

THE INDUSTRIAL DEVELOPMENT BOARD  
OF THE TOWN OF PELHAM

2519

and

SEPCO CORPORATION

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LEASE AGREEMENT

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Dated as of February 1, 1975

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See Exhibit "A" Misc BR 10 page 869 4-24-75

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L E A S E   A G R E E M E N T

LEASE AGREEMENT, dated as of February 1, 1975, between THE INDUSTRIAL DEVELOPMENT BOARD OF THE TOWN OF PELHAM, a public corporation organized and existing under the laws of the State of Alabama (the "Board"), and SEPCO Corporation, a corporation organized under the laws of the Sate of Alabama (the "Lessee").

W I T N E S S E T H:

WHEREAS, the Board heretofore has been organized under, and is authorized by Act No. 648 adopted at the 1949 Regular Session of the Legislature of the State of Alabama, approved September 19, 1949, as amended (said act being codified as Chapter 17, Title 37, 1958 Recompiled Code of Alabama 1940 and hereinafter sometimes referred to as the "Act"), to acquire land and buildings and other improvements thereon and machinery and equipment in order to promote industry, develop trade and further the use of the agricultural products and natural resources of the State of Alabama, by inducing manufacturing, industrial, commercial and research enterprises to establish new projects, or to enlarge and expand existing projects located in this state and to lease the same as a project; and,

WHEREAS, the Board is authorized by the Act to lease to others any or all of its projects for such rentals and upon such terms and conditions as the Board may deem advisable, and to issue industrial development revenue bonds payable solely from the lease revenues and receipts from and secured by a first mortgage on land, buildings, machinery and equipment and other improvements acquired with the proceeds of the sale thereof; and,

WHEREAS, the Board has made the necessary arrangements with the Lessee for acquiring real property, constructing thereon plant buildings, facilities, improvements, and for equipping the

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same with furniture and fixtures therefor (hereinafter sometimes referred to as the "Project"), which will be of the character and accomplish the purposes provided by the Act; and,

WHEREAS, the Board proposes to undertake the Project as an authorized project under said Act and to finance the cost therefor by the issuance of bonds of such Board under the Indenture, as hereinafter defined; and,

WHEREAS, all bonds issued under said Indenture will be secured by a mortgage on the Project, by a pledge of this Lease Agreement, and by a pledge of the revenues and receipts derived by the Board from said project, provided that neither said bonds nor the interest coupons (if any coupon Bonds should be issued) appertaining thereto ever shall constitute the debt or indebtedness of the Town of Pelham within the meaning of any provision or limitation of the constitution or statutes of Alabama, and shall not constitute or give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers; and,

WHEREAS, the Board desires to acquire, construct and lease the Project to the Lessee and the Lessee and to lease and rent from the Board said project upon the terms and conditions as hereinafter in the Lease Agreement set forth;

NOW THEREFORE, in consideration of the premises and of the covenants hereinafter set forth, the parties hereto do hereby covenant, agree and bind themselves as follows, to-wit:

#### ARTICLE 1.

#### DEFINITIONS

"Act" shall mean Act No. 648 enacted by the 1949 Regular Session of the Legislature of Alabama, as amended.

"Authorized Lessor Representative" means the person at the time designated to act in behalf of the Lessor by written certificate furnished to the Lessee and the Trustee including the specimen signature of such person and signed on behalf of the Lessor by such person or persons as may be authorized to sign such certificate by resolu-

tion of the Lessor. Such certificate may designate an alternate or alternates. Any such person shall be approved by the Lessee, which approval shall not be unreasonably withheld, and shall be replaced promptly by the Lessor upon the written request of the Lessee.

"Authorized Lessee Representative" means the person at the time designated to act in behalf of the Lessee by written certificate furnished to the Lessor and the Trustee including the specimen signature of such person and signed on behalf of the Lessee. Such certificate may designate an alternate or alternates.

"Bond" or "Bonds" means the Industrial Development Revenue Bond or Bonds of the Lessor issued pursuant to the provisions of the Indenture.

"Bond Fund" means the fund created in Section 502 of the Indenture.

"Building" means that certain building and all other facilities forming a part of the Project and not constituting part of the Leased Equipment which are required by Section 4.1(a) hereof to be constructed on the Leased Land, as they may at any time exist.

"City" or "Town of Pelham" means the Town of Pelham, Alabama, a municipality organized and existing under the laws of the State of Alabama.

"Completion Date" means the date of completion of the construction of the Building and the installation therein of the Leased Equipment as that date shall be certified as provided in Section 4.5 hereof.

"Construction Fund" means the fund created in Section 602 of the Indenture.

"Construction Period" means the period between the beginning of construction or the date on which the Bonds are first delivered to purchasers thereof, whichever is earlier, and the Completion Date.

"Indenture" means the Mortgage and Indenture of Trust between the Lessor and First Alabama Bank of Birmingham, as Trustee, of even



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date herewith, pursuant to which (i) the Bonds have been issued, and, (ii) the Lessor's interest in this Lease Agreement and the rents and other revenues received by the Lessor from the Project, as well as the Project itself, are pledged and conveyed as security for the payment of principal of and interest on the Bonds, including any indenture supplemental thereto.

"Independent Counsel" means an attorney or firm of attorneys duly admitted to practice law in any state of the United States and not in the full time employment of either the Lessor or the Lessee.

"Independent Engineer" means an engineer or engineering firm registered and qualified to practice the profession of engineering under the laws of Alabama and not in the full time employment of either the Lessor or the Lessee.

"Lease Term" means the duration of the leasehold estate created in this agreement as specified in Section 5.1 hereof and any renewal thereof as provided in Section 11.7 hereof.

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"Leased Equipment" means (i) those items of furniture, fixtures and other tangible personal property required or permitted in Section 4.1(b) to be acquired with proceeds from the sale of the Bonds or the proceeds of any payment by the Lessee pursuant to the provisions of Section 4.6 hereof (which property is described generally in Exhibit B hereto), (ii) any item of furniture, fixtures or tangible personal property acquired in substitution for, or as a renewal or replacement of, or a modification or improvement of any Leased Equipment, pursuant to the provisions of Sections 6.1, 6.2(a), 7.1 and 7.2 hereof, (iii) any furniture, fixtures or other tangible personal property acquired by the Lessor pursuant to the provisions of Section 8.7 hereof. "Leased Equipment" shall not include such furniture, fixtures and tangible personal property as may be released from this agreement pursuant to the provisions of Section 6.2 hereof or taken by the exercise of the power of eminent domain as provided in Section 7.2 hereof. All furniture, fixtures and tangible personal property not identified as Lessee's property by

tags or other symbols shall be presumed to be Leased Equipment.

"Leased Land" means the real estate, interests in real estate and other rights described in Exhibit A hereto and such other real estate, interests in real estate and other rights hereafter conveyed or granted to the Lessor at the request of the Lessee, together with all additions thereto and substitutions therefor, less any such real estate, interests in real estate and other rights as may be released from this agreement pursuant to Sections 8.6, 8.9 and 11.4 hereof or taken by the exercise of the power of eminent domain as provided in Section 7.2 hereof.

"Lessee" means (i) SEPCO Corporation and its successors and assigns and (ii) any surviving, resulting or transferee corporation as provided in Section 8.3. For convenience references will generally be made to the Lessee herein using the third person neuter format rather than third person masculine.

"Lessor" means (i) The Industrial Development Board of the Town of Pelham, and its successors and assigns, and, (ii) any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party.

"Net Proceeds", when used with respect to any insurance or condemnation award, means the gross proceeds from the insurance or condemnation award with respect to which that term is used remaining after payment of all expenses (including attorneys' fees and any extraordinary fee of the Trustee) incurred in the collection of such gross proceeds.

"Permitted Encumbrances" means, as of any particular time, (i) liens for ad valorem taxes permitted to exist as provided in Section 6.3 hereof or not then delinquent, (ii) this agreement and the Indenture, (iii) utility, access and other easements and rights of way, restrictions and exceptions that an Independent Engineer certifies will not interfere with or impair the operations being conducted in the Building (or, if no operations are being conducted therein, the operations for which the Building was designed or last modified) or elsewhere on the Leased Land, (iv) any mechan-



ic's, laborer's, materialman's, supplier's or vendor's lien or right or purchase money security interest in respect thereof if payment is not yet due and payable under the contract in question and (v) such minor defects, irregularities, encumbrances, easements, rights of way, and clouds on title as normally exist with respect to properties similar in character to the Project and as do not, in the opinion of Independent Counsel, materially impair the Project for the purpose for which it was acquired or is held by the Lessor.

"Project" means the Leased Land, the Building and the Leased Equipment, as they may at any time exist.

"Project Costs" means those costs for which payment is specified in Section 4.3 hereof.

"Project Supervisor" means the project supervisor or supervisors who at the time shall have been designated as such pursuant to the provisions of Section 4.7 hereof.

"State" means the State of Alabama.

"Trustee" means the Trustee at the time serving as such under the Indenture, and its successors and any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at the time serving as successor trustee hereunder.

"Unimproved" when used with reference to the Leased Land means any part or parts of the Leased Land upon the surface of which no part of a building or other structure rests.

## ARTICLE 2.

### REPRESENTATIONS

Section 2.1 Representations by the Lessor. The Lessor makes the following representations as the basis for the undertakings on its part herein set forth:

(a) The Lessor is duly incorporated under the provisions of the Act. Under the provisions of the Act the Lessor has the power to enter into the transactions contemplated by this agreement and to carry out its obligations hereunder. The Project con-

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stitutes and will constitute a "project" within the meaning of the Act. The Lessor is not in default under any of the provisions of its certificate of incorporation, by-laws, or of the laws of the State. By proper corporate action the Lessor has duly authorized the execution and delivery of this agreement.

(b) The Lessor has determined that the issuance of the Bonds as described in the Indenture, the acquisition, improvement and construction of the Project and the leasing of same to the Lessee is a lawful and valid public purpose in that it will relieve unemployment in the City, will create a substantial increase in employment opportunities for the citizens of the City, will create additional payrolls and will result in other direct and indirect benefits to the economy and industrial development of the City.

(c) Notwithstanding anything herein to the contrary, it is the intention of the Lessor that any obligation it may hereby incur for the payment of money shall not be a general debt on its part but shall be payable solely from proceeds derived from this Lease Agreement, the sale of the Bonds and the insurance and condemnation awards as herein provided.

(d) The Lessor has been induced to enter into this Lease Agreement by Lessee's promise to expand its manufacturing and industrial enterprise in the City.

(e) Prior to, or simultaneously with the delivery of this Lease Agreement the Lessor has acquired the Leased Land with such improvements as may exist thereon; will commence and thereafter complete construction of the Building; will acquire and install the Leased Equipment in the Building or on the Leased Land; will acquire, install and construct all personal property deemed necessary by Lessee for the Project; and, will lease the Project to the Lessee on the terms hereinafter set forth, all for the purpose of creating employment, promoting industry and developing trade in the City by inducing the Lessee to locate and operate the Project in the City, and to further the use of the agricultural products and natural resources of the State.



(f) To finance the cost of the Project, the Lessor has issued \$250,000 aggregate principal amount of its Bonds which will mature, bear interest, be subject to redemption prior to maturity, be secured and have such other terms and conditions as are set forth in the Indenture.

(g) The Bonds are issued under and secured by the Indenture, pursuant to which the Lessor's interest in the Project is mortgaged, its interest in this agreement is assigned and the revenues and receipts derived by the Lessor from the leasing or sale of the Project except for the direct payments provided in Sections 5.3(b) and 11.7 are pledged to the Trustee as security for the payment of the principal of and interest on the Bonds.

Section 2.2 Representations by the Lessee. The Lessee makes the following representations as the basis for its undertakings hereunder:

(a) The Lessee is a corporation duly incorporated and in good standing under the laws of Alabama, is not in violation of any provisions of its certificate of incorporation, its by-laws or the laws of Alabama, has power to enter into this agreement and by proper corporate action has duly authorized the execution and delivery of this agreement.

(b) The leasing by the Lessor of the Project to the Lessee will induce the Lessee to establish a new project and to expand its existing project in the State as provided in the Act.

(c) The Lessee intends to operate the Project as a manufacturing plant from the Completion Date to the expiration or sooner termination of the Lease Term as provided herein for the purpose of conducting a sealing fabrication and manufacturing business and for such other purposes related to industry as the Lessee may deem appropriate.

(D) Neither the execution and delivery of this agreement, the consummation of the transactions contemplated hereby, nor the fulfillment or compliance of the terms and conditions of this agree-

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ment, conflict with or result in a breach of the terms, conditions or provisions of any corporate restriction or any agreement or instrument to which the Lessee is now a party or by which it is bound, or constitute a default under any of the foregoing, or result in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Lessee under the terms of any instrument or agreement.

### ARTICLE 3.

#### DEMISING CLAUSES AND WARRANTY OF TITLE

Section 3.1 Demise of the Project. The Lessor demises and leases to the Lessee, and the Lessee leases from the Lessor, the Project, subject to Permitted Encumbrances, in accordance with the provisions of this agreement, including the payment of rentals and of other amounts as set forth in Section 5.3 hereof.

Section 3.2 Warranty of Title. The Lessor warrants that it has good and marketable title to the Leased Land, free from all encumbrances other than Permitted Encumbrances and other than the encumbrances set forth in the granting clauses of the Indenture, and the Board will promptly obtain title insurance in the form of a Title Commitment in the face amount of \$250,000. The premiums for such insurance shall be paid by the Trustee as provided in Section 4.3 hereof. The Net Proceeds from such insurance, if received during the Construction Period, shall be paid into the Construction Fund and, if received thereafter, shall be paid into the Bond Fund.

### ARTICLE 4.

#### COMMENCEMENT AND COMPLETION OF THE PROJECT, ISSUANCE OF THE BONDS

Section 4.1 Agreement to Construct and Equip the Building on the Leased Land. Subject to the provisions of Section 4.6 hereof:

(a) The Lessor will cause the Building to be constructed on the Leased Land, wholly within the boundary lines thereof, the Building to consist of a office building or buildings adjacent to a manufacturing plant and appurtenant facilities for the conduct of

metal fabricating and manufacturing business or (ii) such other products of agriculture, mining and industry as the Lessee may deem appropriate, and will construct, acquire and install such other facilities as in the Lessee's judgment may be necessary for the operation of the Project, all in accordance with plans and specifications to be furnished by the Lessee to Lessor and in accordance with change orders approved in writing by the Lessee and furnished to the Lessor from time to time prior to the Completion Date.

