as to dividends or upon redemption, liquidation, winding up or dissolution;
- (ii) Adversely amend or alter any preferences, rights or powers of the Preferred Stock;
- (iii) Pay other than Permitted Dividends, provided, however, that once all dividends have been paid on the Preferred Stock in cash, the Company may pay cash dividends on the Common Stock in an annual amount not to exceed (i) 2.5% multiplied by (ii) an amount equal to (x) the Transaction Price Per Share multiplied by (y) the total Shares of voting and Class B Common Stock outstanding; and
- (iv) Except as contemplated by the Transaction Agreement, redeem or repurchase any junior stock, warrants or other parity stock.

Certain Events:

The following shall constitute an Event:

- (i) Failure to declare and pay quarterly dividends on the Preferred Stock in full;
- (ii) Failure to redeem or pay the Redemption Price in full when required;
- (iii) Certain events of bankruptcy, receivership or similar proceedings; and
- (iv) Failure to observe any Protective Provisions.

Rights Upon an Event:

Upon and during the continuance of an Event, the Purchaser may elect one representative to the Board of Directors of the Company.

If Purchaser determines, in its sole discretion, that the exercise of this right would subject Purchaser to any divestiture requirement under the Bank Holding Company Act, this right shall be void.

Change in Control/
Sale of Assets:

In the event there occurs a Change of Control (an event which results in Delcor, Inc. or its affiliates owning less than 51% of the voting Common Stock of the Company) or sale of substantially all of the Company's assets, any holder of Preferred Stock may require the Company to redeem all of the shares of Preferred Stock held by such holder at a price equal to the Purchase Price per share plus all Accrued Dividends thereon to the date of redemption.

Transfer Rights:

Beginning eighteen months after the consummation of the Transaction, any holder of the Preferred Stock may sell or transfer in whole or in part, any shares of Preferred Stock held by such holder subject to (i) the Company's consent, which shall not be unreasonably withheld and (ii) the Company's first right of refusal.

Attendance Rights:

Following the Transaction, the Company will permit a representative of the Purchaser to attend all meetings of the Company's Board of Directors or committees.

Reimbursement of Expenses:

The Purchaser shall be reimbursed for reasonable out-of-pocket expenses (including fees and disbursements for counsel) incurred in connection with the issuance of the Preferred Stock.

Information Requirements:

The Company will provide the Purchaser with: (i) annual

financial statements audited by a nationally recognized "Big Six" independent accounting firm, (ii) monthly internal financial statements, (iii) an annual budget for the next fiscal year prior to the end of the previous fiscal year, and (iv) any other information as reasonably requested by such Purchaser.

Representations
and
Warranties:

Those customarily found in purchase agreements for similar financings and any additional representations and warranties appropriate in the context of the proposed financing.

Class B Common Stock

Issuer: National Gypsum Company (the "Company").

Facility: Class B Common Stock (the "Class B Common Stock").

Purchase Price: \$36,109,954, assuming the Transaction Price Per Share shown below.

Shares Issued: 784,999

Transaction
Price Per Share: \$46 (the "Transaction Price Per Share").

Purchaser: NationsBank Corporation or an affiliate thereof ("NationsBank").

Use of Proceeds: To facilitate the consummation of the Transaction as described in the Commitment Letter.

Dividend Rights: To the extent cash dividends on Common Stock are permitted by the Senior Debt Facility and the Preferred Stock, each holder of voting Common Stock and Class B Common Stock shall share ratably in any such dividends.

Voting Rights: Non-voting, unless required to comply with the Company's bankruptcy order, in which case the Class B Common Stock will have minimal voting rights (voting together with the common shareholders as a single class).

Transfer Rights: Beginning eighteen months after consummation of the Transaction, any holder of the Class B Common Stock may sell or transfer, in whole or in part, any Class B Common Stock held by such holder subject to (i) the Company's consent, which shall not be unreasonably withheld, and (ii) the Company's first right of refusal. If necessary to facilitate the sale of the Class B Common Stock, the Company will amend its charter provisions to make the Class B Common Stock exchangeable into voting Common Stock of the Company. Any such right to have the Company's charter amended shall be subject to Federal Reserve guidelines.

Conditions
Precedent: The purchase of the Class B Common Stock will be subject to the execution of a satisfactory Class B Common Stock Purchase Agreement, and any necessary related documents; as well as the satisfaction of conditions precedent as outlined in the Senior Debt Facility, which are hereby incorporated by reference, and any other conditions deemed appropriate by the Purchaser for similar financings and for this transaction in particular.

Attendance Rights: Following the Transaction, and provided that the Preferred Stock has been redeemed in full, the Company will permit a representative of the Purchaser to attend all meetings of the Company's Board of Directors or committees.

Other Rights: In addition to the above rights, the Class B Common Stock will provide for:

- (i) Customary anti-dilution provisions;
- (ii) Piggyback rights on any public or private sale of the Company's equity securities; and
- (iii) Two demand registration rights beginning January 1, 1999.

Reimbursement of Expenses:

The Purchaser shall be reimbursed for reasonable out-of-pocket expenses (including fees and disbursements for counsel) incurred in connection with the issuance of the Class B Common Stock.

