1137

THE INDUSTRIAL DEVELOPMENT BOARD

OF THE TOWN OF ALABASTER

AND

VALLEY STEEL PRODUCTS COMPANY

LEASE AGREEMENT

BOOK 352 PAGE 248

DATED AS OF DECEMBER 1, 1983

(VALLEY STEEL PRODUCTS COMPANY PROJECT)

SERIES 1983

NOTE: THIS LEASE HAS BEEN ASSIGNED TO FIRST ALABAMA BANK OF BIRMINGHAM, BIRMINGHAM, ALABAMA, AS TRUSTEE UNDER A MORTGAGE AND INDENTURE OF TRUST, DATED AS OF DECEMBER 1, 1983, BETWEEN THE INDUSTRIAL DEVELOPMENT BOARD OF THE TOWN OF ALABASTER AND SUCH TRUSTEE, AS AMENDED OR SUPPLEMENTED FROM TIME TO TIME.

This Instrument was Prepared by:

Samuel E. Upchurch, Jr.
Lange, Simpson, Robinson & Somerville
1700 First Alabama Bank Building
Birmingham, Alabama 35203

TABLE OF CONTENTS

BOOK 352 PAGE 250

ARTICLE V

EFFECTIVE DATE AND DURATION OF THIS LEASE AGREEMENT, RENTAL PROVISIONS

ARTICLE VI

MAINTENANCE, TAXES AND INSURANCE

ARTICLE VII

DAMAGE, DESTRUCTION AND CONDEMNATION

ARTICLE VIII

SPECIAL COVENANTS

ARTICLE IX

ASSIGNMENT, SUBLEASING, MORTGAGING
AND SELLING; REDEMPTION OF BONDS

ARTICLE X

EVENTS OF DEFAULT AND REMEDIES

ARTICLE XI

OPTIONS IN FAVOR OF LESSEE

ARTICLE XII

MISCELLANEOUS

LEASE AGREEMENT, dated as of December 1, 1983, between THE INDUSTRIAL DEVELOPMENT BOARD OF THE TOWN OF ALABASTER (the "Lessor"), a public corporation duly organized and existing under the constitution and laws of the state of Alabama, and VALLEY STEEL PRODUCTS COMPANY (the "Lessee"), a corporation, organized and existing under the laws of the State of Missouri.

W I T N E S S E T H :

WHEREAS, the Lessor was organized pursuant to the provisions of 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 54, Article 4, Code of Alabama, 1975 and hereinafter sometimes referred to as the "Act"); and,

WHEREAS, under the Act the Lessor has the following, among other powers:

BOOK 352 PAGE 255

(a) 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 (the "State"), by inducing manufacturing, industrial, commercial and research enterprises to establish new projects within the State;

(b) to enlarge and expand existing projects located in the State and to lease the same as a project; and,

WHEREAS, the Lessor 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 Lessor 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 Lessor has made the necessary arrangements with the Lessee for acquiring real property and equipping thereon a facility for the processing, threading, warehousing and distribution of steel piping (the said real property, equipment and improvements being hereinafter referred to as the "Project"), which will be of the character and accomplish the purposes provided by the Act; and

WHEREAS, the Lessor proposes to undertake the Project as an authorized project under said Act and to finance the cost therefor by the issuance of its bonds under the Indenture, (as hereinafter defined); and, WHEREAS, all Bonds issued under said Indenture will be secured by a first mortgage on the Project, by a pledge of this Lease Agreement, and by a pledge of the revenues and receipts derived by the Lessor from the leasing or sale of said Project, provided that said Bonds never shall constitute the debt or indebtedness of the Town of Alabaster, Alabama (the "Town"), 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 Lessor, its members or the Town or a charge against its or their general credit or the taxing powers of the Town; and,

WHEREAS, the Bonds will be further secured by the unconditional guaranty of payment of principal of and interest on the Bonds by Valley Industries, Inc., the parent company of the Lessee; and

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

BOOK 352 PAGE 256

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 I

DEFINITIONS

Section 1.1 Definitions. In addition to the words and terms elsewhere defined in this Lease Agreement, the following words and terms, as used in this Lease Agreement, shall have the following meanings unless the context or use indicates another or different meaning or intent:

"Act" means Act No. 648 enacted at the 1949 Regular Session of the Legislature of Alabama, as heretofore amended, said Act being codified as Chapter 54, Article 4, Code of Alabama 1975.

"Additional Bonds" means the additional parity bonds authorized to be issued pursuant to Section 206 of the Indenture.

"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 signed on behalf of the Lessee. Such certificate may designate an alternate or alternates.

"Authorized Lessor Representative" means the person or persons at the time designated to act in behalf of the Lessor by written certificate furnished to the Lessee and the Trustee and signed on behalf of the Lessor by its Chairman, Vice Chairman, or Secretary.

"Base Rate" means that rate established from time to time and announced by First Alabama Bank of Birmingham as its "base rate", such rate being an interest rate used as an index for establishing interest rates on loans.

"Bonds" shall have the same meaning as described in the form if Bonds set forth in 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 hereof to be constructed on the Leased Land, as they may at any time exist.

"Code" means the Internal Revenue Code of 1954, as amended and at the time in force and effect.

"Completion Date" means the date of completion of the acquisition, improvement, equipping and improvement of the Project as that date shall be certified as provided in Section 4.5 hereof.

"Construction Fund" means the fund created in Section 601 of the Indenture.

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

"Cost of Construction" with respect to the Project shall be deemed to include the following:

(a) obligations of the Lessor or the Lessee incurred for labor and materials (including reimbursements payable to the Lessor or the Lessee and payments on contracts in the name of the Lessor or the Lessee) in connection with the acquisition, improvement and equipping of the Project;

(b) the cost of contract bonds and of insurance of all kinds that may be required or necessary during the course of construction of the Project;

(c) all costs of engineering services, including the costs of the Lessor or the Lessee, for test borings, surveys, estimates, plans and specifications and preliminary investigation therefor, and for supervising construction, as well as the performance of all other duties required by or consequent upon the proper construction of the Project;

(d) all expenses incurred in connection with the issuance of the Bonds, including, without limitation, compensation and expenses of the Trustee, legal expenses and fees and recording and filing fees;

(e) all other costs and allowances which the Lessor or the Lessee may properly pay, accrue, or incur with respect to the acquisition, construction, installation and equipping of the Project; and

(f) any sums required to reimburse the Lessor or the Lessee for advances made by either of them for any of the above items, or for any other costs incurred, and for work done by either of them which are properly chargeable to the Project.

"County" means Shelby County, Alabama.

"Determination of Taxability" means a final determination that interest on the Bonds is subject to federal income taxation for any reason other than the circumstances described in section 103(b)(13) of the Code. Such a determination shall be deemed to have been made upon the occurrence of either of the following:

(a) the date on which the Lessee or the Trustee shall be advised by private ruling, technical advice or other written communication from an authorized official of the Internal Revenue Service that interest on the Bonds is subject to federal income taxation; or

(b) the date on which the Lessee shall receive from the Trustee notice in writing that the Trustee has been advised by an authorized official of the Internal Revenue Service that interest on the Bonds is subject to federal income taxation;

provided, that no such determination shall be deemed final unless and until the Lessee has been afforded reasonable opportunity, at the Lessee's sole expense, to contest such determination through its own action (if permitted by law) or by or on behalf of the Trustee, and such contest, if made, has been abandoned by the Lessee or a final order with respect to such contest has been entered by a court of competent jurisdiction from which no further appeal exists.

"Event of Taxability" means the occurrence of any event or the existence of any circumstances (including, without limitation, the fact that any representation or warranty of the Lessee set forth in this Lease Agreement is untrue or the breach by the Lessee of any covenants of the Lessee herein set forth) which has the effect of causing the interest payable on the Bonds to become includable in the gross income of the holders thereof for federal income taxation purposes (other than a holder who is a Substantial User of the Project or a Related Person). The date of an Event of Taxability shall be the effective date as of which such interest became subject to taxation.

BOOK 352 PAGE 259

"Government Obligations" means obligations of the United States of America for the payment of which the full faith and credit of the United States of America is pledged, or which are fully and unconditionally guaranteed as full faith and credit obligations by the United States of America.

"Guaranty" means that certain guaranty agreement dated as of December 1, 1983 by Valley Industries, Inc., a New Jersey corporation which owns all of the issued and outstanding capital stock of the Lessee, as guarantor, and the Trustee for the benefit of the registered owners of the Bonds.

"Indenture" means the Mortgage and Indenture of Trust dated as of December 1, 1983, between the Lessor and First Alabama Bank of Birmingham, Birmingham, Alabama, as Trustee, pursuant to which the Bonds are authorized to be issued, the Project mortgaged, the interest of the Lessor in this Lease Agreement, and the revenues and receipts of the Lessor in respect of the Project, as in this Lease Agreement provided, are to be pledged and assigned as security for the payment of principal of and interest on the Bonds, and 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 architect or engineering or architectural firm registered and qualified to practice the profession of engineering or architecture under the laws of Alabama and not in the full time employment of either the Lessor or the Lessee.