(b) The Lessor will acquire and install the Leased Equipment in the Building or on the Leased Land which will consist of the furniture and fixtures described in the general list of furniture and fixtures in Exhibit B attached hereto and such other items of machinery and equipment as in the Lessee's judgment may be necessary for the operation of the Project and as shall from time to time prior to the Completion Date be specified in written orders from the Lessee to the Lessor, all of which acquisitions and installments shall be made substantially in accordance with directions given by the Lessee.

The Lessor will make only such changes (other than those requested by the Lessee, which shall be made as requested) in the said specifications as may be specified by the Project Supervisor. The Lessor will enter into, or accept the assignment of such contracts as the Lessee may request in order to effectuate the purposes of this section but it will not execute any other contract or give any order for such construction or for the purpose of material or supplies or for the acquisition and installation of Leased Equipment unless and until the Project Supervisor shall have approved the same in writing.

The Lessor will commence the construction of the Building promptly as practicable, will continue said construction with all reasonable dispatch and will use its best efforts to cause the said construction to be completed as soon as practicable. The Lessor will effect the acquisition and installation of the Leased Equipment as promptly as practicable after specification by the Lessee of the items

to be installed and the installation schedule desired by the Lessee.

Section 4.2 Application of Bond Proceeds. The Lessor, simultaneously with the delivery of this Lease Agreement, has received the proceeds of the sale of the Bonds and has deposited (i) in the Bond Fund, all accrued interest received on the sale of the Bonds and, (ii) in the Construction Fund, the balance of the proceeds received on such sale.

Section 4.3 Disbursements from the Construction Fund. The Lessor will, in the Indenture, authorize and direct the Trustee to use or direct the use of the moneys in the Construction Fund for the following purposes:

(a) Payment of the fees for recording the deeds whereby the Leased Land has been or is to be conveyed to the Board and the fees for recording this Lease Agreement, any other agreements contemplated hereby, and any title curative documents needed to perfect or protect the title of the Lessor to the Leased Land, and the fees and expenses in connection with any actions or proceedings that the Lessee may deem desirable to bring in order to perfect or protect the title of the Lessor to the Leased Land including the expenses in connection with the title insurance policy required to be provided by Section 3.2 hereof.

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(b) Payment to the Lessee and to the Lessor, as the case may be, of such amounts, if any, as shall be necessary to reimburse the Lessee and the Lessor in full for all advances and payments made by them or either of them, or for their accounts, at any time prior to or after the delivery of the Bonds for expenditures in connection with the acquisition by the Lessor of title to the Leased Land (including the cost of rights of way for the purpose of providing access to and from the Leased Land), clearing the Leased Land, the preparation of plans and specifications for the Project (including any preliminary study of planning of the Project or any aspect thereof), the construction of the Buildings, the acquisition and installation of the Leased Equipment, and the construction, acquisition and installation necessary to provide utility services or other facilities including trackage

to connect the Project with public transportation facilities, if required, and all real or personal properties deemed necessary in connection with the Project, or any one or more of said expenditures (including architectural, engineering and supervisory services with respect to any of the foregoing); provided, that each payment shall be made only upon receipt by the Trustee of a statement therefor approved in writing by the Authorized Lessor Representative and the Authorized Lessee Representative and also approved in writing by the Project Supervisor.

(c) Payment of the initial or acceptance fee of the Trustee, legal, financial advisory and bond placement fee, and accounting fees and expenses, and printing and engraving costs incurred in connection with the authorization, sale and issuance of the Bonds, the Indenture, this Lease Agreement and all other documents in connection therewith, and payment of all fees, costs and expenses for the preparation of this Lease Agreement and in connection with the acquisition of title to the Leased Land; provided, that each such payment shall be made only upon receipt by the Trustee of a statement therefor approved in writing by the Authorized Lessor Representative and the Authorized Lessee Representative.

(d) Payment for labor, services, materials, and supplies used or furnished in site improvements and in the construction of the Building, all as provided in the specifications therefor, payment for the cost of the acquisition of the Leased Equipment and the installation of utility services or other facilities, including trackage to connect the Project with public transportation facilities, if required, and all real and personal property deemed necessary in connection with the Project and payment for the miscellaneous expense incidental to any thereof, including the premium on each surety bond required to be deposited with the Trustee under any of the provisions of the Indenture which relate to the Project; provided, that each such payment shall be made only upon a written order by the Project Supervisor.

(e) Payment of fees, if any, for architectural, engineer-

ing and supervisory services with respect to the Project; provided, that each such payment shall be made only upon a written order of the Project Supervisor.

(f) Payment, as such payments become due, of the fees and expenses of the Trustee and of any paying agent properly incurred under the Indenture that may become due during the Construction Period.

(g) To the extent not paid by a contractor for construction or installation with respect to any part of the Project, payment of the premiums on all insurance required to be taken out and maintained during the Construction Period under this Lease Agreement, or reimbursement thereof if paid by the Lessee under Section 6.4 hereof.

(h) Payment of the taxes, assessments and any other charges referred to in Section 6.3 hereof that may become payable during the Construction Period.

(i) Payment of expenses incurred with approval of the Lessee in seeking to enforce any remedy against any contractor or subcontractor in respect of any default under a contract relating to the Project.

(j) Payment of any other costs and expenses relating to the construction of the Project that may be approved in writing by the Authorized Lessor Representative and Authorized Lessee Representative and also approved in writing by the Project Supervisor.

(k) All monies remaining in the Construction Fund after the Completion Date and after payment or provision for payment of all other items provided for in the preceding subsections (a) to (j), inclusive, of this Section shall be paid into the Bond Fund, except for amounts retained by the Trustee at the direction of the Authorized Lessor Representative and the Authorized Lessee Representative for payment of Project costs not then due and payable, any balance remaining of such retained funds after full payment of all such Project costs to be paid into the Bond Fund.

The Trustee may advance monies from the Construction Fund (including amounts retained under the preceding subsection (k) of this Section) to the Lessor or a contractor acting as agent of the Lessor



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for use by the Lessor or such agent in making any of the payments referred to in the preceding subsections (b), (d), (e), and (j) of this Section, if there is furnished to the Trustee an agreement satisfactory to the Trustee executed by the Lessee indemnifying the Trustee against any loss occasioned by the failure of the Project Supervisor to certify on or before the Completion Date that the amounts so advanced have been used to make payments referred to in said subsections (b), (d), (e) and (j) or are being retained in accordance with said subsection (k) to make such payments.

Before any of the payments referred to in the preceding subsections (b), (d), (e) and (j) of this Section may be made, the Project Supervisor shall certify with respect to each such payment, and before any of the payments specified in the preceding subsections (g), (h) and (i) of this Section may be made, the Authorized Lessee Representative shall certify with respect to each such payment: (i) that none of the items for which the payment is proposed to be made has formed the basis for any payment theretofore made from the Construction Fund and (ii) that each item for which the payment is proposed to be made is or was necessary or appropriate in connection with the Project. In the case of any contract providing for the retention by the Lessor of a portion of the contract price, there shall be paid from the Construction Fund only the net amount remaining after deduction of any such portion.

Section 4.4 Obligation of the Parties to Cooperate in Furnishing Documents to Trustee. The Lessee will cooperate with the Lessor in furnishing to the Trustee the documents referred to in Section 4.3 hereof that are required to effect payments out of the Construction Fund in accordance with Section 4.3 hereof. Such obligation of the Lessor is subject to any provisions of the Indenture requiring additional documentation with respect to payments and shall not extend beyond the moneys in the Construction Fund available for payment under the terms of the Indenture.

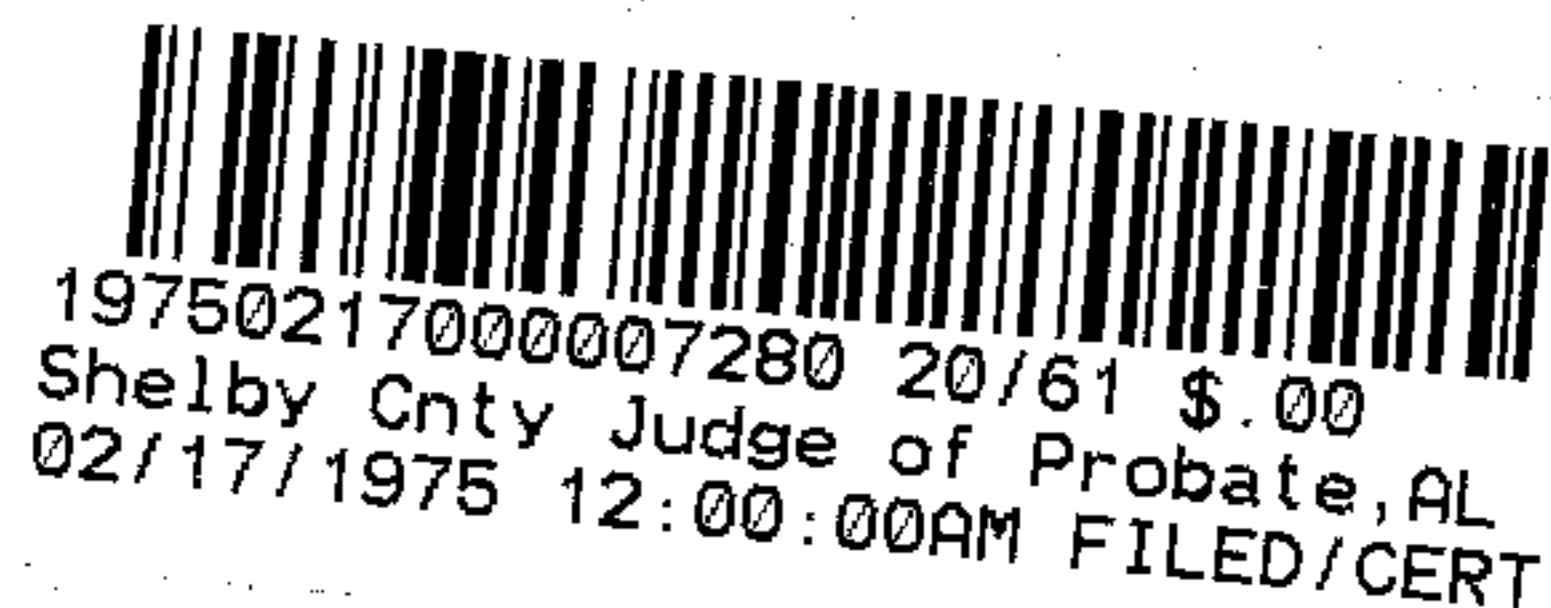
Section 4.5 Establishment of Completion Date. The Completion Date shall be evidenced to the Trustee by a certificate signed



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by the Project Supervisor stating that, except for amounts retained by the Trustee for Project Costs not then due and payable as provided in Section 4.3(k), (i) construction of the Building has been completed in accordance with the specifications therefor and all labor, services, materials and supplies used in such construction have been paid for, (ii) all other facilities necessary in connection with the Project have been constructed, acquired and installed in accordance with the specifications therefor and all costs and expenses incurred in connection therewith have been paid, and, (iii) the Leased Equipment has been installed to his satisfaction, the Leased Equipment so installed is suitable and sufficient for the efficient operation of the Project for the purposes specified in Section 4.1(a) hereof, and all costs and expenses incurred in the acquisition and installation of the Leased Equipment have been paid. Notwithstanding the foregoing, such certificate shall state that it is given without prejudice to any rights against third parties which exist at the date of such certificate or which may subsequently come into being. The Lessor and the Lessee will cooperate one with the other in causing such certificate to be furnished to the Trustee.

Section 4.6 Lessee Required to Pay in Event Construction Fund Insufficient. In the event the monies in the Construction Fund available for payment of the Project Costs should not be sufficient to pay the Project Costs in full, the Lessee will complete the Project and will pay all Project Costs in excess of the monies available therefor in the Construction Fund. The Lessor does not make any warranty, either express or implied, that the monies paid into the Construction Fund and available for payment of the Project Costs, will be sufficient to pay all of the Project Costs. If after exhaustion of the monies in the Construction Fund, the Lessee should pay any portion of the Project Costs pursuant to the provisions of this Section, it shall not be entitled to any reimbursement therefor from the Lessor or from the Trustee or from the holders of any of the Bonds, nor shall it be entitled to any diminution of the amounts payable under Section 5.3 hereof.



Section 4.7 Project Supervisor. Such person as the Lessee designates shall be appointed by the Lessor as the Project Supervisor for the purpose of taking all actions and making all certificates required to be taken and made by the Project Supervisor under the provisions of this agreement; and such person as the Lessee designates shall be appointed by the Lessor as an alternate Project Supervisor to take any such action or make any such certificate if the same is not taken or made by the Project Supervisor. In the event either of the persons so appointed, or any successor appointed under the provisions of this section, should become unavailable or unable to take any action or make any certificate provided for in this agreement, another Project Supervisor or alternate Project Supervisor, shall thereupon be appointed by the Lessor pursuant to designation for that purpose made by the Lessee. If the Lessee fails to make such designation within ten days following the date when the then incumbent becomes unavailable or unable to take any of the said actions, the Trustee may then appoint as a successor any architect or engineer licensed under the laws of the State.

Section 4.8 Lessor to Pursue Remedies Against Contractors and Subcontractors and their Sureties. In the event of default of any contractor or subcontractor under any contract made by it in connection with the Project, the Lessor will promptly proceed either separately or in conjunction with others, to exhaust the remedies of the Lessor against the contractor or subcontractor so in default and against his surety for the performance of such contract. The Lessor will advise the Lessee of the steps it intends to take in connection with any such default. If the Lessee shall so notify the Lessor, the Lessee may, in its own name or in the name of the Lessor, prosecute or defend any action or proceeding, or take any other action involving any such contractor, subcontractor or surety which the Lessee deems reasonably necessary, and in such event the Lessor will cooperate fully with the Lessee and will take all action necessary to effect the substitution of the Lessee for the Lessor in any such action or proceeding. Any amounts recovered by way of damages, refunds, adjustments or otherwise in connection with the

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foregoing prior to the Completion Date shall be paid into the Construction Fund, and after the Completion Date shall be paid into the Bond Fund.

