

---

**LEASE AGREEMENT**

---

---

**Dated as of June 1, 2007**

---

**By and between**

**THE PUBLIC BUILDING AUTHORITY OF BALDWIN COUNTY**

**and**

**BALDWIN COUNTY, ALABAMA**

---

**This Lease Agreement was prepared by James L. Birchall of Walston, Wells & Birchall, LLP, One Federal Place, 1819 5<sup>th</sup> Avenue North, Suite 1100, Birmingham, Alabama 35203**

---

---

STATE OF ALABAMA

BALDWIN COUNTY

LEASE AGREEMENT dated as of June 1, 2007, between **THE PUBLIC BUILDING AUTHORITY OF BALDWIN COUNTY**, a public corporation and instrumentality under the laws of the State of Alabama, party of the first part (the "Lessor"), and **BALDWIN COUNTY, ALABAMA**, a political subdivision under the laws of the State of Alabama, party of the second part (the "Lessee"),

Recitals

Pursuant to and for the purposes expressed in Chapter 15 of Title 11 of the Code of Alabama 1975 (the "Enabling Law"), the Lessor and the Lessee have executed and delivered this Lease Agreement simultaneously with the issuance and sale by the Lessor of its \$6,405,000 Building Revenue Warrants (DHR Projects), Series 2007-A, dated June 1, 2007 under and pursuant to that certain Mortgage and Deed of Trust dated as of June 1, 2007 from the Lessor to Regions Bank, as trustee, to finance the acquisition, construction and installation of a "project" within the meaning of the Enabling Law, as more particularly described in said Mortgage.

NOW, THEREFORE, for and in consideration of the premises, and the mutual covenants and agreements herein contained, the Lessor and the Lessee hereby covenant, agree and bind themselves as follows:

**WITNESSETH:**

In consideration of the mutual covenants and agreements hereinafter contained, the parties hereto hereby covenant, agree and bind themselves as follows, to-wit:

ARTICLE I

DEFINITIONS, REPRESENTATIONS AND DEMISE CLAUSE

**SECTION 1.1 Definitions**

The following words, terms or phrases, when used in this Lease Agreement, have the following meanings, unless the context clearly indicates a different meaning:

**"Additional Rent"** means the payments to be made under Section 3.2(b) hereof.

**"Basic Rent"** means the payments to be made under Section 3.2(a) hereof.

**"Building"** means (i) the buildings, structures and fixtures located on the Leased Realty, and (ii) all other buildings, structures and fixtures now or hereafter located on the Leased Realty, as they may at any time exist.

**"Code"** means the Internal Revenue Code of 1986, as amended.

**"Construction Fund"** means the Construction Fund established under Section 3.4 of the Mortgage.

**"Enabling Law"** means Chapter 15 of Title 11 of the CODE OF ALABAMA 1975, as amended (Section 11-15-1 et seq.).

**"Equipment"** means (i) the machinery, equipment and personal property located on the Leased Realty and acquired with the proceeds from the sale of the Warrants, and (ii) any machinery, equipment or personal property acquired in substitution therefor or as a renewal or replacement thereof pursuant to the provisions hereof.

**"Fiscal Year"** means the period beginning October 1 and ending on the then succeeding September 30, or any other fiscal year adopted by the Lessee.

**"Government Obligations"** shall have the meaning ascribed in the Mortgage.

**"Independent Architect"** means a person registered and qualified to practice as an architect under the laws of the State, satisfactory to the Trustee, and not in the full-time employment of either the Lessor or the Lessee.

**"Independent Engineer"** means a person registered and qualified to practice as an engineer under the laws of the State, satisfactory to the Trustee, and not in the full-time employment of either the Lessor or the Lessee.

**"Insurance Policy"** means the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Warrants when due.

**"Insurer"** or **"XLCA"** means XL Capital Assurance Inc., a New York stock insurance company.

**"Lease Agreement"** means these presents as supplemented and amended by the Lessor and the Lessee pursuant to Article IX of the Mortgage.

**"Lease Term"** means the current Fiscal Year ending September 30, 2007 and any subsequent Fiscal Year for which the Lessee has exercised its option to renew under Section 3.1 hereof.

**"Leased Realty"** means the real estate referred to in Section 1.4 hereof less any such real estate, interests in real estate and other rights as may be released from this Lease Agreement pursuant to the provisions hereof or taken by the exercise of the power of eminent domain.

**"Lessee"** means the party of the second part hereto, as from time to time constituted.

"**Lessor**" means (i) the party of the first part hereto, and its successors and assigns and (ii) any resulting or surviving or transferee public corporation as permitted in Section 6.3 hereof.

"**Mortgage**" means the Mortgage and Deed of Trust (including any mortgage supplemental thereto) between the Lessor and the Trustee, of even date, which will be filed for record in the office of the Judge of Probate of Baldwin, Alabama, at the same time this Lease Agreement is so filed in said office.

"**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 reasonable expenses (including reasonable attorneys' fees and any extraordinary fee of the Trustee) incurred in the collection of such gross proceeds.

"**Project**" means the Leased Realty, the Building and the Equipment, as they may at any time exist, and all other property and rights referred to, or intended so to be, in the demising clauses hereof.

"**Project Costs**" means (i) the fees and expenses incurred in connection with the authorization, sale and issuance of the Warrants (including the payment of capitalized interest on the Warrants) and (ii) all costs of acquiring, constructing and equipping the Project.

"**State**" means the State of Alabama.

"**Sublease Agreement**" means the Lease Agreement dated as of June 1, 2007 between the Lessee and the Sublessee.

"**Sublessee**" means the Alabama Department of Human Resources, an agency of the State of Alabama, and its successors and assigns.

"**Trustee**" means the trustee at the time serving as such under the Mortgage.

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

"**Warrant Fund**" means the fund established under Section 4.1 of the Mortgage.

"**Warrants**" means the Building Revenue Warrants (DHR Project), Series 2007-A, of the Lessor of even date herewith issued pursuant to the Mortgage in the principal amount of \$6,405,000.

**SECTION 1.2 Representations by the Lessor.**

The Lessor makes the following representations:

- (a) The Lessor is duly incorporated under the provisions of the Enabling Law and 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 contained in its certificate of incorporation, its by-laws, or in the laws of the State. By proper corporate action the Lessor has duly authorized the execution and delivery of this Lease Agreement.
- (b) The Lessor has determined that the issuance of the Warrants, the acquisition of the Project and the leasing of the Project to the Lessee will provide a reasonable and adequate building for use and occupancy by the Lessee or the Sublessee and will thereby fulfill the legislative intent of the Enabling Law.
- (c) The Warrants will be issued and delivered contemporaneously with the delivery of this Lease Agreement.

(d) The rentals provided for in this Lease Agreement constitute a fair and reasonable rent for the Project, which will be used by the Lessee in the performance of its governmental and public functions.

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

(f) All consents, approvals, authorizations and orders of governmental or regulatory authorities, if any, which are required for the execution and delivery of the Warrants, this Lease Agreement and the Mortgage and for the consummation of the transactions contemplated by each of the aforesaid documents have been obtained by or on behalf of the Lessor and are in full force and effect.

(g) The Lessor has been furnished a copy of the Sublease Agreement and the Lessor approves and consents to the provisions thereof.

### **SECTION 1.3 Representations by the Lessee**

The Lessee makes the following representations:

(a) The Lessee deems it necessary, desirable and in the public interest that the Lessee assist in providing a facility for use by the Sublessee in providing services for the citizens of Baldwin County, Alabama.

(b) The Lessee has power to enter into this Lease Agreement and by proper action of its governing body has duly authorized the execution and delivery of this Lease Agreement.

(c) It is necessary and desirable that sufficient buildings and facilities be acquired now to provide for present and future governmental and public needs of the Lessee and the Sublessee.

(d) The rentals provided for in this Lease Agreement constitute a fair and reasonable rent for the Project, which will be used by the Lessee in the performance of its governmental and public functions.

(e) The Lessee has been furnished a copy of the Mortgage and the Lessee approves and consents to the provisions thereof.

(f) 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 hereof, conflicts with, or results in a breach of, any law or constitutional provision applicable to the Lessee or any terms, conditions or provisions of any lease, agreement, instrument or governmental order to which the Lessee is now subject or by which it is bound, or constitutes a default under any of the foregoing.

### **SECTION 1.4 Demise of the Project**

The Lessor, for and in consideration of the rents, covenants and agreements hereinafter reserved, mentioned and contained on the part of the Lessee to be paid, kept and performed, does hereby demise and lease to the Lessee, and the Lessee does hereby lease, take and hire from the Lessor, the real property located in Baldwin County, Alabama, described in Exhibit A attached hereto and hereby made a part hereof, together with the Building and the Equipment, as they may at any time exist, and all other properties which, under the terms hereof, are or subsequently become a part of the Project.

### **SECTION 1.5 Waiver of Lien.**

The Lessee acknowledges that it has no lien, and hereby waives any lien it may otherwise have, on the Project by virtue of having paid the purchase price of any property to become part of the Project.

## ARTICLE II

### ACQUISITION OF THE PROJECT

#### **SECTION 2.1 Use of Proceeds; Agreement to Acquire**

(a) From the proceeds derived from the sale of the Warrants, the Lessor will make the deposits required by Section 3.2 of the Indenture. The Lessor will use the funds on deposit in the Construction Fund to (1) pay the fees and expenses incurred in connection with the issuance of the Warrants and (2) pay the cost of acquiring the Leased Realty and constructing thereon and equipping the Building and acquiring and installing therein the Equipment.

(b) The Lessor shall cause the construction and installation of the Building to be carried out to completion, all in accordance with plans, specifications and directions to be provided by the architect for the Lessee and approved on behalf of the Sublessee. The Lessee shall have the right to revise the plans and specifications for the Building at any time and from time to time prior to the completion date applicable thereto. In the event the available proceeds from the sale of the Warrants are insufficient to pay all costs of completing the Building, the Lessee will use its best efforts to cause the applicable plans and specifications to be revised so as to reduce such costs (although the ultimate decision on such changes will rest with the Sublessee), all to the end that all obligations incurred by the Lessor in connection with the acquisition, construction and equipping of the Building shall be paid in full and that such work shall be completed to the extent necessary (i) for the interest on the Warrants to be and remain exempt from Federal income taxation pursuant to the applicable provisions of the Internal Revenue Code and (ii) for the Building to constitute an office facility acceptable for use by the Lessee and the Sublessee. In the event the proceeds of the Warrants are not sufficient to pay in full all Project Costs and the plans and specifications cannot be so revised, the Lessee will, solely from amounts received under the Sublease Agreement, pay the balance of the Project Costs. The Lessee and the Sublessee shall not, by reason of the payment of excess Project Costs, be entitled to reimbursement from the Lessor or any abatement or diminution of the Basic Rent and Additional Rent payable hereunder.

(c) The Lessor agrees to grant such utility, access and other similar easements over, across or under the real estate constituting part of the Project as in the judgment of the Lessee are necessary or convenient for the efficient operation of the Project.

#### **SECTION 2.2 Investment of Warrant Fund and Construction Fund Moneys**

The Lessor shall cause any moneys held as a part of the Warrant Fund and the Construction Fund to be invested or reinvested by the Trustee in Government Obligations, or in money market funds customarily utilized by the Trustee for the investment of public funds and as otherwise permitted by the Mortgage, all at the request of, and as directed by, the Lessee. No investment shall be made which may result in any Warrant being considered an "arbitrage Warrant" within the meaning of Section 148 of the Code.

