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LEASE AGREEMENT

Dated October 1, 1985

Between

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE TOWN OF ALABASTER

and

HAROLD P. LEADER

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LEASE AGREEMENT

THIS LEASE AGREEMENT dated October 1, 1985 is entered into by THE INDUSTRIAL DEVELOPMENT BOARD OF THE TOWN OF ALABASTER, a public corporation organized under the laws of the State of Alabama (the "Issuer"), and HAROLD P. LEADER (the "User").

Recitals

The Issuer is authorized to issue its revenue bonds in order to finance the acquisition and construction of certain industrial "projects", as defined in Article 4, Chapter 54, Title 11, Code of Alabama 1975 (the "Enabling Law"). The Issuer has duly authorized the issuance from time to time of its revenue bonds in one or more series (the "Bonds") under and pursuant to a Trust Indenture dated October 1, 1985 (the "Indenture") between the Issuer and AmSouth Bank N.A., a national banking association with its principal office in the City of Birmingham, Alabama (the "Trustee").

The first series of Bonds to be issued under the Indenture shall be the Issuer's \$1,000,000 Industrial Development Revenue Bonds (Harold P. Leader Project), Series A (the "Series A Bonds"). The Series A Bonds shall be issued simultaneously with the delivery of this Lease Agreement. The proceeds of the Series A Bonds shall be applied by the Issuer to pay the costs of acquiring, constructing and equipping certain industrial facilities hereinafter referred to as the "Project".

Pursuant to this Lease Agreement the Issuer has agreed to lease the Project to the User, and the User has agreed to pay rentals to the Issuer at times and in amounts sufficient to pay the principal of, premium (if any) and interest on the Bonds ("Debt Service") when due.

The Bonds shall be limited obligations of the Issuer payable solely out of the rentals payable by the User pursuant to this Lease Agreement and any other revenues, rentals or receipts derived by the Issuer from the leasing or sale of the Project (the "Pledged Revenues"). Pursuant to the Indenture the Issuer shall assign and pledge to the Trustee all right, title and interest of the Issuer in and to the Pledged Revenues and this Lease Agreement (except for certain rights personal to the Issuer) and shall mortgage the Project to the Trustee as security for the payment of the Bonds and all other indebtedness secured by the Indenture.

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As additional security for the payment of Debt Service on the Series A Bonds, the User and Allied Flexible Products, Inc., a corporation organized under the laws of the State of Alabama (the "Guarantors"), have entered into a Guaranty Agreement dated October 1, 1985 (the "Series A Guaranty"), whereby the Guarantors have guaranteed the payment of Debt Service on the Series A Bonds.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto covenant, agree and bind themselves as follows:

ARTICLE 1

Definitions and Other Provisions of General Application

SECTION 1.01 Definitions

For all purposes of this Lease Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(1) Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Indenture.

(2) The terms defined in this Article shall have the meanings assigned to them in this Article. Singular terms shall include the plural as well as the singular, and vice versa.

(3) All accounting terms not otherwise defined herein have the meanings assigned to them, and all computations herein provided for shall be made, in accordance with generally accepted accounting principles. All references herein to "generally accepted accounting principles" refer to such principles as they exist at the date of application thereof.

(4) All references in this instrument to designated "Articles", "Sections" and other subdivisions are to the designated Articles, Sections and subdivisions of this instrument as originally executed.

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

(6) The term "person" shall include any individual, corporation, partnership, joint venture, association, trust, unincorporated organization and any government or any agency or political subdivision thereof.

SECTION 1.02 Effect of Headings and Table of Contents

The Article and Section headings herein and in the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.03 Date of Lease Agreement

The date of this Lease Agreement is intended as and for a date for the convenient identification of this Lease Agreement and is not intended to indicate that this Lease Agreement was executed and delivered on said date.

SECTION 1.04 Separability Clause

If any provision in this Lease Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 1.05 Governing Law

This Lease Agreement shall be construed in accordance with and governed by the laws of the State of Alabama.

SECTION 1.06 Counterparts

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed an original, but all such counterparts shall together constitute but one and the same instrument.

ARTICLE 2

Demising Clauses

For and in consideration of the performance and observance by the User of the agreements and covenants of this Lease Agreement to be performed and observed by the User, the Issuer does hereby lease and demise to the User, and the User does hereby lease, take and hire from the Issuer the following property:

I.

The real property and interests therein described in Exhibit A attached hereto, together with all easements,

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permits, licenses, rights-of-way, contracts, leases, tenements, hereditaments, appurtenances, rights, privileges and immunities pertaining or applicable to said real property and interests therein.

II.

The Improvements described in Exhibit C attached hereto and all other buildings, structures and improvements now or hereafter located on the Project Site.

III.

The personal property and fixtures described in Exhibit B attached hereto and all other personal property and fixtures acquired or to be acquired by the Issuer with the proceeds of the Bonds or with funds constituting part of the Trust Estate or pursuant to any provision of this Lease Agreement or the Indenture, including all substitutions and replacements for such personal property and fixtures.

SUBJECT, HOWEVER, to the prior lien of the Indenture and all other Permitted Encumbrances.

ARTICLE 3

Acquisition of the Project

SECTION 3.01 Agreement to Acquire

(a) The Project Site has been acquired by the Issuer in accordance with the instructions of the User and is described in Exhibit A to this Lease Agreement. The Improvements to be constructed and installed on the Project Site are described in Exhibit C to this Lease Agreement. The personal property and fixtures to be acquired and installed as part of the Project are described in Exhibit B to this Lease Agreement. The Improvements and the Equipment shall be constructed and installed on the Project Site

(b) The User shall be solely responsible for the planning and design of the Project, the preparation of contracts and purchase orders for the Project and the supervision of the work on the Project. The acquisition, construction and installation of the Project shall be in accordance with all applicable zoning, planning and building restrictions, and the User shall obtain all necessary governmental permits, licenses, certificates, authorizations and approvals necessary to be obtained for

the acquisition, construction, installation and operation of the Project.

(c) The Issuer shall enter into, assume or accept the assignment of such contracts and purchase orders for the Project as the User shall request in writing, subject to the requirements of Section 10.01.

(d) The Issuer will cooperate with the User in good faith in the acquisition, construction and installation of the Project in order that the Project may be completed and placed in service as soon as practicable.

(e) The User may cause changes or amendments to be made in the plans and specifications for the Improvements and the Equipment, provided (i) such changes or amendments will not change the nature of the Project to the extent that it would not qualify for financing under the Enabling Law, and (ii) the User obtains the prior written consent of the Holders of all Outstanding Bonds. The Issuer will make only such changes or amendments in the plans and specifications for the Improvements and the Equipment as may be requested in writing by the User.

(f) The Issuer shall cause withdrawals to be made from the Construction Fund for the payment of Project Costs (including reimbursement to the User for Project Costs), but only upon the written approval of the User and subject to the requirements of the Indenture with respect to withdrawals from the Construction Fund.

(g) The provisions of Article 3 of the Inducement Agreement (relating to the appointment of the User as agent of the Issuer for the acquisition, construction and equipping of the Project) shall survive the delivery of this Lease Agreement and the termination of the Inducement Agreement and shall remain in effect until the Project is completed.

SECTION 3.02 No Warranty; User to Complete Project

(a) The User recognizes that since the plans, specifications and directions for acquiring, constructing and installing the Project have been, or will be, furnished by it, the Issuer makes no warranty, either express or implied, with respect to the Project and does not offer any assurances that the Project will be suitable for the User's purposes or needs or that the proceeds derived from the sale of the Series A Bonds will be sufficient to pay in full all Project Costs.

(b) If the proceeds derived from the sale of the Series A Bonds and any Additional Bonds are insufficient to pay in full all Project Costs, the User shall deposit the amount of such deficiency in the Construction Fund or shall complete the acquisition, construction and installation of the Project at its own expense.

SECTION 3.03 Remedies Against Contractors, etc.

If any vendor, contractor or subcontractor shall default under any contract or purchase order in connection with the acquisition, construction or installation of the Project, the Issuer shall follow the written instructions of, and shall cooperate in good faith with, the User in the pursuit of any remedies that may be available under the circumstances. Upon the written request of the User, the Issuer shall assign to the User all rights of the Issuer under any such contract or purchase order and the User may, in its own name or in the name of the Issuer, pursue any such remedies.