Section 4.9 Investment of Construction Fund and Bond Fund.

Any monies held as a part of the Construction Fund and Bond Fund shall be invested or reinvested by the Trustee, at the request of, and as directed by, the Lessee, in (i) stocks, bonds, treasury notes and other evidence of indebtedness of, and those unconditionally guaranteed as to the payment of principal and interest by, the United States of America, (ii) bonds and notes of the Federal National Mortgage Association, (iii) obligation of the Federal Intermediate Credit Corporation, (iv) obligations of Federal Banks for Cooperatives, (v) bonds and notes of Federal Home Loan Banks, or (vi) any other investments, including commercial paper, to the extent then permitted by law. For the purposes of this agreement and the Indenture, any certificates of deposit purchased by the Trustee (provided investment in the same is permitted under applicable law) shall be deemed to be investments and not trust deposits. The Trustee may make any and all such investments through its own bond department.

ARTICLE 5.

EFFECTIVE DATE AND DURATION OF THIS AGREEMENT,  
RENTAL PROVISIONS

Section 5.1 Effective Date and Duration of this Agreement.

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This agreement shall become effective upon its delivery and the leasehold estate created in this agreement shall begin on the Completion Date and, subject to the provisions of this agreement (including particularly Articles 10 and 11 hereof), shall continue until July 31, 1985, or if all principal of, premium, if any, and interest on the Bonds shall not have been paid in full (or provisions for payment thereof shall not have been made in accordance with the provisions of the Indenture), until such date as such payment or provisions for such payment shall have been made.



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Section 5.2 Delivery and Acceptance of Possession. The Lessor shall deliver to the Lessee sole and exclusive possession of the Project (subject to the right of the Lessor to enter thereon for inspection purposes and to the other provisions of Section 8.2 hereof) on the Completion Date and the Lessee will accept possession of the Project upon such delivery; provided, however, that the lessee shall be permitted such possession of the Project prior to such date for delivery of sole and exclusive possession as shall not interfere with the construction of the Building or installation of the Leased Equipment.

Section 5.3 Rents and Other Amounts Payable.

(a) On or before the 28th day of February, 1975, and on or before the last day of each of the months of March, April, May, June, and July, 1975, the Lessee shall pay as rent for the Project an amount equal to one-sixth (1/6) of the amount payable as interest on the Bonds on August 1, 1975, and on or before the 15th day of August, 1975, and on or before the 15th day of each month thereafter until the principal of, premium if any, and interest on the Bonds shall have been fully paid (or provision for the payment thereof shall have been made in accordance with the Indenture), the Lessee shall pay as rent for the Project an amount equal to one-sixth (1/6) of the amount payable as principal on the next succeeding 1st day, respectively, of February and August. Each rental payment pursuant to this Section 5.3 (a) shall at all times be sufficient to pay or to provide for payment of the total amount of interest payable on such next succeeding semi-annual interest payment date and to pay, or provide for payment of the total amount of principal payable on the next succeeding maturity and payment date the balance in the Bond Fund is insufficient to make required payments of principal and interest on such date, the Lessee will forthwith pay any such deficiency; provided, that any amount held by the Trustee in the Bond Fund on a rental payment date shall be credited against the aforesaid rent obligations required to be made by the Lessee on such rental payment date to the extent such amount is in excess of the amount required for payment of the principal of and premium, if any, on the amounts theretofore matured or called for



redemption; and provided further, that if at any time the amount held by the Trustee in the Bond Fund should be sufficient to pay at the times required all the principal, interest due and to become due and payable, if any, on the Bonds then remaining unpaid, the Lessee shall not be obligated to make any further rental payments under the provisions of this Section 5.3(a) but this provision shall not affect the other obligations of the Lessee under this agreement.

(b) The Lessee shall pay to the Trustee commencing with the Completion Date or prior thereto if the monies in the Construction Fund available therefor are insufficient, and continuing until the principal of, premium, if any, and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the provisions of the Indenture, (i) an amount equal to the annual fee of the Trustee for the ordinary services of the Trustee rendered and its ordinary expenses due, (ii) the reasonable fees and charges of the Trustee, any paying agent and any bond registrar on the Bonds for acting as such, as provided in the Indenture, as and when the same becomes due, (iii) the cost of printing coupon Bonds to be exchanged for a fully registered Bond or Bonds as authorized in Section 210 of the Indenture, and (iv) the reasonable fees and charges of the Trustee for Extraordinary Services rendered by it and Extraordinary Expenses incurred by it under the Indenture, as and when the same become due; provided, that the Lessee may, without creating a default hereunder, contest in good faith the necessity for any such Extraordinary Services and Extraordinary Expenses and the reasonableness of any such fees, charges or expenses.

(c) In the event the Lessee should fail to make any of the payments required in this Section, the item or installment so in default shall continue as an obligation of the Lessee until the amount in default, including interest thereon, shall have been fully paid, and the Lessee agrees to pay the same with interest thereon at the rate of 8% per annum until paid. The provision of this Section shall be subject

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to the provisions of Section 5.5 hereof.

Section 5.4 Prepayment of Rents. There is expressly reserved to the Lessee the right, and the Lessee is authorized and permitted at any time it may choose, to prepay all or any part of the rents payable under Section 5.3(a) hereof, and the Lessor agrees that the Trustee may accept such prepayment of rents when the same are tendered by the Lessee. All rents so prepaid shall be credited on the rental payments specified in Section 5.3(a) hereof, in the order of their maturities, unless prior to the date on which said credit is to be taken the Lessee requests the Lessor to use such monies to redeem Bonds in accordance with the provisions of Section 9.4 hereof.

Section 5.5 Lessee Entitled to Certain Rent Abatements if Bonds Paid Prior to Maturity. If at any time, the aggregate monies in the Bond Fund shall be sufficient to retire all of the Bonds at the time outstanding, in accordance with the provisions of the Indenture, and to pay all fees and charges of the Trustee and paying agents due or to become due through the date on which the last of the Bonds is retired under circumstances not resulting in termination of the Lease Term, and if the Lessee is not at the time otherwise in default hereunder, the Lessee shall be entitled to use and occupy the Project from the date on which such aggregate monies are in the hands of the Trustee to and including January 31, 1985, without the payment of the rent specified in Section 5.3(a) during that interval (but otherwise on the terms and conditions thereof).

Section 5.6 Place of Payments. The rent provided for in Section 5.3(a) hereof shall be paid directly to the Trustee for the account of the Lessor and will be deposited in the Bond Fund. The additional payments provided for in Section 5.3(b) hereof shall be paid directly to the Trustee for its own use or for disbursement to the bond registrar any paying agent, or the printer of coupon Bonds, as the case may be.

Section 5.7 Obligations of Lessee Hereunder Unconditional. Subject to the provisions of Section 5.4 and 5.5 hereof, the obligations of the Lessee to make the payments required in Section 5.3 hereof and to

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perform and observe the other agreements on its part set forth herein shall be absolute and unconditional and shall not be subject to diminution by set-off, counterclaim, abatement or otherwise. Until such time as the principal of, premium, if any, and interest on the Bonds shall have been fully paid (or provision for the payment thereof shall have been made in accordance with the Indenture) and all obligations of the Lessee hereunder shall have been performed, the Lessee (i) will not suspend or discontinue any payments provided for in Section 5.3 hereof, (ii) will perform and observe all of its other agreements set forth in this agreement, and (iii) except as provided in Sections 11.1 and 11.2, will not terminate this agreement for any cause including, without limiting the generality of the foregoing, failure of the Lessor to complete the Project; any acts or circumstances that may constitute failure of consideration, eviction, or constructive eviction; destruction of or damage to the Project; the taking of the Project or any portion thereof by eminent domain or other proceedings; commercial frustration of purpose; any change in the tax or other laws or administrative rulings, actions or regulations of the United States of America or of the State or any agency or political subdivision of either thereof; or, any failure of the Lessor to perform and observe any agreement, whether expressed or implied, or any duty, liability or obligation arising out of or connected with this agreement. Nothing contained in this section shall be construed to release the Lessor from the performance of any of the agreements on its part herein set forth; and in the event the Lessor should fail to perform any such agreement on its part, the Lessee may institute such action against the Lessor as the Lessee may deem necessary to compel performance, or recover its damages for nonperformance so long as such action shall not (i) violate the agreements on the part of the Lessee in the next two preceding sentences or (ii) diminish the amounts required to be paid by the Lessee pursuant to Section 5.3 hereof. The Lessee may, however, at its own cost and expense and in its own name, or in the name of the Lessor, prosecute or defend

any action or proceeding or take any other action involving third persons which the Lessee deems reasonably necessary in order to secure or protect its right of possession, occupancy and use hereunder, and, in such event, the Lessor shall cooperate fully with the Lessee and shall take all action necessary to effect the substitution of the Lessee for the Lessor in any such action or proceeding if the Lessee shall request.

## ARTICLE 6.

### MAINTENANCE, TAXES AND INSURANCE

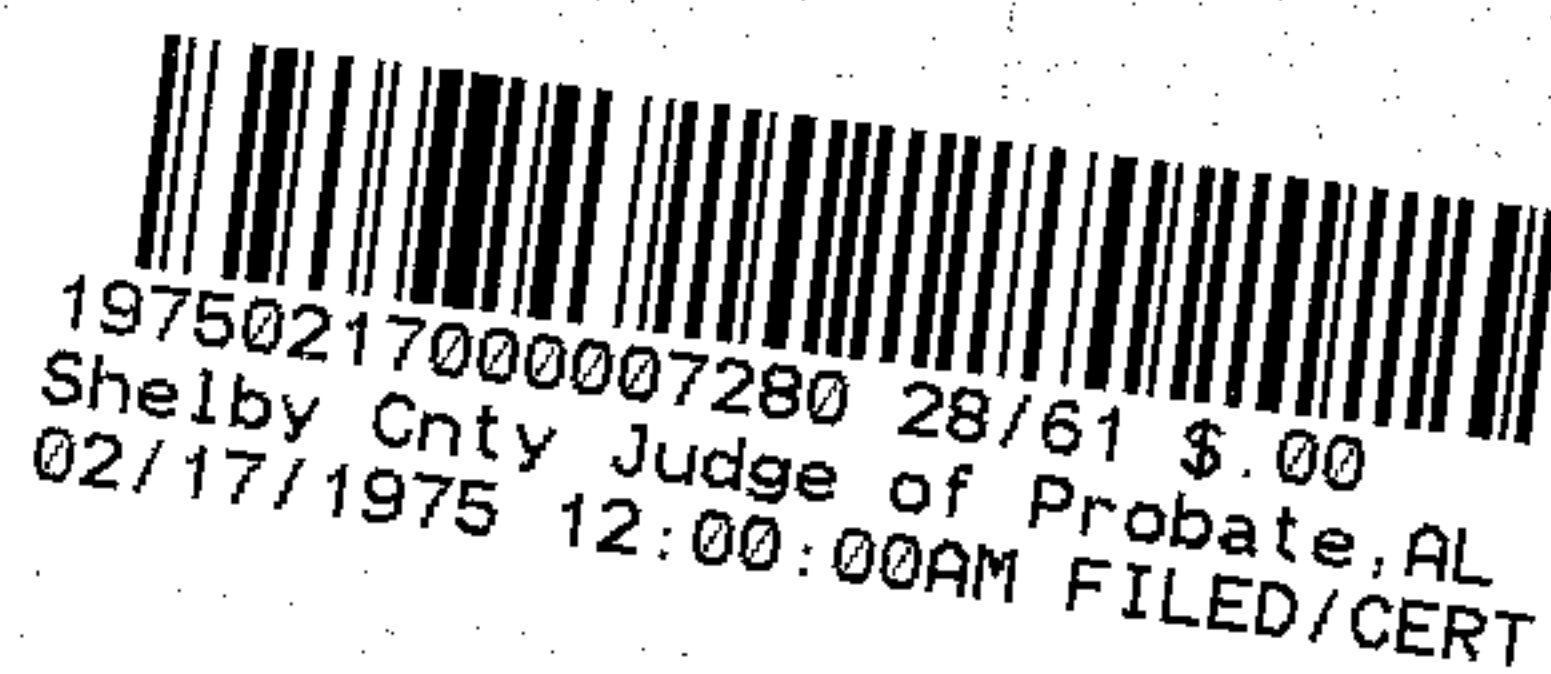
Section 6.1 Maintenance and Modifications of Project by Lessee. The Lessee will at its own expense during the Construction Period and the Lease Term (i) keep the Project in as reasonably safe condition as its operations shall permit and (ii) keep the Building and Leased Equipment in good repair and in good operating condition, making from time to time all necessary repairs thereto (including external and structural repairs and renewals and replacements thereof.) The Lessee may, also at its own expense, make from time to time any additions, modifications or improvements to the Building or additions, modifications or improvements which constitute real property or fixtures anywhere on the Leased Land that it may deem desirable for its business purposes and do not adversely affect the structural integrity of the Building or substantially reduce its value. All such renewals, replacements, additions, modifications and improvements so made by the Lessee shall become a part of the Building. The Lessee may, also at its own expense, locate on the Leased Land any additional machinery, equipment and other tangible personal property which, in the Lessee's judgment, is essential to the operation of the Project and may make any modifications of, or improvements to the Leased Equipment as it may deem desirable for its business purposes. All such renewals, replacements, additions, modifications and improvements so made by the Lessee shall constitute Leased Equipment.