"Lease Agreement" or "Lease" means this Lease Agreement entered into by and between the Lessor and Lessee as of December 1, 1983, and including any amendments or supplements thereto.

"Lease Term" means the duration of the leasehold estate created in this Lease Agreement as specified in Section 5.1 hereof.

"Leased Equipment" means (i) those items of machinery, equipment 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 machinery, equipment 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, 6.7(a), 7.1 and 7.2 hereof, (iii) any machinery, equipment or other tangible personal property acquired by the Lessor pursuant to the provisions of Section 8.5 hereof. "Leased Equipment" shall not include such machinery, equipment and tangible personal property as may be purchased by the Lessee from its own funds, or released from this Lease Agreement pursuant to the provisions of Section 6.7 hereof, or taken by the exercise of the power of eminent domain as provided in Section 7.2 hereof.

"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 real estate, interests in real estate and other rights as may be released from this Lease Agreement pursuant to Sections 8.4, 8.7 and 11.3 hereof or taken by the exercise of the power of eminent domain as provided in Section 7.2 hereof.

"Lessee" means Valley Steel Products Company, a Missouri corporation, its successors and assigns as herein permitted.

"Lessor" means (i) The Industrial Development Board of the Town of Alabaster, 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.

"Local Facilities" means facilities of which the Lessee or a Related Person thereto is or will be the Principal User and which are located within twenty-five miles from the corporate limits of the Town.

"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 attorney's 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) mechanics' and other liens and liens for ad valorem taxes permitted to exist as provided in Sections 6.1 and 6.2 hereof, or not then delinquent, (ii) this Lease 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 mechanics', laborers', materialmen's, suppliers' or vendors' lien or right or purchase money security interest in respect thereof if payment is not yet due and payable under the contract in question, (v) those exceptions under Schedule B Section 2 of the interim title insurance binder issued with respect to the Leased Land in connection with this transaction by a title insurance company acceptable to the Trustee, and (vi) 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 materially impair the Project for the purpose for which it was acquired or is held by the Lessor.

"Plans and Specifications" means the plans and specifications on file with the Trustee, prepared by or on behalf of the Lessee, for the Project, as the same may be revised from time to time by Lessee in accordance with the last paragraph of Section 4.1 hereof.

"Principal User" means a "principal user" as that term is used in Section 103(b)(6) of the Code and the applicable regulations promulgated thereunder.

"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.

"Related Person" means a "related person" as that term is defined in Section 103(b) of the Code.

"State" means the State of Alabama.

"Substantial User" means a "substantial user" as that term is used in Section 103(b) of the Code and the applicable regulations promulgated thereunder.

"Town" means the Town of Alabaster, Alabama, a municipal corporation organized and existing under the laws of the State of Alabama.

"Trustee" means the First Alabama Bank of Birmingham, Birmingham, Alabama, 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 II

REPRESENTATIONS AND WARRANTIES

Section 2.1 Representations and Warranties by the Lessor. The Lessor represents and warrants that:

(a) The Lessor is a public corporation and an instrumentality of the State, duly organized and validly existing under the Act. Under the provisions of the Act, the Lessor has the power to enter into the transactions contemplated by this Lease Agreement and to carry out its obligations hereunder. 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 Lease Agreement. Subject to Section 9.3 hereof, the Lessor agrees that it will do or cause to be done all things necessary to preserve and keep in full force and effect its existence.

(b) By resolution duly adopted on December 1, 1983, the Lessor took affirmative action providing for the financing of the Project through the issuance of the Bonds. Based upon the Lessee's representations, the Lessor has found and does hereby declare that the issuance of the Bonds and the use of the proceeds derived from the sale of the Bonds to pay the costs of acquiring, constructing, equipping and improving the Project will result in the promotion of the public good and general welfare, trade, commerce, industry and employment opportunities and the promotion of the general welfare of the Town and State, and the Lessor, in issuing the Bonds, will be acting in furtherance of the public purposes for which it was created.

(c) The Lessor proposes to provide funds for the acquisition, installation and equipping of the Project, as may be necessary, and has agreed to lease the Project to the Lessee, all as hereinafter provided.

(d) The Lessor has determined that the issuance of the Bonds as described in the Indenture, the acquisition, installation and equipping of the Project and the leasing of the same to Lessee is a lawful and valid public purpose in that it will promote industry, develop trade and further the use of agricultural products and natural and human resources of the Town and the State, all as provided in the Act.

(e) The Project will constitute a "project" within the meaning of the Act.

(f) 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.

(g) Prior to, or simultaneously with the delivery of this Lease Agreement, the Leased Land has been conveyed to the Lessor with such improvements as may exist thereon; the Lessor 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 the 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 Town by inducing the Lessee to locate and operate the Project within twenty-five miles of the corporate limits of the Town, and to further the use of the agricultural products and natural resources of the State.

(h) The Indenture will be delivered by the parties thereto and the Bonds will be issued and delivered by the Lessor contemporaneously with the delivery of this Lease Agreement.

(i) 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 Lease Agreement is assigned and the revenues and receipts derived by the Lessor from the leasing or sale of the Project, are pledged to the Trustee as security for the payment of the principal of and interest on the Bonds.

(j) The Project is located wholly within the corporate limits of the Town or within twenty-five miles therefrom and not within the corporate limits or police jurisdiction of any other city or town in the State.

(k) Neither the nature of the Lessor nor any of its activities or properties, nor any relationship between the Lessor and any other person, nor any circumstance in connection with the issuance of the Bonds is such as to require the consent, approval or authorization of, or the filing, registration or qualification with, any governmental authority on the part of the Lessor in connection with the execution, delivery, and performance of this lease and the Indenture or the issuance of the Bonds, other than (i) the filing of the information required by Section 103(l)(2) of the Code (Internal Revenue Service form 8038), and (ii) the filing of the notification required by the provisions of Sections 8-6-110 et seq., of the Code of Alabama, 1975.

(l) Neither the execution and delivery of the Bonds, this Lease, and the Indenture, nor the consummation of the transactions contemplated hereby and thereby, nor the fulfillment of or compliance with the terms and conditions of the Bonds, the Indenture and this Lease, will constitute or result in a violation or breach of or default under, or result in the creation of a lien or encumbrance (other than a Permitted encumbrance) upon any property of the Lessor under, the provisions of any charter instrument, by-law, indenture, mortgage, deed to secure debt, security agreement, promissory note, lease or other agreement or instrument to which the Lessor is a party or by which the Issuer is bound or any license, judgment, decree, law, statute, order, rule or regulation of any court or governmental authority having jurisdiction over the Lessor or its activities or properties.

(m) The Lessor has issued no "obligations" (as that term is used in Section 103(b)(6) of the Code), the proceeds of which have been or will be used with respect to Local Facilities.

(n) Pursuant to Section 103(k)(2) of the Code, a public hearing on issuance of the Bonds was held by the Lessor on behalf of the Town on December 28, 1983. Notice of the public hearing was published in the Birmingham Post Herald on December, 1983. The Mayor of the Town approved issuance of the Bonds on December 28, 1983.

(o) Prior to or concurrently with issuance of the Bonds, the Issuer will complete and file Internal Revenue Service Form 8038 as required by Section 103(l)(2) of the Code.

(p) The Board of Directors of the Board has duly authorized the execution and delivery by the Lessor of this Lease, the Bonds, the Indenture and all other instruments and documents previously or contemporaneously executed and delivered by the Lessor in connection with the Bonds.

Section 2.2 Representations and Warranties by Lessee. The Lessee represents and warrants that:

(a) The Lessee is a corporation, duly organized and validly existing under the laws of the State of Missouri, is qualified to do business and is in good standing in the State and has all requisite power to enter into this Lease Agreement and to consummate the transactions contemplated hereby.

(b) The Lessee has, by all necessary action, duly authorized the execution, delivery and performance of this Lease Agreement, and when duly executed and delivered by the Lessor, this Lease Agreement will constitute a legal, valid and binding obligation of the Lessee.

(c) Neither the execution and delivery of this Lease Agreement, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Lease Agreement will conflict with, be in violation of, or constitute a breach of, or default under, any indenture, mortgage, deed of trust, or other contract, agreement or instrument to which the Lessee is a party, or by which it is bound, or constitute a default under any of the foregoing, (or if such execution and delivery would constitute a breach or default, proper waivers have been obtained) 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.

(d) No unconditional commitment to acquire or purchase any portion of the Project which will be financed by Bond proceeds was made by the Lessee or any related person or persons (as defined in Section 103(b) of the Code and the Regulations thereunder) prior to December 1, 1983.

(e) Ninety percent (90%) or more of the proceeds of the sale of the Bonds will be used to pay those items of Costs of Construction, or portions thereof, which constitute costs of acquisition, construction, reconstruction or improvement of land or property of a character subject to the allowance for depreciation within the meaning of Section 103(b)(6)(A) of the Code. None of the proceeds of the sale of the Bonds will be used, directly or indirectly, as working capital (as the term "working capital" is used in Section 1.103-10(b)(1)(ii) of the Code) or to finance inventory.