SECTION 3.04 Completion of the Project

(a) The completion of the Project shall be evidenced by a certificate signed by an Authorized User Representative stating that

(1) the acquisition, construction and installation of the Improvements and Equipment has been completed in accordance with the plans and specifications therefor (including any changes or amendments to such changes pursuant to Section 3.01), and

(2) all amounts due for labor, materials, supplies and other costs incurred in connection with the acquisition, construction and installation of the Project have been paid.

(b) After the delivery of the aforesaid certificate to the Trustee, any money then remaining in the Construction Fund shall be applied as provided in Section 6.08 of the Indenture.

ARTICLE 4

Lease Term and Rental Payments

SECTION 4.01 Lease Term

The term of this Lease Agreement shall begin on the date of the delivery of this Lease Agreement and, unless

renewed and extended in accordance with the terms of this Lease Agreement and the Indenture, shall continue until midnight of December 5, 1995.

SECTION 4.02 Basic Rental Payments

The User shall make "Basic Rental Payments" to the Trustee, for the account of the Issuer, in installments due on each Bond Payment Date, in immediately available funds, in an amount equal to the Debt Service on the Bonds due and payable on such Bond Payment Date; provided, however, that any amount already on deposit in the Bond Fund on the due date of such Basic Rental Payment and available for the payment of Debt Service on such Bond Payment Date shall be credited against the amount of such Basic Rental Payment. If any Basic Rental Payment is due on a day which is not a Business Day, such payment may be made on the first succeeding day which is a Business Day with the same effect as if made on the day such payment was due.

SECTION 4.03 Additional Rental Payments

(a) The User shall make "Additional Rental Payments" to the Issuer or to the Trustee, as the case may be, as follows:

(1) the acceptance fee of the Trustee and the annual (or other regular) fees, charges and expenses of the Trustee and any Paying Agents designated under the Indenture;

(2) any amount to which the Trustee may be entitled under Section 13.07 of the Indenture; and

(3) the reasonable expenses of the Issuer incurred at the request of the User, or in the performance of its duties under this Lease Agreement, or in connection with any litigation which may at any time be instituted involving the Project, this Lease Agreement or the Indenture, or in the pursuit of any remedies under this Lease Agreement or the Indenture.

(b) The User shall make such Additional Rental Payments within 10 days after receipt of an invoice therefor.

SECTION 4.04 Overdue Rental Payments

Any overdue Basic Rental Payment shall bear interest from the related Bond Payment Date until paid at the rate

or rates for overdue Debt Service payments specified in the related series of Bonds. Any overdue Additional Rental Payment shall bear interest from the date due until paid at the Prime Rate, as adjusted from time to time, plus 2%, or the maximum rate of interest allowed by law, whichever is less.

SECTION 4.05 Unconditional Obligation

The User's obligation to make Rental Payments and to perform and observe the other agreements and covenants on its part herein contained shall be absolute and unconditional, irrespective of any rights of set-off, recoupment or counterclaim it might otherwise have against the Issuer or the Trustee. The User will not suspend or discontinue any such Rental Payment or fail to perform and observe any of its other agreements and covenants contained herein or terminate this Lease Agreement for any cause whatsoever, including, without limiting the generality of the foregoing, (i) failure to complete the Project, (ii) any acts or circumstances that may constitute an eviction or constructive eviction, (iii) failure of consideration or commercial frustration of purpose, (iv) the invalidity of any provision of this Lease Agreement, (v) any damage to or destruction of the Project or any part thereof, (vi) the taking by eminent domain of title to, or the use of, all or any part of the Project, (vii) any change in the laws or regulations of the United States of America, the State of Alabama or any other governmental authority, or (viii) any failure of the Issuer to perform and observe any agreement or covenant, whether express or implied, to be performed or observed by the Issuer under this Lease Agreement.

ARTICLE 5

Concerning the Bonds, the Indenture, the Special Funds and the Trustee

SECTION 5.01 Assignment of Lease Agreement and Rental Payments by Issuer

(a) Simultaneously with the delivery of this Lease Agreement the Issuer shall (i) assign and pledge to the Trustee all right, title and interest of the Issuer in and to the Pledged Revenues and the Lease Agreement (except for certain rights personal to the Issuer) and (ii) mortgage the Project to the Trustee as security for the payment of the Indenture Indebtedness. The User hereby consents to such assignment, pledge and mortgage.

(b) Until the Indenture Indebtedness has been Fully Paid, the Trustee shall have all rights and remedies herein accorded to the Issuer and any reference herein to the Issuer shall be deemed, with the necessary changes in detail, to include the Trustee; provided, however, that the Issuer shall retain the rights to indemnification and reimbursement of expenses granted to it by this Lease Agreement.

SECTION 5.02 Redemption of Bonds

(a) The Issuer will redeem any or all of the Bonds in accordance with the scheduled mandatory redemption provisions of the Bonds and the Indenture and upon the occurrence of any event or contingency requiring the mandatory redemption of Bonds, all in accordance with the applicable provisions of the Bonds and the Indenture.

(b) If no Lease Default exists, the Issuer will exercise any right of optional redemption with respect to the Bonds only upon the written request of the User.

SECTION 5.03 Additional Bonds

If no Lease Default exists and the User requests the issuance of Additional Bonds under the Indenture, the Issuer will cooperate with the User in good faith in the preparation of documents and the adoption of proceedings required for the issuance of Additional Bonds and upon compliance with the applicable provisions of the Indenture, will issue such Additional Bonds to such purchaser or purchasers as the User shall designate.

SECTION 5.04 Amendment of Indenture

The Issuer will not cause or permit the amendment of the Indenture or the execution of any supplemental indenture without the prior written consent of the User.

SECTION 5.05 Prior Lien of Indenture

The Indenture and the rights and privileges of the Trustee and the Holders of the Bonds shall be prior and superior to this Lease Agreement and the rights, options and privileges of the User under this Lease Agreement, and nothing contained herein or in the Indenture shall be construed to impair such rights and privileges of the Trustee and the Holders of the Bonds.

SECTION 5.06 The Special Funds

(a) If no Lease Default exists, any money held as part of a Special Fund shall be invested or reinvested in Qualified Investments by the Trustee in accordance with the instructions of the User, as provided in Article 9 of the Indenture.

(b) The User shall be solely responsible for (i) determining that any such investment complies with the arbitrage limitations imposed by Section 103(c) of the Code, including without limitation the provisions of Section 103(c)(6) of the Code relating to investment of "gross proceeds" of bonds, and (ii) calculating the amount of, and making payment of, any rebate due to the United States under Section 103(c)(6) of the Code.

(c) As security for the performance by the User of the covenants hereunder, the User hereby assigns and pledges to the Issuer, and grants to the Issuer a security interest in, all right, title and interest of the User in and to all money and investments from time to time on deposit in, or forming a part of, the Special Funds, subject to the provisions of this Lease Agreement and the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein and in the Indenture. The User acknowledges that the rights of the Issuer created by this Section shall be assigned by the Issuer to the Trustee pursuant to the Indenture.

SECTION 5.07 Full Payment of Indenture Indebtedness

(a) After the Indenture Indebtedness is Fully Paid, all references in this Lease Agreement to the Bonds, the Indenture and the Trustee shall be ineffective and neither the Trustee nor the Holders of the Bonds shall thereafter have any rights hereunder, except (i) those rights that shall have theretofore vested and (ii) as provided in Sections 7.03 and 7.05.

(b) If the Indenture Indebtedness is Fully Paid prior to the expiration of the term of this Lease Agreement, the User shall be entitled to the use and occupancy of the Project until the expiration of the term of this Lease Agreement without the payment of any further Basic Rental Payments, but otherwise subject to all the terms and conditions hereof, except that (i) the User shall not be required to carry any insurance described in paragraphs (1) and (2) of Section 6.12(a), (ii) the User shall no longer be required to make Additional Rental Payments to

the Trustee, and (iii) the User shall no longer be required to perform and observe the agreements and covenants on its part contained in Sections 7.03, 7.04, 7.05, 7.06, 7.07, 7.08 and 7.09.

(c) If any money or investments remain in the Special Funds after the Indenture Indebtedness has been Fully Paid, the Issuer will pay and deliver such money and investments to the User.

ARTICLE 6

The Project

SECTION 6.01 Possession and Use of Project

(a) So long as no Lease Default exists, the User shall be permitted to possess, use, manage, operate and enjoy the Project without hindrance on the part of the Issuer, subject, however, to all the terms and conditions of this Lease Agreement.