The Lessee will not permit any mechanics' or other lien (except Permitted Encumbrances) to be established or remain against the

Project for labor or materials furnished in connection with any additions, modifications, improvements, repairs, renewals or replacements so made by it; provided, that if the Lessee shall first notify the Trustee of its intention so to do, the Lessee may in good faith contest any mechanics' or other lien filed or established against the Project, and in such event, may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Lessor or the Trustee shall notify the Lessee that, in the opinion of Independent Counsel, by nonpayment of any such items the security afforded pursuant to the terms of the Indenture will be materially endangered or the Project or any part thereof will be subject to loss or forfeiture, and in either of such events, the Lessee shall promptly pay and cause to be satisfied and discharged all such unpaid items or secure such payment by posting a bond, in form satisfactory to the Lessor, with the Trustee. The Lessor will cooperate fully with the Lessee in any such contest.

Section 6.2 Removal of Leased Equipment. The Lessor shall not be under any obligation to renew, repair or replace any inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary Leased Equipment. In any instance where the Lessee, in its sound discretion, determines that any items of Leased Equipment have become inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary, the Lessee may remove such items of Leased Equipment from the Building and the Leased Land and, on behalf of the Lessor, sell, trade in, exchange or otherwise dispose of them, as a whole or in part, without any responsibility or accountability to the Lessor or the Trustee therefor, provided that either:

(a) The Lessee shall substitute (either by direct payment of the costs thereof or by advancing to the Lessor the funds necessary therefor) and install anywhere in the Building or on the Leased Land other machinery or equipment having equal or greater utility (but not necessarily having the same function) in the operation of the Project,



all of which substituted machinery or equipment shall be free of all liens and encumbrances (other than Permitted Encumbrances) but shall become a part of the Leased Equipment.

(b) The Lessee shall (i) in the case of the sale of any such equipment to anyone other than itself, or in the case of the scrapping thereof, pay into the Bond Fund the proceeds from such sale or the scrap value thereof, as the case may be, (ii) in case of the trade-in of such equipment for other equipment not to be installed in the Building or on the Leased Land, pay into the Bond Fund the amount of the credit received by it in such trade-in and (iii) in the case of the sale of any such equipment to the Lessee or in the case of any other disposition thereof, pay into the Bond Fund an amount equal to the original cost thereof less depreciation at rates calculated in accordance with generally accepted accounting practice applied on a consistent basis.

The removal from the Project of any portion of the Leased Equipment pursuant to the provisions of this Section shall not entitle the Lessee to any abatement or diminution of the amounts payable under Section 5.3 hereof.

The Lessee will promptly report to the Trustee each such removal, substitution, sale and other disposition and will pay to the Trustee such amounts as are required by the provisions of the preceding subsection (b) of this section to be paid into the Bond Fund promptly after the sale, trade-in or other disposition requiring such payment; provided that no such report and payment need be made until the amount to be paid into the Bond Fund on account of all such sales, trade-ins or other disposition not previously reported aggregates at least \$20,000. The Lessee will pay any costs, including counsel fees, incurred in conveying to the Lessor any items of machinery or equipment that under the provisions of this section are to become a part of the Leased Equipment. The Lessee will not remove, or permit the removal of any of the Leased Equipment from the Leased Land except in accordance with the provisions of this section.

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Section 6.3 Taxes, Other Governmental Charges and Utility

Charges. The Lessor and the Lessee acknowledge (i) that under present law no part of the Project will be subject to ad valorem taxation by the State or by any political or taxing subdivision thereof, and that under present law the income and profits, if any, of the Lessor from the Project are not subject to either Federal or State taxation, and (ii) that these factors, among others, have induced the Lessee to enter into this agreement. However, the Lessee will pay during the Construction Period and the Lease Term, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Project or any machinery, equipment or other property installed or brought by the Lessee therein or thereon (including, without limiting the generality of the foregoing, any taxes levied upon or with respect to the income or profits of the Lessor from the Project which, if not paid, will become a charge on the Project prior to or on a parity with the lien of the Indenture or a charge on the revenues and receipts from the Project prior to or on a parity with the charge thereon and the pledge or assignment thereof to be created and made in the Indenture and including any ad valorem taxes lawfully assessed upon Lessee's interest therein), all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project and all assessments and charges lawfully made by any governmental body for public improvements that may be secured by lien on the Project; provided, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Lessee shall be obligated to pay only such installments as are required to be paid during the Construction Period and the Lease Term. The foregoing provisions of this section shall be effective only so long as any Bonds remain outstanding or any part of the principal of, premium, if any, or the interest on the Bonds remains unpaid.

The Lessee may, at its expense and in its own name and behalf, or in the name and behalf of the Lessor, in good faith, contest

any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Lessor or the Trustee shall notify the Lessee that, in the opinion of Independent Counsel, by nonpayment of any such items the security afforded pursuant to the terms of the Indenture will be materially endangered or the Project or any part thereof will be subject to loss or forfeiture, and in either of such events such taxes, assessments or charges shall be paid forthwith by the Lessee. The Lessor will cooperate fully with the Lessee in any such contest. In the event that the Lessee shall fail to pay any of the foregoing items required by this section to be paid by the Lessee, the Lessor or the Trustee may, but shall be under no obligation to pay the same and any amounts so advanced therefor by the Lessor or the Trustee shall become an additional obligation of the Lessee to the one making the advancement, which amounts, together with interest thereon at the rate of 8% per annum from the date thereof, the Lessee agrees to pay.

Section 6.4 Insurance Required to be Carried.

(a) During the Construction Period. The Lessee shall take out and continuously maintain in effect, during the Construction Period, the following insurance:

(1) Builders' risk or other types of insurance, to the extent of the full insurable value of the Building and the Leased Equipment, against loss thereto from, or damage by vandalism, fire, and lightning, 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;

(2) In time of war in which the United States of America is a belligerent, such insurance to the extent of the full insurable value of the Building and the Leased Equipment as may be available from the United States of America against loss thereof or damage thereto from the risks and hazards of war, if such insurance is then generally carried

by owners of industrial plants in the State;

(3) Insurance against liability for injuries to, or death of any person, or damage to or loss of property arising out of or in any way relating to the condition of the Project or any portion thereof, in the minimum amounts of \$300,000 for death of or personal injury to any one person, \$500,000 for all personal injuries and deaths resulting from any one accident, and \$100,000 for property damage in any one accident; and

(4) Insurance in amounts sufficient to cover any liability of the Lessor, the Lessee or the Trustee under the Workmen's Compensation Act of the State for deaths of, or injuries to persons arising out of any act or omission during the preparation for or the construction of the Project.

(b) After the Completion Date. The Lessee shall take out and continuously maintain in effect, through out the Lease Term after the Completion Date, the following insurance, paying as the same become due, all premiums with respect thereto:

(1) Insurance to the extent of the full insurable value of the Building and the Leased Equipment (but in no event shall it be less than the cost of paying or redeeming all Bonds from time to time outstanding) against loss thereto from, or damage by vandalism, fire, and lightning, 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;

(2) In time of war in which the United States of America is a belligerent, such insurance to the extent of the full insurable value of the Building and the Leased Equipment as may be available from the United States of America against loss thereof or damage thereto from risks and hazards of war, if such insurance is then generally carried by owners of industrial plants in the State, and

(3) The insurance referred to in subsection (a)(3) of this Section.

Any determination of "full insurable value" shall be made by

such recognized appraiser or insurer as may be selected by the Lessee.

Section 6.5 Application of Net Proceeds of Insurance. The Net Proceeds of the insurance carried pursuant to the provisions of Section 6.4 hereof shall be applied as follows: (i) the Net Proceeds of the insurance required in Sections 6.4(a)(1), 6.4(a)(2), 6.4(b)(1) and 6.4(b)(2) hereof shall be applied as provided in Section 7.1 hereof and (ii) the Net Proceeds of the insurance required in Sections 6.4(a)(3), 6.4(a)(4) and 6.4(b)(3) hereof shall be applied toward extinguishment or satisfaction of the liability with respect to which such insurance proceeds may be paid.

Section 6.6 Additional Provisions Respecting Insurance. All insurance required in Section 6.4 hereof shall be taken out and maintained in generally recognized responsible insurance companies selected by the Lessee acceptable to the Trustee, and may be written with deductible amounts comparable to those on similar policies carried by other companies engaged in businesses similar in size, character and other respects to those in which the Lessee is engaged. All policies evidencing such insurance shall be carried in the names of the Lessor, the Lessee and the Trustee as their respective interests may appear; provided, that all such insurance policies (other than those evidencing the insurance required by Sections 6.4(a)(3), 6.4(a)(4) and 6.4(b)(3) hereof and such other policies or portions thereof as may evidence insurance against liability for death of, or injury to persons or damage to or destruction of property of others) shall include clauses providing that all Net Proceeds of insurance resulting from claims in excess of \$50,000 for loss or damage covered thereby be paid to the Trustee; and provided further, that all claims (regardless of amount) may be adjusted by the Lessee with the insurers (subject, in the case of any one claim in excess of \$50,000, to the approval of the Trustee).

All such policies shall be deposited with the Trustee; provided, that in lieu of such policies the Lessee may deposit with the Trustee a certificate, or certificates of the respective insurers attesting the fact that such insurance is in force and effect. Prior to the

expiration of any such policy, the Lessee shall furnish to the Trustee evidence satisfactory to the Trustee that such policy has been renewed or replaced by another policy or that there is no necessity therefor under the terms of this agreement.

In lieu of separate policies, the Lessee may maintain blanket policies having the same coverage required herein, in which event it shall deposit with the Trustee a certificate or certificates of the respective insurers as to the amount of coverage in force upon the Building and the Leased Equipment.

Section 6.7 Advances by Lessor or Trustee. In the event the Lessee shall fail to maintain the full insurance coverage required by this agreement or shall fail to keep the Project in as reasonably safe condition as its operating conditions will permit, or shall fail to keep the Building and the Leased Equipment in good repair and good operating condition, the Lessor or the Trustee, after first notifying the Lessee of any such failure on its part and after giving the Lessee a reasonable opportunity to cure such default, may, (but shall be under no obligation to) take out the required policies of insurance and pay the premiums on the same, or make the required repairs, renewals and replacements; and all amounts so advanced therefor by the Lessor or the Trustee shall become an additional obligation of the Lessee to the one making the advancement, which amounts, together with interest thereon at the rate of 8% per annum from the date thereof, the Lessee agrees to pay.

Section 6.8 Release and Indemnification Covenants. The Lessee releases the Lessor from and covenants and agrees that the Lessor shall not be liable for, and agrees to indemnify and hold the Lessor harmless against, any loss or damage to property or any injury to or death of any person occurring on or about or resulting from any defect in the Project or the other improvements on the Leased Land, provided, that the indemnity provided in this sentence shall be effective only to the extent of any loss that may be sustained by the Lessor in excess of the Net Proceeds received from any insurance carried with re-

spect to the loss sustained. To this end, the Lessee will provide for and insure, in the public liability policies required in Sections 6.4(a)(3), 6.4(a)(4) and 6.4(b)(3) hereof, not only its own liability in respect of the matters there mentioned but also the liability herein assumed.

#### ARTICLE 7.

##### DAMAGE, DESTRUCTION AND CONDEMNATION

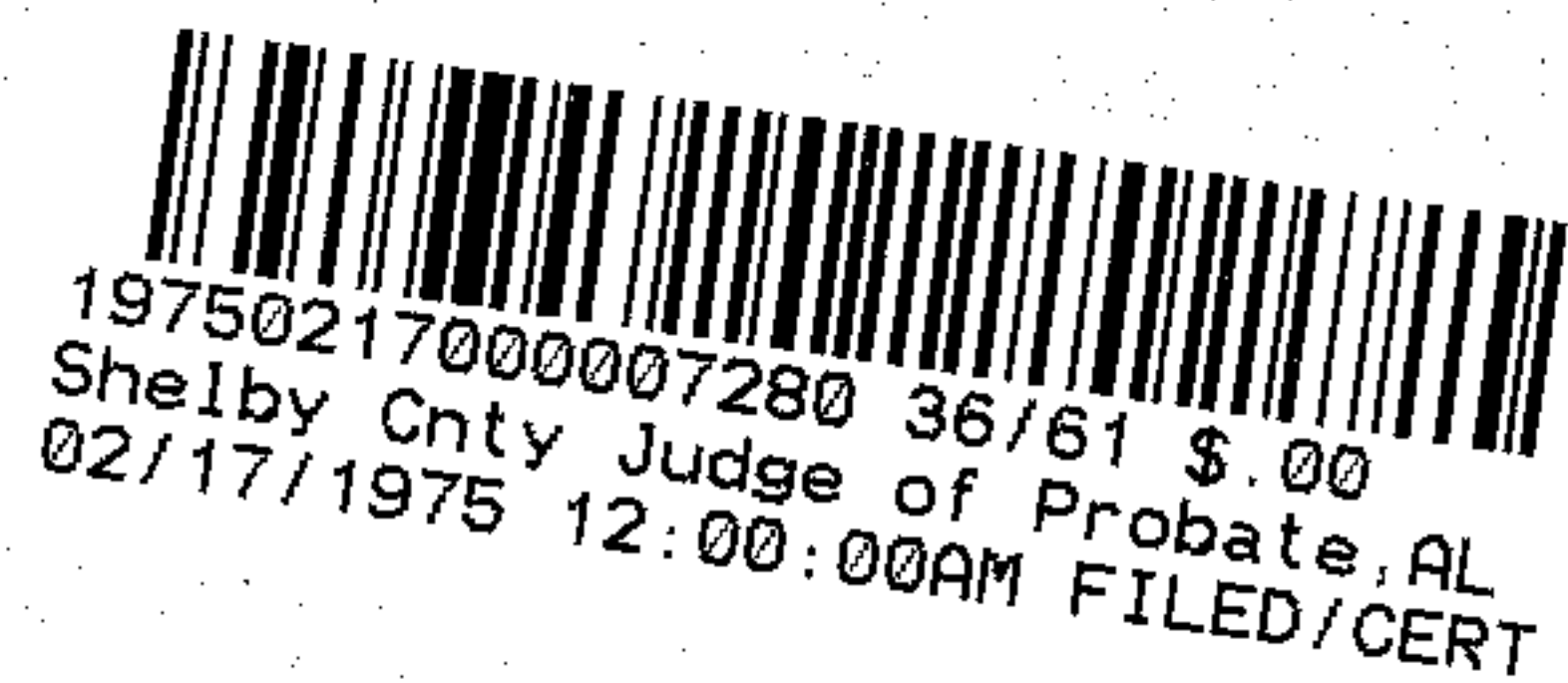
Section 7.1 Damage and Destruction. Unless the Lessee shall have exercised its option to purchase pursuant to the provisions of Section 11.2(a) hereof, if, prior to full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture), the Project is destroyed or damaged (in whole or in part) by fire or other casualty to such extent that the claim for loss resulting from such destruction or damage is not greater than \$50,000, the Lessee or the Lessor at the Lessee's direction, (i) will promptly repair, rebuild or restore the property damaged or destroyed to substantially the same condition as existed prior to the event causing such damage or destruction with such changes, alterations and modifications (including the substitution and addition of other property) as may be desired by the Lessee and as will not impair operating unity or productive capacity or the character of the Building as a manufacturing plant or other industrial enterprise permitted by the Act, and (ii) will apply for such purpose so much as may be necessary of any Net Proceeds of insurance resulting from claims for such losses, as well as any additional monies of the Lessee necessary therefor. All Net Proceeds of insurance resulting from claims for such losses not in excess of \$50,000 shall be paid to the Lessee.