Information Requirements:

The Company will provide the Purchaser with: (i) annual financial statements audited by a nationally recognized "Big Six" independent accounting firm, (ii) monthly internal financial statements, (iii) an annual budget for the next fiscal year prior to the end of the previous fiscal year, and (iv) any other information as reasonably requested by such Purchaser.

Representations and Warranties:

Those customarily found in purchase agreements for similar financings and any additional representations and warranties appropriate in the context of the proposed financing.

EXHIBIT 10

DELCOR, INC.
WILMINGTON, DELAWARE

January 31, 1995

Board of Directors
National Gypsum Company
2001 Rexford Road
Charlotte, North Carolina 28211

Dear Directors:

We are writing to propose a transaction that we believe maximizes value for all stockholders of National Gypsum Company (the "Company"). We propose that the Company effect a recapitalization that would enable stockholders to have 75% of their common stock redeemed for cash at \$46 per share. This price reflects a 40% premium over the stock price prevailing when we made our initial merger proposal to the Company. Our proposed plan would also permit stockholders to retain a substantial ongoing equity interest in the Company equal to approximately 42% of their current fully diluted equity ownership. The Company would remain a publicly traded company on the NASDAQ National Market System.

Pursuant to the plan, Delcor would forgo the cash redemption payment provided to other stockholders and invest \$150 million to acquire newly issued common shares of the Company at the same \$46 price being paid for redeemed shares. This would increase Delcor's ownership interest to slightly more than 50% of the outstanding common shares (on a fully diluted basis). By providing for an increase in Delcor's equity ownership, our proposed plan will allow other stockholders to obtain capital gain tax treatment in connection with the redemption of their shares.

The Delcor equity investment, together with the additional equity investments by First Union Corporation and NationsBank Corporation described below, would provide a solid equity base to support the continued stability and growth of the Company. In particular, we believe this equity base would provide the Company with the financial strength and flexibility it needs to pursue prudent capital projects and acquisition opportunities, to withstand the cyclical nature inherent in the gypsum wallboard business, and to address uncertainties related to the NGC Settlement Trust and its ability to resolve potential future asbestos liability claims.

We believe the recapitalization will dramatically increase the Company's reported earnings and cash flow per share. Based on research analysts' estimates for the Company's earnings per share in 1995, our proposed transaction would result in an increase of more than 30% in pro forma earnings per share. Moreover, although Delcor has no present intention to seek an extraordinary

transaction at any time following the recapitalization (such as a cash merger or tender offer to increase its ownership to 100%), Delcor does want the Company to selectively consider open market repurchases to further boost earnings and cash flow per share and enhance long-term stockholder value.

Fundamentally, we believe the delivery of significant near-term cash value to stockholders, the prudent use of financial leverage, and sensible repurchases of stock create an exceptional framework for maximizing short-term and long-term value for all of the Company's stockholders. Our proposal incorporates each of these important elements.

A summary description of our recapitalization plan is outlined below:

- 1) The plan would provide for a reclassification and redemption of shares to be effected through certain amendments to the Company's certificate of incorporation

and certain exchanges and purchases of stock. (Such reclassification, redemption, and new investments are referred to collectively as the "recapitalization.") The plan would be voted upon by stockholders and must be approved by the holders of two thirds of the outstanding shares other than those now held by Delcor, First Union Corporation, and their affiliates. (Stockholders other than Delcor and First Union Corporation, with respect to the 784,999 shares of common stock held by First Union Corporation described below, are referred to as the "public stockholders.")

- 2) Pursuant to the plan, the Company would redeem 75% of the outstanding common stock held by public stockholders for cash at a redemption price equal to \$46 per share (the "Transaction Price"). The remaining 25% of the stock held by public stockholders would remain outstanding and provide public stockholders with a percentage equity interest in the Company equal to approximately 42% of their fully diluted ownership interest prior to the recapitalization (assuming outstanding warrants are exercised and participate pro rata in the redemption). The recapitalization would be effected through a multi-step reclassification, so that each share of common stock held by public stockholders would effectively be converted into \$34.50 of cash plus 0.25 shares of the Company's common stock.
- 3) Outstanding warrants could be exercised (and, therefore, participate in the redemption) or remain outstanding as each warrant holder elects. Although Delcor would

encourage the holders of management stock options to retain (and not exercise) them, such options could be exercised (and, therefore, participate in the redemption) or remain outstanding as each management option holder elects.