## ARTICLE III

### **DURATION OF LEASE TERM AND RENTAL PROVISIONS**

#### **SECTION 3.1 Duration of Term.**

The term of this Lease Agreement and of the lease herein made shall begin on the date of the delivery of the Warrants and, subject to the provisions of this Lease Agreement, shall continue until midnight of September 30, 2007. The Lessor hereby grants to the Lessee successive options to renew this Lease Agreement on the terms specified herein for each subsequent Fiscal Year of the Lessee to and including the Fiscal Year beginning October 1, 2027 and ending September 30, 2028, subject, however, to the terms, conditions, limitations and provisions of the Enabling Law. The Lessee may at its election exercise said options of renewal as its governing body may elect on the terms provided herein. Each option of renewal shall be deemed exercised on the first day of each Fiscal Year of the Lessee unless the governing body of the Lessee shall adopt a resolution stating that the Lessee will not exercise its option to renew with respect to the

next succeeding Fiscal Year and a copy of such resolution and order is mailed by registered or certified mail to the Lessor and to the Trustee prior to August 15 of the then current Fiscal Year. The Lessor will deliver to the Lessee possession of the Project on the commencement date of the Lease Term, subject to the inspection and other rights reserved in this Lease Agreement, and the Lessee will accept possession thereof at such time; provided, the Lessor will be permitted such possession of the Project as shall be necessary and convenient for it to construct or install any additions or improvements and to make any repairs or restorations required or permitted to be constructed, installed or made by the Lessor pursuant to the provisions hereof.

### **SECTION 3.2 Rental Provisions**

(a) Basic Rent. Basic Rent shall be in an amount sufficient to pay the principal of and interest on the Warrants as the same becomes due and payable. Beginning with the Fiscal Year commencing October 1, 2006 and ending September 30, 2007, and continuing each Fiscal Year thereafter, to and including the Fiscal Year commencing October 1, 2027 and ending September 30, 2028, the Lessee, on the first day of each Fiscal Year, will pay such amounts of rent to the Lessor as Basic Rent as shall be sufficient to provide for the payment of the principal of and interest on the Warrants due each such Fiscal Year, which amounts shall be paid solely out of the revenues of the Lessee derived from the Sublease Agreement or any other lease of the Project.

Anything herein to the contrary notwithstanding, while the Basic Rent for the initial term and each renewal term is due in advance on October 1 of such term, such rent is not delinquent until (1) the following June 1, in the case of the portion of such rent referable to the principal of and interest on the Warrants becoming due on such June 1, and (2) the following December 1, in the case of the portion of such rent referable to the interest on the Warrants becoming due on such December 1.

All Basic Rent payments shall be made directly to the Trustee for the account of the Lessor. The Trustee shall deposit the Basic Rent payable to it into the Warrant Fund. If on any principal or interest payment date the balance in the Warrant Fund is insufficient to pay the principal of and interest on the Warrants due and payable on such date, the Lessee will forthwith pay any such deficiency solely from amounts received under the Sublease Agreement. Any installment of Basic Rent not paid on the due date thereof shall bear interest until paid at the rate of 5% per annum or the maximum rate of interest allowed by law, whichever is less.

The Lessor shall cause all moneys deposited in the Warrant Fund to be applied to the payment of principal of or interest on the Warrants within twelve months from the date of such deposit and shall cause all amounts received from the investment of moneys in the Warrant Fund to be applied to the payment of principal of or interest on the Warrants within twelve months from the day of receipt of such investment income. Any amount held by the Trustee in the Warrant Fund on a rental payment date shall be credited against Basic Rent required to be paid by the Lessee on such rental payment date to the extent needed, provided that such amount shall only be so credited to the extent it is in excess of any amount required for payment of the principal of and premium, if any, on Warrants theretofore matured or called for redemption and any past due interest on such Warrants.

If at any time the amount held by the Trustee in the Warrant Fund shall be sufficient to pay at the times required all the principal of, interest due and to become due, and premium, if any, on the Warrants then remaining unpaid, the Lessee shall not be obligated to make any further Basic Rent payments under the provisions of this Section, but this provision shall not affect the other obligations of the Lessee under this Lease Agreement.

(b) Additional Rent. The Lessee shall pay as additional rent to the Trustee, on October 1 of each Fiscal Year (or on such other days of such Fiscal Year as revenues derived from the Sublease Agreement or other lease first become available therefor) in which the Lease Agreement is in effect and continuing on October 1 (or on such other days of such Fiscal Year as revenues derived from the Sublease Agreement or other lease first become available therefor) in each Fiscal Year thereafter, to and including the Fiscal Year commencing October 1, 2027 and ending September 30, 2028, (i) an amount equal to the annual fee of the Trustee for the ordinary services of the Trustee rendered and its ordinary expenses incurred under the Mortgage, as and when the same becomes due, (ii) the reasonable fees and charges of the Trustee as paying agent on the Warrants as provided in the Mortgage, as and when the same become due, and (iii) the reasonable fees, charges and expenses of the Trustee for necessary extraordinary services rendered by it and extraordinary expenses incurred by it under the Mortgage, as and when the same become due; provided, that the Lessee

may, without creating a default hereunder, contest in good faith the necessity for any such extraordinary services and extraordinary expenses and the reasonableness of any such fees, charges or expenses.

The Lessee further agrees to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without gross negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trusts under the Mortgage, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers and duties under the Mortgage.

(c) Source of Rental and Other Payments. All payments of Basic Rent and Additional Rent and other payments and obligations payable by the Lessee under this Lease Agreement shall be payable solely out of the revenues derived by the Lessee from the Sublease Agreement or other moneys made available to the Lessor or the Trustee pursuant to the exercise of any of their respective rights under the Mortgage, the Lease Agreement or the Sublease Agreement. The rentals required to be paid hereunder and the agreements to be performed by the Lessee during any Fiscal Year during which this Lease Agreement is in effect shall never create an indebtedness of the Lessee within the meaning of the Constitution of the State of Alabama of 1901, as amended.

### **SECTION 3.3. Obligations of Lessee**

Subject to the provisions of subsection (c) of Section 3.2 hereof, the obligation of the Lessee to pay Basic Rent and Additional Rent, to make all other payments provided for herein and to perform and observe the other agreements and covenants on its part herein contained shall be absolute and unconditional, irrespective of any rights of set-off, recoupment or counterclaim it might otherwise have against the Lessor. The Lessee will not suspend or discontinue any such payment or fail to perform and observe any of its other agreements and covenants contained herein for any cause whatsoever, including, without limiting the generality of the foregoing, any acts or circumstances that may constitute an eviction or constructive eviction, failure of consideration or commercial frustration of purpose, the invalidity of any provision of the Lease Agreement, or any damage to or destruction of the Project or any part thereof, or the taking by eminent domain of title to or the right to temporary use of all or any part of the Project, or any change in the tax or other laws or administrative rulings, actions or regulations of the United States of America or of the State or any political or taxing subdivision of either thereof, or any failure of the Lessor to perform and observe any agreement or covenant, whether express or implied, or any duty, liability or obligation arising out of or in connection with this Lease Agreement. Notwithstanding the foregoing, the Lessee may, at its own cost and expense and in its own name or in the name of the Lessor, prosecute or defend any action or proceeding, or take any other action involving third persons which the Lessee deems reasonably necessary in order to secure or protect its rights of use and occupancy and the other rights hereunder.

### **SECTION 3.4 Concerning the Sublease Agreement.**

The Lessor recognizes that contemporaneously with the issuance of the Warrants, the Lessee will sublease the Project to the Sublessee, an agency of the State, for the purpose of enabling such agency to provide services to the citizens of Baldwin County, Alabama. The Lessee agrees that it will take all such actions as may be necessary to cause the Sublease Agreement to remain in full force and effect and hereby assigns to the Lessor all rental, receipts, and other payments received by the Lessee from or with respect to the Sublease Agreement and understands and agrees that all such payments shall be applied in accordance with the provisions of the Mortgage. The Lessee agrees that it will promptly notify the Trustee and the Lessor of any default by the Sublessee under the Sublease Agreement or any failure of the Sublessee to make any lease payment under the Sublease Agreement or to take any other action or refrain from taking any action pursuant to the provisions of the Sublease Agreement.



## ARTICLE IV

### MAINTENANCE, ALTERATIONS, REPLACEMENTS, TAXES AND INSURANCE

#### SECTION 4.1 Maintenance and Repairs, Alterations and Improvements to Building, Party Walls, and Liens.

(a) The Lessee will, solely from amounts received under the Sublease as provided in Section 3.2(c) hereof, (i) keep the Project in as reasonably safe condition as its operations permit, (ii) from time to time make all necessary and proper repairs, renewals and replacements thereto, including external and structural repairs, renewals and replacement, and (iii) pay all gas, electric, water, sewer and other charges for the operation, maintenance, use and upkeep of the Project.

(b) The Lessee may, solely from amounts received under the Sublease as provided in Section 3.2(c) hereof, make structural changes, additions, improvements, alterations or replacements to the Project that it may deem desirable, provided such structural changes, additions, improvements, alterations or replacements do not change the character of the Project as a "project" under the Enabling Law, and provided further that the Lessee files with the Lessor and the Trustee a certificate of an Independent Engineer or an Independent Architect that such additions, improvements, alterations or replacements will not adversely affect the utility of the Project or substantially reduce its value. In lieu of making such additions, improvements or alterations itself, the Lessee may, if it so desires, furnish to the Lessor the funds necessary therefor, in which case the Lessor will proceed to make such additions, improvements, alterations or replacements. All such additions, improvements, alterations and replacements whether made by the Lessee or the Lessor shall become a part of the Project and shall be covered by this Lease Agreement and the Mortgage.

(c) The Lessor will also, upon request of the Lessee and in its sole judgment, grant such utility, access and other similar easements over, across or under the Leased Realty as shall be necessary or convenient for the efficient operation of the Project; provided that such easements shall not adversely affect the operation of the facilities forming a part of the Project.

(d) The Lessee will not, subject to Section 3.2(c) hereof, permit any mechanics' or other liens to stand against the Project for labor or material furnished it. The Lessee may, however, in good faith contest any such mechanics' or other liens and in such event may permit any such liens to remain unsatisfied and undischarged during the period of such contest and any appeal therefrom unless by such action the lien of the Mortgage on the Project or any part thereof, or the Project or any part thereof shall be subject to loss or forfeiture, in either of which events such mechanics' or other liens shall be promptly satisfied.

#### SECTION 4.2 Removal of, Substitution and Replacement for Equipment

The Lessor and the Lessee recognize that portions of the Equipment may from time to time become inadequate, obsolete, worn-out, unsuitable, undesirable or unnecessary in the operation of the Project, but the Lessor shall not be under any obligation to renew, repair or replace any such Equipment. If the Lessee in its sole discretion determines that any item of Equipment has become inadequate, obsolete, worn-out, unsuitable, undesirable or unnecessary in the operation of the Project, the Lessee may remove such Equipment from the Building or the Leased Realty and (on behalf of the Lessor) sell, trade in, exchange or otherwise dispose of it without any responsibility or accountability to the Lessor or the Trustee therefor, provided that

(i) the Lessee shall substitute and install in the Building or on the Leased Realty (either by direct payment of the costs thereof or by advancing to the Lessor the funds necessary therefor) other machinery, equipment or personal property having equal or greater value and utility (but not necessarily the same function) in the use of the Project, which such substituted machinery, equipment or personal property shall be free of all liens and encumbrances, shall be the sole property of the Lessor, shall be and become a part of the Equipment subject to the demise hereof and to the lien of the Mortgage, and shall be held by the Lessee on the same terms and conditions as the items originally comprising the Equipment,

- (ii) such removal and substitution shall not impair the operating unity of the Project, and
- (iii) such removal and substitution shall not change the nature of the Project as a "project" under the Enabling Law.

**SECTION 4.3 Installation by Lessee of Its Own Machinery and Equipment.**

The Lessee may, at its own expense, install in the Building or on the Leased Realty any machinery, equipment or personal property which in the Lessee's judgment will facilitate the use of the Project. Any such machinery, equipment or personal property which is installed at the Lessee's expense and does not constitute a substitution or replacement for the Equipment pursuant to Section 4.2 hereof shall be and remain the property of the Lessee and may be removed by the Lessee at any time and from time to time while it is not in default under the terms of this Lease Agreement; provided, however, that any damage to the Project occasioned by such removal shall be repaired by the Lessee at its own expense. At the time of the installation by the Lessee of any items of its own machinery, equipment or personal property in the Building or on the Leased Realty, the Lessee shall plainly, distinctly, permanently and conspicuously place and fasten on each item a metal plate (or other practicable identification) readily visible identifying the item as the property of the Lessee. In case any such plate shall at any time be removed, defaced or destroyed, the Lessee shall immediately cause the same to be restored or replaced.