Unless the Lessee shall have elected to exercise its option to purchase pursuant to the provisions of Section 11.2(a) hereof, if, prior to full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture), the Project is destroyed or damaged (in whole or in part) by fire or other casualty to such extent that the claim for loss resulting from such destruc-

tion or damage is in excess of \$50,000 the Lessee shall promptly give written notice thereof to the Trustee. All Net Proceeds of insurance, resulting from claims for such losses in excess of \$50,000 shall be paid to and held by the Trustee, whereupon, (i) the Lessee, or the Lessor at the Lessee's direction, will promptly repair, rebuild or restore the property damaged or destroyed to substantially the same condition as existed prior to the event causing such damage or destruction, with such changes, alterations and modifications (including the substitution and addition of other property) as may be desired by the Lessee, and (ii) the Trustee, upon receipt of the certificate of the Authorized Lessee Representative that such payment is required for such purpose, will apply so much as may be necessary of the Net Proceeds of such insurance to payment of the costs of such repair, rebuilding or restoration, either on completion thereof or as the work progresses.

In the event such Net Proceeds are not sufficient to pay in full the costs of such repair, rebuilding or restoration, the Lessee will nonetheless complete the work thereof and will pay that portion of the costs thereof in excess of the amount of such Net Proceeds paid to the Lessee or will pay to the Lessor and the Trustee the monies necessary to complete said work, in which case the Lessor will proceed so to complete said work. The Lessee shall not, by reason of the payment of such excess costs (whether by direct payment thereof or advances to the Lessor or Trustee therefor), be entitled to any reimbursement from the Lessor or any abatement or diminution of the amounts payable under Section 5.3 hereof.

Any balance remaining of such Net proceeds paid to the Lessee after payment of all the costs of such repair, rebuilding or restoration shall be paid into the Bond Fund. If the Lessee shall so direct the Lessor in writing within 90 days following the payment of any such Net Proceeds into the Bond Fund, the Lessor shall cause such Net Proceeds, or such part thereof as the Lessee shall direct, to be applied by the Trustee to the redemption at the earliest practicable date of



Bonds at the principal amount thereof plus accrued interest to the redemption date. If the Bonds have been fully paid (or provision payment thereof shall have been made in accordance with the Indenture) all such Net Proceeds shall be paid to the Lessee.

Section 7.2 Condemnation. Unless the Lessee shall exercise its option to purchase pursuant to the provisions of Section 11.2(b) hereof, in the event that title to, or the temporary use of the Project or any part thereof or the leasehold estate of the Lessee in the Project created by this agreement or any part thereof shall be taken under exercise of power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the Lessee shall be obligated to continue to pay the amounts specified in Section 5.3 hereof. The Lessor, the Trustee and the Lessee will cause Net Proceeds received by them or any of them, from any award made in such eminent domain proceedings, to be deposited in the Bond Fund and be applied by the Trustee in one or more of the following ways as shall be directed in writing by the Lessee:

(a) The restoration of the improvements located on the Leased Land to substantially the same condition as they existed prior to the exercise of the said power of eminent domain.

(b) The acquisition, by purchase, construction or otherwise, by the Lessor of land located within the limits permitted by the Act and other improvements suitable for the Lessee's operations at the site of the Project (which land or improvements shall be deemed a part of the Project and shall be available for use and occupancy by the Lessee without the payment of any rent other than herein provided to the same extent as if such land or other improvements were specifically described herein and demised hereby); provided, that such improvements acquired by the Board shall not be subject to any liens or encumbrances prior to the Indenture, other than Permitted Encumbrances.

(c) Redemption of the Bonds and payment of accrued interest thereon to the date of redemption, provided, that no part of any such condemnation award may be applied for such redemption unless (1) all of

the Bonds are to be redeemed in accordance with the Indenture upon exercise of the option to purchase provided for by Section 11.2(b) hereof, (2) in the event that less than all of the Bonds are to be redeemed, the Lessee shall furnish to the Lessor and the Trustee a certificate of an Independent Engineer acceptable to the Lessor and the Trustee stating (i) that the property forming a part of the Project that was taken by such condemnation proceedings is not essential to the Lessee's use or occupancy of the Project, (ii) that the Project has been restored to a condition substantially equivalent to its condition prior to the taking by such condemnation proceedings, or (iii) that land or other improvements have been acquired which are suitable for the Lessee's operations at the Project as contemplated by the foregoing subsection (b) of this section.

Unless the Lessee shall have elected to exercise its option to purchase pursuant to the provisions of Section 11.2(b) hereof, within ninety days from the date of entry of a final order in an eminent domain proceedings granting condemnation, the Lessee shall direct the Lessor and the Trustee in writing as to which of the ways specified in this section the Lessee elects to have the condemnation award applied. Any balance of the Net Proceeds of the award in such eminent domain proceeding shall be paid into the Bond Fund. If the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture) all such Net Proceeds shall be paid to the Lessee.

The Lessor shall cooperate fully with the Lessee in the handling and conduct of any prospective or pending condemnation proceeding with respect to the Project or any part thereof and will, to the extent it may lawfully do so, permit the Lessee to litigate in any such proceeding in the name and behalf of the Lessor. In no event will the Lessor voluntarily settle, or consent to the settlement of, any prospective or pending condemnation proceeding with respect to the Project or any part thereof without the written consent of the Lessee.

Section 7.3 Condemnation of Lessee Owned Property. The

Lessee shall also be entitled to the Net Proceeds of any condemnation award or portion thereof made for damages to, or takings of its own property not included in the Project, provided that any Net Proceeds resulting from damages to, or a taking of all or any part of the leased hold estate of the Lessee in the Project created by this agreement be paid and applied in the manner provided in Section 7.2 hereof.

#### ARTICLE 8.

##### SPECIAL COVENANTS

Section 8.1 No Warranty of Condition or Suitability by the Lessor. The Lessor makes no warranty, either express or implied, as to the condition of the Project or that it will be suitable for the Lessee's purposes or needs.

Section 8.2 Inspection of the Project. The Lessor, the Trustee and their, or either of their, duly authorized agents shall have the right at all reasonable times to enter upon the Leased Land to examine and inspect the Project. The Lessor and its duly authorized agents shall have such rights of access to the Project as may be reasonably necessary to cause to be completed the construction and installation provided for in Section 4.1 hereof, and thereafter for the proper maintenance of the Project in the event of failure by the Lessee to perform its obligations under Section 6.1 hereof. The Lessor and the Trustee shall also be permitted, at all reasonable times, to examine the books and records of the Lessee with respect to the Project.

Section 8.3 Lessee to Maintain its Corporate Existence; Conditions Under which Exceptions Permitted. Throughout the Construction Period and during the Lease Term, the Lessee shall maintain its corporate existence, shall not dissolve or otherwise dispose of all or substantially all of its assets and shall not consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it, provided, that the Lessee may, with the written consent of the Lessor and of the Trustee without violating the agreements set forth in this section, consolidate with or merge into another domestic corporation (i.e., a corporation incorporated and ex-

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isting under the laws of one of the States of the United States of America) or permit one or more other corporations to consolidate with or merge into it, or sell or otherwise transfer to another domestic corporation all or substantially all of its assets as an entirety and thereafter dissolve, provided, in the event the Lessee is not the surviving, resulting or transferee corporation, as the case may be, assumes in writing all of the obligations of the Lessee herein.

Section 8.4 Qualification in the State. The Lessee warrants (i) that it is and throughout the Construction Period and the Lease Term it will continue to be in good standing in the State and (ii) that if it elects to consolidate with, merge into or transfer its assets to another corporation in accordance with Section 8.3 hereof, and such other corporation is not organized under the laws of the State, the Lessee, as a condition of such consolidation, merger or transfer of assets, shall cause such other corporation to qualify to do business as a foreign corporation in the State and to agree to remain so qualified continuously during the Lease Term.

Section 8.5 Audited Annual Statement. The Lessee shall furnish the Trustee and the original purchaser, or purchasers of the Bonds a financial statement at least annually.

Section 8.6 Release of Certain Land. Notwithstanding any other provision of this agreement, the parties hereto reserve the right at any time and from time to time to amend this agreement for the purpose of effecting the release of and removal from this agreement and the leasehold estate created hereby of (i) any Unimproved part of the Leased Land on which the Lessor then proposes to construct improvements for lease to a lessee (including the Lessee) under another and different lease agreement or (ii) any part of the Leased Land with respect to which the Lessor proposes to grant an easement or convey fee title to a railroad, public utility or public body in order that railroad, utility services or roads may be provided for the project, provided that, if at any time any such amendment is made, any of the Bonds are outstanding

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and unpaid there shall be deposited with the Trustee the following:

- (a) A copy of the said amendment as executed.
- (b) A resolution of the board of directors of the Lessor
  - (i) stating that the Lessor is not in default under any of the provisions of the Indenture or this agreement and the Lessee is not to the knowledge of the Lessor in default under any of the provisions of this agreement, (ii) stating an adequate legal description of that portion of the Leased Land to be released, (iii) stating the purpose for which the Lessor desires the release, (iv) stating that the said improvements which will be so constructed will be such as will promote the continuous industrial development of the State and will be in furtherance of the purpose for which the Lessor was organized, and (v) requesting the consent of the Trustee to said amendment and the release of such property from the lien of the Mortgage.
- (c) A resolution of the board of directors of the Lessee approving such amendment and stating that the Lessee is not in default under any of the provisions of this agreement.
- (d) A copy of the agreement between the Lessor and such lessee wherein the Lessor agrees to construct improvements on the portion of the Leased Land so requested to be released and agrees to lease the same to such lessee and wherein such lessee agrees to lease the same from the Lessor, or a copy of the instrument granting the easement or conveying the title to a railroad, public utility or public body.
- (e) A certificate of an Independent Engineer who is acceptable to the Trustee, dated not more than sixty days prior to the date of the release and stating that, in the opinion of the person signing such certificate, (i) the portion of the Leased Land so proposed to be released is necessary or desirable for railroad, utility services or roads to benefit the Project or is not otherwise needed for the operation of the Project for the purpose hereinabove stated and (ii) the release so proposed to be made will not impair the usefulness of the Building as a manufacturing plant and will not destroy the means of ingress thereto and egress therefrom. No release effected under

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the provisions of this section shall entitle the Lessee to any abatement or diminution of the amounts payable under Section 5.3 hereof.

Section 8.7 Purchase of Machinery, Equipment, Furniture or Fixtures by the Lessor. The Lessor shall purchase machinery, equipment, furniture or fixtures to be used in connection with the Project upon the request of the Lessee and receipt from the Lessee of money sufficient to pay for such machinery, equipment, furniture or fixtures, whether such machinery, equipment, furniture or fixtures is to be purchased under the provisions of Section 6.1 or 6.2 hereof or otherwise. Such machinery, equipment, furniture or fixtures shall constitute a part of the Leased Equipment.

Section 8.8 Further Assurance and Corrective Instruments. The Lessor and the Lessee shall, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Project hereby leased or intended so to be, or for carrying out the intention of, or facilitating the performance of this agreement.

Section 8.9 Granting of Easements. If no event of default shall have happened and be continuing, the Lessee may at any time or times grant easements, licenses, rights of way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to any property included in the Indenture, free from the security interest afforded by, or under the Indenture, or the Lessee may release existing easements, licenses, rights of way and other rights or privileges with or without consideration, and the Lessor shall execute and deliver, and will cause and direct the Trustee to execute and deliver any instrument necessary or appropriate to confirm and grant, or release any such easement, license, right of way or other right or privilege upon receipt of: (i) a copy of the instrument of grant or release, (ii) a written application signed by the Authorized Lessee Representative requesting such instrument; and (iii) a certifi-

cate executed by the Authorized Lessee Representative stating: (1) that such grant or release is not detrimental to the proper conduct of the business of the Lessee, and (2) that such grant or release will not impair the effective use or interfere with the operation of the Project and will not materially weaken, diminish or impair the security afforded by, or under the Indenture.

Section 8.10 Authorized Lessee Representative. Whenever under the provisions of this agreement the approval of the Lessee is required, or the Lessor is required to take some action at the request of the Lessee, such approval or such request shall be made by the Authorized Lessee Representative unless otherwise specified in this agreement and the Lessor or the Trustee shall be authorized to act on any such approval or request and the Lessee shall have no complaint against the Lessor or the Trustee as a result of any such action taken.

Section 8.11 Concerning the Tax-Exempt Nature of Interest Income on the Bonds.

(a) For purposes of this section, the following words and phrases shall have, whenever they are used in this section, the following respective meanings:

"Public Securities" means any bonds or other obligations of a state, a territory, or a possession of the United States, or any political subdivision of the United States, or any political subdivision of any of the foregoing, or of the District of Columbia.

"Local Facilities" means facilities of which the Lessee or a related person or persons [as the terms "related person" and "facilities" are used in Section 103(c)(6) of the Internal Revenue Code of 1954] is or will be the principal user and which are located within the boundaries of the Town of Pelham, Alabama.