(b) The Issuer shall be permitted such possession of the Project as shall be necessary and convenient for it to construct and install the Improvements and the Equipment and any additions, improvements, modifications, repairs or renovations to the Project that are required to be made by it pursuant to the terms of this Lease Agreement.

SECTION 6.02 Maintenance and Other Operating Expenses

The User will, at its own expense, (i) cause the Project to be maintained and kept in good condition, repair and working order, (ii) cause to be made all necessary repairs, renewals, replacements, betterments and improvements to the Project as may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times, and (iii) pay all gas, electric, water, sewer and other charges for the operation, use and upkeep of the Project.

SECTION 6.03 Taxes, Assessments, Etc.

The User will pay or cause to be paid as they become due and payable all taxes, assessments and other governmental charges lawfully levied or assessed or imposed upon the Project or any part thereof or upon any income therefrom, and also all taxes, assessments and other governmental charges lawfully levied, assessed or imposed upon the lien or interest of the Trustee or of the Bondholders in the Trust Estate, so that the lien of the

Indenture shall at all times be wholly preserved at the cost of the User and without expense to the Issuer, the Trustee or the Bondholders; provided, however, that the User shall not be required to pay and discharge or cause to be paid and discharged any such tax, assessment or governmental charge to the extent that the amount, applicability or validity thereof shall currently be contested in good faith by appropriate proceedings and the User shall have established and shall maintain adequate reserves on its books for the payment of the same.

SECTION 6.04 Improvements, Alterations, Etc.

The User may, at its own expense, make changes, additions, improvements or alterations to the buildings, structures and other improvements constituting a part of the Project, provided that, if the cost of such work (including all related components) exceeds 5% of the original principal amount of the Series A Bonds, or if such work involves the original acquisition and construction of the Improvements, the User must obtain the prior written consent of the Holders of all Outstanding Bonds. At the written request of the User, the Issuer will enter into a contract for such work, subject, however, to the requirements of Section 10.01.

SECTION 6.05 Party Walls

The User may connect or "tie-in" walls of the buildings, structures and other improvements located on the Project Site (the "Project Buildings") to other structures and facilities located on real property owned or leased by the User and adjacent to the Project Site. The User may use as a party wall any wall of the Project Buildings which is on or contiguous to the boundary line between the Project Site and such adjacent real property, and in the event of such use, each party to this Lease Agreement hereby grants to the other a 10-foot easement adjacent to any such party wall for the purpose of inspection, maintenance, repair and replacement thereof, and the tying in of new construction. If the User utilizes any wall of the Project Buildings as a party wall for the purpose of tying in new construction that will be utilized under common control with the Project, the User may also remove any non-loadbearing wall panel in the party wall; provided, however, that if the adjacent property ceases to be owned or leased by the User, the User will, at its expense, install wall panels similar in quality to those that were removed. Prior to the exercise of any one or more of the rights granted by this section, the User shall furnish to the Issuer and the Trustee a

certificate of an Independent engineer or architect stating that such action will not impair the use of the Project for the purposes for which it is leased by the User.

SECTION 6.06 Utility Easements

The Issuer will, upon request of the User, grant such utility and other similar easements over, across or under the Project Site as shall be necessary or convenient for the furnishing of utility and other similar services to the Project or to real property adjacent to the Project Site that is owned or leased by the User; provided, that such easements shall not, in the opinion of the User, materially impair the use of the Project for the purposes for which it is leased by the User.

SECTION 6.07 Encumbrances Created by User

The User will not create or incur or suffer or permit to be created or incurred or to exist any mortgage, lien, charge or encumbrance on the Project or any part thereof without the prior written consent of the Holders of all Outstanding Bonds.

SECTION 6.08 Transfer or Encumbrance Created by Issuer

Without the prior written consent of the User and the Holders of all Outstanding Bonds the Issuer (i) will not sell, transfer or convey the Project or any part thereof, except as provided in this Lease Agreement, and (ii) will not create or incur or suffer or permit to be created or incurred or to exist any mortgage, lien, charge or encumbrance on the Project or any part thereof, other than Permitted Encumbrances.

SECTION 6.09 Assignment, etc. of Leasehold Interest

The User may not assign its rights under this Lease Agreement or mortgage its leasehold interest in the Project, or sublease the Project or any part thereof, unless the User obtains the prior written consent of the Holders of all Outstanding Bonds.

SECTION 6.10 Disposition and Substitution of Equipment

(a) The User shall have the right, from time to time if no Lease Default exists, in the name and on behalf of the Issuer, without any release from or consent by the Issuer or the Trustee, to sell or otherwise dispose of, free from the lien of the Indenture and this Lease

Agreement, any item of the Equipment which may have become obsolete or unfit for use or no longer useful, necessary or profitable in the conduct of the business carried on by the User at the Project, provided that:

(1) the User shall substitute for the same other personal property or fixtures not necessarily of the same character but of at least equal value to the User as, and costing not less than the amount realized from, the item of Equipment disposed of, which shall be free from all liens and encumbrances other than Permitted Encumbrances and shall forthwith become, without further action, property of the Issuer and a part of the Equipment subject to this Lease Agreement and to the lien of the Indenture; and

(2) the User must obtain the prior written consent of the Holders of all Outstanding Bonds if the original cost of such item of Equipment, when added to the original cost of all other items of Equipment disposed of in the same fiscal year, exceeds 5% of the original principal amount of the Series A Bonds.

(b) The Issuer will cooperate with the User in good faith in the exercise of the rights and privileges granted by this Section and shall, from time to time, execute a written instrument to confirm any action taken by the User under this Section, upon receipt by the Issuer of (i) a certificate or certificates signed by an Authorized User Representative requesting the same and expressing any required opinions and stating that such action was duly taken in conformity with this Section and (ii) an Opinion of Counsel that such action was duly taken by the User in conformity with such provisions and that execution of such written instrument is appropriate to confirm such action under this Section.

(c) Within 30 days after the end of each fiscal year of the User, the User shall file with the Trustee a report containing:

(1) a description of each item of the Equipment disposed of during such fiscal year, the original cost thereof and the amount realized therefrom; and

(2) a description of each item of the Equipment substituted for the item or items so disposed of during such fiscal year and the cost of such substitute.

(d) Except as permitted by this section, the User shall not sell or otherwise dispose of the Equipment or any portion thereof.

SECTION 6.11 User's Personal Property and Fixtures

(a) The User may, at its own expense, install at the Project any personal property or fixtures which, in the User's judgment, are necessary or desirable for the conduct of the business carried on by the User at the Project. Any such personal property or fixtures which are installed at the User's expense and do not constitute a part of the Equipment under the terms of this Lease Agreement shall be and remain the property of the User and may be removed by the User at any time while no Lease Default exists; provided, that any damage to the Project occasioned by such removal shall be repaired by the User at its own expense.

(b) If any personal property or fixtures described in subsection (a) of this Section are leased by the User or the User shall have granted a security interest in such property in connection with the acquisition thereof by the User, then the lessor of such property or the party holding a security interest therein, as the case may be, may remove such property from the Project Site even though a Lease Default shall then exist or this Lease Agreement shall have been terminated following a Lease Default hereunder; provided, that the foregoing permission to remove shall be subject to the agreement by such lessor or secured party to repair at its own expense any damage to the Project occasioned by such removal.

SECTION 6.12 Insurance

(a) The User will at all times keep the Project insured in amounts customarily carried, and against loss or damage from such causes as are customarily insured against, for similar facilities. Without limiting the generality of the foregoing, the User will carry the following amounts and types of insurance:

(1) insurance against loss or damage to the Project by fire, lightning, water and wind, with uniform standard extended coverage endorsement limited only as may be provided in the standard form of extended coverage endorsement at the time in use in the State of Alabama, to the extent of the full insurable value of the Project, but in any event not less than the principal amount of Bonds Outstanding;

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(2) if the Project is located in a flood hazard area designated as such under the national flood insurance program, flood insurance to the extent of the lesser of (i) the unpaid principal amount of the Bonds or (ii) the maximum limit of coverage made available with respect to the Project under said program;

(3) insurance against liability for bodily injury to or death of persons and for damage to or loss of property occurring on or about the Project Site or in any way related to the condition or operation of the Project, in the minimum amounts of \$500,000 for death of or bodily injury to any one person, \$1,000,000 for all death and bodily injury claims resulting from any one accident, and \$100,000 for property damage.