- 4) Our proposed transaction is designed to be treated as a redemption for federal income tax purposes. Specifically, Delcor's increased equity ownership and the related reduction in the ownership interests of public stockholders should allow the transaction to satisfy the requirements of Section 302(b) of the Internal Revenue Code and enable the redemption to qualify for capital gains treatment.
- 5) Under the plan, Delcor would retain its existing 3,872,235 shares of National Gypsum common stock and invest \$150 million in cash to purchase 3,260,870 shares of newly issued common stock at the \$46 per share Transaction Price.
- 6) First Union Corporation would exchange its existing 784,999 shares of National Gypsum common stock for a new class of common stock (Class B common), which would have the same rights as the Company's current common stock except for limited voting privileges.
- 7) NationsBank Corporation would invest approximately \$36.1 million in cash to purchase 784,999 shares of the new class of Class B common stock at the \$46 per share Transaction Price.
- 8) First Union Corporation and NationsBank Corporation would each invest \$50 million in cash to purchase a new \$100 million issue of National Gypsum redeemable preferred stock. The preferred stock would pay dividends at a rate of 9% per annum, would carry no warrants, and would have an eight-year maturity. The issue would be callable at any time, with no premium, by the Company and have limited voting privileges to vote together with the common stock.
- 9) Bank affiliates of First Union Corporation and NationsBank Corporation have provided commitment letters for a \$325 million, five-year revolving credit facility, which would supply the remaining funds required to effect the recapitalization and to meet future working capital needs.

- 10) Neither our proposal, nor the debt and equity commitments furnished by First Union Corporation and NationsBank Corporation and their affiliates, would contain the special condition that matters relating to the possible financial impact of the NGC Settlement Trust's recent motions in the bankruptcy court be resolved to our satisfaction. The proposed agreement to effect the recapitalization would, however, contain customary conditions such as obtaining necessary regulatory approvals and third-party consents; absence of judicial orders or judgments prohibiting the recapitalization; absence of material adverse changes; conduct of business in the ordinary course until closing; termination or an appropriate amendment of the recently adopted rights agreement; and approval by the Board of Directors and adoption by the Company's stockholders of a plan of reclassification and related matters in accordance with Delaware law.
- 11) Assuming all outstanding warrants are exercised for common stock prior to the recapitalization, the transaction would reduce fully diluted shares outstanding (exclusive of management stock options) from 22,234,000 to 13,097,294. Delcor would own 7,133,105 shares of common stock (or 54.5% of outstanding common shares). Public stockholders would continue to own 4,394,191 shares of common stock (or 33.6% of outstanding common shares). First Union Corporation and NationsBank each would own 784,999 Class B common shares (or 6.0% each of outstanding common shares). The total voting power of each of First Union Corporation and NationsBank Corporation, including both Class B common and preferred shares, would be less than 5.0%.
- 12) Under our proposal, all current directors of the Company would continue as directors or be nominated for re-election in conjunction with the recapitalization. In addition, the size of the Board would be expanded so that Delcor would be permitted to designate a majority of the directors to be nominated. After the recapitalization, the Board would include at least three independent directors (not affiliated with Delcor) and at least one management director; no merger or similar business combination involving Delcor or an affiliate of Delcor would be permitted without the approval of a majority of the independent directors; and approval of a majority of independent directors would be required for any acquisition of shares that would result in ownership by Delcor and its affiliates of more than 79.9% of the Company's voting stock.
- 13) Like our initial proposal, this proposal does not depend on sales of any Company assets, plant closings, employee layoffs, or any termination of or change in retirement benefits. Moreover, we hope all members of existing management will continue with the Company and we are prepared to discuss incentive compensation arrangements with them at the appropriate time.

The Special Committee's letter to Delcor dated December 12, 1994, identified two basic issues with respect to Delcor's initial proposal: (1) that the proposed cash price of \$43.50 per share was, in the view of the Special Committee, inadequate; and (2) that the original proposal was too conditional. We believe we have responded fully to both of these points by increasing our price, proposing a plan that would enhance both short-term and long-term realization of stockholder value, and eliminating the condition that matters relating to the financial impact of the NGC Settlement Trust's recent motions in the bankruptcy court be resolved to our satisfaction.

We are convinced that our proposal is in the best interests of the Company's stockholders, management, employees and others interested in its success. For these reasons, we believe it would be mutually desirable for all interested parties if you would allow

us the opportunity to review all information available to management and to negotiate with you a definitive agreement that embodies the terms of our proposal. We are prepared to enter into a definitive agreement promptly.

As required by law, we will file tomorrow with the Securities and Exchange Commission an amendment to our current Schedule 13D to report the proposal made in this letter. A copy of this letter will be attached as an exhibit to that amendment.

We look forward to meeting with you or your representatives to discuss this proposal at the earliest practicable time.

Very truly yours,

DELCOR, INC.

W. D. Cornwell, Jr.

W. D. Cornwell, Jr.
President

EXHIBIT 11

First Union Corporation
Charlotte, North Carolina 28288
704 374-6565

CONFIDENTIAL

January 31, 1995

Delcor, Inc.
1110 East Morehead Street
Charlotte, NC 28204

Attention: Mr. W. D. Cornwell, Jr.
President

Gentlemen:

First Union National Bank of North Carolina and First Union Corporation or an affiliate thereof (collectively, "First Union") are pleased to confirm to Delcor, Inc. ("Delcor"), their commitment to provide to National Gypsum Company (the "Company"), on the terms, for the purposes and subject to the conditions set forth below and in the summary of certain terms attached hereto (the "Term Sheets") the following: (i) a senior debt facility (the "Senior Debt Facility") in an aggregate amount of up to \$162,500,000, (ii) a subscription to purchase from the Company Cumulative Mandatorily Redeemable Preferred Stock (the "Preferred Stock") in an aggregate amount of \$50,000,000 and (iii) a subscription to purchase 784,999 shares of Class B Common Stock of the Company in exchange for 784,999 shares of the Company's voting Common Stock (the "Rollover Equity"). As First Union understands the proposed transaction (the "Transaction"), Delcor will enter into a reclassification agreement (the "Transaction Agreement") with the Company that will provide for the redemption of approximately 75% of the outstanding Common Stock of the Company held by persons other than First Union, Delcor (and its affiliates) and NationsBank, N.A. (Carolinas) and its affiliates (collectively, "NationsBank"). The redemption price per share will not exceed the amount discussed between First Union and Delcor (the "Transaction Price"). The Senior Debt Facility, the Preferred Stock proceeds and the Rollover Equity (collectively, the "First Union Financing") are being provided to enable the Company to (i) complete the Transaction, (ii) provide for the ongoing working capital and capital spending needs of the Company, and (iii) pay certain fees and expenses related to the Transaction. If the Transaction is restructured as a dividend, a cash-out merger, or otherwise, this commitment letter and the Term Sheets shall be modified to reflect the revised structure.

This Commitment Letter replaces and supersedes the Commitment Letter between First Union and Delcor, dated November 15, 1994, except with respect to the indemnification, contribution and expense reimbursement provisions thereof, which remain in full force and effect.

First Union's commitment is to provide 50% of a \$325,000,000 Senior Debt Facility that will be co- agented by First Union and NationsBank. NationsBank will commit to provide 50% of the Senior Debt Facility and will also purchase (i) \$50,000,000 of Preferred Stock and (ii) 784,999 shares of Class B Common Stock of the Company for an amount of cash per share equal to the Transaction Price.

Our commitment to provide the First Union Financing will be funded simultaneously with the completion of the Transaction and is subject to the conditions set forth herein and in the attached Term Sheets, including the right to assign or transfer all or part of this commitment for the First Union Financing to any of our affiliated corporations or banks and to any third parties. Our commitment to provide the First Union Financing will terminate on September 30, 1995 if the Transaction shall not have become effective on or prior to such date.

You agree that this Commitment Letter is for your confidential use only

and will not be disclosed by you to any person other than your accountants, attorneys and other advisors and the Company and such of their respective officers, directors, agents, accountants, attorneys and other advisors as need to be provided therewith, and only then in connection with the Transaction and on a confidential basis, except that you may make public disclosure of the existence and amount of First Union's commitment and undertaking hereunder, you may file a copy of the Commitment Letter in any public record in which it is required by law to be filed, and you may make such other public disclosure of the terms and conditions hereof as you are required by law, in the reasonable opinion of your counsel, to make.

Delcor agrees to indemnify each of First Union and its affiliates and their respective directors, officers, employees, agents and controlling persons (each, an "Indemnified Party") from and against any and all losses, claims (whether valid or not), damages and liabilities, joint or several, to which such Indemnified Party may become subject, related to or arising out of the Transaction and will reimburse each Indemnified Party for all expenses (including reasonable attorneys' fees and expenses) as they are incurred in connection with the investigation of, preparation for or defense of any pending or threatened claim or any action or proceeding arising therefrom. Notwithstanding the foregoing, the obligation to indemnify any Indemnified Party hereunder shall not apply in respect of any loss, claim, damage or liability to the extent that a court of competent jurisdiction shall have determined by final judgment that such loss, claim, damage or liability resulted from such Indemnified Party's willful malfeasance, gross negligence or bad faith. In the event that the foregoing indemnity is unavailable or insufficient to hold an Indemnified Party harmless, then Delcor will contribute to amounts paid or payable by such Indemnified Party in respect of such Indemnified Party's losses, claims, damages or liabilities

in such proportions as appropriately reflect the relative benefits received by and fault of Delcor and such Indemnified Party in connection with the matters as to which such losses, claims, damages or liabilities relate and other equitable considerations.

If any action, proceeding, or investigation is commenced, as to which any Indemnified Party proposes to demand such indemnification, it shall notify Delcor with reasonable promptness; provided, however, that any failure by such Indemnified Party to notify Delcor shall not relieve Delcor from its obligations hereunder except to the extent Delcor is prejudiced thereby. Delcor shall be entitled to assume the defense of any such action, proceeding, or investigation, including the employment of counsel and the payment of all fees and expenses. The Indemnified Party shall have the right to employ separate counsel in connection with any such action, proceeding, or investigation and to participate in the defense thereof, but the fees and expenses of such counsel shall be paid by the Indemnified Party, unless (a) Delcor has failed to assume the defense and employ counsel as provided herein, (b) Delcor has agreed in writing to pay such fees and expenses of separate counsel, or (c) an action, proceeding, or investigation has been commenced against the Indemnified Party and Delcor and representation of both Delcor and the Indemnified Party by the same counsel would be inappropriate because of actual or potential conflicts of interest between the parties (in the case of First Union, the existence of any such actual or potential conflict of interest to be determined by First Union, taking into account, among other things, any relevant regulatory concerns). In the case of any circumstance described in clauses (a), (b), or (c) of the immediately preceding sentence, Delcor shall be responsible for the reasonable fees and expenses of such separate counsel; provided, however, that Delcor shall not in any event be required to pay the fees and expenses of more than one separate counsel for all Indemnified Parties. Delcor shall be liable only for settlement of any claim against an Indemnified Party made with Delcor's written consent.