**SECTION 4.4 Taxes, Other Governmental Charges and Utility Charges.**

The Lessor and the Lessee acknowledge that under present law no part of the Project will be subject to ad valorem taxation by the State or by any political or taxing subdivision thereof and that under present law the income and profits (if any) of the Lessor from the Project are not subject to either Federal or State taxation. However, the Lessee will pay, as the same respectively become due and solely out of the revenues derived by the Lessee from the Sublease Agreement or other sublease of the Project, (i) 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 other property installed or brought by the Lessee on the Leased Realty, including without limitation any taxes levied on or with respect to the revenues, income or profits of the Lessor from the Project and any other taxes levied upon or with respect to the Project which, if not paid, will become a lien on the Project prior to or on a parity with the lien of the Mortgage or a charge on the revenues and receipts from the Project prior to or on a parity with the charge thereon and pledge or assignment thereof created and made in the Mortgage and including any ad valorem taxes assessed upon the Lessee's interest in the Project, and (ii) all assessments and charges lawfully made by any governmental body for public improvements that may be secured by a 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 Lease Term. The foregoing provisions of this Section shall be effective only so long as any part of the principal of or the interest on the Warrants remains outstanding and unpaid.

The Lessee may, at its own 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 enforcement of such contested items shall be effectively stayed. The Lessor, at the expense of the Lessee, will cooperate fully with the Lessee in any such contest.

**SECTION 4.5 Insurance Required.**

The Lessee will, or will cause the Sublessee to, take out and continuously maintain in effect the following insurance with respect to the Project, paying, solely out of the revenues derived by the Lessee from the Sublease Agreement or other sublease of the Project, as the same become due, all premiums with respect thereto:

- (a) Insurance against loss or damage by fire, lightning, wind, vandalism and malicious mischief, 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 (i) to such extent as is necessary to provide for full payment of the costs of repairing or replacing the property damaged or destroyed; (ii) to the extent of the full replacement value of the Project; (iii) to the extent of the full insurable value of the Project; or (iv) to the

extent of the outstanding principal amount of the Warrants at any time plus interest to accrue thereon for six months, whichever of the foregoing (i), (ii) (iii) or (iv) is the greatest and is available; and

(b) Insurance against liability for bodily injury to or death of persons and for damage to or loss of property occurring on or about the Project or in any way related to the condition or operation of the Project, in the minimum amounts of \$1,000,000 combined single limit for death of or bodily injury to any one person, and for property damage, all on a per occurrence basis; and

(c) Business interruption insurance as required and provided in the Sublease Agreement.

All policies evidencing the insurance required by the terms of the preceding paragraph shall be provided through the Finance Department (Risk Management) of the State of Alabama or through generally recognized responsible insurance companies, qualified under the laws of the State to assume the respective risks undertaken. All such insurance policies shall name as insureds the Lessor, the Trustee and the Lessee (as their respective interests shall appear) and shall contain standard mortgage clauses providing for all losses thereunder to be paid to the Trustee; provided that all losses may be adjusted by the Lessee, subject, to the approval of the Trustee. The Lessee may insure under a blanket policy or policies.

Each 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 consent of the Lessor and the Trustee, cancel or materially amend such insurance or sell, assign or dispose of any interest in such insurance, such policy, or any proceeds thereof, (ii) such insurer will notify the Lessor and the Trustee if any premium shall not be paid when due or any such policy shall not be renewed to the expiration thereof, and (iii) such insurer shall not cancel or materially amend any such policy except on thirty days' prior written notice to the Lessor and the Trustee.

All policies evidencing the insurance required to be carried by this Section shall be deposited with the Trustee; provided, however, that in lieu thereof the Lessee may deposit with the Trustee a certificate or certificates of the respective insurers attesting the fact that such insurance is in force and effect. Prior to the expiration of any such policy, the Lessee will furnish to the Trustee evidence reasonably satisfactory to the Trustee that such policy has been renewed or replaced by another policy or that there is no necessity therefor under this Lease Agreement.

#### **SECTION 4.6 Advances by Lessor or Trustee.**

In the event that the Lessee fails to perform any covenant required by this Lease Agreement, the Lessor or the Trustee, after first notifying the Lessee of any such failure on its part, may (but shall not be obligated to) make advances to effect performance of the same on behalf of the Lessee. All amounts so advanced therefor by the Lessor or the Trustee, together with interest thereon from the date of advancement at the prime or base rate of the Trustee, plus 2% per annum, or the maximum rate of interest allowed by law, whichever is less, shall become an additional obligation payable by the Lessee to the Lessor or to the Trustee, as the case may be; provided that such payments shall be made solely out of the revenues derived by the Lessee from the Sublease Agreement or other sublease of the Project. Any remedy herein vested in the Lessor or the Trustee for the collection of the rental payments shall also be available to the Lessor and the Trustee for the collection of all such additional obligations for amounts so advanced.

#### **SECTION 4.7 Indemnity of Lessor.**

(a) Subject to Section 3.2(c) hereof, the Lessee agrees to pay, and to indemnify and hold the Lessor harmless against, any and all liabilities, losses, damages, claims or actions (including all reasonable attorneys' fees and expenses of the Lessor), of any nature whatsoever incurred by the Lessor without gross negligence on its part arising from or in connection with its performance or observance of any covenant or condition on its part to be observed or performed under this Lease Agreement or the Mortgage, including without limitation, (i) any injury to, or the death of, any person or any damage to property at the Project, or in any manner growing out of or connected with the use, nonuse, condition or occupation of the Project or any part thereof, (ii) any damage, injury, loss or destruction of the Project, (iii) any other act or event occurring upon, or affecting, any part of the Project, (iv) violation by the Lessee of any contract, agreement or restriction affecting the Project or the use thereof of which the Lessee has notice and which shall have existed at the commencement of the term hereof or shall have been approved by the Lessee, or of any law, ordinance or

regulation affecting the Project or any part thereof or the ownership, occupancy or use thereof, and (v) liabilities, losses, damaged, claims or actions arising out of the offer and sale of the Warrants or a subsequent sale or distribution of any of the Warrants, except if the same resulted from a representation or warranty of the Lessor in the Lease Agreement or any certificate delivered by the Lessor pursuant thereto being false or misleading in a material respect and such representation or warranty was not based upon a similar representation of the Lessee in connection therewith.

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

(c) The Lessee hereby agrees that the Lessor shall not incur any liability to the Lessee, and shall be indemnified against all liabilities, in exercising or refraining from asserting, maintaining or exercising any right, privilege or power of the Lessor under the Mortgage if the Lessor is acting in good faith and without gross negligence or in reliance upon a written request by the Lessee; provided that all obligations of the Lessee under this Lease Agreement shall be payable solely out of the revenues derived by the Lessee from the Sublease Agreement or other sublease of the Project.

## ARTICLE V

### PROVISIONS RESPECTING DAMAGE, DESTRUCTION AND CONDEMNATION

#### **SECTION 5.1 Damage and Destruction**

If the Project shall be damaged or destroyed by fire or other casualty, including acts of God, the Lessee shall, or shall cause the Sublessee,

(a) within two (2) weeks following the date of such damage or destruction, engage an Independent Architect to determine and report to the Lessee and the Sublessee in writing, within thirty (30) days following the date of such damage or destruction, whether, in the reasonable judgment of such Independent Architect, the Project can, within a period of not more than three hundred sixty-five (365) days from the date of such damage or destruction, be repaired or restored to substantially the same condition as immediately preceding such damage or destruction, and

(b) promptly after its receipt of the report of such Independent Architect's determination notify the Lessor and the Trustee in writing of its determination.

If the Independent Architect reasonably determines that the Project can be so repaired or restored within such 365-day period and the Lessee notifies the Lessor and the Trustee (as provided above) of the Independent Architect's determination, the Sublease Agreement shall continue in full force and effect (without abatement of any rents due hereunder), and the Lessee will as soon as practicable repair, restore or rehabilitate the Project with the net insurance proceeds referable to such damage or destruction. If the Independent Architect reasonably determines that the Project cannot be so repaired or restored within such 365-day period and notifies the Lessee, and the Lessee notifies the Lessor and the Trustee (as provided above) of its determination, the Lessee may, by written notice given to the Lessor and the Trustee within six (6) weeks following the date of such damage or destruction, terminate the Sublease Agreement (effective as of the date of such damage or destruction), and the Net Proceeds referable to such damage or destruction shall, to the extent necessary and sufficient, be applied to retirement of the Warrants, and any such proceeds thereafter remaining may be retained by the Lessee.

Any obligation assumed by the Lessee under this Section which is not paid from insurance proceeds shall be payable solely from revenues of the Lessee received under the Sublease Agreement or other lease of the Project for the Fiscal Year during which the damage or destruction occurred and for any subsequent Fiscal Year or Years for which the Lessee exercises its option to renew the Lease Term as provided in Section 3.1 hereof.

Anything in this Section to the contrary notwithstanding the Lessor and the Lessee acknowledge and agree that the Sublessee shall have the right to direct application of any Net Proceeds resulting from any insurance payment in accordance with the Sublease Agreement so long as it is in effect, and the parties hereto covenant and agree to be bound by such determination.

**SECTION 5.2 Condemnation.**

In the event that title to, or the temporary use of, the Project or any part thereof shall be taken under the exercise of the power of eminent domain and as a result thereof the Lessee is entitled to exercise an option to purchase the Project and duly does so in accordance with the applicable provisions of Section 9.1 hereof, so much (which may be all) of the Net Proceeds referable to such taking, including the amounts awarded to the Lessor and the Trustee and the amount awarded to the Lessee for the taking of all or any part of the leasehold estate of the Lessee in the Project created by this Lease Agreement, as shall be necessary to provide for full payment of the Warrants (as specified in Section 6.4 hereof) shall be paid to the Trustee and the excess of such Net Proceeds remaining (if any) shall be paid to the Lessee.

If as a result of such taking, the Lessee is not entitled to exercise an option to purchase the Project under Section 9.1 hereof, or, having such option, fails to exercise the same in accordance with the terms thereof or notifies the Lessor and the Trustee in writing that it does not propose to exercise such option, the Lessee shall be obligated to continue to make the rental payments required to be paid under this Lease Agreement, and the entire Net Proceeds hereinabove referred to shall be paid to the Trustee and applied in one or more of the following ways as shall be directed in writing by the Lessee:

(a) to the restoration of the remaining improvements located on the Leased Realty to substantially the same condition in which they existed prior to the exercise of the power of eminent domain;

(b) to the acquisition, by construction or otherwise, by the Lessor of other lands or improvements suitable for the Lessee's use of the Project, which land or improvements shall be deemed a part of the Project and available for use and occupancy by the Lessee without the payment of any rent other than that herein provided to the same extent as if such land or other improvements were specifically described herein and demised hereby, and which land or improvements shall be acquired by the Lessor subject to no liens or encumbrances prior to the lien of the Mortgage; and

(c) To the redemption of Warrants, including accrued interest thereon, to the date of redemption, and the applicable premium (if any), provided, that no part of any such Net Proceeds (other than the Net Proceeds awarded to the Lessee for the taking of all or any part of the leasehold estate of the Lessee in the Project created by this Lease Agreement) may be applied to the redemption of Warrants unless (1) all of the Warrants are to be redeemed or (2) in the event that less than all of the Warrants are to be redeemed, the Lessee has furnished to the Lessor and the Trustee a certificate of an Independent Engineer or of an Independent Architect stating (i) that the part of the Project that was taken by such condemnation proceedings 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 (iii) that land or other improvements have been acquired which are suitable for the Lessee's use of the Project as contemplated by the foregoing subsection (b) of this Section.