(b) All such insurance shall be effected with responsible insurance carriers acceptable to the Trustee. All policies or other contracts evidencing the insurance required to be carried by this Section or a certificate of the respective insurers attesting the fact that such insurance is in force and effect, shall be deposited with the Trustee. Prior to the expiration of such insurance, the User shall furnish to the Trustee evidence that such insurance has been renewed or replaced.

(c) All policies or other contracts for the insurance specified in paragraphs (1) and (2) of subsection (a) of this Section shall provide that the proceeds of such insurance shall be payable to the Trustee as its interest may appear (by means of a standard mortgage clause or other similar clause acceptable to the Trustee, without contribution). Each policy or other contract for such insurance, or such mortgage clause, shall contain an agreement by the insurer that, notwithstanding any right of cancellation reserved to such insurer, such policy or contract shall continue in force for the benefit of the Trustee for at least 10 days after written notice to the Trustee of cancellation. All proceeds of such insurance shall be applied as provided in Section 6.13.

(d) All policies or other contracts for the insurance specified in paragraph (3) of subsection (a) shall insure the Issuer, as well as the User, against such liability.

SECTION 6.13 Damage and Destruction

(a) IF the Project or any part thereof is damaged or destroyed by fire or other casualty, the User shall, as

promptly as practicable, repair, rebuild, restore or replace the property damaged or destroyed (herein referred to as the "Restoration Work"). If the amount of loss proceeds of insurance on the Project available to pay the costs of such Restoration Work is not sufficient for such purpose, the User shall complete the Restoration Work at its own expense. At the request of the User, the Issuer shall enter into contracts and purchase orders necessary for the Restoration Work, subject to the requirements of Section 10.01.

(b) If the Indenture Indebtedness has been Fully Paid, such loss proceeds shall be payable to the User and shall be applied by the User to pay the costs of the Restoration Work.

(c) If the Indenture Indebtedness has not been Fully Paid, such loss proceeds shall be paid to the Trustee and, after first applying such loss proceeds to the payment of all costs and expenses (including attorneys' fees) reasonably incurred by the User, the Issuer and the Trustee in obtaining such loss proceeds, the Trustee shall, at the option of the Holders of all Outstanding Bonds, apply the balance to the payment of the Indenture Indebtedness or apply such balance to the payment of the costs of the Restoration Work.

SECTION 6.14 Condemnation

(a) If title to, or the use of, the Project or any part thereof shall be taken by the exercise of the power of eminent domain and the Indenture Indebtedness has not been Fully Paid, the entire proceeds of any award referable thereto shall be paid to the Trustee and, after first applying such award to the payment of all costs and expenses (including attorneys' fees) reasonably incurred by the User, the Issuer and the Trustee in obtaining such award, the Trustee shall, at the option of the Holders of all Outstanding Bonds, apply the balance to the payment of the Indenture Indebtedness or apply such balance to the acquisition of additional facilities used or useful in connection with the Project.

(b) The Issuer shall cooperate in good faith with the User in the conduct of any condemnation proceeding with respect to the Project and will, to the extent it may lawfully do so, permit the User to appear in such proceeding in the name and on behalf of the Issuer. The Issuer will not settle, or consent to the settlement of, any condemnation proceeding without the prior written consent of the User.

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ARTICLE 7

Representations and Covenants

SECTION 7.01 General Representations

The User makes the following representations and warranties as the basis for the undertakings on his part herein contained:

(1) The User has the power to consummate the transactions contemplated by this Lease Agreement.

(2) The User has obtained all consents, approvals, authorizations and orders of governmental authorities that are required to be obtained by the User as a condition to the execution and delivery of this Lease Agreement.

(3) The execution and delivery of this Lease Agreement by the User and the consummation of the transactions contemplated herein will not conflict with, be in violation of, or constitute (upon notice or lapse of time or both) a default under any indenture, mortgage, deed of trust or other contract, agreement or instrument to which the User is a party or is subject, or any resolution, order, rule, regulation, writ, injunction, decree or judgment of any governmental authority or court having jurisdiction over the User.

(4) There is no action, suit, proceeding, inquiry or investigation pending before any court or governmental authority, or threatened against or affecting the User or the properties of the User, which (i) involves the consummation of the transactions contemplated by, or the validity of, this Lease Agreement or (ii) could have a material adverse impact upon the condition (financial or otherwise) or operations of the User.

SECTION 7.02 Eligibility of Project for Financing

The User makes the following representations and warranties regarding the eligibility of the Project for financing under the Enabling Law:

(1) The financing of the Project through the issuance of the Series A Bonds and the leasing of the Project to the User has induced the User to locate the Project in the State of Alabama.

(2) The User intends to sublease the Project to Allied Flexible Products, Inc. for the purpose of manufacturing plastic bags and containers.

(3) The Project is located (i) wholly within the corporate limits of the Municipality and (ii) wholly within Shelby County.

SECTION 7.03 General Covenant Regarding Exempt Interest on Series A Bonds

(a) The User represents and warrants that under Section 103(b)(6)(A) of the Code, interest on the Series A Bonds will not be includable in the gross income of any Holder thereof unless such Holder is a substantial user of the Project or a related person.

(b) The User covenants and agrees that

(1) the proceeds of the Series A Bonds shall not be used or applied in a manner that would cause any Series A Bond to be an arbitrage bond,

(2) not less than 90% of the net proceeds of the Series A Bonds (net proceeds being the original proceeds of the Series A Bonds and any investment income therefrom, minus expenses of issuance) will be used for Qualified Project Costs,

(3) the proceeds of the Series A Bonds shall not be used for the acquisition, construction, reconstruction or improvement of any property which would cause the average maturity of the Series A Bonds to exceed 120% of the average reasonably expected economic life of the facilities financed with the proceeds of the Series A Bonds,

(4) less than 25% of the proceeds of the Series A Bonds will be used for the acquisition of land,

(5) the User will not permit the Project to be owned or used by any person if the face amount of the Series A Bonds allocated to such person, when increased by the outstanding tax exempt industrial development bonds of such person, would exceed \$40,000,000, within the meaning of Section 103(b)(15) of the Code,

(6) the proceeds of the Series A Bonds will not be used to acquire any used property (property first used by another person and depreciated in whole or in

part by such person for federal income tax purposes) unless the User makes rehabilitation expenditures with respect to such used property as required by Section 103(b)(17) of the Code,

(7) any rehabilitation expenditures with respect to the Project will not be attributable to a building in a "registered historic district" or a "certified historic structure" (as defined in Section 48(g)(3) of the Code), and

(8) the User will not take any action, or omit to take any action, that would cause interest on the Series A Bonds to be or become subject to federal income taxation.

(c) Money in the Construction Fund shall not be used to pay or reimburse the User for any Project Costs other than (i) expenses of issuance of the Series A Bonds or (ii) Qualified Project Costs ("Nonqualified Project Costs"), unless the amount of such Nonqualified Project Cost, when added to all other Nonqualified Project Costs already paid or reimbursed from the Construction Fund, will be less than 1/9 of the Qualified Project Costs already paid from the Construction Fund.

(d) If the User receives written notice from the Holder of any Series A Bond, or otherwise receives notice in writing indicating, that the Internal Revenue Service has claimed that interest on the Series A Bonds is Taxable, the User shall promptly notify the Trustee in writing of such claim.

(e) If a Final Determination is made that interest on the Series A Bonds is Taxable,

(1) the Series A Bonds shall bear interest at the increased rate provided in the form of the Series A Bonds, effective as of the earliest date that interest on the Series A Bonds was Taxable;

(2) on the interest payment date (or redemption date, as the case may be) next following such Final Determination or, if the Series A Bonds have been Fully Paid at the time of such Final Determination, within 15 days after such Final Determination, the User shall pay to the Trustee the amount of Additional Accrued Interest payable with respect to the Series A Bonds; and

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(3) the User shall pay to each Holder or former Holder of the Series A Bonds, upon demand, the amount of any additions to tax, penalties or other charges or expenses that may be incurred by such Holder as a result of such Final Determination (other than federal income taxes that would have been payable if interest on the Series A Bonds had been included in gross income of such Holder for the period that interest was Taxable).

If the User makes all payments required by this subsection, any default in the performance, or breach, of any covenant or warranty contained in this Section shall be deemed waived and any Lease Default resulting therefrom shall be deemed cured. The obligation of the User under this subsection shall survive the termination of this Lease Agreement.

(f) For the purpose of this Section, the terms "industrial development bonds", "rehabilitation expenditures", "substantial user", "related person", "arbitrage bond" and "principal user" shall have the meanings given in Section 103 of the Code and the regulations and rulings thereunder.