All section references in this Section 8.11 are, unless the context clearly indicates otherwise, to the Internal Revenue Code of 1954.

(b) The Lessee warrants and represents that there have not

been issued any Public Securities the proceeds of which were or are to be used primarily with respect to Local Facilities.

(c) The Board understands, on the basis of the foregoing warranty and representation on the part of the Lessee (i) that the interest income on the Bonds will [except as provided in Section 103(c)(7)] be exempt from taxation by the United States of America under the provisions of Section 103, and (ii) more particularly, that the general provisions of Section 103(c) - denying to the interest income on Public Securities of the general nature of the Bonds exemption from Federal income taxation - are not now applicable to the Bonds because they are an issue in the aggregate authorized face amount of less than \$1,000,000.

(d) The Board further represents, and the Lessee understands and agrees, that one of the principal inducements to the purchase of the Bonds by the purchasers thereof is that the interest income thereon will be so exempt from taxation by the United States of America, and the Lessee understands that, as a result of a mistake of fact in the warranty and representation on its part set forth in the preceding subsection (b) of this Section 8.11, the interest income on the Bonds may, under the provisions of Section 103(c)(6), be or become subject to federal income taxation. The Lessee therefore agrees that if, as a result of the application of the provisions of Paragraph (6) of Section 103(c), it shall be determined, by the Lessee or by final order of any administrative body or court having jurisdiction, that the interest income on any of the Bonds is subject to Federal income taxation, the Lessee will promptly pay to the Trustee the sum of the following:

(i) an amount which, when added to the amounts then on deposit in the Bond Fund and the Construction Fund, will be sufficient to redeem and retire, on the earliest practicable redemption date after such determination all the Bonds that will be outstanding on such redemption date at a redemption price equal to 100 percent of the principal amount thereof plus accrued interest to the redemption

date; plus

(ii) an additional amount, with respect to each of the principal amounts having a stated maturity after the date on which the interest income on such principal amount became so subject to Federal income taxation and on or before the date of the redemption referred to in clause (i) above, equal to 100% of the interest accruing on each such principal amount during the period intervening between the date that the interest income on such principal amount became so subject to Federal income taxation and the date on which such principal amount matured; plus

(iii) an additional amount, with respect to each of the principal amounts that was redeemed after the date on which the interest income on any principal amount became so subject to Federal income taxation and on or before the date of the redemption referred to in clause (i) above, equal to 100% of the interest accruing on each such principal amount during the period intervening between the date that the interest income on such principal amount became so subject to Federal income taxation and the date fixed for the redemption thereof.

A bond shall have been deemed to have been redeemed within the meaning of the preceding clause (iii) if it was called for redemption prior to its stated maturity date, if the date fixed for the redemption thereof was after the date on which the interest income on any of the Bonds became so subject to Federal income taxation and on or before the date of the redemption referred to in clause (i) above and if monies for such redemption were duly deposited with the Trustee on or before the date fixed for the redemption thereof, irrespective of whether or not such Bond was actually presented for redemption and the redemption price paid.

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Upon receipt of said amount from the Lessee, the Trustee thereupon shall apply said amounts to the redemption of all of the bonds then outstanding in accordance with Section 301 of the Indenture.

No determination by the Lessee that the interest income on the Bonds is subject to Federal income taxation shall be considered valid for purposes of this Lease Agreement unless there is filed with the Trustee a written opinion of an attorney at law who is approved by the Trustee stating in substance that in his opinion the interest income on the Bonds is, as a result of the application of the provisions of Paragraph (6) of Section 103(c), subject to Federal income taxation.

(e) The Lessee will file, or will cause to be filed, with the Internal Revenue Service all statements and reports required by Section 103(c) or rules or regulations issued thereunder to be so filed as a condition to continued qualification of the Bonds as a small issue the interest on which is exempt from Federal income taxation.

#### ARTICLE 9

##### ASSIGNMENT, SUBLEASING, MORTGAGING AND SELLING, REDEMPTION

Section 9.1 Assignment and Subleasing. This agreement may be assigned, and the Project may be subleased as a whole or in part, by the Lessee without the necessity of obtaining the consent of either the Lessor or the Trustee, subject however, to each of the following conditions:

(a) No assignment (other than pursuant to Section 8.3 hereof) and no sublease shall relieve the Lessee from primary liability for any of its obligations hereunder, and in the event of any such assignment or sublease the Lessee shall continue to remain primarily liable for payment of the amounts specified in Section 5.3 hereof and for performance and observance of the other agreements on its part herein provided to be performed and observed by it to the same extent as though no assignment or sublease had been made.

(b) The assignee or sublessee shall assume the obligations of the Lessee hereunder to the extent of the interest assigned or subleased.

(c) The Lessee shall, within thirty days after the delivery

thereof, furnish or cause to be furnished to the Lessor and to the Trustee a true and complete copy of each such assignment, assumption of obligation and sublease, as the case may be.

Section 9.2 Mortgage of Project by Lessor and Assignment of Its Interest in this Agreement. The Lessor has mortgaged the Project, has assigned its interest in and has pledged any monies receivable under this agreement to the Trustee pursuant to the Indenture as security for payment of the principal of, premium, if any, and the interest on the Bonds, but each such mortgage, assignment or pledge is subject and subordinate to this agreement.

Section 9.3 Restrictions on Mortgage or Sale of Project by Lessor. Except for the mortgage of the project and the assignment of this agreement and the rentals hereunder to the Trustee pursuant to the Indenture, Lessor will not mortgage, sell, assign, transfer or convey the Project during the Construction Period and the Lease Term. If the laws of the State at the time shall permit it, nothing in this Section 9.3 shall prevent the consolidation of the Lessor with, or merger of the Lessor into, or transfer of the Project as an entirety to any public corporation whose property and income are not subject to taxation and which has corporate authority to carry on the business of owning and leasing the Project; provided, that upon any such consolidation, merger or transfer, the due and punctual payment of the principal of and interest on the Bonds according to their tenor, and the due and punctual performance and observance of all the agreements and conditions of this agreement to be kept and performed by the Lessor, shall be expressly assumed in writing by the corporation resulting from such consolidation or surviving such merger or to which the Project shall be transferred as an entirety.

Section 9.4 Redemption of Bonds. Upon the agreement of the Lessee to deposit monies in the Bond Fund in an amount sufficient to redeem Bonds subject to redemption, the Lessor, at the request of the Lessee, shall forthwith take all steps (other than the payment of the money required for such redemption) that may be necessary under the

applicable redemption provisions of the indenture to effect redemption of all or part of the then outstanding Bonds, as may be specified by the Lessee, on the earliest redemption date on which such redemption may be made under such applicable provisions. The Lessor shall cooperate with the Lessee in effecting any purchase of Bonds for retirement.

Section 9.5 References to Bonds Ineffective After Bonds Paid. Upon payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and payment of all fees and charges of the Trustee, all references in this agreement to the Bonds and the Trustee shall be ineffective and neither the Trustee nor the holders of any of the Bonds shall thereafter have any rights hereunder, saving and excepting those that shall have theretofore vested.

#### ARTICLE 10.

##### EVENTS OF DEFAULT AND REMEDIES

Section 10.1 Events of Default Defined. The following shall be "events of default" under this agreement and the terms "event of default" or "default" shall mean, whenever they are used in this agreement, any one or more of the following events:

(a) Failure by the Lessee to pay the rent required to be paid under Sections 5.3(a) or 5.3(c) at the time specified therein and (i) the continuation of said failure for a period of three days after notice by telegram or, if telegraphic service is not available, after notice by mail given to it by either the Trustee or the Lessor or (ii) the continuation of said failure for a period of ten days.

(b) Failure by the Lessee to pay any other amount payable pursuant to Section 5.3(b) hereof at the time specified therein.

(c) Failure by the Lessee to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsections (a) and (b) of this section, for a period of thirty days after written notice specifying such fail-

ure and requesting that it be remedied, given to the Lessee by the Lessor or the Trustee, unless the Lessor and the Trustee shall agree in writing to an extension of such time prior to its expiration, provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Lessor and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Lessee within the applicable period and diligently pursued until the default is corrected.

(d) The dissolution or liquidation of the Lessee, or the filing by the Lessee of a voluntary petition in bankruptcy, or failure by the Lessee promptly to remove any execution, garnishment or attachment of such consequence as will impair its ability to carry on its operations at the Project, or the commission by the Lessee of any act of bankruptcy, or adjudication of the Lessee as a bankrupt, or assignment by the Lessee for the benefit of its creditors, or the entry by the Lessee into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Lessee in any proceeding for its reorganization instituted under the provisions of the general bankruptcy act, as amended, or under any similar act which may hereafter be enacted. The term "dissolution or liquidation of the Lessee" as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Lessee resulting either from a merger or consolidation of the Lessee into or with another corporation or a dissolution or liquidation of the Lessee following a transfer of all or substantially all of its assets as an entirety, under the conditions permitting such actions in Section 8.3 hereof.

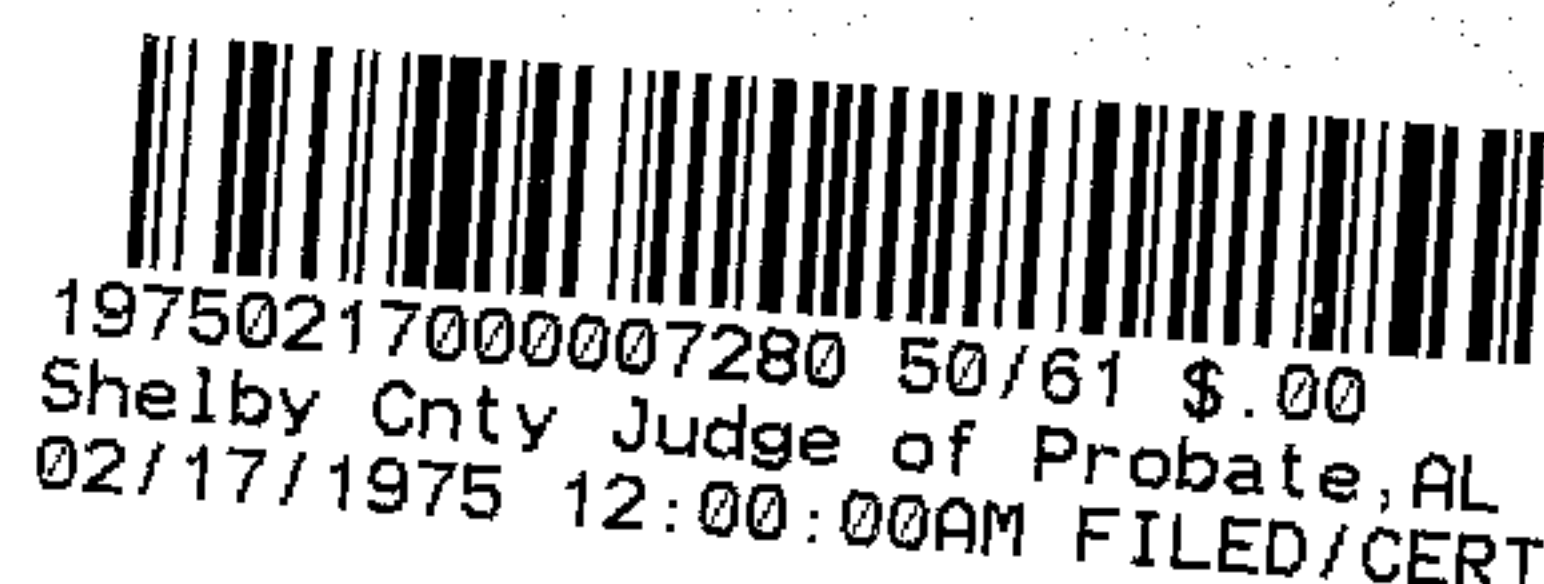
The foregoing provisions of this section are subject to the following limitations: If by reason of force majeure, the Lessee is unable in whole or in part to carry out its obligations hereunder, other than the obligations on the part of the Lessee under Article 5 and Sections 6.3 and 6.4 hereof, the Lessee shall not be deemed in

default during the continuance of such inability. The term "force majeure" as used herein shall mean, without limitation, the following: acts of God, strikes, lockouts or other industrial disturbances, acts of public enemies; orders of any kind of the government of the United States or of the State or any of their departments, agencies, or officials, or any civil or military authority; insurrections, riots; epidemics; landslides; lightning; earthquake; fire; hurricanes; tornadoes; storms, floods, washouts; droughts; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Lessee. The Lessee agrees, however, to remedy with all reasonable dispatch the cause, or causes preventing the Lessee from carrying out its obligations; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Lessee, and the Lessee shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is, in the judgment of the Lessee, unfavorable to the Lessee.

Section 10.2 Remedies on Default. Whenever any event of default referred to in Section 10.1 hereof shall have happened and be subsisting, the Lessor may take any one or more of the following remedial steps:

(a) The Lessor may declare all installments of rent payable under Section 5.3(a) hereof for the remainder of the Lease Term to be immediately due and payable, whereupon the same shall become immediately due and payable.

(b) The Lessor with the prior written consent of the Trustee, may reenter and take possession of the Project without terminating this agreement, and sublease the Project for the account of the Lessee, holding the Lessee liable for the difference in the rent and other amounts payable by such sublessee in such subleasing



and the rents and other amounts payable by the Lessee hereunder.

(c) The Lessor may terminate the Lease Term, exclude the Lessee from possession of the Project and use its best efforts to lease the Project to another party for the account of the Lessee, holding the Lessee liable for all rent and other payments due up to the effective date of such leasing and for the difference in the amounts payable by such new lessee and the amounts payable by the Lessee under this agreement.

(d) In the event any of the Bonds shall at the time be outstanding and unpaid, the Lessor may have access to and inspect, examine and make copies of the books and records and any and all accounts of the Lessee.

(e) The Lessor may take whatever action at law or in equity may appear necessary or desirable to collect the rent then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Lessee under this agreement.

Any amounts collected pursuant to action taken under this section shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture.