(f) The Lessee intends to operate the Project primarily as an industrial facility for threading, warehousing, distributing and processing of steel piping from the Completion Date to the expiration or sooner termination of the Lease Term as provided herein.

(g) Other than the Bonds, there have been no bonds or other obligations (as the term "obligations" is used in Section 103(b)(6)(B) of the Code) issued or authorized to be issued by the Lessor, the State, the Town or any political subdivision of any of the foregoing or by any public corporation, authority, agency or instrumentality of any of the foregoing, any part of the proceeds of which were, are or will be used with respect to facilities located or to be located in the Town or the County, the Principal User of which facilities was, is or will be, the Lessee or any Related Person or Persons.

(h) There are no other obligations heretofore issued or to be issued by or on behalf of any state, territory or political subdivision of any of the foregoing which constitute "industrial development bonds" within the meaning of Section 103(b) of the Code and which (i) were or are to be sold at substantially the same time as the Bonds, (ii) were or are to be sold at substantially the same interest rate as the interest rate on the Bonds, (iii) were or are sold pursuant to a common plan of marketing with the marketing plan of the Bonds and (iv) are payable directly or indirectly by the Lessee or from the source from which the Bonds are payable.

(i) No portion of the proceeds of the Bonds will be used to provide, and the Project does not include in whole or in part and will not be used in whole or in part as, a private or commercial golf course, country club, massage parlor, tennis club, skating facility (including roller skating, skateboard, and ice skating), racquet sports facility (including handball or racquetball court), hot tub facility, suntan facility, or racetrack. No portion of the proceeds of the Bonds will be used to provide a facility the primary purpose of which is, and no portion of the Project is for the purpose of or will be used for providing, retail food and beverage services, automobile sales or service, or recreation or entertainment.

(j) The Lessee (i) will not permit the use of proceeds of the Bonds, or take or omit to take any other action, or permit any action to be taken, which will cause the interest on the Bonds to be or become subject to federal income taxes under the Code, provided that the Lessee shall not have violated this representation if the interest on the Bonds becomes taxable to a person who is a Substantial User of the Project or a Related Person, and (ii) will file or cause to be filed with the Internal Revenue Service or any other authorized governmental authority any and all statements or other instruments, if any, required under Section 103 of the Code, including the regulations thereunder, so that the interest on the Bonds will continue to be excludable from the gross income of the holders of the Bonds for federal income tax purposes.

(k) None of the proceeds of the Bonds will be used to acquire property which would cause the average maturity of the Bonds to exceed 120% of the reasonably expected economic life of the Project within the meaning of Section 103(b)(14) of the Code.

(l) Neither the Lessee nor the Lessor nor any agent acting on behalf of either of them has offered the Bonds for sale to, or solicited offers to buy any of the Bonds from, or otherwise approached or negotiated with respect to the Bonds with any prospective purchasers other than the initial purchasers of the Bonds. The Bonds will not be further ordered for issuance or sale to anyone, nor will any offers be solicited from anyone to acquire the Bonds so as to make the issuance or sale of the Bonds a transaction not exempted by Section 4(2) of the Securities Act of 1933, as amended, from the registration requirements of Section 5 of said Act.

(m) The Lessee does not have any plans and is not a party to any arrangement as of the date hereof which, if consummated, would result in a the Project being used by any Principal User other than the Lessee or a Related Person.

BOOK 352 PAGE 267

(n) The undertakings by the Lessor to acquire, construct and equip the Project and to lease the same to the Lessee pursuant to this Lease Agreement have induced the Lessee to commence operations in the State by locating the Project within the jurisdiction of the Board.

ARTICLE III

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 Leased Land, as more particularly described in Exhibit A hereto, together with the Building and the Leased Equipment as more particularly described in Exhibit B hereto, as they may at any time exist, and all other property which, under the terms hereof, are or subsequently become a part of the Project, subject only to Permitted Encumbrances, in accordance with the provisions of this Lease 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 Project, free from all encumbrances other than Permitted Encumbrances and other than the encumbrances set forth in the granting clauses of the Indenture, and the Lessor has or will promptly obtain title insurance in the form of a Trustee title policy in the face amount of $600,000 with respect to the Leased Land. The premiums from such insurance shall be paid by the Trustee from the Bond Proceeds as provided in Section 4.3 hereof. The Net Proceeds from such insurance shall be paid into the Bond Fund and applied in accordance with Section 7.2 hereof. To the extent such insurance is available to redeem Bonds pursuant hereto, no claim shall be made and no suit brought hereunder against the Lessee by the title insurance company or anyone else claiming on behalf of or by, through or under it.

Section 3.3 Quiet Enjoyment and Possession. The Lessor covenants and agrees that as long as the Lessee shall not be in default under this Lease Agreement, the Lessee may peaceably and quietly have, hold and enjoy the Project, and that the Lessor will, to the extent funds are made available to it for such purposes, defend the Lessee's enjoyment and possession thereof against all parties.

ARTICLE IV

COMMENCEMENT AND COMPLETION OF THE PROJECT, ISSUANCE OF THE BONDS

Section 4.1 Agreement to Acquire and Equip the Project. Subject to the provisions of Section 4.6 hereof the Lessor agrees that it will:

(a) Pay the costs incurred in connection with the issuance of the Bonds:

(b) Cause the Project to be acquired, installed, equipped and improved as herein provided, substantially in accordance with the Plans and Specifications;

(c) Make, execute and acknowledge and deliver, and accept the assignment of any contracts, orders, receipts, writing and instructions with any other persons, firms or corporations, and in general do all things which may be requisite or proper, all for acquiring, improving and equipping the Project in accordance with the Plans and Specifications; and,

(d) Ask, demand, sue for, levy, recover and receive such sums of money, debts, or other rights whatsoever to which it may be entitled under any contract, order, receipt, guaranty, warranty, writing or instruction in connection with any of the foregoing, and it will enforce the provisions of any contract, agreement, obligation, bond or other security. Any amounts received in connection with the foregoing, after deduction of expenses incurred in such recovery, if received prior to the Completion Date, shall be paid into the Construction Fund and, if received on or after the Completion Date, shall be paid to the Trustee and applied as prepayment of the Bonds.

The Lessor hereby makes, constitutes and appoints the Lessee, as its true, lawful and exclusive agent for the acquisition, installation and equipping of the Project, and the Lessee hereby accepts such agency to act and do all things on behalf of the Lessor to perform all acts and agreements of the Lessor hereinabove provided in this Section 4.1, and to bring any actions or proceedings against any person which the Lessor might bring with respect thereto as the Lessee shall deem proper.

This appointment of the Lessee to act as agent and all authority hereby conferred are granted and conferred irrevocably to the Completion Date and thereafter until all activities in connection with the acquisition, improvement and equipping of the Project shall have been completed, and shall not be terminated prior thereto by act of the Lessor or the of Lessee; it being understood that the liability of the Lessor for all acts and things relating to the acquisition, construction, installation and equipping of the Project including, without limitation, the liability to pay monies therefor, is limited solely to the available proceeds from the sale of the Bonds and any monies made available to the Lessor by the Lessee for the purpose of extinguishing such liability. It is expressly provided, however, that the Lessor retain primary legal responsibility for the expenditure of the proceeds of the Bonds; nothing herein set forth shall be construed as relieving or derogating the Lessor's responsibility therefor; and the Lessor shall take such action, institute such procedures and adopt such regulations consistent with the Indenture to insure that the Lessee at all times is in full compliance herewith.

The Lessor hereby ratifies and confirms all lawful and proper actions of, and assumes and adopts all such contracts entered into by the Lessee prior to the effective date hereof with respect to the Project.

The Lessor agrees to continue to acquire, construct, install and equip the Project with all reasonable dispatch, delays incident to strikes, riots, acts of God or public enemy or any delay beyond the reasonable control of the Lessor only excepted; but, if such acquisition, construction, installation and equipping is delayed for any reason, there shall be no resulting liability on the part of the Lessor and no diminution in or postponement of the amounts payable by the Lessee pursuant to this Lease Agreement.

The Lessor and the Lessee agree that the Lessee may supplement, amend and add to the Plans and Specifications, and that the Lessee shall be authorized to omit or make substitutions for components of the Project provided with prior written consent of Trustee (i) such changes or amendments will not change the nature of the Project to the extent that it would not constitute a project under the Act; and (ii) such changes or amendments will not materially affect the ability of the Project for its intended use.

Section 4.2 Agreement to Issue Bonds; Application of Bond Proceeds; Additional Bonds.

(a) To provide funds for payment of the Cost of Construction, the Lessor agrees that it will sell, issue and deliver $900,000 aggregate principal amount of Bonds to the initial purchasers thereof and deposit the proceeds therefrom with the Trustee in the Construction Fund.

(b) The Lessor agrees to authorize the issuance of Additional Bonds upon the terms and conditions provided herein and in the Indenture. Additional Bonds may be issued for the purpose of financing:

(i) the Cost of Construction to the extent that such cost exceeds the amount in the Construction Fund; or

(ii) the cost of new construction as the Lessee may deem necessary or desirable, all as more particularly provided in Section 206 of the Indenture;

(iii) the refunding of all of the Bonds then outstanding of any series;

(iv) any combination of these purposes.