Any balance of such Net Proceeds remaining after the application thereof as provided in subsections (a), (b) and (c) of this Section shall be deposited in the Warrant Fund or, if the Warrants are fully paid, shall be paid to the Lessee.

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

Any obligation assumed by the Lessee under this Section which is not paid from the proceeds of the condemnation award shall be payable solely from revenues of the Lessee received under the Sublease Agreement or other

lease of the Project for the Fiscal Year during which the taking occurred and for any subsequent Fiscal Year or Years for which the Lessee exercises its option to renew the Lease Term as provided in Section 3.1 hereof.

Anything in this Section to the contrary notwithstanding, the Lessor and the Lessee agree that the Sublessee shall have the right to direct application of any Net Proceeds resulting from any condemnation award in accordance with the Sublease Agreement as long as the same is in effect, and the Lessor and Lessee covenant and agree to be bound by such determination.

**SECTION 5.3 Condemnation of Lessee-Owned Property.**

The Lessee shall be entitled to the Net Proceeds of any award or portion thereof made for damage to or taking of its own property not included in the Project, provided that any Net Proceeds resulting from the 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 5.1 of this Lease Agreement.

**ARTICLE VI**

**CERTAIN PROVISIONS RELATING TO ASSIGNMENT,  
SUBLEASING, MORTGAGING AND THE WARRANTS**

**SECTION 6.1 Provisions Relating to Assignment and Subleasing.**

The Lessee shall enter into the Sublease Agreement with the Sublessee. The Lessee may assign this Lease Agreement and the leasehold interest created hereby and may otherwise sublet the Project or any part thereof, subject, however, to the following conditions:

(a) No such assignment or subleasing and no dealings or transactions between the Lessor or the Trustee and any assignee or sublessee shall release the Lessee from liability for the specific obligations and liabilities undertaken in this Lease Agreement unless the Lessor and the Trustee agree to such release in writing.

(b) The Lessee will not assign the leasehold interest created hereby nor sublease the Project to any person unless the operations of such assignee or sublessee are consistent with, and in furtherance of, the purpose of the Enabling Law. The Lessee shall, prior to any such assignment or sublease, demonstrate to the reasonable satisfaction of the Lessor and the Trustee that the operations of such assignee or sublessee will preserve the character of the Project as a "project" under the Enabling Law.

(c) The Lessee shall within thirty days after the delivery thereof furnish to the Lessor and the Trustee a true and complete copy of each such assignment or sublease.

(d) No such assignment or subleasing shall result in the payment of the principal of or interest on the Warrants being directly or indirectly secured in any way by any interest in property used or to be used for a "private business use" or shall result in the Warrants being directly or indirectly guaranteed by the United States.

**SECTION 6.2 Assignment of Lease Agreement and Rents by the Lessor**

The Lessor has, simultaneously with the delivery of this Lease Agreement, assigned its interest in and pledged any money receivable under this Lease Agreement to the Trustee as security for payment of the principal of and the interest on the Warrants, and the Lessee hereby consents to such assignment and pledge. The Lessor has in the Mortgage obligated itself to follow the instructions of the Trustee or the registered holders of the Warrants or a certain percentage thereof in the election or pursuit of any remedies herein vested in it. The Trustee shall have all rights and remedies herein accorded to the Lessor and any reference herein to the Lessor shall be deemed, with the necessary changes in detail, to include the Trustee, and the Trustee and the registered holders of the Warrants are deemed to be third party beneficiaries

of the covenants, agreements and representations of the Lessee herein contained. Prior to the payment in full of the Warrants, the Lessor and the Lessee shall have no power to modify, alter, amend or terminate this Lease Agreement without the prior written consent of the Trustee and the Insurer and then only as provided in the Mortgage. The Lessor will not amend the Mortgage or any indenture supplemental thereto without the prior written consent of the Lessee and the Insurer. Neither the Lessor nor the Lessee will unreasonably withhold any consent herein or in the Mortgage required of either of them. The Lessee shall not be deemed to be a party to the Mortgage or the Warrants and reference in this Lease Agreement to the Mortgage and the Warrants shall not impose any liability or obligation upon the Lessee other than its specific obligations and liabilities undertaken in this Lease Agreement.

**SECTION 6.3 Restriction on Mortgage or Sale of Project by Lessor; Consolidation or Merger of, or Transfer of Assets by, Lessor.**

Except for the lien on the Project pursuant to the Mortgage, the Lessor will not mortgage, sell, assign, transfer or convey the Project at any time during the Lease Term without the prior written consent of the Lessee while the Lessee is not in default hereunder. If the laws of the State at the time shall permit, nothing contained in this Section shall prevent the consolidation of the Lessor with, or merger of the Lessor into, or transfer of the Project as an entirety to, any public corporation whose property and income are not subject to taxation and which has corporate authority to carry on the business of owning and leasing the Project; provided, that (a) upon any such consolidation, merger or transfer, the due and punctual performance and observance of all the agreements and provisions 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 as an entirety, and (b) no such consolidation, merger or transfer shall result in the interest on the Warrants becoming subject to State or Federal income tax.

**SECTION 6.4 Redemption of Warrants.**

The amount necessary to redeem Warrants shall be deemed to include, in addition to the redemption price of the Warrants, all expenses necessary to effect the redemption and all interest on the Warrants to be redeemed to the redemption date, and, if all Warrants are redeemed, all other obligations under the Mortgage that shall become due and payable on or prior to the redemption date, including the Trustee's fees, charges and expenses. The Lessee may, at its election and at any time while it is not in default hereunder, pay to the Trustee such amount as shall be sufficient to enable the Lessor to retire, in advance of maturity and in accordance with their terms, all of the Warrants or any of the Warrants. Any payment made by the Lessee under this or any other Section of this Lease Agreement to be applied to the redemption of Warrants shall be made at least 45 days prior to the proposed redemption date (unless a shorter period shall be satisfactory to the Trustee) and at the time of such payment the Lessee shall notify the Lessor and the Trustee, in writing, as to the purpose of such payment, and the Lessor, upon receiving such notice, shall be obligated and hereby agrees to take all necessary action to have the payment made by the Lessee for the purpose of redeeming Warrants applied to the redemption of as many Warrants as such payment will permit under the redemption provisions of the Warrants and the Mortgage.

**SECTION 6.5 References to Warrants Ineffective After Warrants Paid.**

Upon payment in full of the Warrants and of all fees and charges of the Trustee, or provision for payment thereof having been made in accordance with the provisions of the Mortgage, all references in this Lease Agreement to the Warrants, the Mortgage and the Trustee shall be ineffective and neither the Trustee nor the registered holders of any of the Warrants shall thereafter have any rights hereunder, saving and excepting those that shall have theretofore vested.

**ARTICLE VII**

**PARTICULAR COVENANTS OF THE LESSEE**

**SECTION 7.1 General Covenants.**

The Lessee will not do or permit anything to be done at the Project that will affect, impair or contravene any policies of insurance that may be carried on the Project or any part thereof against loss or damage by fire, casualty or otherwise. The Lessee will, in the use of the Project and the public ways abutting the same comply with all lawful

requirements of all governmental bodies; provided, however, the Lessee may at its own expense in good faith contest the validity or applicability of any such requirement.

**SECTION 7.2 Inspection of Project.**

The Lessee will permit the Lessor and the Trustee, and their duly authorized agents (subject to the restrictions and requirements imposed by contracts with the United States of America or agencies thereof, or by subcontracts governed by such contracts, being performed by the Lessee, or its subtenant or subtenants, in any part of the Project) at all reasonable times to enter upon, examine and inspect the Project; and in the event of default as hereinafter provided, the Lessee will permit a public accountant or firm of public accountants designated by the Trustee, to have access to, inspect, examine and make copies of the books and records, accounts and data of the Lessee with respect to the Project and this Agreement.

**SECTION 7.3 Special Covenant.**

So long as any of the Warrants are outstanding if any space in the Project becomes vacant after acquisition of the Project by the Lessor, then until such time as all vacant space in the Project shall have been filled or utilized, neither the Lessee nor any officer, department or agency thereof shall thereafter enter into any lease or rental agreement, or renew any existing lease or rental agreement for other space in or about Baldwin County suitable for use for the same purposes for which such vacant space in the Project is suitable; provided the Lessee presently leases space to the Sublessee in Bay Minette, Alabama and may continue to do so without violating the foregoing special covenant.

**ARTICLE VIII**

**EVENTS OF DEFAULT AND REMEDIES**

**SECTION 8.1 Events of Default Defined.**

The following shall be events of default under this Lease Agreement and the term "event of default" shall mean, whenever used in this Lease Agreement, any one or more of the following events:

- (a) Failure to pay any installment of Basic Rent or to make any other payment required hereunder that has become due and payable by the terms of this Lease Agreement;
- (b) Failure by the Lessee to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsection (a) of this Section, for a period of thirty days after written notice, specifying such failure and requesting that it be remedied, given to the Lessee by the Lessor or the Trustee, unless the Trustee and the Lessor shall agree in writing to an extension of such time prior to its expiration, which agreement shall not be unreasonably withheld if corrective action is instituted by the Lessee promptly upon receipt of the written notice and is diligently pursued until the default is corrected;
- (c) A default under the Sublease Agreement; and
- (d) A default under the Mortgage.

**SECTION 8.2 Remedies on Default.**

Whenever any such event of default shall have happened and be continuing, the Lessor or the Trustee may take any of the following remedial steps:

- (a) Declare all installments of Basic Rent payable under Section 3.2(a) of this Lease Agreement for the remainder of the Lease Term during the current Fiscal Year to be immediately due and payable, whereupon the same become immediately due and payable;



(b) Reenter the Project, without terminating this Lease Agreement, and, upon ten days' prior written notice to the Lessee, relet the Project or any part thereof for the account of the Lessee, for such term (including a term extending beyond the Lease Term) and at such rentals and upon such other terms and conditions, including the right to make alterations to the Project or any part thereof, as the Lessor may, with the approval of the Trustee, deem advisable, and such reentry and reletting of the Project shall not be construed as an election to terminate this Lease Agreement nor relieve the Lessee of its obligations under this Lease Agreement, all of which shall survive such reentry and reletting, and the Lessee shall continue to pay Basic Rent and all additional rent provided for in this Lease Agreement until the end of the Lease Term less the net proceeds, if any, of any reletting of the Project after deducting all of the Lessor's and the Trustee's expenses in connection with such reletting, including, without limitation, all repossession costs, brokers' commissions, attorney's fees, alteration costs and expenses of preparation for reletting;

(c) Terminate this Lease Agreement, exclude the Lessee from possession of the Project and, if the Lessor or Trustee elect so to do, lease the same for the account of the Lessor, holding the Lessee liable for all rent due up to the date such lease is made for the account of the Lessor (but not beyond the then current Fiscal Year); and

(d) Take whatever legal proceedings may appear necessary or desirable to collect the rent then due, whether by declaration or otherwise, or to enforce any obligation or covenant or agreement of the Lessee under this Lease Agreement or by law.

**SECTION 8.3 No Remedy Exclusive.**

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

**SECTION 8.4 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 (in its own name or in the name and on behalf of the Lessor) should employ attorneys or incur other expenses for the collection of rent or the enforcement of performance or observance of any obligation or agreement on the part of the Lessee herein contained, the Lessee will, solely from amounts received under the Sublease, on demand therefor pay to the Lessor or the Trustee (as the case may be) the reasonable fees of such attorneys and such other expenses so incurred.