Delcor agrees to pay to us the fees for the Senior Debt Facility outlined in the fee letter dated the date hereof (the "Fee Letter"). Delcor also agrees to reimburse us for all of our out-of-pocket expenses (including the reasonable fees and disbursements of our counsel) in connection with the Transaction and the First Union Financing, described herein.

The provisions of the three immediately preceding paragraphs shall survive any termination of this letter.

Delcor acknowledges that First Union has advised Delcor that the

services to be provided hereunder and the amount of fees and the obligation to reimburse expenses are in no way conditioned upon Delcor's obtaining from First Union or any affiliate of First Union any other service or any loan or other financial product.

If you are in agreement with the foregoing, please sign and return the enclosed copy of this letter and the Fee Letter to First Union no later than 5:00 p.m. Eastern Standard Time, on or before January 31, 1995. This commitment shall terminate at such time unless a signed copy of this letter and the Fee Letter have been delivered to us.

Very Truly Yours,

FIRST UNION CORPORATION

By: Daniel W. Mathis
Daniel W. Mathis
Executive Vice President

FIRST UNION NATIONAL BANK
OF NORTH CAROLINA

By: Mark B. Felker
Mark B. Felker
Vice President

Agreed to and accepted this
31st day of January, 1995

DELCOR, INC.

By: W. D. Cornwell, Jr.
W. D. Cornwell, Jr.
President

NATIONAL GYPSUM COMPANY

Summary of Certain Terms

Senior Debt Facility

Borrower: National Gypsum Company (the "Company").

Facility: A five-year Reducing Revolving Credit Facility (the "Revolver" or the "Senior Debt Facility").

Commitment: \$325,000,000, subject to the mandatory commitment reductions outlined below (the "Commitment")

Maturity Date: The later of June 30, 2000 or the date five years after the Closing Date.

Agents: First Union National Bank of North Carolina ("First Union") and NationsBank, N.A. (Carolinas) ("NationsBank") (collectively, the "Agents").

Administrative Agent: NationsBank

Syndication Agent: First Union

Lenders: First Union and NationsBank, and a group of other financial institutions reasonably acceptable to the Agents and the Company (the "Lenders").

Use of Proceeds: To consummate the Transaction described in the Commitment Letter, to pay certain fees and expenses related to the

Transaction and to provide for the Company's ongoing working capital and capital spending requirements.

Interest Rates: The interest rates on the Revolver will be a function of the Company's Total Funded Debt to Operating Cash Flow ("Leverage Ratio") as determined quarterly on a rolling four

quarters basis. Operating Cash Flow will equal the Company's earnings before interest, taxes, depreciation and amortization ("EBITDA"). The Company will have the option of borrowing at a spread over the Base Rate (defined as the higher of the Administrative Agent's Prime Rate, the Three Month CD Rate plus .50%, and the Federal Funds Rate plus .50%) or the Adjusted London Interbank Offered Rate ("LIBOR"). The applicable rates will be based on the following table:

Leverage Ratio	Spread Over Base	Spread Over LIBOR
> 2.0x	1.25%	2.75%
-		
1.50x - 1.99x	0.75%	2.25%
1.00x - 1.49x	0.25%	1.75%
0.50x - .99x	0.00%	1.25%
< .50x	0.00%	0.75%

The interest rates on the Revolver will increase by two (2) percentage points per annum upon the occurrence and during the continuance of any payment default under the Loan Agreement.

The Loan Agreement shall include the Agents' standard protective provisions for such matters as increased costs, funding losses, illegality and withholding taxes.

Interest Payments: At the end of each applicable Interest Period or quarterly, if earlier, calculated on an actual 360 day basis for both Base Rate and LIBOR Loans.

Interest Periods: LIBOR interest periods: 30, 60, or 90 days, subject to availability.

Interest Rate Protection: Within 90 days following the closing, the Company must obtain reasonably acceptable interest rate protection through interest rate swaps, caps or other instruments reasonably satisfactory to the Agents, against increases in interest rates for a minimum of \$100,000,000 or such lesser amount as the Agents may agree, for a period of at least two years. In the event the Company obtains Interest Rate Protection from any Lender, then such Lender may secure the Company's obligations thereunder on a pari-passu basis with the Senior Debt Facility.

Facility Fee: 1/2 of 1% per annum, on the unutilized portion of the Revolver Commitment, payable quarterly in arrears.

Security: A perfected first priority security interest in all of the Company's assets, including the pledge of the stock of all the Company's subsidiaries.

Mandatory Reductions: The Revolver Commitment shall be reduced by \$40,000,000 on each anniversary of the Closing Date. The maximum available amount under the Revolver during any year is as follows:

Year	Revolver Commitment
1	\$325,000,000
2	\$285,000,000

3	\$245,000,000
4	\$205,000,000
5	\$165,000,000

Any outstanding amounts under the Revolver on the Maturity Date shall be payable in full.