If the Lessee is not in default hereunder, the Lessor agrees, on request of the Lessee and with the prior written consent of the holders of all of the Bonds at the time outstanding, from time to time, to use its best efforts to issue the amount of Additional Bonds specified by the Lessee, within the limits and under the conditions specified above and in the Indenture, provided that in the case specified in clause (ii) of this paragraph: (I) the Lessee and the Lessor shall have entered into an amendment to this Lease Agreement to provide for the lease of any improvements to the Lessee at a rental rate providing for additional payments in an amount at least sufficient to pay the principal of, interest, and premium, if any, on the Additional Bonds as the same shall mature and become due, and to make all other required payments under such amendment, (II) substantially all of the proceeds of the Additional Bonds shall be used for land or property of a character subject to the allowance for depreciation within the meaning of Section 103(b)(6) of the Code, and (III) the Lessor shall have otherwise complied with the provisions of the Indenture with respect to the issuance of such Additional Bonds.

Section 4.3 Disbursements from the Construction Fund. The Lessor will, as provided in Section 601 of the Indenture, authorize and direct the Trustee to use or direct the use of the monies in the Construction Fund for the following purposes:

(a) Payment of the fees of recording the deed whereby the Project has been or is to be conveyed to the Lessor and the fees for recording this Lease Agreement, the Indenture, any other agreements contemplated hereby, and any title curative documents needed to perfect or protect the title of the Lessor to the Project, 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 Project, including the expenses in connection with the title insurance policy required to be provided by Section 3.2 hereof;

(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 Project, the preparation of the Plans and Specifications, acquiring, improving, and equipping of 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 Lessee Representative;

BOOK 352 PAGE 271

(c) Payment of the initial or acceptance fee of the Trustee, legal and accounting fees and expenses, and 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 in connection with the acquisition of title to the Project; provided, that each such payment shall be made only upon receipt by the Trustee of a statement therefor approved in writing by the Authorized Lessee Representative;

(d) Payment for labor, services, materials, and supplies used or furnished in site improvements and in the construction and improvement of the Building, all as provided in the Plans and Specifications therefor, payment for the cost of the acquisition of the Leased Equipment, the furniture, fixtures and all personal property deemed necessary in connection with the Project and payment for the miscellaneous expense incidental to any thereof, including the premium on any 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 Authorized Lessee Representative;

(e) Payment of fees, if any, for architectural, engineering 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, approved by the Authorized Lessee Representative;

(f) Payment, as such payments become due, of the fees and expenses of the Trustee 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 improvement 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 6.3 hereof;

(h) Payment of the taxes, assessments and any other charges referred to in Section 6.2 hereof that may become payable during the Construction Period;

(i) Payment of expenses incurred with approval of the Authorized Lessee Representative 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 Building, including interest accruing on the Bonds during the Construction Period, that may be approved in writing by the Authorized Lessee Representative and 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 and applied in reduction of principal of the Bonds, except for amounts retained by the Trustee at the direction of the Lessee 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 shall be paid to the Trustee and applied as aforesaid.

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 for the 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 Mortgagee an agreement satisfactory to the Trustee executed by Lessee indemnifying the Trustee against any loss occasioned by the failure of the Lessee 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), (g), (i), or (j) 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 Furnishing Documents to Trustee. The Lessor and the Lessee agree to cause such statements or requisitions to be directed by the Lessor and the Lessee to the Trustee as may be necessary to effect payments from the Construction Fund in accordance with Section 4.3 hereof.

Section 4.5 Establishment of Completion Date. The Completion Date shall be evidenced to the Trustee by a certificate signed by the Authorized Lessee Representative stating that, except for amounts retained by the Trustee at the Lessee's direction for any Cost of Construction not then due and payable, the acquisition, construction, installation and equipping of the Project has been completed substantially in accordance with the Plans and Specifications and all labor, services, materials and supplies used in such construction have been paid for, and all costs and expenses incurred in connection therewith 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 agree to cooperate in causing such certificate to be furnished to the Trustee. As soon as practicable, and in any event within sixty days from the receipt of such certificate, the Trustee shall transfer all amounts then in the Construction Fund, including any unliquidated investments made of monies theretofore deposited in the Construction Fund, to the Bond Fund to be applied in accordance with Section 504 of the Indenture, except for amounts retained, as aforesaid, by the Trustee for any Cost of Construction, or for amounts retained because the Lessee shall have directed the Mortgagee to use such monies to purchase Bonds for the purpose of cancellation.

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 Cost of Construction (including the proceeds of any Additional Bonds issued for the purpose of paying the cost of completing the Project pursuant to Section 206 of the Indenture) should not be sufficient to pay the Cost of Construction in full, the Lessee agrees to complete the Project and to pay that portion of the Cost of Construction 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 Cost of Construction will be sufficient to pay all the Cost of Construction. The Lessee agrees that if, after exhaustion of the money in the Construction Fund, the Lessee shall pay any portion of the Cost of Construction pursuant to the provisions of this Section, it shall not be entitled to any reimbursement therefor (except from the proceeds of Additional Bonds, if any) 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 Investment of Construction Fund and Bond Fund Monies. Provided this Lease Agreement has not been terminated pursuant to Section 11.1 hereof, and no event of default hereunder shall have occurred and be continuing, any monies held in the Construction Fund and the Bond Fund shall be invested or reinvested by the Trustee, at the request of and as directed by the Lessee, in (i) bonds, treasury notes and other evidences 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) obligations of the Federal Intermediate Credit Corporation, (iv) obligations of Federal Bank for Cooperatives, (v) bonds and notes of Federal Home Loan Banks, or (vi) any other investments, including commercial paper and certificates of indebtedness issued by commercial banks including the Trustee, to the extent then permitted by law. For the purposes of this Lease 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.

Section 4.8 Board 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 its surety for the performance of such contract, it being understood that all such actions taken by the Lessor to exhaust such remedies shall be at the expense of the Lessee. 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 the Lessee's 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 any 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 foregoing prior to the Completion Date shall be paid into the Construction Fund, and after the Completion Date shall be paid to the Trustee and applied as prepayment on the Bonds.

Section 4.9 <u>Assignment of Surety Bonds and Warranties</u>. The Lessor hereby transfers and assigns to the Lessee all the Lessor's rights and interest in, to and under any maintenance or surety bonds or warranties with respect to the quality, durability or workmanship obtained by or vested in the Lessor in connection with the acquisition, construction, equipping and improving of the Project, and grants to the Lessee the right to take action, in the name of either the Lessor or the Lessee, but at the Lessee's sole cost and expense, for the enforcement of such surety bonds and warranties. The net amount recovered in any such action shall be paid into the Construction Fund, or, if such amount is recovered after the Completion Date, to the Lessee, unless an event of default hereunder shall have occurred and be continuing, in which case such amount shall be paid to the Trustee.

Section 4.10 <u>Supplemental Agreement on Completion</u>. Upon completion of the acquisition, construction and equipping of the Project, the Lessor and the Lessee will enter into a supplemental agreement identifying, with such particularity as the Trustee shall specify, the items of Leased Equipment installed in or about the Project and confirming the demise thereof to the Lessee hereunder.

ARTICLE V

EFFECTIVE DATE AND DURATION OF THIS LEASE AGREEMENT, RENTAL PROVISIONS

Section 5.1 <u>Effective Date and Duration of this Lease Agreement</u>. This Lease Agreement shall become effective upon its delivery and the leasehold estate created hereby shall begin on the Completion Date and, subject to the provisions of this Lease Agreement (including particularly Articles X and XI hereof), shall, unless terminated by the Lessee pursuant to Section 11.1 hereof, continue until 11:59 o'clock, P.M., on December 31, 1998.

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 of delivery of sole and exclusive possession as shall not interfere with the construction and equipping of the Project.

Section 5.3 Rents and Other Amounts Payable.

(a) During the term of this Lease Agreement, the Lessee will pay to the Trustee for the account of the Lessor (in funds which will be immediately available on the day when payment on the Bonds is due) and for deposit into the Bond Fund as basic rent for the Project; on or before the last day of each month commencing January 31, 1984, through and including May 31, 1984, an amount equal to the one-fifth (1/5) of the interest coming due on June 1, 1984, and one-tenth (1/10) of the principal amount on the Bonds coming due on December 1, 1984; and, on or before the last day of each calendar month commencing June, 1984, an amount equal to the aggregate of the following:

(i) one-twelfth (1/12) of the amount coming due as principal on the Bonds on the next succeeding December 1; plus

(ii) an amount equal to one-sixth (1/6) of the amount coming due as interest on the Bonds on the next succeeding December 1 or June 1.

Notwithstanding anything to the contrary herein set forth, there shall be credited against the principal component of each installment of basic rent, any amount then held in the Bond Fund which is unrestricted as to its application under the terms hereof and of the Indenture.

If, on any interest payment date or principal payment date, the balance in the Bond Fund available for the payment of principal of, premium, if any, and interest on the Bonds is insufficient to make such payment when due and payable under the Indenture, then on such date the Lessee shall forthwith pay any such amount directly to the Trustee for deposit in the Bond Fund.