**SECTION 8.5 No Additional Waiver Implied by One Waiver.**

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

**SECTION 8.6 Remedies Subject to Applicable Law.**

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

## ARTICLE IX

### OPTIONS

#### **SECTION 9.1 Option to Purchase Project Prior to Payment of the Warrants.**

The Lessee, if not in default hereunder, shall have the option to purchase the Project at any time prior to the full payment of the Warrants if any of the following shall have occurred:

(a) The Project or any part thereof shall have been damaged or destroyed, by fire or other casualty, including Acts of God, to such extent that in the opinion of an Independent Architect, the Project cannot be restored to substantially the same condition thereof immediately preceding such damage or destruction within 365 days; or

(b) Title to 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 taking may result, in the opinion of the Lessee, in the Lessee being thereby prevented from carrying on its normal operations at the Project for a period of four consecutive months or more; or

(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 Agreement shall have become void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed herein, or unreasonable burdens or excessive liabilities shall have been imposed on the Lessor or the Lessee, including without limitation, the imposition of taxes of any kind on the Project or the income or profits of the Lessor therefrom or upon the interest of the Lessee therein, which taxes were not being imposed on the date of this Lease Agreement; or

(d) Termination of the Sublease pursuant to the provisions thereof.

To exercise such option, the Lessee shall, within thirty days following the event authorizing the exercise of such option, give written notice to the Lessor and to the Trustee and shall specify therein the date of closing such purchase, which date shall be not less than forty-five nor more than ninety days from the date such notice is mailed, and shall make arrangements satisfactory to the Trustee for the giving of the required notice of redemption for the redemption of the Warrants. The purchase price payable by the Lessee in the event of its exercise of the option granted in this Section shall be such an amount determined as specified in Section 6.4 hereof as shall, together with the amount, if any, on deposit in the Warrant Fund and available therefor, be required to redeem all of the then outstanding Warrants. The purchase price shall be paid by the Lessee to the Trustee.

Upon the exercise of the option granted in this Section and the payment of the option price, any Net Proceeds of insurance or condemnation award then on hand or thereafter received shall be paid to the Lessee.

Anything in this Section to the contrary notwithstanding, the Lessee and the Lessor agree that the Sublessee shall have the right to direct the exercise of the option of the Lessee granted in this Section as long as the Sublease Agreement is in effect and agree to be bound by the direction of the Sublessee.

#### **SECTION 9.2 Option to Purchase Unimproved Leased Realty.**

The Lessee, if not in default hereunder, shall also have the option to purchase any Unimproved part of the Leased Realty at any time and from time to time at and for a purchase price equal to the pro rata cost thereof to the Lessor, provided that it furnishes the Lessor and the Trustee with the following:

(a) A notice in writing containing (i) an adequate legal description of that portion of the Leased Realty with respect to which such option is to be exercised, which portion may include rights granted in party walls, the right to "tie-into" existing utilities, the right to connect and join any building, structure or improvement with existing structures, facilities and improvements on the Leased Realty, and the right of ingress or egress to and from the public highway which shall not interfere with the use and occupancy of existing structures, improvements and buildings, (ii) a statement that the Lessee intends to exercise its option to purchase such portion of the Leased Realty on a date stated, which shall not be less than forty-five nor more than ninety days from the date of such notice, (iii) a description of the building, structures, or improvements, if any, to be erected on the portion to be purchased and (iv) a statement that the portion of the Leased Realty to be purchased is no longer needed or useful in connection with, or in the operation of, the Project.

(b) A certificate of an Independent Engineer or of an Independent Architect dated not more than ninety days prior to the date of the purchase and stating that, in the opinion of the person signing such certificate, (i) the portion of the Leased Realty with respect to which the option is exercised is not needed for the operation of the Project, (ii) the buildings, structures or improvements, if any, described in the above certificate by the Lessee can be constructed on the real property to be purchased and (iii) the severance of such portion of the Leased Realty from the Project and the construction thereon of the buildings, structures and improvements, if any, above referred to will not impair the usefulness of the Building or the means of ingress and egress therefrom.

(c) An amount of money equal to the purchase price computed as provided in this Section, which amount shall be deposited with the Trustee and applied to the redemption of as many Warrants as practical.

Upon receipt by it of the notice and certificate required in this Section to be furnished by the Lessee and the payment by the Lessee to the Trustee of the purchase price, the Lessor will promptly deliver to the Lessee the documents referred to in Section 9.4 hereof and will secure from the Trustee a release from the lien of the Mortgage of the portion of the Leased Realty with respect to which the Lessee shall have exercised the option granted to it in this Section.

If such option relates to Leased Realty on which utility facilities are located, the Lessor shall retain an easement to use such utility facilities to the extent necessary for the efficient operation of the Project.

No purchase effected under the provisions of this Section shall affect the liability or the obligation of the Lessee for the payment of Basic Rent and additional rent in the amounts and at the time provided in this Lease Agreement or the performance of any other agreement, covenant or provision hereof, and there shall be no abatement or adjustment in rent by reason of the release of any such realty except as specified in this Section and the obligation and the liability of the Lessee shall continue in all respect as provided in this Lease Agreement, excluding, however, any realty so purchased.

Anything in this Section to the contrary notwithstanding, the Lessee and the Lessor agree that the Sublessee shall have the right to direct the exercise of the option of the Lessee granted in this Section as long as the Sublease Agreement is in effect and agree to be bound by the direction of the Sublessee.

### **SECTION 9.3 Option to Purchase Project After Payment of the Warrants.**

If for any reason, title to the Project shall not automatically vest in the Lessee pursuant to the Enabling Law and Section 11.14 hereof upon the full payment of the Warrants, then the Lessee, if not in default hereunder, shall also have the option to purchase the Project at any time following full payment of the Warrants (or provision for the payment thereof having been made in accordance with the provisions of the Mortgage) for a purchase price of one hundred dollars. To exercise the option granted in this Section, the Lessee shall notify the Lessor of its intention so to exercise such option prior to the proposed date of purchase and shall on the date of purchase pay such purchase price to the Lessor.

If the option granted in this Section shall for any reason be held invalid upon the attempted exercise thereof by the Lessee following full payment of the Warrants, the Lessor shall be obligated to sell the Project to the Lessee for a price of one hundred dollars. The date of closing such purchase shall be thirty days from the date of such holding.

The provisions of this Section shall survive any termination of the Lease Agreement.

**SECTION 9.4 Conveyance on Exercise of Option to Purchase.**

At the closing of the purchase pursuant to the exercise of any option of purchase granted herein, the Lessor will upon receipt of the purchase price deliver to the Lessee documents conveying to the Lessee the property with respect to which such option was exercised, as such property then exists, subject to the following: (i) all easements or other rights, if any, required to be reserved by the Lessor under the terms and provisions of the option being exercised by the Lessee; (ii) those liens and encumbrances, if any, to which title to said property was subject when conveyed to the Lessor; (iii) those liens and encumbrances created by the Lessee or to the creation or suffering of which the Lessee consented; and (iv) those liens and encumbrances resulting from the failure of the Lessee to perform or observe any of the agreements on its part contained in this Lease Agreement.

**SECTION 9.5 Prior Rights of the Alabama Department of Human Resources.**

The Lessee acknowledges that subsequent to the payment of the Warrants, the Alabama Department of Human Resources, as Sublessee, has been granted an option to renew the Sublease Agreement from year to year for successive Fiscal Year periods until and including the Fiscal Year beginning on October 1, 2037 and ending on September 30, 2038, and such option of the Alabama Department of Human Resources, as Sublessee, is prior to the rights of the Lessee under this Article.

**ARTICLE X**

**INTERNAL REVENUE CODE**

The parties hereto recognize that the Warrants are being sold on the basis that the interest payable on the Warrants is excludable from gross income under Section 103 of the Code for purposes of federal income taxation. The Lessor and the Lessee do each hereby covenant and agree for the benefit of the Trustee and the registered holders of the Warrants that to the extent permitted by law, the Lessor and the Lessee will not take any action, or omit to take any action, with respect to the Warrants that would cause the interest on the Warrants not to be and remain excludable from gross income pursuant to the provisions of Section 103 of the Code. The Lessor and the Lessee further covenant (a) to file, or caused to be filed, with the Internal Revenue Service, any statements and reports, and (b) to comply with all rules and regulations respecting the Warrants and the Project required by applicable Federal tax laws and regulations to be filed or complied with as a condition of the continued exemption from Federal income taxation of the interest on the Warrants.

**ARTICLE XI**

**MISCELLANEOUS**

**SECTION 11.1 Covenant of Quiet Enjoyment.**

So long as the Lessee performs and observes all the covenants and agreements on its part herein contained, it shall peaceably and quietly have, hold and enjoy the Project during the Lease Term subject to all the terms and provisions hereof.

**SECTION 11.2 This Lease a Net Lease.**

The Lessee recognizes, understands and acknowledges that it is the intention hereof that this Lease Agreement be a net lease and that until the Warrants are fully paid all Basic Rent be available for payment of the principal of and interest on the Warrants and that all Additional Rent shall be available for the purposes specified therefor. This Lease Agreement shall be construed to effectuate such intent.

**SECTION 11.3 Lessor's Liabilities Limited.**

This Lease Agreement is entered into under and pursuant to the provisions of the Enabling Law. No provision hereof shall be construed to impose a charge against the general credit of the Lessor or any personal or pecuniary liability upon the Lessor except to apply the proceeds to be derived from the sale of the Warrants and the revenues and receipts to be derived from the Project or any part thereof as provided herein and in the Mortgage.

**SECTION 11.4 Limitation on Duties Under Lease Agreement.**

The State shall not in any manner be liable for the performance of any obligation or agreement contained in this Lease Agreement. Any rents shall be payable and any covenants on the part of the Lessee shall be performed solely out of the revenues of the Lessee for its then current Fiscal Year derived from the Sublease Agreement or any other lease of the Project, and the rental payments and the covenants to be performed by the Lessee under the provisions of this Lease Agreement shall never create an indebtedness of the Lessee within the meaning of any provision of the Constitution of the State. The Lessee shall not be deemed to be a party to the Mortgage or the Warrants, and reference in this Lease Agreement to the Mortgage and the Warrants shall not impose any liability or duty upon the Lessee, other than its specific duties and liabilities undertaken in this Lease Agreement.

**SECTION 11.5 Lease Obligations Are Not General Obligations.**

In accordance with the provisions of and subject to the limitations prescribed by the Enabling Law, the obligation of the Lessee to pay the rental required to be paid and to perform the agreements on the part of the Lessee required to be performed during any Fiscal Year during which this Lease Agreement is in effect shall be payable solely out of the revenues derived from the Sublease Agreement or any other lease of the Project and shall not be general obligations of the Lessee and shall not be payable from its general revenues. Whenever the Lessee shall exercise its option to renew this Lease Agreement for an additional term, the aforesaid pledge of rental payments by the Lessee shall be deemed effective for such additional term as provided in and subject to the provisions of the Enabling Law. The Lessee hereby covenants and agrees for each Fiscal Year in which this Lease Agreement shall be in effect to pay and transfer or cause to be paid and transferred to the Warrant Fund sufficient proceeds derived from the Sublease Agreement or any other lease of the Project until the amount in the Warrant Fund equals the total rent required to be paid by the Lessee during such Fiscal Year pursuant to Section 3.2 hereof.

**SECTION 11.6 No Free Use of Project; Full Charges to Be Made by Lessee.**

The Lessee covenants and agrees that it will not permit any person, firm, corporation or other entity to have free use of any of the facilities constituting a part of the Project except to the extent that it may be required under the applicable provisions of the constitution and laws of the United States of America and the State to permit such use. The Lessee covenants and agrees that all persons, firms, corporations and other entities using any of the facilities constituting a part of the Project shall be charged the full, fair market value for the use of such facilities and shall be required to pay such charges on such current basis as is customary with respect to such charges, all in accordance with the applicable provisions of the constitution and laws of the United States of America and the State.

**SECTION 11.7 Freedom From Debt Limitation.**

The rentals required to be paid and the agreements required to be performed by the Lessee under this Lease Agreement during any Fiscal Year during which this Lease Agreement is in effect shall be payable solely out of the revenues derived from the Sublease Agreement or any other lease of the Project for such Fiscal Year, and shall never create an indebtedness of the Lessee within the meaning of the Constitution of the State. This Lease Agreement is entered into pursuant to the provisions of the Enabling Law and is subject to the limitations therein provided.