SECTION 7.04 Covenants Regarding § 103(c)(6) of the Code

(a) The User will not permit the gross proceeds of the Series A Bonds to be invested or reinvested in a manner that would cause the Series A Bonds to be "arbitrage bonds" within the meaning of Section 103(c)(6) of the Code. The User will make timely rebate payments to the United States of America as required by Section 103(c)(6) of the Code.

(b) Not later than 30 days after the end of each bond year (the 12-month period beginning on the date of issuance of the Series A Bonds and each anniversary date thereafter), the User shall furnish to the Trustee and the Holder of the Outstanding Series A Bond an opinion of Bond Counsel or a certificate by an Independent certified public accountant stating in effect that as of such date (i) no investment or reinvestment of gross proceeds of the Series A Bonds had been made that would cause the Series A Bonds to be "arbitrage bonds" under Section 103(c)(6) of the Code and (ii) the User had made all rebate payments to the United States of America necessary to prevent the Series A Bonds from being "arbitrage bonds" under Section 103(c)(6) of the Code.

(c) The User will maintain all records required by Section 103(c)(6) of the Code and the applicable regulations thereunder and shall furnish such data or information regarding compliance with Section 103(c)(6) of the Code as the Trustee or any Holder of a Series A Bond shall reasonably request in writing.

SECTION 7.05 Indemnification for Preference Taxes

(a) If, as a result of a change in law after the date of original issuance of the Series A Bonds, any Holder of a Series A Bond is required to pay any new or increased Bond Preference Tax attributable, directly or indirectly, to the purchase or ownership of such Bond, the User shall pay to such Holder from time to time, within 10 days after receipt of written demand therefor (accompanied by appropriate verification), an amount which, after deduction of all federal, state and local income taxes payable by such Holder with respect to the receipt of such payment (assuming in each case that the highest marginal tax rate is applicable to such Holder), shall equal the amount of any Bond Preference Tax payable by such Holder with respect to such Bond.

(b) For purposes of this Section, the following definitions shall apply:

Bond Preference Tax shall mean any tax or penalty under federal or Alabama law imposed on the owner of Tax Exempt Obligations, including without limitation any preference tax, excess profits tax, minimum tax or other tax measured in whole or in part by reference to (i) interest on or principal of Tax Exempt Obligations or (ii) any amount of interest on indebtedness deemed attributable to the purchase or carrying of Tax Exempt Obligations.

Tax Exempt Obligations shall mean (i) for purposes of a Bond Preference Tax imposed by federal law, obligations the interest on which is exempt from federal income taxation under Section 103 of the Code, and (ii) for purposes of a Bond Preference Tax imposed by Alabama law, obligations the interest on which is exempt from Alabama income taxation.

SECTION 7.06 Transfer of Property

(a) Subject to the provisions of subsection (b) of this Section, the User will do or cause to be done all things necessary to preserve and keep in full force and effect his rights and franchises.

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(b) The User shall not transfer his property substantially as an entirety to any person unless:

(1) the User obtains the prior written consent of the Holders of all Outstanding Bonds;

(2) such conveyance or transfer shall be on such terms as shall fully preserve the lien and security hereof and the rights and powers of the Issuer, the Trustee and the Holders of the Bonds;

(3) the person which acquires by conveyance or transfer the User's property substantially as an entirety (the "Successor") shall be a corporation organized under the laws of the United States of America or any State or the District of Columbia;

(4) such Successor shall execute and deliver to the Issuer and the Trustee an instrument in form recordable and acceptable to the Issuer and the Trustee containing an assumption by such Successor of the performance and observance of every covenant and condition of this Lease Agreement to be performed or observed by the User;

(5) immediately after giving effect to such transaction, no Lease Default, or any event which upon notice or lapse of time or both would constitute such a Lease Default, shall have occurred and be continuing; and

(6) the User shall have delivered to the Trustee a certificate executed by an Authorized User Representative and an Opinion of Counsel, each of which shall state that such conveyance or transfer complies with this Section and that all conditions precedent herein provided relating to such transactions shall have been complied with.

(c) Upon any conveyance or transfer of the User's property substantially as an entirety in accordance with this Section, the Successor shall succeed to, and be substituted for, and may exercise every right and power of, the User under this Lease Agreement with the same effect as if such Successor had been named as the User herein.

SECTION 7.07 Accounting Records

The User will maintain proper books of record and account, in which full and correct entries will be made,

in accordance with generally accepted accounting principles, of all his business affairs.

SECTION 7.08 Reports to Trustee

The User shall furnish to the Trustee and to each Holder of the Bonds who shall request the same in writing:

(1) not later than 45 days after the end of each calendar year, his personal financial statement in a form satisfactory to the Trustee and to any Holder of the Bonds who shall request the same in writing.

(2) together with the financial statement required by paragraph (1) above, the certificate of the User stating that he has no knowledge of any default of the User in the fulfillment of any of the terms, covenants or provisions of this Lease Agreement, or under any other evidence of indebtedness, or of any event which, with notice or lapse of time or both, would constitute a Lease Default or an event of default under any other indebtedness or, if in the opinion of the User, any such Lease Default, event of default or other event shall exist, a statement of the nature and status thereof; and

(3) such other information regarding the Project or the condition or operations of the User as the Trustee or any Bondholder shall reasonably request.

SECTION 7.09 Further Assurances

(a) The User will do, execute, acknowledge and deliver such further acts, conveyances, mortgages, financing statements and assurances as the Issuer or the Trustee shall require for accomplishing the purposes of this Lease Agreement or the Indenture.

(b) The User will cause this instrument, any amendments to this Lease Agreement and other instruments of further assurance, including financing statements and continuation statements, to be promptly recorded, registered and filed, and at all times to be kept recorded, registered and filed in such places as may be required by law fully to preserve and protect the rights of the Issuer, the Bondholders and the Trustee to all property comprising the Project.

sale of the Bonds or a subsequent sale or distribution of any of the Bonds, (vi) the exercise, or failure to exercise, any right, privilege or power of the Issuer or the Trustee under the Indenture and (vii) the administration of the trust established by the Indenture.

(b) The covenant of indemnity by the User contained in this Section shall survive the termination of this Lease Agreement.

ARTICLE 8

Remedies

SECTION 8.01 Events of Default

"Lease Default," whenever used herein, means any one of the following events (whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) default in the payment of any Basic Rental Payment when such Basic Rental Payment becomes due and payable, and continuance of such default for a period of 5 days; or

(2) default in the performance, or breach, of any covenant or warranty of the User in this Lease Agreement (other than a covenant or warranty, a default in the performance or breach of which is elsewhere in this Section specifically dealt with), and the continuance of such default or breach for a period of 30 days after there has been given, by registered or certified mail, to the User by the Issuer or by the Trustee a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "notice of default" hereunder; or

(3) the entry of a decree or order by a court having jurisdiction in the premises for relief in respect of the User, or adjudging the User a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, adjustment or composition of or in respect of the User under the Federal Bankruptcy Act or any other applicable federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of or for the User or any

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SECTION 7.10 Inspection of Records

The User will at any and all times, upon the written request of the Issuer, the Trustee or any Bondholder, permit the Issuer, the Trustee or such Bondholder by their representatives to inspect the Project and any books, records, reports and other papers of the User relating to the Project, and to make copies therefrom, and will afford and procure a reasonable opportunity to make any such inspection, and the User will furnish to the Issuer, the Trustee and any Bondholder any and all information as the Issuer, the Trustee or such Bondholder may reasonably request with respect to the performance by the User of its covenants in this Lease Agreement.

SECTION 7.11 Advances by Issuer or Trustee

If the User shall fail to perform any of its covenants in this Lease Agreement, the Issuer or the Trustee may, at any time and from time to time, after written notice to the User if no Lease Default exists, make advances to effect performance of any such covenant on behalf of the User. Any money so advanced by the Issuer or the Trustee, together with interest at the Prime Rate, as adjusted from time to time, plus 2%, or the maximum rate permitted by law, whichever is less, shall be repaid upon demand.