The Lessee will also pay directly to the Trustee for its own use as additional rent: (i) the fees and charges of the Trustee, such fees and charges to be paid directly to the Trustee for its account as and when such fees and charges become due and payable; and (ii) any expenses in connection with any redemption of the Bonds.

The Lessee shall not be obligated to make any other payments under this Section and the Lessee's obligation to make rent payments under this Section 5.3 shall be deemed satisfied at any time that the entire principal of and interest on the Bonds shall have been fully paid in accordance with its terms, or at any time that there shall be in the Bond Fund an amount sufficient to pay, retire and redeem all outstanding Bonds in accordance with the provisions of the Indenture (including, without limiting the generality of the foregoing, principal, interest to maturity, expenses of redemption, and Trustee's fees).

(b) The Lessee will also pay directly to the Trustee for its own use in addition to the basic rent, the fees, charges and expenses of the Trustee relating to the Bonds, such fees, charges and expenses to be paid directly to the Trustee for its account as and when such fees, charges and expenses become due and payable.

BOOK 352 PAGE 277

(c) The Lessee will also pay directly to the County those payments specified in Section 5.7 hereof.

Section 5.4 <u>Prepayment of Rents</u>.

(a) <u>Optional Prepayment</u>. There is expressly reserved to the Lessee the right, and the Lessee is authorized and permitted, at any time the Lessee may choose, to prepay all or any part of the rents payable under Section 5.3 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 hereof in the inverse 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 the Bonds in accordance with the provisions of the Indenture.

(b) <u>Mandatory Prepayment</u>. It is understood by the parties hereto that the principal inducement to the purchase of the Bonds by the initial purchasers thereof is that under existing law the interest income thereon will be exempt from federal income taxation. Therefore, in the event of a Determination of Taxability, as provided in the Indenture, the principal of the Bonds then outstanding shall, at the sole option of the Trustee, become subject to mandatory redemption on a date not later than ninety (90) days after such Determination of Taxability. In such event the Lessee shall prepay the Basic Rent sufficient to redeem the Bonds in accordance with the provisions of the Indenture and to pay all expenses of such redemption provided that any monies then held in the Construction Fund which is not restricted to other purposes shall be credited against such prepayment of basic rent and be applied to the redemption of the Bonds.

Section 5.5 Indemnity Against Claims. The Lessee covenants and agrees to pay and to indemnify and save the Lessor harmless of, from and against any and all claims, damages, demands, expenses, liabilities and losses of every conceivable kind, character and nature whatsoever (including, but not limited to, claims for loss or damage to any property, or injury to or death of any person) asserted against the Lessor by or on behalf of any person, firm, corporation or governmental authority arising out of, resulting from, or in any way connected with the Project, including but not limited to the condition, use, possession, conduct or management of, or any work done in or about, the Project, or from the planning, design, acquisition or improvement of the Project or any part thereof, or from the lease or sale of any part thereof. The Lessee will also pay and discharge and will indemnify and hold harmless the Lessor from: (a) any lien or charge upon payments by the Lessee to the Lessor hereunder, and (b) any taxes, assessments, impositions and other charges, in respect to the Project. The Lessee also covenants and agrees to pay and to indemnify and save the Lessor harmless of, from and against, all of the Lessor's costs, expenses (including reasonable counsel fees) and liabilities incurred in any action or proceeding brought by reason of any such claim or demand. If any such claim is asserted, or any such lien or charge upon payments, or any taxes, assessments, impositions or other charges are sought to be imposed, and either the Lessor and the Trustee has notice or knowledge thereof the Lessor or the Trustee, as the case may be, will give prompt notice to the Lessee, and the Lessee shall have the sole right and duty to assume, and will assume the defense thereof on the Lessee's behalf and on behalf of the Lessor, with full power to litigate, compromise or settle the same in the Lessee's sole discretion.

Notwithstanding the foregoing, nothing set forth in this Section 5.5 shall be construed to indemnify the Lessor for or release the Lessor from any liability which it would otherwise have had arising from the willful, wrongful or negligent actions or failures to act on the part of the Lessor, its employees, agents or representatives action in their capacities other than as contemplated by this Lease Agreement.

Section 5.6 Obligation of Lessee Unconditional. The obligation of the Lessee to make the payments pursuant to this Lease Agreement and to perform and observe the other agreements on the Lessee's part set forth herein shall be absolute and unconditional, shall not be subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by the Lessor of any obligation to the Lessee, whether hereunder or otherwise, or out of any indebtedness or liability at any time owing to the Lessee by the Lessor. The Lessee hereby agrees to pay to the Trustee and to the County all of said payments payable by the Lessee pursuant to Section 5.3 of this Lease Agreement. Until such time as the principal of and interest on the Bonds shall have been fully paid or provisions for the payment thereof shall have been made in accordance with the Indenture, the Lessee: (i) will not suspend or discontinue any payments pursuant to this Lease Agreement, (ii) will perform and observe all the Lessee's other agreements set forth in this Lease Agreement, and (iii) except as provided in Article XI hereof, will not terminate this Lease Agreement for any cause including, without limiting the generality of the foregoing, failure of the Lessor to complete the Project, failure of the Lessor's title to the Project or any part thereof, loss of title to (or the temporary use of) the Project by virtue of the exercise by others of the power of eminent domain, any acts or circumstances, that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of Alabama, or any political subdivision of either thereof, or any failure of the Lessor to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Lease Agreement.

Nothing set forth in this Section 5.6 shall be construed to release the Lessor from the performance of any of the agreements on its part herein set forth. In the event the Lessor shall 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 may pursue such other remedies for non-performance as may be available to the Lessee so long as such action shall not violate the agreements on the part of the Lessee set forth in the preceding paragraph. In no event, however, shall the Lessee be entitled to any diminution of the amounts payable under Section 5.3 hereof. The Lessee may, however, at the Lessee's own cost and expense and in the Lessee's 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 insure the acquisition, construction, installation and equipping of the Project or to secure or protect the Lessee's right of possession, occupancy and use hereunder, and in such event, the Lessor hereby agrees to cooperate fully with the Lessee and to take all action necessary to effect the substitution of the Lessee for the Lessor in any such action or proceeding if the Lessee shall so request.

Section 5.7 Public Services Payment. The Lessee and the Lessor acknowledge that under present law the Project is exempt from ad valorem taxes levied by the County because the record title holder of the Project is the Lessor.

The Lessee further acknowledges that services provided by the County (including, without limitation, police protection and the education provided by the public schools of the County) benefit the Lessee in its operation of the Project and enhance the value of its interest in the Project. In order to assist the County in continuing to provide the aforesaid services, the Lessee will pay directly to the County (and not the Trustee or the Lessor) as Public Service Payments on January 1, 1985, and on each succeeding January 1 prior to the termination of the Lease, the sum of $4,800.00; and

If as a result of a change in law, the Project becomes subject during the Lease Term to ad valorem taxes levied and assessed by the County and if the Lessee shall pay such taxes pursuant to the requirements of the other provisions hereof, then in such case such payments by the Lessee shall be credited in full against any installments of Public Service Payments pertaining to the period for which such taxes are levied and assessed. Notwithstanding the foregoing credit, the installments of Public Service Payments shall not be deemed to be payments of ad valorem taxes for any purpose whatsoever.

The Lessor acknowledges that it shall have no right, title or interest in and to the foregoing Public Service Payments.

Section 5.8 Lessee Entitled to Certain Rent Abatements if Bonds Paid Prior to Maturity. If at any time the aggregate monies or Government Obligations in the Bond Fund shall be sufficient to retire all of the Bonds 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 December 1, 1998, without the payment of the rent specified in Section 5.3 during that interval (but otherwise on the terms and conditions thereof).

ARTICLE VI

MAINTENANCE, TAXES AND INSURANCE

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

The Lessee will not permit any mechanics', materialmen's or other liens (except Permitted Encumbrances) to be established or remain against the Project for labor or materials furnished in connection with the Project or any additions, modifications, improvements, repairs, renewals or replacements so made by the Lessee; provided, that if the Lessee shall first notify the Mortgagee of the Lessee's intention to do so, the Lessee may in good faith contest any mechanics', materialmen's 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 non-payment 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 and the Trustee, with the Trustee. The Lessor will cooperate fully with the Lessee in any such contest.

Section 6.2 Taxes, Other Governmental Charges and Utility Charges. The parties to this Lease Agreement understand and acknowledge that: (i) under present law the income and receipts, if any, of the Lessor from the Project are not subject to either Federal or State taxation, and (ii) this factor among others, has induced Lessee to enter into this Lease Agreement. Nevertheless, 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 equipment or other personal 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 thereupon), 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 6.2 shall be effective only so long as any Bonds remain outstanding or any part of the principal of 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 non-payment 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 6.2 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 a per annum rate equal to one percentage point in excess of the Base Rate from the date thereof, the Lessee agrees to pay.

Section 6.3 Insurance Required to be Carried.