**SECTION 11.8 Prior Agreements Cancelled.**

This Lease Agreement shall completely and fully supersede all other prior agreements, both written and oral, between the Lessor and the Lessee relating to the acquisition of the Leased Realty and the Building, the acquisition of the Equipment, the acquiring and leasing of the Project and any options to renew or to purchase; excepting however any deed

or other instrument by which the Project, any part thereof, or any interest therein has been transferred and conveyed by the Lessee to the Lessor. Neither the Lessor nor the Lessee shall hereafter have any rights under such prior agreements but shall look solely to this Lease Agreement for definition and determination of all of their respective rights, liabilities and responsibilities relating to the Project.

**SECTION 11.9 Execution 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 11.10 Binding Effect; Governing Law.**

This Lease Agreement shall inure to the benefit of, and shall be binding upon, the Lessor, the Lessee and their respective successors and assigns. This Lease Agreement shall be governed exclusively by the applicable laws of the State.

**SECTION 11.11 Severability.**

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

**SECTION 11.12 Article and Section Captions.**

The Article and Section headings and captions contained herein are included for convenience only and shall not be considered a part hereof or affect in any manner the construction or interpretation hereof.

**SECTION 11.13 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, at the Baldwin County Courthouse, 312 Courthouse Square, Suite 12, Bay Minette, Alabama 36507, Attention of President; if to the Lessee, at Baldwin County Courthouse, 312 Courthouse Square, Suite 12, Alabama 36507 Attention: Chairman and if to the Trustee at 106 St. Francis Street, Mobile, Alabama 36602, Attention: Corporate Trust Officer. 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 11.14 Vesting of Title to Project.**

The Lessor and the Lessee hereby acknowledge that the Enabling Law provides that in the event the Lessor shall at any time have outstanding and unpaid Warrants payable, in whole or in part, from the revenues derived from the Project, then, as and when the principal of and interest on all such Warrants shall have been paid in full, title to the Project shall thereupon vest in the Lessee. In order to conform this Lease Agreement to the aforesaid provision of the Enabling Law and in order to establish the Lessee's right to the Project if, at such time as the Warrants shall have been fully paid, the Enabling Law does not then automatically vest title to the Project in the Lessee, the Lessor hereby conditionally conveys to the Lessee all the Lessor's rights, title and interest in and to the Project, said right, title and interest to vest absolutely in the Lessee upon full payment of the Warrants and all other indebtedness of the Lessor secured (in whole or in part) by a lien on the Project or payable (in whole or in part) out of the revenues derived by the Lessor therefrom. The Lessor and the Lessee hereby further agree that the right, title and interest of the Lessor in and to the Project shall, without further action on the part of the Lessor, automatically vest in the Lessee upon full payment of the Warrants and such other indebtedness. In no event, however, shall the Lessee be entitled to claim or enforce any rights in the Project pursuant to the aforesaid conveyance by the Lessor which would in any way impair the rights of the Trustee, the registered holders of any of the Warrants, the Insurer, or any creditors of the Lessor with respect to any other indebtedness. The estate of the Lessee created by such conveyance is in the nature of a contingent remainder, and such estate shall not merge with the leasehold estate of the Lessee created by the Lease Agreement until all conditions

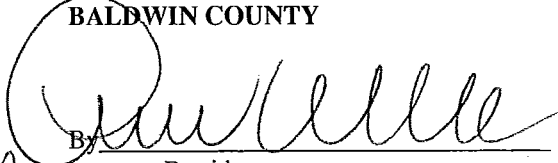
precedent to its vesting shall have been satisfied, including, without limitation thereto, the satisfaction and discharge of the lien of the Mortgage in accordance with the provisions of Section 10.1 of the Mortgage. The Lessor will, at the expense of the Lessee, execute and deliver such further instruments and do such further acts as may be necessary or appropriate to perfect and secure the title of the Lessee to the Project, if and when the Lessee's right thereto vests absolutely pursuant to the provisions of this paragraph. The provisions of this paragraph shall survive any termination of the Lease Agreement resulting from the full payment of the Warrants.

If upon full payment and retirement of all the Warrants, any moneys then remain in any of the funds created in the Mortgage, and if the Lease Agreement remains in effect until the full payment and retirement of all the Warrants and the Lessee is not then in default under the Lease Agreement, the Lessor will cause the Trustee to pay all such moneys to the Lessee, and the Lessor hereby assigns all such moneys to the Lessee.

The Lessee acknowledges that subsequent to the payment of the Warrants, the Alabama Department of Human Resources has been granted an option to renew the Sublease Agreement from year to year for successive Fiscal Year periods until and including the Fiscal Year beginning on October 1, 2037 and ending September 30, 2038, and such option of the Alabama Department of Human Resources is prior to the rights of the Lessee under this Section.

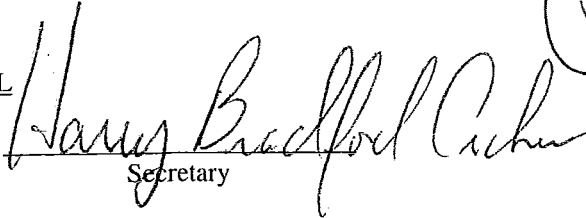
IN WITNESS WHEREOF, the Lessor and the Lessee have caused this Lease Agreement to be executed in their respective corporate names, have caused their respective corporate seals to be hereunto affixed, have caused this Lease Agreement to be attested by its Secretary, all by their duly authorized officers, and have caused this Lease Agreement to be dated as of June 1, 2007.

**THE PUBLIC BUILDING AUTHORITY OF  
BALDWIN COUNTY**

By   
President

SEAL

Attest:

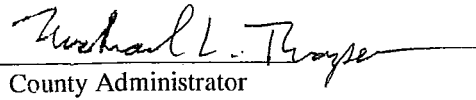
  
Secretary

**BALDWIN COUNTY, ALABAMA**

By   
Chairman

SEAL

Attest:

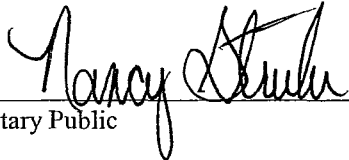
  
County Administrator



STATE OF ALABAMA )  
BALDWIN COUNTY )

I, the undersigned, a Notary Public in and for said County in said State, hereby certify that LOCKE W. WILLIAMS whose name as President of The Public Building Authority of Baldwin County, a public corporation, is signed to the foregoing Lease Agreement and who is known to me, acknowledged before me on this day that, being informed of the contents of said 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 this the 6<sup>th</sup> day of June, 2007.

  
\_\_\_\_\_  
Notary Public

NOTARIAL SEAL

My commission expires: \_\_\_\_\_

STATE OF ALABAMA )  
BALDWIN COUNTY )

I, the undersigned, a Notary Public in and for said County in said State, hereby certify that Wayne A. Gruenloh whose name as Chairman of the Baldwin County Commission of Baldwin County, Alabama, an Alabama political subdivision, is signed to the foregoing Lease Agreement, and who is known to me, acknowledged before me on this day that, being informed of the contents of said Lease Agreement, he, as such officer and with full authority, executed the same voluntarily for and as the act of said political subdivision.

Given under my hand this the 5<sup>th</sup> day of June, 2007.

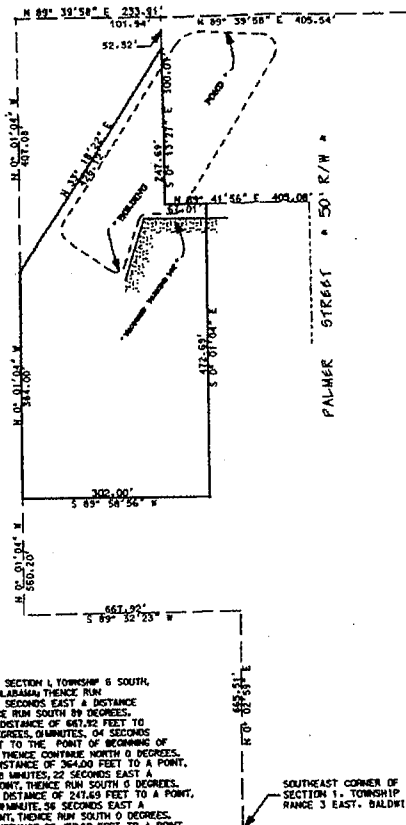
Alan S. Ruffin  
Notary Public

NOTARIAL SEAL

My commission expires: \_\_\_\_\_  
NOTARY PUBLIC STATE OF ALABAMA AT LARGE  
MY COMMISSION EXPIRES: Dec 13, 2008  
BONDED THRU NOTARY PUBLIC UNDERWRITERS

## EXHIBIT A

FROM THE SOUTHEAST CORNER OF SECTION 1, TOWNSHIP 6 SOUTH, RANGE 3 EAST, BALDWIN COUNTY, ALABAMA; THENCE RUN NORTH 0 DEGREES, 02 MINUTES, 59 SECONDS EAST A DISTANCE OF 665.51 FEET TO A POINT, THENCE RUN SOUTH 89 DEGREES, 32 MINUTES, 23 SECONDS WEST A DISTANCE OF 667.92 FEET TO A POINT, THENCE RUN NORTH 0 DEGREES, 01 MINUTES, 04 SECONDS WEST A DISTANCE OF 560.20 FEET TO THE POINT OF BEGINNING OF THE PROPERTY HEREIN DESCRIBED; THENCE CONTINUE NORTH 0 DEGREES, 01 MINUTES, 04 SECONDS WEST A DISTANCE OF 364.00 FEET TO A POINT; THENCE RUN NORTH 33 DEGREES, 18 MINUTES, 22 SECONDS EAST A DISTANCE OF 426.12 FEET TO A POINT, THENCE RUN SOUTH 0 DEGREES, 13 MINUTES, 27 SECONDS EAST A DISTANCE OF 247.69 FEET TO A POINT, THENCE RUN NORTH 89 DEGREES, 41 MINUTES 56 SECONDS EAST A DISTANCE OF 67.01 FEET TO A POINT; THENCE RUN SOUTH 0 DEGREES, 01 MINUTES 04 SECONDS EAST A DISTANCE OF 472.69 FEET TO A POINT; THENCE RUN SOUTH 89 DEGREES, 58 MINUTES, 56 SECONDS WEST A DISTANCE OF 302.00 FEET TO THE POINT OF BEGINNING, CONTAINING 3.65 ACRES MORE OR LESS



**PROPOSED DHA LEASE**

FROM THE SOUTHEAST CORNER OF SECTION 1, TOWNSHIP 6 SOUTH, RANGE 3 EAST, BALDWIN COUNTY, ALABAMA THENCE RUN NORTH 0 DEGREES, 02 MINUTES, 59 SECONDS EAST A DISTANCE OF 568.91 FEET TO A POINT, THENCE RUN SOUTH 89 DEGREES, 32 MINUTES, 23 SECONDS WEST A DISTANCE OF 481.92 FEET TO A POINT, THENCE RUN NORTH 0 DEGREES, 04 MINUTES, 04 SECONDS WEST A DISTANCE OF 364.00 FEET TO A POINT, THENCE RUN NORTH 33 DEGREES, 40 MINUTES, 22 SECONDS EAST A DISTANCE OF 425.32 FEET TO A POINT, THENCE RUN SOUTH 0 DEGREES, 15 MINUTES, 21 SECONDS EAST A DISTANCE OF 247.69 FEET TO A POINT, THENCE RUN NORTH 89 DEGREES, 40 MINUTE, 56 SECONDS EAST A DISTANCE OF 474.00 FEET TO A POINT, THENCE RUN SOUTH 0 DEGREES, 04 MINUTES, 04 SECONDS EAST A DISTANCE OF 472.89 FEET TO A POINT, THENCE RUN SOUTH 89 DEGREES, 08 MINUTES, 56 SECONDS WEST A DISTANCE OF 302.00 FEET TO THE POINT OF BEGINNING, CONTAINING 3.165 ACRES MORE OR LESS.