SECTION 7.12 Indemnity of Issuer and Trustee

(a) To the extent permitted by law, the User agrees to indemnify the Issuer and the Trustee for, and hold each of them harmless against, any loss, liability or expense (including reasonable attorneys' fees) incurred without bad faith or willful misconduct on their part, arising out of or in connection with the issuance of the Bonds, the acceptance of their duties and responsibilities under the Indenture or this Lease Agreement, or their performance or observance of any agreement or covenant on their part to be observed or performed under the Indenture or this Lease Agreement, including without limitation (i) the acquisition, construction or installation of, or other work on, the Project, (ii) any injury to, or the death of, any person or any damage to property at the Project, or in any manner growing out of, or connected with, the use, nonuse, condition or occupation of the Project or any part thereof, (iii) any damage, loss or destruction of the Project, (iv) violation or breach by the User of any contract, agreement or restriction affecting the Project or the use thereof or of any law, ordinance or regulation affecting the Project or any part thereof or the ownership, occupancy or use thereof, (v) the offer and

substantial part of its property, or ordering the winding up or liquidation of its affairs, and a continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or

(4) the commencement by the User of a voluntary case, or the institution by it of proceedings to be adjudicated a bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization, arrangement or relief under the Federal Bankruptcy Act or any other applicable federal or state law, or the consent or acquiescence by it to the filing of any such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of or for the User or any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due; or

(5) the occurrence of any Guaranty Default, as therein defined, under the Series A Guaranty; provided, however, that if such Guaranty Default shall be cured by the Guarantors, or be waived by the Holders of the Series A Bonds, in each case as may be permitted by the Series A Guaranty, then the Lease Default hereunder by reason of such Guaranty Default shall be deemed likewise to have been thereupon cured or waived; or

(6) any representation or warranty made by the User herein or in any document, instrument or certificate furnished to the Issuer, the Trustee or any Bondholder in connection with the issuance of the Bonds shall at any time prove to have been false or incorrect in any material respect as of the time made; or

(7) the rendering against the User of a final judgment, decree or order for the payment of money and the continuance of such judgment, decree or order unsatisfied and in effect for any period of 30 consecutive days without a stay of execution; or

(8) a default under any bond, debenture, note or other evidence of indebtedness of the User, or under any indenture or other instrument under which any such evidence of indebtedness has been issued or by which

it is governed and the expiration of the applicable period of grace, if any, specified in such evidence of indebtedness, indenture or other instrument; provided, however, that, if such default under such evidence of indebtedness, indenture or other instrument shall be cured by the User, or be waived by the holders of such indebtedness, in each case as may be permitted by such evidence of indebtedness, indenture or other instrument, then the Lease Default hereunder by reason of such default shall be deemed likewise to have been thereupon cured or waived.

SECTION 8.02 Remedies on Default

If a Lease Default occurs and is continuing, the Trustee (or, if the Indenture Indebtedness has been Fully Paid, the Issuer) may exercise any of the following remedies:

(1) declare all installments of Basic Rental Payments for the remainder of the term of this Lease Agreement to be immediately due and payable in an amount not to exceed the principal amount of all Outstanding Bonds, plus the redemption premium (if any) payable with respect thereto, plus the interest accrued thereon to the date of such declaration;

(2) reenter the Project, without terminating this Lease Agreement, and, upon 10 days' prior written notice to the User, relet the Project or any part thereof for the account of the User, for such term (including a term extending beyond the term of this Lease Agreement) and at such rentals and upon such other terms and conditions, including the right to make alterations to the Project or any part thereof, as the Trustee may deem advisable, and such reentry and reletting of the Project shall not be construed as an election to terminate this Lease Agreement nor relieve the User of its obligations to pay Basic Rental Payments and to perform and observe any of its other agreements and covenants under this Lease Agreement, all of which shall survive such reentry and reletting, and the User shall continue to pay all Rental Payments until the end of the term of this Lease Agreement, less the net proceeds, if any, of any reletting of the Project after deducting all of the Issuer's and Trustee's expenses in connection with such reletting, including, without limitation, all repossession costs, brokers' commissions, attorneys' fees, alteration costs and expenses of preparation for reletting;

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(3) terminate this Lease Agreement, exclude the User from possession of the Project and, if the Trustee elects so to do, lease the same for the account of the Issuer, holding the User liable for all Rental Payments due up to the date such lease is made for the account of the Issuer; and

(4) take whatever legal proceedings may appear necessary or desirable to collect the Rental Payments then due, whether by declaration or otherwise, or to enforce any obligation or covenant or agreement of the User under this Lease Agreement or by law.

SECTION 8.03 Security Interest of Trustee

This Lease Agreement shall constitute a security agreement with respect to the Equipment for purposes of the Alabama Uniform Commercial Code. The security interest of the Trustee (as assignee of the Issuer) shall cover the Equipment and the proceeds thereof. If a Lease Default occurs and is continuing, the Trustee shall have all rights and remedies of a secured party under the Alabama Uniform Commercial Code with respect to the Equipment.

SECTION 8.04 No Remedy Exclusive

No remedy herein conferred upon or reserved to the Issuer or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof but any such right or power may be exercised from time to time and as often as may be deemed expedient.

SECTION 8.05 Agreement to Pay Attorneys' Fees and Expenses

In the event the User should default under any of the provisions of this Lease Agreement and the Issuer or the Trustee (in its own name or in the name and on behalf of the Issuer) should employ attorneys or incur other expenses for the collection of Rental Payments or the enforcement of performance or observance of any agreement or covenant on the part of the User herein contained, the User will on demand therefor pay to the Issuer or the Trustee (as the case may be) the reasonable fee of such attorneys and such other expenses so incurred.

SECTION 8.06 No Additional Waiver Implied by One Waiver

In the event any agreement contained in this Lease Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

SECTION 8.07 Remedies Subject to Applicable Law

All rights, remedies and powers provided by this Article may be exercised only to the extent the exercise thereof does not violate any applicable provision of law in the premises, and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling in the premises and to be limited to the extent necessary so that they will not render this Lease Agreement invalid or unenforceable.

ARTICLE 9

Options

SECTION 9.01 Option to Terminate

If no Lease Default exists, the User shall have the option to cancel or terminate this Lease Agreement at any time after the Indenture Indebtedness has been Fully Paid, by giving the Issuer notice in writing of such termination. Such termination shall become effective 10 days after such notice is given.

SECTION 9.02 Option to Renew

If no Lease Default exists, the User shall have the right and option to renew the term of this Lease Agreement for an additional term expiring on midnight of December 5, 2005. Such option shall be deemed automatically exercised by the User unless the User notifies the Issuer in writing that the User elects to have this Lease Agreement terminate without a renewal for such additional term. The rental payable by the User during such renewal term shall be the sum of \$100 per year, payable annually in advance.

SECTION 9.03 Option to Purchase Project

If no Lease Default exists, the User shall have the option to purchase the Project for a purchase price of \$1.00 after the Indenture Indebtedness has been Fully

Paid. Such option may be exercised by the User prior to the termination of this Lease Agreement upon written notice to the Issuer. Such option shall be deemed automatically exercised on the date of termination of this Lease Agreement unless the User notifies the Issuer in writing that it does not intend to exercise such option. The closing for such purchase shall take place on (i) a Business Day designated by the User that is not less than 7 days nor more than 21 days from the date of such notice, or the date of termination of this Lease Agreement, as the case may be, or (ii) such other date as shall be mutually acceptable to the Issuer and the User.

SECTION 9.04 Conveyance on Exercise of Option to Purchase

Upon the exercise of any option to purchase granted herein, the Issuer will upon receipt of the purchase price deliver to the User documents conveying to the User the property with respect to which such option was exercised, as such property then exists, subject to the following: (i) those liens and encumbrances, if any, to which title to said property was subject when conveyed to the Issuer; (ii) those liens and encumbrances created by the User or to the creation or suffering of which the User consented; and (iii) those liens and encumbrances resulting from the failure of the User to perform or observe any of the agreements or covenants on its part contained in this Lease Agreement.

ARTICLE 10

Miscellaneous

SECTION 10.01 Issuer's Liabilities Limited

(a) The covenants and agreements contained in this Lease Agreement shall never constitute or give rise to a personal or pecuniary liability or charge against the general credit of the Issuer, and in the event of a breach of any such covenant or agreement, no personal or pecuniary liability or charge payable directly or indirectly from the general assets or revenues of the Issuer shall arise therefrom. Nothing contained in this Section, however, shall relieve the Issuer from the observance and performance of the covenants and agreements on its part contained herein.