(a) During the Construction Period. During the Construction Period the Lessee shall take out, or cause to be taken out and continuously maintain in effect, or caused to be maintained in effect, the following insurance:

(1) Builders' Risk Completed Value Form Insurance or other types of insurance, to the extent of the full insurable value of the Project 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) Workmen's Compensation Insurance;

(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 $1,000,000 for death of or personal injury to any one person, and $200,000 for property damage in any one accident; and

(b) After the Completion Date. After the Completion Date the Lessee shall take out and continuously maintain in effect, throughout the Lease Term 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 Project against loss thereto from, or damage by vandalism, fire, and lightning, with uniform standard form of extended coverage endorsement at the time in use in the State; and

(2) 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 with the written consent of Trustee.

BOOK 352 PAGE 283

Section 6.4 Application of Net Proceeds of Insurance. The Net Proceeds of the insurance carried pursuant to the provisions of Section 6.3 hereof shall be applied as follows: (i) the Net Proceeds of the insurance required in Section 6.3(a)(1), and 6.3(b)(1) hereof shall be applied as provided in Section 7.1 hereof and (ii) the Net Proceeds of the insurance required in Sections 6.3(a)(3) and 6.3(b)(2) hereof shall be applied toward extinguishment or satisfaction of the liability with respect to which such insurance proceeds may be paid.

Section 6.5 Additional Provisions Respecting Insurance. All insurance required in Section 6.3 hereof shall be taken out and maintained in generally recognized responsible insurance companies selected by the Lessee and acceptable to the Trustee, and may be written with deductible amounts comparable to those on similar policies carried by other companies engaged in business 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 Section 6.3(a)(3) and 6.3(b)(2) 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 $25,000 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 $25,000 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. Each such insurance policy required to be carried by this Section shall contain, to the extent obtainable, an agreement by the insurer that (i) the Lessee may not, without the prior written consent of the Trustee, cancel such insurance or sell, assign or dispose of any interest in such insurance, such policy or any proceeds thereof, (ii) such insurers shall notify the Trustee if any premium on any such policy shall not be paid when due or any such policy shall not be renewed prior to the expiration thereof; and (iii) such insurer shall not cancel any such policy without having given thirty days prior written notice to the Trustee.

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 Lease Agreement.

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

Section 6.6 <u>Advances by Lessor or Trustee</u>. In the event the Lessee shall fail to maintain the full insurance coverage required by this Lease 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 in good repair and good operating condition, the Lessor or the Trustee, after first notifying the Lessee of any such failure on the Lessee's 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; 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 per annum rate equal to one percentage point in excess of the Base Rate from the date thereof, the Lessee agrees to pay.

Section 6.7 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 the Lessee's sole 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 value and 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 to the Trustee as a partial prepayment of Basic Rent 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 to the Trustee 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 to the Trustee as a partial prepayment of Basic Rent to the Trustee an amount equal to the original cost thereof less depreciation at rates calculated in accordance with generally accepted accounting principles applied on a consistent basis.

In the event that prior to such removal of items of Leased Equipment from the Building and the Leased Land the Lessee with the Lessee's own funds has acquired and installed machinery or equipment which has become part of the Leased Equipment, the Lessee may take credit to the extent of the amount so spent by it against the requirement that it either substitute and install other machinery and equipment having equal or greater value and utility or that the Lessee make prepayment.

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 to the Trustee 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 to the Trustee on account of all such sales, trade-ins or other dispositions not previously reported aggregate at least $10,000. 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 6.7.

ARTICLE VII

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 hereof, if, prior to full payment of the Bonds (or provisions 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 $25,000, 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 and (ii) will apply for such purpose so much as may be permitted 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 $25,000 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 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 in excess of $25,000, the Lessee shall promptly give written notice thereof to the Trustee. All Net Proceeds of insurance resulting from claims for such losses 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 part of the Project damaged or destroyed to substantially the same condition as existed prior to the event causing such damage or destruction and (ii) the Trustee, upon receipt of the certificate of the Lessee 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 Trustee or will pay to 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 Trustee 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 balance of Net Proceeds, or such part thereof as the Lessee shall direct, to be applied by the Trustee to the redemption of Bonds at the earliest date allowable, and at the redemption price stated under Section 301 of the Indenture. If the Bonds have been fully paid (or provision for payment thereof shall have been made in accordance with the Indenture), all such balance of Net Proceeds shall be paid to the Lessee.

Section 7.2 Condemnation or Failure of Title. Unless the Lessee shall exercise its option to purchase pursuant to the provisions of Section 11.2 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 Lease Agreement or any part thereof shall be taken under the exercise of power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, or in the event of a failure of title, 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 the Net Proceeds received by them or any of them, from any award made in such eminent domain proceedings, or from the title insurance policy purchased pursuant to Section 3.2 hereof to be deposited in the Bond Fund and to 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 Building and improvements comprising part of the Project to substantially the same condition as they exist immediately prior to the exercise of the said power of eminent domain or failure of title.

(b) Redemption of the Bonds and payment of accrued interest thereon to the date of redemption, provided, that no part of any such condemnation award or title insurance proceeds 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 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, or with respect to which the failure of title occurred, is not essential to the Lessee's use or occupancy of the Project, or (ii) that the Project has been restored to a condition substantially equivalent to its condition prior to the taking by such condemnation proceedings or failure of title.

Unless the Lessee shall have elected to exercise the Lessee's option to purchase the Project pursuant to the provisions of Section 11.2 hereof, within ninety days from the date of entry of a final order in an eminent domain proceeding granting condemnation, or from the date of entry of a final order that title to the Project, or any part thereof, was not vested in the Lessor, 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 or title insurance proceeds applied. Any balance of the Net Proceeds of the award in such eminent domain proceeding or of title insurance proceeds shall be paid to the Trustee. 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, or failure of title 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 or title proceeding with respect to the Project or any part thereof without the prior 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 leasehold estate of the Lessee in the Project created by this Lease Agreement shall be paid and applied in the manner provided in Section 7.2 hereof.

ARTICLE VIII

SPECIAL COVENANTS

Section 8.1 No Warranty of Condition or Suitability by the Lessor. THE LESSOR MAKES NO WARRANTY, EITHER EXPRESS OR IMPLIED, WITH RESPECT TO THE CONDITION OR WORKMANSHIP OF ANY PART OF THE PROJECT, OR THAT THE PROJECT 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 at their own risk upon the site of the Project and examine and inspect the Project. The Lessor and its duly authorized agents shall also have such rights of access to the Project as may be reasonably necessary to cause to be completed the acquisition, construction, installation and equipping of the Project 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 the Lessee's 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 Release of Certain Land. Notwithstanding any other provision of this Lease Agreement, the parties hereto reserve the right at any time, and from time to time, but only with the prior written consent of the Trustee, to amend this Lease Agreement for the purpose of effecting the release of and removal from this Lease Agreement and the leasehold estate created hereby of 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 the time any such amendment is made, any of the Bonds are outstanding and unpaid there shall be deposited with the Trustee the following:

(a) An executed copy of the said amendment;

(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 of this Lease Agreement, and the Lessee is not, to the knowledge of the Lessor, in default under any of the provisions of this Lease Agreement, (ii) stating an adequate legal description of that portion of the Leased Land to be released, and (iii) requesting the consent of the Trustee to said amendment and the release of such property from the lien of the Indenture;

(c) A certificate of the Lessee approving such amendment and stating that the Lessee is not in default under any of the provisions of this Lease Agreement;

(d) A copy of the instrument granting the easement or conveying the title to a railroad, public utility or public body.

No release effected under the provisions of this Section 8.4 shall entitle the Lessee to any abatement or diminution of the amounts payable under Section 5.3 hereof.

Section 8.4 <u>Purchase of Additional Machinery, Equipment, Furniture or Fixtures by the Lessor</u>. The Lessor shall purchase additional 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 6.7 hereof or otherwise. Such machinery, equipment, furniture or fixtures shall constitute a part of the Leased Equipment.

Section 8.5 <u>Further Assurance and Corrective Instruments</u>. 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 Lease Agreement.

Section 8.6 Granting of Easements. If no event of default hereunder shall have happened and be continuing, the Lessee may, with the prior written consent of the Trustee, 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 of 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) an executed copy of the instrument of grant or release; (ii) a written application signed by the Lessee requesting such instrument; and (iii) a certificate executed by the Authorized Lessee Representative stating: (1) that such grant or release is not detrimental to the proper conduct of the Lessee's business, 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 8.7 Authorized Lessor Representative. Whenever under the provisions of this Lease Agreement the approval of the Lessor is required or the Lessor is required to take some action, such approval shall be made or such action shall be taken by the Authorized Lessor Representative, and the Lessee and the Trustee shall be authorized to act on any such approval or action.

Section 8.8 Authorized Lessee Representative. Whenever under the provisions of this Lease, the approval of the Lessee is required or the Lessee is required to take some action, such approval shall be made or such action taken by the Authorized Lessee Representative, and the Lessor and the Trustee shall be authorized to act on any such approval or action.

Section 8.9 Non-Arbitrage. The Lessee and the Lessor covenant that they shall take no action, nor shall the Lessee or the Lessor approve the Trustee's taking any action or making any investment or use of the proceeds of the Bonds, which will cause the Bonds to be arbitrage bonds within the meaning of Section 103(c) of the Code and the proposed, temporary or final regulations thereunder as such may be applicable to the Bonds at the time of such action, investment or use.