Section 10.3 No Remedy Exclusive. No remedy herein conferred upon or reserved to the Lessor 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 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 and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Lessor to exercise any remedy reserved to it in this article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. Such rights and remedies of the Lessor hereunder shall also extend to

the Trustee, and the Trustee and the holders of the Bonds, subject to the provisions of the Indenture, shall be entitled to the benefit of all covenants and agreements hereof.

Section 10.4 Agreement to Pay Attorneys' Fees and Expenses. In the event the Lessee should default under any of the provisions of this agreement and the Lessor or the Trustee (in its own name or in the name and on behalf of the Lessor) should employ attorneys or incur other expenses for the collection of rent or the enforcement of performance or observance of any obligation or agreement on the part of the Lessee the Lessee will, on demand therefor, pay to the Lessor or to the Trustee, as the case may be, the reasonable fee of such attorneys and such other expenses so incurred.

Section 10.5 No Additional Waiver Implied by One Waiver. In the event any agreement herein 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.

#### ARTICLE 11.

##### OPTIONS IN FAVOR OF LESSEE

Section 11.1 Options to Terminate. The Lessee shall have the following options to cancel or terminate the term of this agreement:

(a) At any time prior to full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture), the Lessee may terminate the term of this agreement by paying to the Trustee for the account of the Lessor an amount which, when added to the amount on deposit in the Bond Fund, will be sufficient to pay, retire and redeem all the outstanding Bonds in accordance with the provisions of the Indenture (including, without limiting the generality of the foregoing, principal, interest to maturity or earliest applicable redemption date, as the case may be, premium, if any, expenses of redemption and Trustee's and paying

agents' fees and expenses), and, in case of redemption, making arrangements satisfactory to the Trustee for the giving of the required notice of redemption.

(b) At any time after full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture), the Lessee may terminate the term of this agreement by giving the Lessor notice in writing of such termination and such termination shall forthwith become effective.

Section 11.2 Option to Purchase Project Prior to Payment of the Bonds. The Lessee shall have, and is hereby granted the option to purchase the Project prior to the full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture), if any of the following shall have occurred:

(a) The Project, or any part thereof, shall have been damaged or destroyed to such extent that in the opinion of the board of directors of the Lessee expressed in a resolution duly adopted (i) it cannot be reasonably restored, within a period of four months, to the condition thereof immediately preceding such damage or destruction, or (ii) the Lessee is thereby prevented from carrying on its normal operations at the Project for a period of four months or (iii) the cost of restoration thereof would exceed by more than \$25,000 the Net Proceeds of insurance carried thereon pursuant to the requirements of Section 6.4 hereof, plus the amounts for which the Lessee is self-insured with respect to deductible amounts permitted under Section 6.6 hereof.

(b) Title to, or the temporary use of the Project, or any part thereof, or the leasehold estate of the Lessee in the Project created by this agreement, or any part thereof, shall have been taken under the exercise of the power of eminent domain by any governmental authority or person, firm or corporation acting under governmental authority which results, or is likely to result in the Lessee thereby being prevented from carrying on its normal operations therein for a period of four months or more.

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(c) As result of any changes in the Constitution of the State or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body, whether state or federal, entered after the contest thereof by the Lessee in good faith, this agreement shall have become void or unenforceable or impossible of performance in accordance with the intent and purposes of the parties as expressed in this agreement, or unreasonable burdens or excessive liabilities shall have been imposed on the Lessor or the Lessee including without limitation federal, state or other ad valorem, property, income or other taxes not being imposed on the date of this agreement.

(d) The Project or a material portion thereof is adjudged by a court of competent jurisdiction to be a public nuisance and operation of the Project or a material portion thereof is permanently enjoined, and such decision has become final or, if appealed, affirmed upon such appeal and the decision upon such appeal has become final.

To exercise such option, the Lessee shall, within thirty days following the event authorizing the exercise of such option, give written notice to the Lessor and to the Trustee, and shall specify therein the date of closing such purchase, which date shall be not less than forty-five nor more than ninety days from the date such notice is mailed, and in case of a redemption of the Bonds in accordance with the provisions of the Indenture, shall make arrangements satisfactory to the Trustee for the giving of the required notice of redemption for the redemption of the Bonds on the earliest practicable date either on or following the closing such of purchase. The purchase price payable by the Lessee in the event of its exercise of the option granted in this Section shall be the sum of the following:

(1) an amount of money which, when added to the amount then on deposit in the Bond Fund, will be sufficient to pay the principal of the then outstanding Bonds plus accrued interest thereon to the redemption date; plus

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(2) an amount of money equal to the Trustee's and paying agents' fees and expenses under the Indenture accrued, and to accrue until such final payment and redemption of the Bonds; plus,

(3) the sum of one hundred dollars for the Leased Land, Building and the Leased Equipment.

In the event of the exercise of the option granted in this section, any Net Proceeds of insurance or condemnation shall be paid to the Lessee.

Section 11.3 Option to Purchase Project After Payment of the Bonds. The Lessee shall have, and is hereby granted the option to purchase the Project at any time during the Lease Term following full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) for a purchase price of one hundred dollars. To exercise the option granted in this Section; the Lessee shall notify the Lessor of its intention so to exercise such option not less than forty-five, nor more than ninety days prior to the proposed date of purchase and shall, on the date of purchase, pay such purchase price to the Lessor.

Section 11.4 Option to Purchase Unimproved Land. The Lessee shall have, and is hereby granted, the option to purchase any Unimproved part of the Leased Land at any time, and from time to time, at and for a purchase price equal to the prorata cost thereof to the Lessor, provided that it furnishes the Lessor with the following:

(a) A notice in writing setting forth (i) an adequate legal description of that portion of the Leased Land with respect to which such option is to be exercised, and (ii) a statement that the Lessee intends to exercise its option to purchase such portion of the Leased Land on a date stated, which shall not be less than forty-five, nor more than ninety days from the date of such notice, and (iii) a statement that the use to which such portion of the Leased Land will be devoted will be in furtherance of the purpose for which the Lessor was organized.

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(b) A certificate of an Independent Engineer acceptable to the Trustee, dated not more than ninety days prior to the date of the purchase, stating that, in the opinion of the person signing such certificate, (i) the portion of the Leased Land with respect to which the option is exercised is not needed for the operation of the Project for the purposes hereinabove stated, and (ii) the purchase will not impair the usefulness of the Building and will not destroy the means of ingress thereto and egress therefrom.

(c) An amount of money equal to the purchase price computed as provided in this section.

Upon receipt of the notice, certificate and money required in this section to be furnished to it by the Lessee, the Lessor will promptly deliver the same to the Trustee, will cause the Trustee to deposit said money in the Construction Fund, if prior to the Completion Date, and, if thereafter, in the Bond Fund, and will secure from the Trustee a release from the security interest afforded by the terms of the Indenture of such portion of the Leased Land with respect to which the Lessee shall have exercised the option granted to it in this section. In the event the Lessee shall exercise the option granted to it under this section, the Lessee shall not be entitled to any abatement or diminution of the amounts payable under Section 5.3 hereof.

If the Lessee purchases any Unimproved part of the Leased Land pursuant to the provisions of this Section, or otherwise acquires or leases other real property adjacent to the Leased Land, all walls presently standing or hereafter erected on or contiguous to the boundary line of the land so purchased, acquired or leased by the Lessee shall be party walls and each party grants the other a ten foot easement adjacent to any such party wall for the purpose of inspection, maintenance, repair and replacement thereof and the connecting of new construction. If the Lessee utilizes any party wall for the purpose of connecting new construction that will be utilized under common control

with the Project, Lessee may also connect the utility facilities on the Leased Land for the purpose of serving the new construction and may remove any non-loadbearing wall panels in the party wall; provided, however, that if the property so purchased, acquired or leased by Lessee ceases to be operated under common control with the Project, Lessee covenants that it will install non-loadbearing wall panels similar in quality to those that have been removed and will provide separate utility services for the new construction.

Lessee may at its own expense connect utility and other similar facilities serving the Project to utility and other similar facilities serving real property adjacent to or near the Leased Land, or partly on such adjacent real property and partly on the Leased Land, but only if the Lessee furnishes the Lessor and the Trustee a certificate by an Independent Engineer who is acceptable to the Trustee, certifying that such connection of utility or other similar facilities will not unreasonably interfere with the use of the Project.

Section 11.5 Conveyance on Exercise of Option to Purchase.

At the closing of the purchase pursuant to the exercise of any option to purchase granted herein, the Lessor will, upon receipt of the purchase price, deliver to the Lessee documents conveying to the Lessee good and marketable title to 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 Lessor; (ii) those liens and encumbrances created by the Lessee, or to the creation or suffering of which the Lessee consented; (iii) those liens and encumbrances resulting from the failure of the Lessee to perform or observe any of its obligations in this agreement; (iv) Permitted Encumbrances other than the Indenture and this agreement; and (v) if the option is exercised pursuant to the provisions of Section 11.2(b) hereof, the rights and title of the condemning authority.

Section 11.6 Effect of Exercise of Options. Upon the exercise of any option provided in this Article 11, the matured or accrued

obligations of the Lessee to the Lessor hereunder not theretofore performed, shall survive.

Section 11.7 Option to Renew. The Lessee shall have, and is hereby granted, an option to renew this Lease Agreement for an additional term expiring on January 31, 1995, by giving at least two months prior written notice of renewal to Lessor, at a rental of \$1,000 per year, to be paid directly to the Lessor on February 1st of each year during the renewed lease term.

## ARTICLE 12.

### MISCELLANEOUS.

Section 12.1 Surrender of Project. Except as otherwise expressly provided in this agreement, at the expiration or sooner termination of the term of this agreement, the Lessee will surrender possession of the Project peaceably and promptly to the Lessor in as good condition as at the commencement of the Lease Term, excepting only loss by fire or other casualty covered by insurance, and ordinary wear, tear and obsolescence.

Section 12.2 Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by certified or registered mail, postage prepaid, addressed as follows: if to the Lessor, at P. O. Box 277, Pelham, Alabama 35124; if to the Lessee, at P. O. Box 10846, Birmingham, Alabama 35201, and if to the Trustee at 317 N. 20th Street, Birmingham, Alabama 35213, ATTN: Trust Department. A duplicate copy of each notice, certificate or other communication given hereunder by either the Lessor or the Lessee to the other, shall also be given to the Trustee. The Lessor, the Lessee and the Trustee may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communication shall be sent.

Section 12.3 Binding Effect. This agreement shall inure to the benefit of and shall be binding upon the Lessor, the Lessee and their respective successors and assigns, subject, however, to the limitations set forth in Sections 8.3, 9.1, 9.2 and 9.3 hereof.

Section 12.4 Severability. In the event any provision of this agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 12.5 Amounts Remaining in Bond Fund. Any amounts remaining in the Bond Fund upon expiration or sooner termination of the term of this agreement, as provided in this agreement, after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and of the fees and expenses of the Trustee and paying agents in accordance with the Indenture, shall belong to and be paid to the Lessee by the Trustee.

Section 12.6 Amendments, Changes and Modifications. Subsequent to the issuance of the Bonds, and prior to their payment in full (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), this agreement may not be amended, changed, modified, altered or terminated without the concurring written consent of the Trustee.

Section 12.7 Execution of Counterparts. This agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 12.8 Net Lease. This agreement shall be deemed and constructed to be a "net lease", and the Lessee shall pay absolutely net during the Construction Period and the Lease Term the rent and all other payments required hereunder, free of any deductions, without abatement, deduction or set-off other than those herein expressly provided.

Section 12.9 Recording. This Lease Agreement and every assignment and modification hereof or an appropriate and sufficient memorandum thereof shall be recorded in the Office of the Judge of Probate of the County of Shelby, Alabama. This Lease Agreement as

originally executed or an appropriate and sufficient memorandum thereof shall be so recorded prior to the recordation of the Indenture or of any other mortgage or deed of trust or trust indenture with respect to the Project.

Section 12.10 Applicable Law. This agreement shall be governed by and construed in accordance with the laws of the State of Alabama.

IN WITNESS WHEREOF, the Lessor and Lessee have caused this agreement to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their respective duly authorized officers, all as of the date first above written.