(b) No recourse under or upon any covenant or agreement of this Lease Agreement shall be had against any past, present or future incorporator, officer or member of

the Board of Directors of the Issuer, or of any successor corporation, either directly or through the Issuer, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that this Lease Agreement is solely a corporate obligation, and that no personal liability whatever shall attach to, or is or shall be incurred by, any incorporator, officer or member of the Board of Directors of the Issuer or any successor corporation, or any of them, under or by reason of the covenants or agreements contained in this Lease Agreement.

(c) The liability of the Issuer for the payment of any money due under any contract or purchase order entered into by it, or for any other costs incurred in connection with the acquisition, construction, installation or improvement of, or other work on, the Project shall be limited solely to (i) the available proceeds of the Issuer's revenue bonds, if and when issued for the Project, (ii) any money made available to the Issuer for such purpose by the User, and (iii) any revenues or other receipts derived by the Issuer from the Project, subject to prior encumbrances. The limited liability of the Issuer shall be plainly and conspicuously stated on each such contract or purchase order.

SECTION 10.02 Corporate Existence of Issuer

The Issuer shall not consolidate with or merge into any other corporation or transfer its property substantially as an entirety, except as provided in Section 10.07 of the Indenture.

SECTION 10.03 Notices

(a) Any request, demand, authorization, direction, notice, consent, or other document provided or permitted by this Lease Agreement to be made upon, given or furnished to, or filed with, the Issuer, the User, the Guarantors or the Trustee shall be sufficient for every purpose hereunder if in writing and (except as otherwise provided in this Lease Agreement) either (i) delivered personally to the party or to an officer of the party to whom the same is directed, (ii) delivered by telex, telecopy or other similar means of transmission or (iii) mailed, first-class postage prepaid and addressed to such person at the address specified in Section 16.01 of the Indenture.

(b) Any such notice or other document shall be deemed to be received as of the date delivered, if delivered

personally or by telex, telecopy or other similar means of transmission, or as of 3 days after the date deposited in the mail, if mailed.

SECTION 10.04 Successors and Assigns

All covenants and agreements in this Lease Agreement by the Issuer shall bind its successors and assigns and by the User shall bind his executors, heirs and personal representatives, whether so expressed or not.

SECTION 10.05 Benefits of Lease Agreement

Nothing in this Lease Agreement, express or implied, shall give to any person, other than the parties hereto and their successors hereunder, the Trustee and the Holders of the Outstanding Bonds, any benefit or any legal or equitable right, remedy or claim under this Lease Agreement.

ARTICLE 11

Assignment of Leases

SECTION 11.01 Granting Clause

To secure the full and complete performance of each and every obligation, covenant, duty and agreement of the User contained in this Lease Agreement, the User has bargained and sold and does hereby grant, bargain, sell, assign and convey to the Issuer, its successors and assigns, the following leases, subleases, rents and related properties:

(1) All leases and subleases, written or oral, and all agreements for use or occupancy of any portion of the Project with respect to which the User is the lessor or sublessor, including but not limited to the existing leases, if any, described on Exhibit D attached hereto and made a part hereof (the "Existing Leases"), any and all extensions and renewals of said leases and agreements and any and all further leases or agreements, now existing or hereafter made, including subleases thereunder, upon or covering the use or occupancy of all or any part of the Project, all such leases, subleases, agreements and tenancies heretofore mentioned (including but not limited to the Existing Leases) being hereinafter collectively referred to as the "Leases";

(2) Any and all guaranties of any lessee's or sub-lessee's performance under any of the Leases; and

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(3) The immediate and continuing right to collect and receive all of the rents, income, receipts, revenues, issues and profits now due or which may become due or to which the User may now or shall hereafter (including during the period of redemption, if any) become entitled or may demand or claim, arising or issuing from or out of the Leases or from or out of the Project, or any part thereof, including but not limited to minimum rents, additional rents, percentage rents, common area maintenance charges, parking charges, tax and insurance premium contributions, and liquidated damages following default, the premium payable by any lessee or sublessee upon the exercise of any cancellation privilege provided for in any of the Leases, and all proceeds payable under any policy of insurance covering loss of rents resulting from untenability caused by destruction or damage to the Project, together with any and all rights and claims of any kind that the User may have against any such lessee or sublessee under the Leases or against any subtenants or occupants of the Project, all such money, rights and claims in this paragraph described being hereinafter referred to as the "Rents"; provided, however, so long as no Lease Default exists, the User shall have the right under a license granted hereby (but limited as provided in Section 11.04) to collect, receive and retain the Rents, but no Rents shall be collected in advance of the due date thereof.

SECTION 11.02 Representations and Warranties Specifically Relating to Rents and Leases

(a) The User has good title to the Rents and Leases hereby assigned and good right to assign the same, and no other person, corporation or entity has any right, title or interest therein.

(b) The User has duly and punctually performed all and singular the terms, covenants, conditions and warranties of the Existing Leases on the User's part to be kept, observed and performed.

(c) The User has not previously sold, assigned, transferred, mortgaged or pledged the Leases or the Rents, whether now due or hereafter to become due.

(d) No Rents due for any period subsequent to the month next succeeding the date of this Lease Agreement have been collected, and no payment of any of the Rents has otherwise been anticipated, waived, released, discounted, set-off or otherwise discharged or compromised.

(e) The User has not received any funds or deposits from any lessee in excess of one month's rent for which credit has not already been made on account of accrued rents.

(f) To the best of the User's knowledge, the lessees under the Existing Leases are not in default under any of the terms thereof.

SECTION 11.03 Covenants Relating to Rents and Leases

The User covenants and agrees that it shall:

(1) observe, perform and discharge all obligations, covenants and warranties provided for under the terms of the Leases to be kept, observed and performed by the User, and shall give prompt notice to the Issuer in the event the User fails to observe, perform and discharge the same;

(2) enforce or secure in the name of the Issuer the performance of each and every obligation, term, covenant, condition and agreement to be performed by any lessee under the terms of the Leases;

(3) appear in and defend any action or proceeding arising under, occurring out of, or in any manner connected with the Leases or the obligations, duties or liabilities of the User and any lessee thereunder, and, upon request by the Issuer to do so in the name and on behalf of the Issuer but at the expense of the User, and to pay all costs and expenses of the Issuer, including reasonable attorneys' fees, in any action or proceeding in which the Issuer may appear;

(4) not receive or collect any Rents from any present or future lessee of the Project or any part thereof for a period of more than one month in advance, or pledge, transfer, mortgage or otherwise encumber or assign future payments of the Rents;

(5) not waive, excuse, condone, discount, set off, compromise, or in any manner release or discharge any lessee of the Project of and from any obligations, covenants, conditions and agreements by said lessee to be kept, observed and performed, including the obligation to pay rent in the manner and at the place and time specified in any Lease;

(6) not cancel, terminate or consent to any surrender of any Lease, or modify or in any way alter the terms thereof without, in each such instance, the prior written consent of the Issuer;

(7) not renew or otherwise extend the term of any of the Existing Leases; provided, however, that nothing herein contained shall prevent the User, upon expiration of the now-current term (or other expiration or termination) of any of the Existing Leases, from leasing the property covered thereby to the lessee thereunder by a lease or leases expressly subject and fully subordinate to the lien of the Indenture; and

(8) promptly upon the execution by the User of any future Lease, (a) furnish the Issuer with the name and address of the lessee thereunder, the term of such Lease and a description of the premises covered thereby and, upon request of the Issuer, a copy of such Lease, and (b) execute all such further assignments of such Lease and the Rents therefrom as the Issuer may require.

SECTION 11.04 Rights of Issuer with Respect to Rents and Leases

(a) Upon the occurrence of a Lease Default, or at any time thereafter:

(1) The Issuer at its option, shall have the right, power and authority to exercise and enforce any or all of the following rights and remedies with respect to Rents and Leases:

(A) to terminate the license granted to the User in Section 11.01 to collect the Rents, and, without taking possession, in the Issuer's own name to demand, collect, receive, sue for, attach and levy the Rents, to give proper receipts, releases and acquittances therefor, and after deducting all necessary and reasonable costs and expenses of collection, including reasonable attorney's fees, to apply the net proceeds thereof to the Indenture Indebtedness;

(B) without regard to the adequacy of the security, with or without any action or proceeding, through any person or by agent, or by a receiver to be appointed by court, to enter upon, take possession of, manage and operate the Project or any part thereof for the account of the User, make, modify, enforce, cancel or accept surrender of any Lease, remove and evict any lessee or sublessee, increase or reduce rents, decorate, clean and make repairs, and otherwise do any act or incur any cost or expenses the Issuer shall deem proper to protect the security hereof, as fully and to the same extent as the User could do if in possession, and in such event to apply any funds so collected to the operation and management of the Project (including payment of reasonable management,

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brokerage and attorneys' fees) and payment of any Indenture Indebtedness; and

(C) to take whatever legal action may appear necessary or desirable to enforce any obligation or covenant or agreement of the User under this Lease Agreement.