ARTICLE IX

ASSIGNMENT, SUBLEASING, MORTGAGING AND SELLING; REDEMPTION OF BONDS

Section 9.1 Assignment and Subleasing. This Lease 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 Mortgagee, provided that, however, no such assignment or further sublease shall cause the Project to no longer constitute a "project" under the act, have any effect on the tax exempt status of the interest on the Bonds or shall relieve the Lessee from primary liability for any of the Lessee's 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 the Lessee's part herein provided to be performed and observed by the Lessee to the same extent as though no assignment or sublease had been made.

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

Section 9.3 Restrictions on Mortgage or Sale of Project by Lessor. The Lessor agrees that, except for the mortgage of the Project and the assignment of this Lease Agreement and the rentals hereunder to the Trustee pursuant to the Indenture, it will not mortgage, sell, assign, transfer or convey its interest in the Project during the Construction Period and term of this Lease Agreement, except as herein provided. If the laws of the State of Alabama at the time shall permit such action to be taken, nothing in this Section 9.3 shall prevent the consolidation of the Lessor with, or merger of the Lessor into, or transfer of its remaining interest in the Project or in this Lease Agreement as an entirety to, any public corporation whose income is not subject to taxation and which has corporate authority to exercise the Lessor's rights granted hereunder; provided: (i) that no such action shall be taken without the prior written consent of the Lessee, unless such action shall be required by law, (ii) that any such action shall be approved by the governing body of the Town of Alabaster , Alabama, and (iii) that upon any such consolidation, merger or transfer, the due and punctual payment of the principal of, premium, if any, and interest on the Bonds according to their tenor, and the due and actual performance and observance of all the agreements and conditions of this Lease 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 in its entirety.

Section 9.4 Redemption of Bonds. If at any time the Lessee shall deposit with the Trustee monies which, under any terms of the Indenture, are sufficient to redeem all or part of the principal amount of the Bonds and to pay any applicable redemption premium plus the fees and expenses of the Trustee in connection with such redemption, the Lessor, at the request of Lessee, shall forthwith take all steps necessary under the applicable redemption provisions of the Indenture to effect redemption of the Bonds requested by the Lessee on a redemption date selected by the Lessee.

Section 9.5 References to Bonds Ineffective After Bonds Paid. Upon payment in full of the Bonds (or provisions for payment thereof having been made in accordance with the provisions of the Indenture) and payment of all fees and charges of Trustee, all references in this Lease 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 X

EVENTS OF DEFAULT AND REMEDIES

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

(a) Failure by the Lessee to pay when due the amounts required to be paid pursuant to Section 5.3 of this Lease Agreement;

(b) Failure by the Lessee to observe and perform any covenant, condition or agreement on the Lessee's part to be observed or performed, other than as referred to in paragraph (a) of this Section 10.1, for a period of thirty days after written notice, specifying such failure and requesting that it be remedied, is given to the Lessee by the Lessor or the Trustee, unless 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 Mortgagee will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Lessee within the applicable period and diligently pursued until the failure is corrected;

(c) Any material warranty, representation or other statement by or on behalf of the Lessee in this Lease Agreement or in any certificate furnished in connection with the issuance and sale of the Bonds, shall prove to be false or misleading in any material respect;

(d) The occurrence of an "Event of Default" under the Guaranty;

(e) The Lessee shall:

(i) apply for or consent to the appointment of a receiver, trustee or liquidator of the Lessee, or of its properties or assets;

(ii) admit in writing its inability to pay its debts as they mature;

(iii) make a general assignment for the benefit of creditors;

(iv) be adjudicated a bankrupt or insolvent or;

(v) file a voluntary petition in bankruptcy or take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law or statute or file an answer admitting the material allegations of a petition filed against the Lessee in any proceeding under any such law;

(f) An order, judgment or decree shall be entered, without application, approval or consent of the Lessee, by any court of competent jurisdiction, approving a petition seeking or appointing a receiver, trustee, or liquidator of any of the Lessee and such order, judgment or decree shall continue unstayed and in effect for any period of 60 days; and

(g) The occurrence of a breach of default in or an event of default under any indenture, mortgage, deed of trust, or other contract agreement or instrument to which the Lessee is a party if such default or breach could, in the sole opinion of the Trustee, have a materially adverse effect on the Lessee.

The foregoing provisions of this Section 10.1 are subject to the limitation that, if by reason of force majeure the Lessee is unable in whole or in part to carry out the agreements on the Lessee's part herein set forth, other than the obligations on the part of the Lessee set forth in Article V and in Section 6.2 and 6.3 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 of Alabama or any of their departments, agencies or officials, or any civil or military authority; insurrections, riots; epidemics; landslides;

lightning; earthquakes; fire; hurricanes; tornadoes; storms; floods; washouts; droughts; arrests; restraints of government and people; civil disturbances; explosions, breakage or accident to machinery, transmission lines, 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 use the Lessee's best efforts to remedy with all reasonable dispatch the cause or causes preventing the Lessee from carrying out such agreements; 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. Subject to Section 10.6 hereof, whenever any event of default referred to in Section 10.1 hereof shall have happened and be continuing, the Lessor may take any one or more of the following remedial steps:

(a) By written notice to the Lessee, the Lessor may declare all installments of rent payable under Section 5.3 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 or the Trustee on its own behalf or on behalf of the Lessor, may re-enter and take possession of the Project without terminating this Lease 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 or the Trustee on its own behalf or on behalf of 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 Lease 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 and examine and make copies of the Lessee's books and records and all of its accounts.

(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 Lease Agreement.

The Lessee acknowledges and understands that any lease or sublease agreement entered into by the Lessor or the Trustee pursuant to either of Subsections (b) or (c) of this Section 10.1 shall, if the Lessor and the Trustee deem it advisable, grant an option to purchase the Project to the new lessee or the sublessee on the terms and conditions acceptable to the Lessor and the Trustee.

Any amounts collected pursuant to action taken under this Section 10.2 shall be paid to the Trustee and applied in accordance with the provisions of the Indenture.

Section 10.3 No Remedy Exclusive. Subject to Section 10.6 hereof, 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 Lease Agreement, or now or hereafter existing at law or in equity or statute. No delay or omission to exercise any right or power 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 X, 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 Lease Agreement, and the Lessor or the Trustee should employ attorneys or incur other expenses for the collection of amounts payable hereunder or the enforcement, performance or observance of any obligation or agreement on the part of the Lessee herein set forth, the Lessee agrees, on demand therefor, to pay to the Lessor or the Trustee the reasonable fee of such attorney or attorneys and such other expenses so incurred by the Lessor or the Trustee.

Section 10.5 No Additional Waiver Implied by One Waiver. In the event any obligation in this Lease Agreement is breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 10.6 Remedial Rights Assigned to Trustee. All rights and remedies conferred upon or reserved to the Lessor in this Article X shall, upon the execution and delivery of the

Indenture, be deemed to have been assigned to the Trustee and the Trustee shall have the exclusive right to exercise such rights and remedies in the same manner and under the limitations and conditions that the Trustee is entitled to exercise rights and remedies upon the occurrence of an Event of Default pursuant to Article 10 of the Indenture.

ARTICLE XI

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 Lease Agreement:

(a) At any time prior to full payment of the Bonds (or provisions for payment thereof having been made in accordance with the provisions of the Indenture), the Lessee may terminate the term of this Lease Agreement and exercise the option to purchase granted in Section 11.3 hereof by paying to the Trustee for the account of the Lessor an amount of cash which 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 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 Lease 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 Lessee expressed in writing, (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 6.5 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 Lease 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;

(c) As a 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 Lease shall have become void or unenforceable or impossible of performance in accordance with the intent and purposes of the parties as expressly in this Lease Agreement, or unreasonable burdens or excessive liabilities shall have been imposed on the Lessor or the Lessee including without limitation federal, state or 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 not be 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 of such 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:

(i) an amount of money which will be sufficient to pay the principal of the then outstanding Bonds plus accrued interest thereon to the redemption date; plus

(ii) 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

(iii) the sum of One Hundred Dollars plus all costs and expenses incurred by the Lessor relative to the exercise of the option.

In the event of the exercise to the option granted in this section, any Net Proceeds of insurance or condemnation and 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 or within forty-five (45) days thereafter, following full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) or at any time at which the Lessee shall have the option to terminate this Lease Agreement pursuant to Section 11.1(a) hereof, for a purchase price of One Hundred Dollars, plus all costs and expenses incurred by the Lessor and the Trustee relative to the exercise of such option. To exercise this option granted in this Section 11.3, the Lessee shall notify the Lessor of the Lessee's intention so to exercise such option no less than forty-five (45), nor more than ninety (90) 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 fair market value thereof 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;

(b) A certificate of an Independent Engineer acceptable to the Trustee, dated no 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) A certificate from a M.A.I. approved appraiser acceptable to the Trustee which sets forth the fair market value of the real property to be purchased pursuant to the provisions of this Section 11.4; and

(d) An amount of money equal to the fair market value of the real property to be purchased as set forth in the appraisal called for above.