In addition to the scheduled reductions, the Revolver Commitment will be reduced on an annual basis in an amount equal to 50% of the Company's Excess Cash Flow (defined as net income plus depreciation, amortization and all other non-cash charges, adjusted for changes in working capital, minus capital expenditures, principal payments and permitted dividends) for such period, beginning with the period ending December 31, 1996.

The Revolver Commitment will also be reduced by the amount equal to the net cash proceeds in excess of \$5,000,000 from the sale of any of the Company's assets outside the normal course of business. In addition, the Revolver will be payable in full immediately upon any change of control which results in Delcor, Inc. or its affiliates owning less than 51% of the voting Common Stock of the Company.

Mandatory
Prepayments:

The Company will be required to prepay the Revolver from time to time as necessary to insure that the outstanding balance on the Revolver does not exceed the Revolver Commitment.

Voluntary
Prepayments:

The Company may reduce the amount outstanding under the Revolver at any time and thereafter reborrow. In addition, the Company may, at its option, upon five business days' notice to the Agents, permanently reduce the unutilized portion of the Revolver in part (in principal amounts of at least \$1,000,000 or, if greater, an integral multiple thereof) or in whole.

Conditions Precedent
to Closing:

The funding of the Revolver will be subject to satisfaction of customary conditions precedent for similar financings and for this transaction in particular, including but not limited to each of the following:

- (i) All documentation relating to the Revolver shall have been completed and reviewed to the Agents' and their counsels' satisfaction;
- (ii) Delcor and the Company shall have entered into a definitive agreement (the "Transaction Agreement"), on terms acceptable to the Agents in their sole discretion, and the Transaction contemplated thereby shall be consummated simultaneously with the funding of the Revolver;
- (iii) The Agents shall have received an environmental survey (or audit if so requested), acceptable in form to the Agents and prepared by the Company (or an environmental assessment firm acceptable to the Agents) with respect to the Company's fixed assets;
- (iv) The Company shall have received a commitment for a \$162,500,000 Senior Debt Facility from NationsBank on the same terms and conditions as outlined herein;
- (v) The Company shall have received a minimum of \$100,000,000 in cash proceeds from the issuance of Cumulative Mandatorily Redeemable Preferred Stock on terms and conditions reasonably acceptable to the Agents;

- (vi) The Company shall have received \$150,000,000 in cash proceeds from the issuance of voting Common Stock to Delcor, Inc. on terms and conditions reasonably acceptable to the Agents;
- (vii) The Company shall have received cash proceeds from the issuance of 784,999 shares of Class B Common Stock to NationsBank, in an amount equal to the Transaction Price per share, on terms and conditions reasonably acceptable to the Agents;
- (viii) The Company shall have issued 784,999 shares of Class B Common Stock to First Union in exchange for 784,999 shares of the Company's voting Common Stock;
- (ix) All governmental, regulatory, shareholder and third party consents and approvals, if any, necessary to effect the Transaction and related financing shall have been obtained and remain in effect;
- (x) No material adverse change shall have occurred in the business, assets, financial condition, prospects, or results of operations of the Company and its subsidiaries, taken as a whole, and, except as specifically disclosed in the most recent form 10-Q and any subsequent form 8-K filed by the Company prior to the date hereof with the Securities and Exchange Commission, there shall exist no condition, event, or occurrence that, individually or in the aggregate, could reasonably be expected to result in a material adverse change in the business, assets, financial condition, prospects, or results of operations of the Company and its subsidiaries, taken as a whole;
- (xi) The Rights Agreement dated November 23, 1994, between the Company and Wachovia Bank of North Carolina, N.A., shall have been terminated or appropriately amended, in form and substance satisfactory to the Agents, so that the consummation of the Transaction will not cause the rights issued thereunder to become exercisable.
- (xii) All of the Company's existing senior indebtedness shall be repaid in full at closing;
- (xiii) There shall not be any pending proceeding requesting an injunction or a restraining order with respect to the Transaction or the First Union Financing or challenging the validity or enforceability of the Transaction or the First Union Financing;
- (xiv) If requested, the Agents shall have received appraisals in satisfactory form on certain of the Company's fixed assets prepared by an independent valuation firm acceptable to the Agents; and
- (xv) The Agents shall have received such other documents, opinions, certificates and agreements in connection with the Transaction and the Senior Debt Facility, all in form and substance satisfactory to the Agents as they shall reasonably request.

Representations and Warranties:

The Loan Agreement will include representations and warranties customarily found in the Agents' loan agreements for similar financings and any additional representations and warranties appropriate in the context of the proposed Transaction, including that the Company has made all requisite filings with the Securities and Exchange Commission and that such filings contained no material misstatements or omissions as of the date of filing.

Covenants:

The Loan Agreement will include covenants customarily found in the Agents' loan agreements for similar financings and any additional covenants appropriate in the context of the proposed Transaction. Such covenants shall in any event include:

- (1) Limitations on Liens;

- (2) Limitations on Cash Dividends, Distributions and Stock Repurchases;
- (3) Limitations on Additional Indebtedness;
- (4) Limitations on Transactions with Shareholders and Affiliates;
- (5) Limitations on Capital Expenditures and Cash Acquisitions; and
- (6) Certain other covenants, including financial covenants (such as fixed charge and interest coverage ratio tests, leverage tests, and minimum current ratio tests) acceptable to the Agents.