(b) The collection of the Rents and application thereof as aforesaid or the entry upon and taking possession of the Project or both shall not cure or waive any default or waive, modify or affect any notice of default under this Lease Agreement, or invalidate any act done pursuant to such notice, and the enforcement of such right or remedy by the Issuer, once exercised, shall continue for so long as the Issuer shall elect, notwithstanding that the collection and application as aforesaid of the Rents may have cured the original default. If the Issuer shall thereafter elect to discontinue the exercise of any such right or remedy, the same or any other right or remedy hereunder may be reasserted at any time and from time to time following any subsequent default.

SECTION 11.05 No Obligations With Respect to Leases

Neither the Issuer nor the Trustee shall by virtue of this Lease Agreement or otherwise assume any duties, responsibilities, liabilities or obligations with respect to Leases or the Project (unless expressly assumed by the Issuer or the Trustee under a separate agreement in writing), and this Lease Agreement shall not be deemed to confer on the Issuer or the Trustee any duties or obligations that would make the Issuer or the Trustee directly or derivatively liable for any person's negligent, reckless or willful conduct. The User agrees to defend, indemnify and save harmless the Issuer and the Trustee from and against any and all claims, causes of action and judgments relating to the User's performance of the User's duties, responsibilities and obligations under Leases and with respect to the Project.

SECTION 11.06 Assignment to Trustee

This Lease Agreement and all rights, options and privileges hereunder will be assigned to the Trustee as security for the Indenture Indebtedness. All rights of the Issuer with regard to the Leases and Rents may thereafter be exercised by the Trustee and all notices required to be given to and consents required to be obtained from the Issuer pursuant to this Article 11 shall thereafter be given to or obtained from the Trustee.

IN WITNESS WHEREOF, the Issuer has caused this instrument to be duly executed and its corporate seal to be hereunto affixed and attested and the User has executed this instrument.

THE INDUSTRIAL DEVELOPMENT
BOARD OF THE TOWN OF ALABASTER

By: 
Chairman of its Board of
Directors

[S E A L]

Attest:


Its Secretary

By: 
HAROLD P. LEADER

This instrument was prepared by:

Kathleen A. Collier
Maynard, Cooper, Frierson
& Gale, P.C.
Twelfth Floor Watts Building
Birmingham, Alabama 35203
(205) 252-2889

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STATE OF ALABAMA

COUNTY OF Shelby

I, Kathleen A. Collier, a Notary Public in and for said County in said State, hereby certify that Reid Long, whose name as Chairman of The Industrial Development Board of the Town of Alabaster, a public corporation, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of said instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

Given under my hand this the 7th day of October, 1985.

Kathleen A. Collier
Notary Public

[NOTARIAL SEAL]

My commission expires: 3/24/86

STATE OF ALABAMA

COUNTY OF Jefferson

I, Mary Jo Dennis, a Notary Public in and for said County in said State, hereby certify that Harold P. Leader, whose name is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of said instrument, he, executed the same voluntarily on the 8th day of October, 1985.

Given under my hand this the 8th day of October, 1985.

Mary Jo Dennis
Notary Public

[NOTARIAL SEAL]

My commission expires: 8-29-88

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EXHIBIT A

Description of Project Site

The following described real estate situated in the southwest quarter of Section 2, Township 21 South, Range 3 West, Shelby County, Alabama:

Parcel 1

Commence at the NW corner of South 1/2 of NE1/4 of SW1/4 Section 2, Township 21 South, Range 3 West, Shelby County, Alabama; thence continue along the west line of said 1/4 1/4 for a distance of 215.82 feet to the point of beginning; thence 79°07'12" to the right and run southwesterly for 157.78 feet; thence 44°03'30" left and run southwesterly for 258.75 feet; thence 22°01'45" left and run southwesterly for 487.70 feet; thence 75°38'00" left and run southeasterly for 245.98 feet; thence 22°46'30" right and run southeasterly for 55.24 feet; thence 19°30'00" right and run southeasterly for 54.10 feet; thence 28°02'15" left and run southeasterly for 144.60 feet; thence 30°35'37" left and run southeasterly for 80.53 feet; thence 58°52'23" left and run northeasterly for 46.87 feet to a point being on the most northerly right of way line of Cotton Street; thence 89°33'30" right and run southeasterly along said right of way for 177.00 feet to the southwest corner of the fire house lot; thence 90°00'00" left and run northeasterly along the most westerly line of said lot for 72.00 feet to the northwest corner of said lot; thence 90°00'00" right and run southeasterly along the most northerly line of said lot for 55.00 feet to the northeast corner of said lot; thence 90°00'00" right and run southwesterly along the most easterly side of said fire house lot for 76.95 feet to the southeast corner of said lot corner also being on the most northerly right of way line of Cotton Street and on a curve having a radius of 164.22 feet and subtending a central angle of 16°00'08"; thence 67°54'05" left to the chord line of said curve for a chord distance of 45.71 feet to the end of said curve (arc length of said curve = 45.87 feet); thence from tangent of said curve continue southeasterly along the most northeasterly right of way of Cotton Street for a distance of 192.38 feet; thence 76°41'58" to the left and run northeasterly for 45.36 feet to a point on the most westerly right of

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way of the Louisville & Nashville Railroad; thence 90°00'00" left to tangent of a curve to the right and having a radius of 1960.08 feet and subtending a central angle of 20°28'01"; thence continue northeasterly along the arc of said curve and railroad right of way 700.15 feet to the end of said curve and the beginning of a curve to the right having a radius of 2080.99 feet and subtending a central angle of 7°34'05"; thence continue northeasterly along arc of said curve and railroad right of way for 274.87 feet to the end of said curve; thence at tangent from said curve run northeasterly along the railroad right of way for 30.11 feet; thence 70°53'08" left and run northwesterly for 144.05 feet; thence 90°21'00" left and run southwesterly for 41.70 feet; thence 92°17'30" right and run northwesterly for 129.50 feet; thence 55°23'30" left and run southwesterly for 131.63 feet; thence 84°51'30" right and run northwesterly for 298.39 feet; thence 84°34'00" left and run southwesterly for 102.53 feet to the point of beginning. Area equals 693413.510 sq. ft. or 15.918853 acres.

Parcel 2

Commence at the southwest corner of the SW1/4 of the SW1/4 of Section 2, T 21 S, R 3 W and run east along the south line of said 1/4 1/4 section for 980.07 feet; thence 92°07'54" left and run northerly for 488.12 feet to the point of beginning; thence continue northerly along the last stated course for 172.60 feet; thence 42°44'17" left and run northwesterly for 365.00 feet; thence 97°32'15" right and run northeasterly for 190.13 feet; thence 62°23'45" right and run southeasterly for 245.98 feet; thence 22°46'30" right and run southeasterly for 55.24 feet; thence 19°30" right and run southeasterly for 54.10 feet; thence 28°02'15" left and run southeasterly for 144.60 feet; thence 30°35'36" left and run southeasterly for 80.53 feet; thence 121°07'37" right and run southwesterly for 238.18 feet; thence 90°27' left and run southeasterly for 192.00 feet; thence 122°29'35" right and run southwesterly for 201.26 feet; thence 55°01'30" right and run 204.11 feet to the point of beginning and containing 186023.58 S.F. or 4.27 acres.

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EXHIBIT B

Description of Equipment

4	Small Starlinger Looms
1	Starlinger Pelletizer
1	Starlinger Sack Line
1	Chinese Four Shuttle Loom

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EXHIBIT C

Description of Improvements

Existing buildings on the Project Site having
approximately 264,000 square feet.

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EXHIBIT D

[Description of Existing Leases]

Lease from Harold P. Leader to Allied Flexible
Products, Inc. of the entire Project dated October 8,
1985.

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STATE OF ALA. SHELBY CO.
I CERTIFY THIS
INSTRUMENT WAS FILED

1985 OCT -9 AM 9:13

Thomas P. Shoultz, Jr.
JUDGE OF PROBATE

RECORDING FEES

Recording Fee	\$ <u>122.50</u>
Index Fee	<u>1.00</u>
TOTAL	\$ <u>123.50</u>