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 to apply said money as a partial redemption of the Bonds in accordance with the terms of the Indenture 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 in this section. In the event the Lessee shall exercise such option, 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, the 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 the Lessee ceases to be operated under common control with the Project, the Lessee covenants that the Lessee 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.

The Lessee may, at the Lessee's 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 Lease Agreement; and (iv) Permitted Encumbrances other than the Indenture and this Lease Agreement.

Section 11.6 Effect of Exercise of Options. Upon the exercise of any option provided in this Article XI, the matured or accrued obligations of the Lessee to the Lessor hereunder not theretofore performed, shall survive.

Section 11.7 Relative Position of Options and Indenture. The Options granted to the Lessee in this Article XI, shall be and remain prior and superior to the Indenture and may be exercised whether or not the Lessee is in default hereunder, provided that such default will not result in the nonfulfillment of any condition to the exercise of such option.

ARTICLE XII

MISCELLANEOUS

Section 12.1 Surrender of Project. Except as otherwise expressly provided in this Lease Agreement, at the expiration or sooner termination of the term of this Lease 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 registered or certified mail, postage prepaid, addressed as follows:

If to the Lessor:	c/o Town Hall Alabaster, Alabama 35602 Attention: Chairman
If to Lessee:	Valley Industries, Inc. 900 Walnut Street St. Louis, Missouri 63102 Attention: Vice President Chief Financial Officer
If to Trustee:	First Alabama Bank of Birmingham 417 North 20th Street Birmingham, Alabama 35203 Attention: Corporate Trust Department Vice President

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 communications shall be sent.

Section 12.3 Binding Effect. This Lease 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 of Section 9.1, 9.2 and 9.5 hereof.

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

Section 12.5 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 Lease Agreement may not be effectively amended, changed, modified, altered or terminated except in accordance with the Indenture.

Section 12.6 Execution in Counterparts. This Lease Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 12.7 Recording and Filing. The Lessee will take all actions that at the time and from time to time may be necessary (or, in the opinion of the Trustee, may be necessary) to perfect, preserve, protect and secure the interests of the Lessor and the Trustee, or either, in and to the Project, this Lease Agreement and the revenues and receipts derived by the leasing or sale of the Project, including, without limitation, the filing of all financing and continuation statements that may be required under the Alabama Uniform Commercial Code.

Section 12.8 Net Lease. This Lease Agreement shall be deemed and constructed to be a "net lease", and the Lessee shall pay absolutely net during the Construction Period and the term hereof 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 Certain Tax Matters. The Lessor and the Lessee acknowledge and agree that it is their mutual intention that the Lessee, for federal and state income tax purposes, will be entitled to all deductions and credits with respect to the Project (including, but not limited to, capital cost recovery and investment credits) and that for such purposes this Lease Agreement shall be deemed to be a financing of the Project.

Section 12.10 Date of this Lease Agreement. The date of this Lease Agreement is intended as and for a date for the convenient identification of this Lease Agreement and is not intended to indicate that this Lease Agreement was executed or delivered on such date.

Section 12.11 Applicable Law. This Lease Agreement shall be governed by and construed in accordance with the laws of the State of Alabama.

Section 12.12 No Charge Against Lessor's Credit. No provisions hereof shall be construed to impose a charge against the general credit of the Lessor or any personal or pecuniary liability upon the Lessor, its officers, directors, or the Town of Alabaster, Alabama. Nothing set forth in this Section 12.12, however, shall relieve the Lessor from the observance and performance of the several covenants and agreements on its part herein set forth.

Section 12.13 Captions. The captions or headings in this Lease Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Lease Agreement.

IN WITNESS WHEREOF, the Lessee has caused this Lease Agreement to be executed by one of its duly authorized officers, and the Lessor has caused this Lease Agreement to be executed in its corporate name and its corporate seal to be hereunder affixed and attested by its duly authorized officers, all as of the date and year first above written.

THE INDUSTRIAL DEVELOPMENT
BOARD OF THE TOWN OF ALABASTER

By: Reid Long
Its Chairman

ATTEST:

Its Secretary

VALLEY STEEL PRODUCTS COMPANY

By:
Its Vice President

ATTEST:
Ellen Klobasa
Its Assistant Secretary

BOOK 352 PAGE 304

ACKNOWLEDGMENT OF BOARD

STATE OF ALABAMA)

COUNTY OF SHELBY)

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

Given under my hand and official seal this the 28th day of December, 1983.

Notary Public

My Commission Expires January 14, 1987

ACKNOWLEDGMENT OF LESSEE

STATE OF ALABAMA)

COUNTY OF JEFFERSON)

I, the undersigned, a Notary Public in and for said County in said State, hereby certify that B. Michael Shields, whose name as Vice President of Valley Steel Products Company, a corporation, is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of this Lease Agreement, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

Given under my hand and official seal this the 29th day of December, 1983.

Mary Gray
Notary Public
My Commission Expires September 29, 1985

BOOK 352 PAGE 306

EXHIBIT "A"
TO THAT CERTAIN LEASE AGREEMENT
BY AND BETWEEN
THE INDUSTRIAL DEVELOPMENT BOARD
OF THE TOWN OF ALABASTER AND
VALLEY STEEL PRODUCTS COMPANY

Parcel I:

A parcel of land located in the SW 1/4 of the NE 1/4, the SE 1/4 of the NW 1/4, and the SW 1/4 of the NW 1/4, all in Section 20, Township 21 South, Range 2 West, more particularly described as follows:

Begin at the SE corner of said SE 1/4 of the NW 1/4; thence in a westerly direction along the southerly line of said 1/4-1/4 section, a distance of 1352.45 feet to the SE corner of said SW 1/4 of the NW 1/4; thence continue in a westerly direction along the southerly line of said SW 1/4 of the NW 1/4, a distance of 70.23 feet to the intersection with the northeasterly R/W line of the L & N Railroad; thence 62° 29' 45" right, in a northwesterly direction along said R/W line, a distance of 300.00 feet; thence 107° 49' 57" right, in a northeasterly direction, a distance of 200.62 feet to a point in the easterly line of said SW 1/4 of the NW 1/4, which point is 300.00 feet north of the SE corner of said 1/4-1/4 section; thence 82° 25' 42" left, in a northerly direction along the easterly line of said 1/4-1/4 section, a distance of 232.48 feet; thence 87° 41' 15" right, in an easterly direction, a distance of 994.94 feet; thence 8° 22' left, in a northeasterly direction, a distance of 899.87 feet; thence 0° 23' 37" left, in a northeasterly direction, a distance of 230.93 feet to a point on the southwesterly R/W line of U.S. Highway 31 South; thence 73° 47' 37" right, in a southeasterly direction along said R/W line, a distance of 335.00 feet; thence 106° 12' 23" right, in a southwesterly direction, a distance of 930.63 feet to a point on the easterly line of said SE 1/4 of the NW 1/4; thence 79° 55' 37" left, in a southerly direction along said easterly line, a distance of 357.25 feet to the Point of Beginning.

BOOK 352 PAGE 307

Parcel II:

A parcel of land located in the SW 1/4 of the NE 1/4 of Section 20, Township 21 South, Range 2 West more particularly described as follows: Begin at the SW corner of said 1/4-1/4 section; thence in a northerly direction along the westerly line of said 1/4-1/4 section, a distance of 357.25 feet; thence 79 degrees 55 minutes 37 seconds right, in a northeasterly direction, a distance of 930.63 feet to a point on the southwesterly R/W line of U.S. Highway 31 South; thence 73 degrees 47 minutes 37 seconds right, in a southeasterly direction along said R/W line, a distance of 366.30 feet; thence 106 degrees 12 minutes 23 seconds right, in a southwesterly direction, a distance of 1095.35 feet to the Point of Beginning.

EXHIBIT "B"
TO THAT CERTAIN LEASE AGREEMENT
BY AND BETWEEN
THE INDUSTRIAL DEVELOPMENT BOARD
OF THE TOWN OF ALABASTER AND
VALLEY STEEL PRODUCTS COMPANY

All building materials, equipment, fixtures and fittings of every kind or character to be hereafter acquired for use and incorporation in the building to be constructed on the real estate described in Exhibit A hereto, and the equipment and machinery, specifically including the equipment and machinery generally described below, which will be purchased by The Industrial Development Board of the Town of Alabaster, for installation and use in connection with the Project. The said materials, equipment and machinery have not been acquired as of the date of the execution of this instrument.

2	Sul-Air Compressors
1	2" Landis Threader
1	8" Oster Threader with Dies (YD-35)
1	16" Johnson Bandsaw (with powered belt compressors)
1	Super 15 Pettibone (transmission bad)
1	120 Ingersol Rand Air Compressor
2	Sand Pots, nozzles and hoses
1	6" Tape Machine
1	Friction Cut Off Saw
1	12" Pipe Straightener
1	40' Van Trailer (storage)
1	40' Flat Bed Trailer
2	Welders
1	8" Landis groover
2	Hydraulic Turn Around Tables
1	Chaser Grinder (with 8" Oster)

Rec 91.50
Ind 1.00
92.50