Permitted Dividends: So long as no Event of Default has occurred and is continuing, the Company will be permitted to pay cash dividends on the Preferred Stock and Common Stock in amounts of up to 50% of the Company's net income calculated prior to giving effect to the dividend for such period (the "Permitted Dividends") as long as (i) the Company has at least \$25,000,000 of cash and/or availability under the Revolver and (ii) the Company's ratio of Total Funded Debt to Operating Cash Flow on a trailing four quarters basis is less than 2.0x. Permitted Dividends may be paid on a quarterly basis no sooner than 15 days after receipt by the Lenders of the Company's quarterly financial statements confirming compliance with the above conditions. Cash dividends shall not be permitted if after giving effect to such payment, the Company would be in default of the Senior Debt Facility or the conditions outlined above.

Permitted Indebtedness: So long as no Event of Default has occurred and is continuing, the Company will be permitted to incur additional indebtedness (the "Permitted Indebtedness") as long as (i) the sum of all Permitted Indebtedness and the Commitment is equal to or less than \$425,000,000; (ii) the Company's ratio of Total Debt (including the unutilized portion of the Revolver) to Operating Cash Flow on a trailing four quarters basis is less than 3.0x; and (iii) the terms and conditions of the Permitted Indebtedness are reasonably satisfactory to the Agents.

Events of Default: Those customarily found in the Agents' loan agreements for similar financings and any additional events of default appropriate in the context of the proposed Transaction.

Syndication: Following the signing of a definitive Transaction Agreement between Delcor and the Company, the Company shall use its best efforts to assist the Agents in syndicating the Senior Debt Facility. The initial syndication shall be a coordinated process

under which both Agents shall reduce their commitments on a pro-rata basis until such time as they reach their desired hold level or mutually agree to terminate the joint syndication process.

Assignments and Participation: After completion of the initial syndication process, any Lender may participate or assign its interest in the Senior Debt Facility in minimum amounts of at least \$5,000,000 subject to the approval of the Company and the Agents, which shall not be unreasonably withheld. In addition, at any time, any Lender may transfer all or

part of its commitment under the Senior Debt Facility to an affiliate.

- Miscellaneous:
- (1) North Carolina state law to govern;
 - (2) All terms and conditions contained in the Agreements to be reasonably satisfactory to the Agents and to their counsel. The Company shall reimburse the Agents for all reasonable out-of-pocket expenses including, but not limited to, the reasonable fees and disbursements of their counsel in connection with the preparation and execution of the Agreements and the reasonable fees and expenses of any third party consultants retained to assist the Agents in analyzing any environmental, asbestos or solvency related issues, in each case whether or not the transactions herein contemplated shall be consummated or the Senior Debt Facility shall be executed or closed;
 - (3) Usual provisions regarding survival of Agreements, waiver and delay, extensions of maturity, modifications of agreements, severability, counterparts and enforcements, headings, definition of accounting terms in accordance with GAAP, waiver of jury trial; and
 - (4) The Loan Agreement shall contain voting requirements that shall allow 66 2/3% in principal amount to approve certain waivers, modifications and amendments subject to customary unanimity requirements.

Cumulative Mandatorily Redeemable Preferred Stock

Issuer: National Gypsum Company (the "Company").

Facility: Cumulative Mandatorily Redeemable Preferred Stock (the "Preferred Stock").

Amount: \$50,000,000 (the "Purchase Price").

Shares Issued: 50,000.

Price Per Share: \$1,000 (the "Purchase Price Per Share").

Purchaser: First Union Corporation or an affiliate thereof ("First Union").

Use of Proceeds: To facilitate the consummation of the Transaction as described in the Commitment Letter.

Redemption Date: 8 years from closing.

Dividend Rate: 9.0%.

Dividend Payments: Quarterly; to be paid in cash, subject to the terms of the Senior Debt Facility.

Call Protection: None.

Voting Rights: Non-voting, unless required to comply with the Company's bankruptcy order, in which case the Preferred Stock will have minimal voting rights (voting together with common shareholders as a single class).

Conditions Precedent: The purchase of the Preferred Stock will be subject to the execution of a satisfactory Preferred Stock Agreement, and any necessary related documents; as well as the satisfaction of conditions precedent as outlined in the Senior Debt Facility, which are hereby incorporated by reference, and any other conditions

deemed appropriate by the Purchaser for similar financings and for this transaction in particular.

Protective Provisions:

The Company shall not, without first obtaining consent or approval of the holders of at least two-thirds of the Preferred Stock, do any of the following:

- (i) Create any senior stock having preference or priority over the Preferred Stock as to dividends or upon redemption, liquidation, winding up or dissolution;
- (ii) Adversely amend or alter any preferences, rights or powers of the Preferred Stock;
- (iii) Pay other than Permitted Dividends, provided, however, that once all dividends have been paid on the Preferred Stock in cash, the Company may pay cash dividends on the Common Stock in an annual amount not to exceed (i) 2.5% multiplied by (ii) an amount equal to (x) the Transaction Price Per Share multiplied by (y) the total Shares of voting and Class B Common Stock outstanding; and
- (iv) Except as contemplated by the Transaction Agreement, redeem or repurchase any junior stock, warrants or other parity stock.