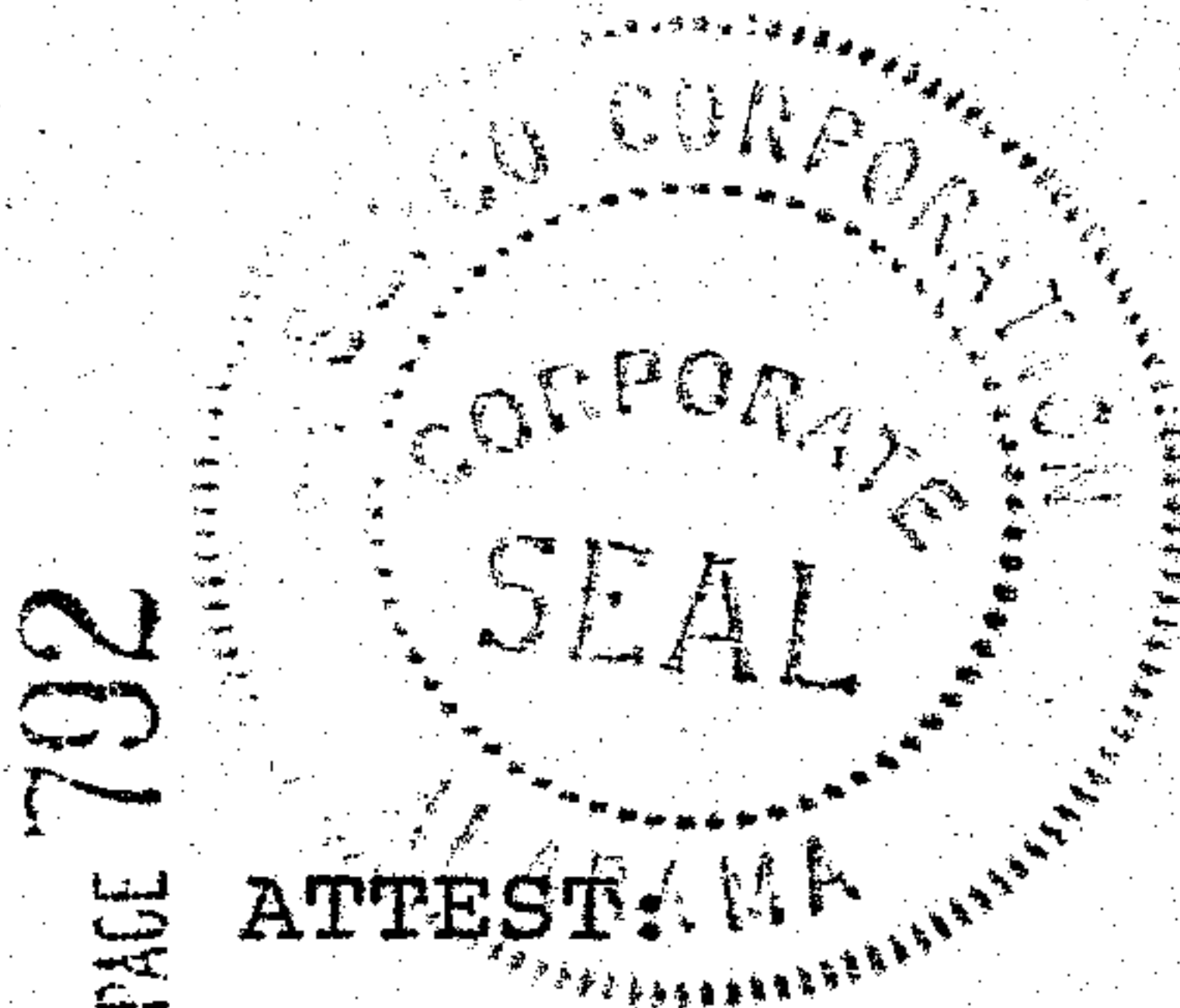


Secretary

THE INDUSTRIAL DEVELOPMENT BOARD  
OF THE TOWN OF PELHAM

By

*Ralph S. Samuel*  
Chairman of its Board of  
Directors



ATTEST: ALA

SEPCO CORPORATION

By

*W. W. Sibbald Jr.*  
Its PRESIDENT

*R. Larry Culver*



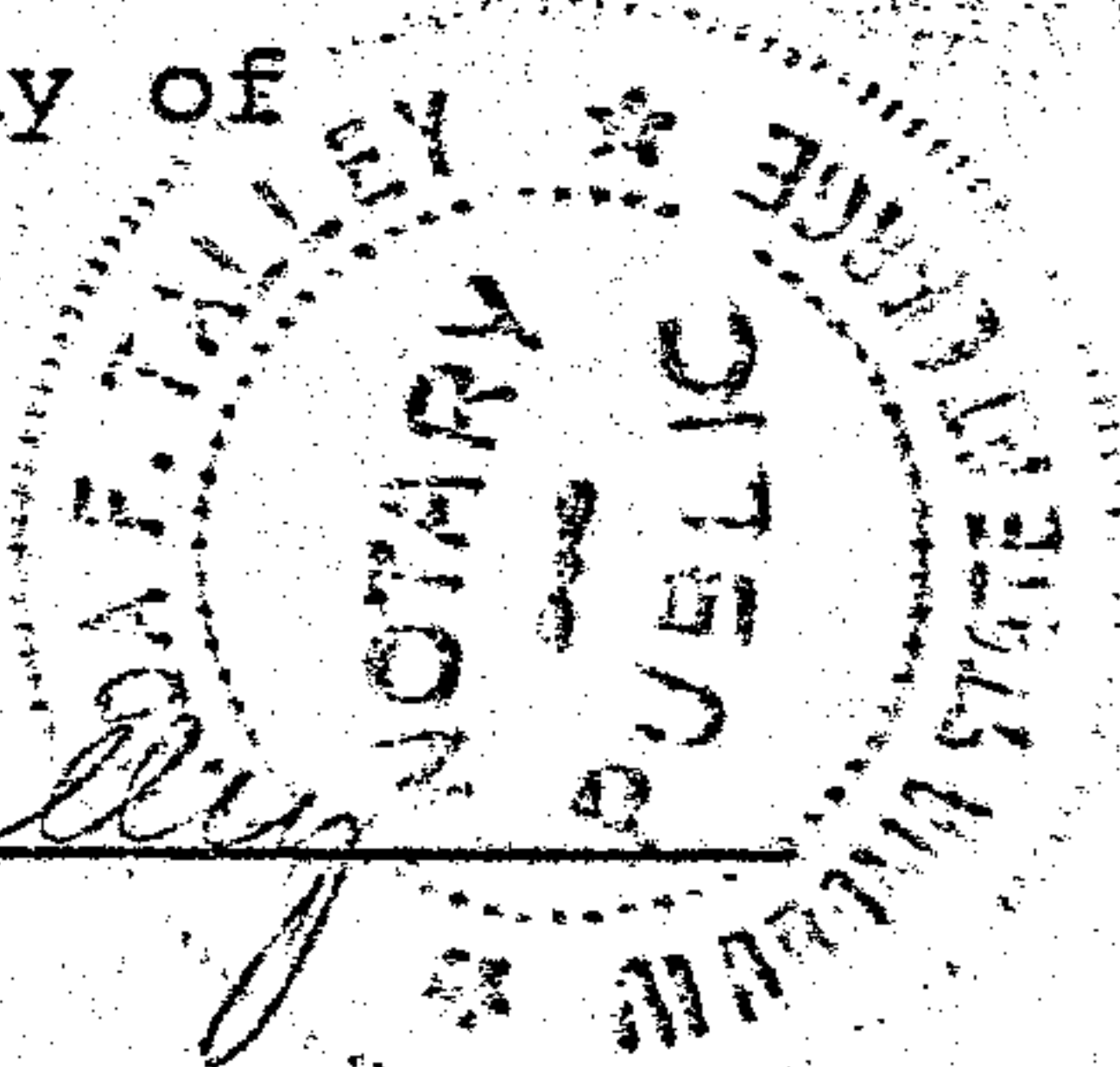
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Shelby Cnty Judge of Probate, AL  
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STATE OF ALABAMA )  
JEFFERSON COUNTY )

I, the undersigned, a Notary Public in and for said County in said State, do hereby certify that Ralph E. Sowell, whose name as Chairman of the Board of Directors of The Industrial Development Board of the Town of Pelham is signed to the foregoing Lease Agreement, and who is known to me and known to be such officer, acknowledged before me on this day that, being informed of the contents of said Lease Agreement, he, in his capacity as such officer and with full authority, executed the same voluntarily for and as the act of said Board.

GIVEN under my hand and seal of office this 17th day of February, 1975.

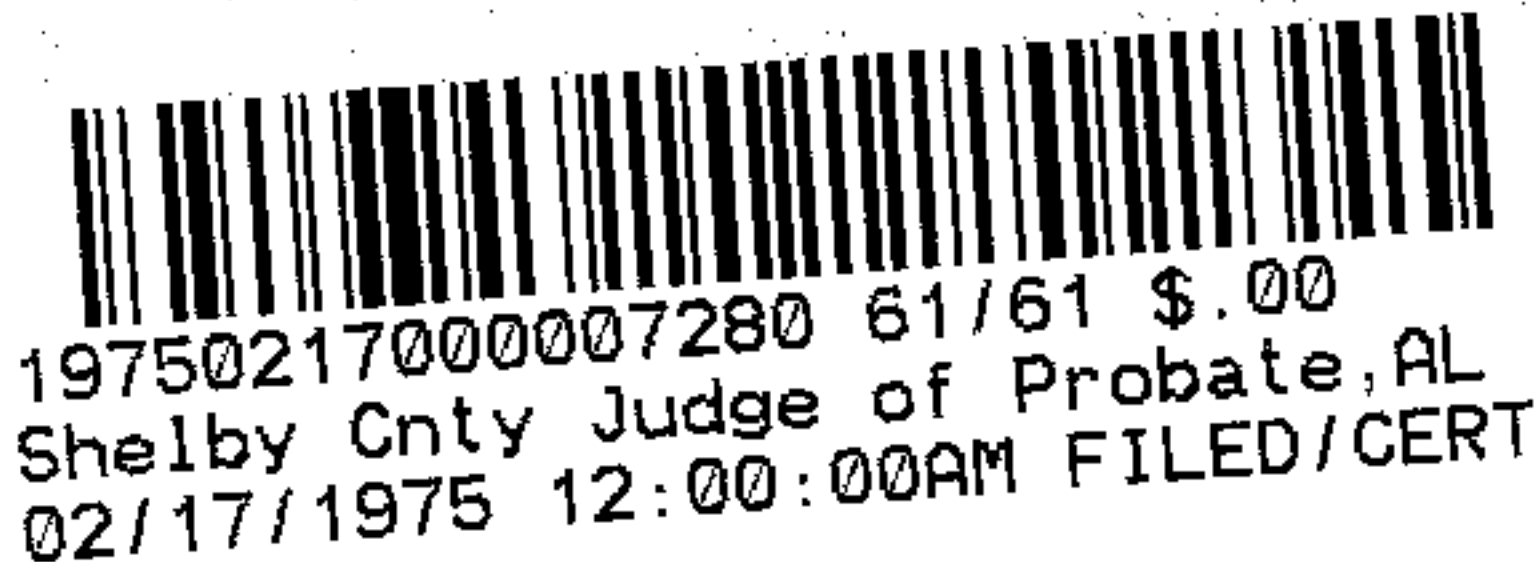
Kanda D. Dalling  
Notary Pulic



NOTARIAL SEAL

My commission expires: 3-11-78

STATE OF ALA. SHELBY CO.  
I CERTIFY THIS  
INSTRUMENT WAS FILED  
1975 FEB 17 PM 1:59  
U.C.C. FILE NUMBER OR  
REC. BK. & PAGE AS SHOWN ABOVE  
Cora M. Jordan  
JUDGE OF PROBATE



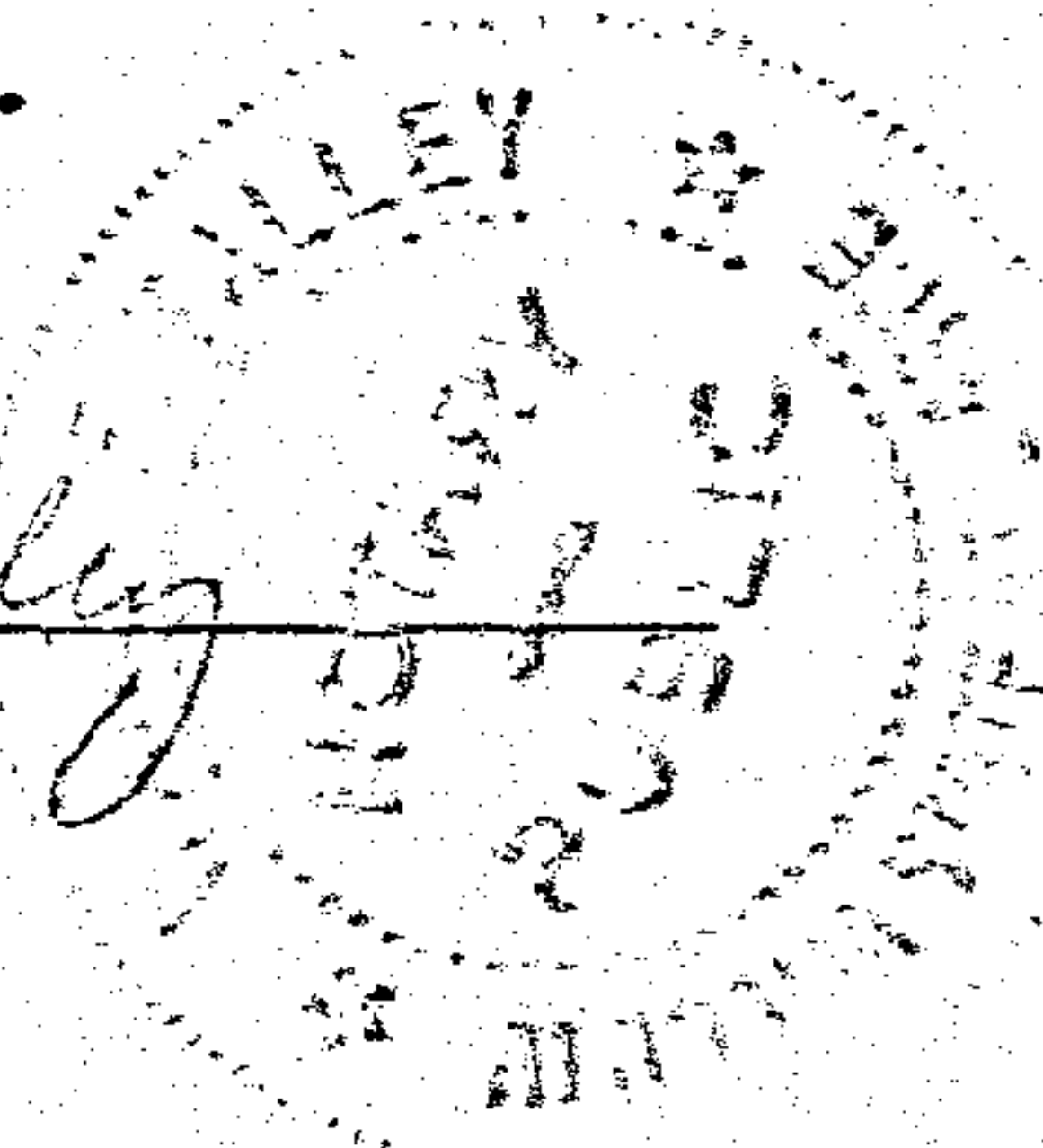
STATE OF ALABAMA )  
JEFFERSON COUNTY )

BOOK 290 PAGE 667

I, the undersigned, a Notary Public in and for said County in said State, hereby certify that Vernon H. Gibson, Jr., whose name as President of SEPCO Corporation is signed to the foregoing conveyance, and who is known to me, acknowledged before me on this day that, being informed of the contents of such instrument, he executed the same voluntarily on the day the same bears date.

Given under my hand, this 17th day of February, 1975.

Kanda D. Dalling  
Notary Public



NOTARIAL SEAL

My commission expires: 3-11-78