SOUTHEAST CORNER OF SECTION 1, TOWNSHIP 6 SOUTH, RANGE 3 EAST, BALDWIN COUNTY, ALABAMA

BALDWIN COUNTY ENGINEERING DEPARTMENT			
PROJECT NO.			
DHR LEASE			
BALDWIN COUNTY, AL			
SCALE	DESIGNED: DRAWN:	QUANTITIES COMP. CHECKED:	DAT
	REVIEW CHECKED: CHECKED:		

---

**SUBLEASE AGREEMENT**

---

---

**Dated: June 1, 2007**

**Delivered: June 7, 2007**

---

**By and between**

**BALDWIN COUNTY, ALABAMA**

**and**

**STATE OF ALABAMA  
Acting by and through its**

**DEPARTMENT OF HUMAN RESOURCES**

---

**This Sublease Agreement was prepared by James L. Birchall of Walston, Wells & Birchall, LLP,  
One Federal Place, 1819 5<sup>th</sup> Avenue North, Suite 1100, Birmingham, Alabama 35203**

---

---

SUBLEASE AGREEMENT

STATE OF ALABAMA )  
COUNTY OF BALDWIN )

STATE AGENCY OR DEPARTMENT:  
ALABAMA DEPARTMENT OF HUMAN RESOURCES:

Parties

THIS SUBLEASE AGREEMENT (this "Lease") dated as of June 1, 2007 and delivered on June 7, 2007 is made by and between BALDWIN COUNTY, a political subdivision (hereinafter called the "County"), and the STATE OF ALABAMA, acting by and through its Department of Human Resources, an agency and department of the State of Alabama (hereinafter called the "Department").

WITNESSETH

For and in consideration of the respective agreements on the part of the County and the Department herein contained, the County hereby demises and leases to the Department, and the Department hereby leases and rents from the County, for and during the "Term" hereinafter referred to, the real property situated at 22259 Palmer Street, Robertsdale, Alabama, in Baldwin County, Alabama described on Exhibit A hereto, together with the "Building" (hereinafter defined) and all other improvements now or hereafter situated on the said real property and forming a part thereof, all on and subject to the following special terms and conditions:

**SECTION 1. Definitions.**

The following words and phrases and others evidently intended as the equivalent thereof shall, in the absence of clear implication herein otherwise, be given the following respective interpretations herein:

"Agreement" means this Sublease Agreement, as it now exists and as it may hereafter be supplemented or amended.

"Authority" means The Public Building Authority of Baldwin County and its successors and assigns.

"Building" means a 46,610-square-foot office building to be located in the City of Robertsdale, in Baldwin County, Alabama, of the specifications set forth on Exhibit D hereto, and designed for use by the Department in connection with the administration of certain programs for which the Department and the County have statutory responsibility under the laws of the State of Alabama, together with appurtenant parking and other ancillary facilities, as said office building and facilities may at any time exist.

"County" means Baldwin County, Alabama.

"Demised Premises" means the Site and the Building, as they may at any time exist, and all other property and rights referred to or intended so to be in the demising clauses hereof or in any way subject to the demise hereof.

"Department" means the party of the second part hereto and its successors and assigns.

"Fiscal Year" means the period of twelve consecutive calendar months beginning on October 1 of a calendar year and ending on September 30 of the next succeeding calendar year.

"**Indenture**" means the Mortgage and Deed of Trust between the Authority and the Trustee, dated as of June 1, 2007, under which the Warrants are being issued and by which they are secured.

"**Independent Architect**" means an architect or firm of architects duly licensed to practice in the State of Alabama, that has no regular employment relationship with either the Department or the County.

"**Primary Term**" means the period beginning on the date of the delivery of these presents and continuing until 11:59 o'clock, p.m., on September 30, 2007.

"**Rent Commencement Date**" means the date on which the later of the two events specified in clauses (a) and (b) of Section 4 hereof occurs, subject, however, to the provision of clause (ii) of said Section 4.

"**Site**" means the real property specifically described in Exhibit A (to the extent that at the time it is subject to the demise hereof).

"**Term**" means the Primary Term and any successive Fiscal Year with respect to which the Department has exercised an option to renew granted in Section 3 hereof.

"**Trustee**" means (a) Regions Bank, or (b) any successor Trustee at the time serving as such under the Indenture.

"**Warrants**" means those certain Building Revenue Warrants (DHR Project), Series 2007-A, dated June 1, 2007, and authorized to be issued by the Authority in the principal amount of \$6,405,000, the maturities and interest rates of which are specified on Exhibit B attached hereto and made a part hereof.

## **SECTION 2.     Delivery of Possession; Primary Term.**

The County will deliver to the Department sole and exclusive possession of the Demised Premises (or such portion or portions thereof as are then in existence) on the commencement date of the Primary Term, subject to the inspection and other rights reserved in clause (d) of Section 7 hereof, and the Department will accept possession thereof at such time; provided, however, that during the Primary Term, and during any future term for which a renewal option is (under the provisions of Section 3 hereof) duly exercised, the County will be permitted such possession of the Demised Premises as shall be necessary and convenient for it (a) to construct the Building, and (b) to make any repairs, restorations or improvements required or permitted to be made by the County pursuant to the provisions hereof.

The County will, or will cause the Authority to, proceed with all reasonable dispatch with the construction of the Building, to construct the Building so as to be accessible to and usable by the handicapped in accordance with

(a) Section 504 of the Rehabilitation Act of 1973 and applicable federal regulations and standards (as they now exist), and

(b) applicable provisions of the Americans with Disabilities Act and related federal regulations and standards (as they now exist),

and to complete such construction as promptly as practicable and substantially in accordance with plans, specifications and drawings heretofore furnished to the Department. Such plans, specifications and drawings (including any site plan forming a part thereof) may be changed prior to commencement of the construction of the Building, provided that such changes do not result in substantially changing the appearance or basic design of the Building or its character as a "project" under Chapter 15 of Title 11 of the Code of Alabama 1975, as amended. Final plans, specifications and drawings for the Building will be submitted to the Department for comment and approval prior to the commencement of construction, which such approval the Department will not unreasonably withhold and which shall constitute acknowledgment by the Department that the Building will, if constructed substantially in accordance with such plans, specifications and drawings, be accessible to and usable by the handicapped in accordance with (i) Section 504 of the Rehabilitation Act of 1973 and applicable federal regulations and standards, and (ii) applicable provisions of the

Americans with Disabilities Act and related federal regulations and standards. The Department, by the execution and delivery hereof, approves the plans, specifications and drawings for the Building heretofore furnished to it.

**SECTION 3. Options to Renew.**

(a) The Department shall have, and is hereby granted, the following options from year to year to renew the term of this Agreement, provided, however, that if the term of this Agreement shall not be renewed for any of the additional periods provided for in this section, this Agreement shall thereupon terminate and no renewal may thereafter be made for any subsequent term, whether pursuant to the provisions of this section or otherwise:

(i) from and after the Primary Term, for successive Fiscal Year periods until and including the Fiscal Year beginning October 1, 2027, and

(ii) from and after the Fiscal Year ending September 30, 2028, for ten (10) successive Fiscal Year periods until and including the fiscal year beginning on October 1, 2037 and ending September 30, 2038;

(b) Such option to renew the term of this Agreement for any Fiscal Year shall be deemed to have been exercised in any of the following events:

(i) if, not later than the first day of such Fiscal Year, the Department notifies the County in writing that the Department elects to exercise such option for such Fiscal Year;

(ii) if the Department continues in occupancy of the Demised Premises on the first day of such Fiscal Year, it being understood and agreed that, with respect to any Fiscal Year beginning prior to the date on which the Department first takes actual possession of the Building, the Department shall be conclusively presumed to be in occupancy of the Demised Premises on the first day of such Fiscal Year if it does not, before the August 1 next preceding the beginning of such Fiscal Year, (A) notify the County in writing that the Department does not intend to exercise such renewal option for such Fiscal Year, and (B) cause a copy of such notice to be furnished to the Trustee; or

(iii) if, as of the first day of such Fiscal Year, the Legislature of Alabama has appropriated funds to the Department for the payment of the rental due by the Department for such Fiscal Year or funds therefor are otherwise made available to the Department.

**SECTION 4. Rental.**

The Department will pay, on the first day of each calendar month in each successive Fiscal Year during which this Agreement is in effect, rental in the amount of \$40,633.44 per month or \$10.46 per square foot, commencing with the month during which

(a) the construction of the Building is completed, or

(b) the Department is furnished a certificate or other appropriate document signed by all County and state officials having jurisdiction, stating or otherwise indicating that the Building is ready for occupancy,

whichever of the foregoing clauses (a) or (b) is later; provided, however, (i) that if the Rent Commencement Date is not the first day of a calendar month, then the first such monthly rental payment hereunder shall be due on the Rent Commencement Date and shall be in an amount prorated from the Rent Commencement Date until and including the last day of the month during which the Rent Commencement Date occurs [the computation of such proration to be based on a thirty-day (30) day month]; (ii) that if, under the preceding provisions of this section, the Rent Commencement Date would be earlier than June 1, 2008 the Rent Commencement Date shall, any provisions hereof to the contrary notwithstanding, be June 1, 2008; (iii) that if this Agreement is in effect for the Fiscal Year beginning October 1, 2028 and continuing for each successive Fiscal Year thereafter for which this Agreement is in effect, the monthly rental shall be one-twelfth (1/12th) of an amount equal to \$46,610 (\$1.00 per square foot of floor space in the Building); (iv) that no



such rental payment shall be due with respect to any particular month unless there has theretofore been submitted to the Department by the County (or by the Trustee on its behalf) two sworn invoices stating the amount due under this Section 4 as rental for such month, all as may at the time be required by laws and regulations of the State Finance Department [such invoices to be addressed to the Office of Housing, Department of Human Resources, 50 Ripley Street, Montgomery, Alabama 36130, or in such other manner as the Department may hereafter specify in a written notice to the County and Regions Bank; (v) that if, as of any October 1 (commencing with October 1, 2008), there is, for any reason or on account of any factor, on deposit in the Series 2007 Warrant Fund created in the Indenture

(a) an amount (not including, however, any amount held in such Fund for payment of any matured interest on the Warrants) in excess of the interest maturing with respect to the Warrants on such then next succeeding June 1 or December 1, or,

(b) an amount (not including, however, any amount held in such Fund for payment of any matured principal of the Warrants) in excess of the principal maturing (or required by the Indenture to be redeemed) with respect to the Warrants on the then next succeeding June 1,

such excess shall be credited on the monthly installment of rental due hereunder by the Department on such June 1 or December 1, as the case may be, and on each such monthly rental installment that may thereafter come due hereunder by the Department until such time as all such excess has been so credited; provided that no such credit shall be given if the Trustee determines that such excess is needed for any future payments of principal of or interest on the Warrants.

So long as any of the Warrants are outstanding, all such monthly rental payments due hereunder by the Department shall be made directly to the Trustee, for the account of the County. In the event the due date of any installment of rental payable hereunder is a Sunday or legal holiday in Alabama, such installment shall be due on the next succeeding business day. Any installment of rent due hereunder shall become delinquent if not paid within twenty-five (25) days after the receipt by the Department of the above-required sworn invoices therefor.

The principal of and interest on the Warrants due in each year is set forth on Exhibit C hereto.