Certain Events:

The following shall constitute an Event:

- (i) Failure to declare and pay quarterly dividends on the Preferred Stock in full;
- (ii) Failure to redeem or pay the Redemption Price in full when required;
- (iii) Certain events of bankruptcy, receivership or similar proceedings; and
- (iv) Failure to observe any Protective Provisions.

Rights Upon an Event:

Upon and during the continuance of an Event, the Purchaser may elect one representative to the Board of Directors of the Company.

If Purchaser determines, in its sole discretion, that the exercise of this right would subject Purchaser to any divestiture requirement under the Bank Holding Company Act, this right shall be void.

Change in Control/
Sale of Assets:

In the event there occurs a Change of Control (an event which results in Delcor, Inc. or its affiliates owning less than 51% of the voting Common Stock of the Company) or sale of substantially all of the Company's assets, any holder of Preferred Stock may require the Company to redeem all of the shares of Preferred Stock held by such holder at a price equal to the Purchase Price per share plus all Accrued Dividends thereon to the date of redemption.

Transfer Rights:

Beginning eighteen months after the consummation of the Transaction, any holder of the Preferred Stock may sell or transfer in whole or in part, any shares of Preferred Stock held by such holder subject to (i) the Company's consent, which shall not be unreasonably withheld and (ii) the Company's first right of refusal.

Attendance Rights:

Following the Transaction, the Company will permit a representative of the Purchaser to attend all meetings of the Company's Board of Directors or committees.

Reimbursement

of Expenses: The Purchaser shall be reimbursed for reasonable out-of-pocket expenses (including fees and disbursements for counsel) incurred in connection with the issuance of the Preferred Stock.

Information Requirements: The Company will provide the Purchaser with: (i) annual financial statements audited by a nationally recognized "Big Six" independent accounting firm, (ii) monthly internal financial statements, (iii) an annual budget for the next fiscal year prior to the end of the previous fiscal year, and (iv) any other information as reasonably requested by such Purchaser.

Representations and Warranties: Those customarily found in purchase agreements for similar financings and any additional representations and warranties appropriate in the context of the proposed financing.

Class B Common Stock

Issuer: National Gypsum Company (the "Company").

Facility: Class B Common Stock (the "Class B Common Stock").

Purchase Price: \$36,109,954, assuming the Transaction Price Per Share shown below.

Shares Issued: 784,999

Transaction Price Per Share: \$46 (the "Transaction Price Per Share").

Purchaser: ("First Union"). First Union Corporation or an affiliate thereof

Use of Proceeds: To facilitate the consummation of the Transaction as described in the Commitment Letter.

Dividend Rights: To the extent cash dividends on Common Stock are permitted by the Senior Debt Facility and the Preferred Stock, each holder of voting Common Stock and Class B Common Stock shall share ratably in any such dividends.

Voting Rights: Non-voting, unless required to comply with the Company's bankruptcy order, in which case the Class B Common Stock will have minimal voting rights (voting together with the common shareholders as a single class).

Transfer Rights: Beginning eighteen months after consummation of the Transaction, any holder of the Class B Common Stock may sell or transfer, in whole or in part, any Class B Common Stock held by such holder subject to (i) the Company's consent, which shall not be unreasonably withheld, and (ii) the Company's first right of refusal. If necessary to facilitate the sale of the Class B Common Stock, the Company will amend its charter provisions to make the Class B Common Stock exchangeable into voting Common Stock of the Company. Any such right to have the Company's charter amended shall be subject to Federal Reserve guidelines.

Conditions Precedent: The purchase of the Class B Common Stock will be subject to the execution of a satisfactory Class B Common Stock

Purchase Agreement, and any necessary related documents; as well as the satisfaction of conditions precedent as outlined in the Senior Debt Facility, which are hereby incorporated by reference, and any other conditions deemed appropriate by the Purchaser for similar financings and for this transaction in particular.

Attendance Rights: Following the Transaction, and provided that the Preferred Stock has been redeemed in full, the Company will permit a representative of the Purchaser to attend all meetings of the Company's Board of Directors or committees.

Other Rights: In addition to the above rights, the Class B Common Stock will provide for:

- (i) Customary anti-dilution provisions;
- (ii) Piggyback rights on any public or private sale of the Company's equity securities; and
- (iii) Two demand registration rights beginning January 1, 1999.

Reimbursement of Expenses:

The Purchaser shall be reimbursed for reasonable out-of-pocket expenses (including fees and disbursements for counsel) incurred in connection with the issuance of the Class B Common Stock.

Information Requirements:

The Company will provide the Purchaser with: (i) annual financial statements audited by a nationally recognized "Big Six" independent accounting firm, (ii) monthly internal financial statements, (iii) an annual budget for the next fiscal year prior to the end of the previous fiscal year, and (iv) any other information as reasonably requested by such Purchaser.

Representations and Warranties:

Those customarily found in purchase agreements for similar financings and any additional representations and warranties appropriate in the context of the proposed financing.