#### **SECTION 5. Insurance.**

The Department will take out and maintain (or cause to be taken out and maintained), from and after the commencement date of the Primary Term, insurance against loss or damage to the Building by fire, lightning, windstorm and malicious mischief, with uniform standard extended coverage endorsement limited only as may be provided in the broad form of extended coverage endorsement at the time in use in Alabama,

(a) to such extent as is necessary to provide for full payment of the costs of repairing or replacing the property damaged or destroyed,

(b) to the extent of the full replacement value of the Building, or

(c) to the extent of the full insurable value of the Building, or

(d) to the extent of the outstanding principal amount of the Warrants at any time plus interest to accrue thereon for 6 months,

whichever of the foregoing (a), (b), (c) or (d) is the greatest and is available.

The Department will also take out and maintain comprehensive public liability insurance for injury or death to third parties or damage to their property as a result of occurrences on or about the Demised Premises in an amount not less than \$1,000,000.

During the Term hereof, the Department will pay, in addition to the stated monthly rental provided for in Section 4 hereof, the premium or premiums on such insurance.

The Department will, from and after the Rent Commencement Date, and during the Term hereof, take out and maintain at its own expense insurance of the type commonly known as business interruption insurance, use and occupancy insurance or rent insurance, to the extent necessary to insure (i) payment of the rental payable by the Department hereunder during the time required to repair or restore the Building in the event of any damage thereto or destruction thereof, or (ii) payment of rentals for alternative space and moving and other incidental expenses of the Department, limited with respect to such rentals to the amount thereof payable during the period of not less than twelve (12) months next succeeding the date of such damage and destruction. The Department will,

(a) promptly after the Rent Commencement Date, furnish to the Trustee a copy of the policy evidencing such insurance, together with a certificate of the insurer attesting the fact that such insurance is in force and effect, and

(b) at least fifteen (15) days prior to the expiration date of such policy, furnish to the Trustee evidence reasonably satisfactory to it that such policy has been renewed or replaced by another policy or that there is no necessity therefor under this Agreement.

The Department shall provide all insurance required by this Agreement through the Finance Department (Risk Management) of the State of Alabama or through generally recognized responsible insurance companies which are qualified under the laws of Alabama to assume the respective risks undertaken.

**SECTION 6. Certain Agreements.**

(a) The Department hereby covenants with the County that the Department will pay all amounts required in excess of the proceeds of the Warrants to complete the acquisition, construction and equipping of the Building so as to permit the occupancy, operation and use of the Building by the Department.

(b) The Department agrees and acknowledges that the Department's rights under this Agreement shall be and remain subordinate to any bona fide mortgage that may hereafter be placed on the Demised Premises by the Authority, it being understood, however, that so long as this Agreement is in full force and effect and the Department is not in default hereunder, the Department's tenancy shall not be disturbed nor shall any of the covenants or conditions of this Agreement be invalidated. Further, in the event of a default under any such mortgage, the Department shall be notified of such default and be afforded the opportunity to cure it.

**SECTION 7. Covenants of Department.**

The Department hereby covenants with the County that the Department, after the Rent Commencement Date and at all times during which this Agreement is in effect,

(a) will use and occupy the Demised Premises for office and storage purposes only (and without the written consent of the County, for no other object or purpose);

(b) will not at any time assign this Agreement or sublet the Demised Premises, or any portion thereof (except to another State, County or County agency), without the prior written consent of the County, which such consent the County will not unreasonably withhold, it being understood and agreed that in the event of any such assignment or subleasing (with or without County consent as aforesaid), the Department shall continue to remain primarily liable for payment of the rentals herein provided to be paid by it and for performance and observance of the other agreements and covenants on its part herein provided to be performed and observed by it;

(c) will, at its own expense, keep the Demised Premises in good order, reasonable wear and tear excepted;

(d) will permit the County, the Trustee or any agent of either thereof to enter the Demised Premises or any part thereof at all reasonable hours for the purpose of examining or exhibiting same or making such repairs or alterations as may be necessary for safety or preservation thereof;

(e) will, as additional rental hereunder, reimburse the County for any ad valorem taxes (and any related penalties and interest) that may be imposed on or with respect to the Demised Premises, that come due while this Agreement is in effect and that are paid by the County, such reimbursement to be made promptly upon the furnishing to the Department of evidence of the payment of such taxes, penalties or interest by or on behalf of the County;

(f) will surrender possession of the Demised Premises upon the termination of this Agreement, or any extension hereof as herein provided, in as good condition as upon completion of construction of the Building (or earlier termination of this Agreement), reasonable wear and tear and accidents happening by fire or other casualties excepted;

(g) will make due and timely payment of the costs of all utility services furnished to the Demised Premises;

(h) will make due and timely payment of any costs incurred in correcting or repairing any malfunction or breakdown of the heating or cooling system of the Building, to the extent that such correction or repair is not covered by warranty;

(i) will, after the expiration of any applicable warranty covering the costs of the correction or repair of such heating or cooling system, be responsible (at its own expense) for maintaining normal service and maintenance contracts on such system, all with contractors certified to work on systems of the type and caliber of those forming a part of the Building;

(j) will, after completion of the construction of the Building, be responsible for maintaining the Demised Premises (including, without limitation, the Building and its grounds) in good repair (except in the case of damages arising from ordinary wear and tear), it being understood and agreed that if the Department fails to do so, the County (i) will, if it has knowledge of such failure, give notice to the Department of any defect and give the Department a reasonable time to correct such defect, and (ii) may, if the Department fails so to correct such defect in a reasonable time, make such repairs itself and advance (for the account of the Department) the costs of such correction, and the Department will, upon submission to it of a statement for such costs, promptly reimburse the County therefor; provided, however, that damages arising from the intentional actions of, or from the negligence of the County or its agents or employees, shall be the responsibility of the County;

(k) will pay for all janitorial services and make due and timely payment of the costs and continuation of heating the Building and of replacing light bulbs and ballasts;

(l) will not, while any of the Warrants remain outstanding and unpaid and the Demised Premises or any space therein is vacant or not used by the Department, rent any building or office facility or office space located in the County for use for the same purposes for which the unused space in the Demised Premises is suitable, nor at any such time will the Department renew any lease of any building, office facility or office space in the County (other than this Agreement) for use for the same purposes for which the unused space in the Demised Premises is suitable; provided, that if the Department shall determine that the need for office facilities for use by the Department in the County exceeds the capacity of the Demised Premises plus the maximum capacity of all other office facilities in the County that are then owned, leased, rented or used by the Department, the Department may lease or use new or additional office facilities or office space in the County (and may renew existing leases with respect thereto) but only to such extent as is necessary to provide office facilities for employees who cannot then be accommodated by the Demised Premises; and provided further, that the Department may, at any time during which the Building is (on account of any damage thereto or destruction thereof) wholly or partially untenable in the reasonable judgment of the Department, lease or use

new or additional office facilities or office space in the County (and may renew existing leases with respect thereto) but only to such extent as is necessary to provide office facilities for employees who, by reason of the untenability (whether in whole or in part) of the Building, cannot then be accommodated by the Demised Premises; and

(m) will not, while any of the Warrants remain outstanding and unpaid, permit any employees of the Department (other than employees who cannot then be accommodated by the Demised Premises) to occupy any rented or leased office facility or office space located in the County (other than the Demised Premises).

The operative effect of the provisions of the preceding clauses (l) and (m) of this section shall not be affected by the non-exercise by the Department of any of the renewal options granted in Section 3 hereof with respect to Fiscal Years beginning before October 1, 2027, and the resulting termination of this Agreement, it being understood and agreed that such provisions shall (notwithstanding such termination) remain in full force and effect until and including September 30, 2028. Nothing herein contained, however, shall obligate the Department to comply with the provisions of the preceding clauses (l) or (m) for any period (i) during which it is, without fault or responsibility on its part, effectively precluded from enjoying quiet and peaceable possession of the Demised Premises, or (ii) after any termination of this Agreement by the Department under the provisions of Sections 9 or 12 hereof.

Notwithstanding anything herein to the contrary, the Department presently leases space from the County in Bay Minette, Alabama and the Department may continue to lease such space or other comparable space in Bay Minette, Alabama, without violating clauses (l) and (m) of this section.

#### **SECTION 8. Covenants of County.**

The County hereby covenants with the Department (a) that the County will, continuously during the Term keep the Department in quiet and peaceable possession of the Demised Premises (subject, however, to those provisions of Section 2 hereof under which the County may to some extent and under certain circumstances be entitled to possession of the Demised Premises), and (b) that it will, subject to provisions of Section 14 hereof, maintain the Building in such condition as to be accessible to and usable by the handicapped in accordance with (i) Section 504 of the Rehabilitation Act of 1973 and applicable federal regulations and standards and (ii) applicable provisions of the Americans With Disabilities Act and related federal regulations and standards, as either of such statutes (and appurtenant regulations and standards) may at the time exist.

#### **SECTION 9. Damage or Destruction.**

If the Building shall be damaged or destroyed by fire or other casualty, including acts of God, the Department shall

(a) within two (2) weeks following the date of such damage or destruction, engage an Independent Architect to determine and report to the Department in writing, within thirty (30) days following the date of such damage or destruction, whether, in the reasonable judgment of such Independent Architect, the Building can, within a period of not more than three hundred sixty-five (365) days from the date of such damage or destruction, be repaired or restored to substantially the same condition as immediately preceding such damage or destruction, and

(b) promptly after its receipt of the report of such Independent Architect's determination notify the County and the Trustee in writing of its determination.

If the Independent Architect reasonably determines that the Building can be so repaired or restored within such 365-day period and the Department notifies the County and the Trustee (as provided above) of the Independent Architect's determination, this Agreement shall continue in full force and effect (without abatement of any rents due hereunder), and the Department will as soon as practicable repair, restore or rehabilitate the Building with the net insurance proceeds referable to such damage or destruction. If the Independent Architect reasonably determines that the Building cannot be so repaired or restored within such 365-day period and notifies the Department, and the Department

notifies the County and the Trustee (as provided above) of its determination, the Department may, by written notice given to the County and the Trustee within six (6) weeks following the date of such damage or destruction, terminate this Agreement (effective as of the date of such damage or destruction), and the net insurance proceeds referable to such damage or destruction shall, to the extent necessary and sufficient, be applied to retirement of the Warrants, and any such proceeds thereafter remaining may be retained by the Department.

Notwithstanding that any termination of this Agreement by the Department under the preceding provisions of this Section 9 shall be effective as of the date of the damage or destruction entitling the Department so to terminate this Agreement, the Department shall be entitled to the refund of any rental or other amounts paid by it hereunder during the period commencing with the date of such damage or destruction until and including the date on which the Department gives written notice of termination hereunder only to the extent that moneys remain in the hands of the County after full payment and retirement of the Warrants.

**SECTION 10. Trustee Fees and Charges.**

In addition to the stated monthly rental provided for in Section 4, the Department will pay and reimburse the County for the fees and charges of the Trustee under the Indenture not to exceed, however, a one-time acceptance fee of \$1,500 and an annual fee of \$2,000. The County hereby irrevocably assigns to the Trustee its right to the payment and reimbursement referred to in the preceding sentence. The Department agrees to pay directly to the Trustee the aforesaid fees and charges for which it has agreed to reimburse the County, up to the aforesaid annual maximum, as and when appropriate statements therefor are received by the Department.

**SECTION 11. Exemption.**

The Department, any provision of this Agreement to the contrary notwithstanding, does not release or waive, whether expressly or by implication, its right to assert sovereign immunity or any other affirmative or defensive right or claim it may have under law.

**SECTION 12. Default; Termination.**

(a) If at any time one party shall default in the performance or observance of any of its agreements, covenants or obligations hereunder, the nondefaulting party shall give to the defaulting party written notice of the nature of the default. If the default is not (or cannot be) cured within a reasonable period, the nondefaulting party may cancel this Agreement without further obligation.

(b) The County's sole remedy for the settlement of any and all disputes arising under the terms of this Agreement shall be limited to the filing of a claim with the Board of Adjustment for the State of Alabama.

(c) No consent or approval of, or notice to, the Department that would otherwise be necessary or required hereunder shall be necessary or required if at the time the Department is in default hereunder; provided that notice of such default has been duly given to the Department in the manner provided in the preceding paragraph.

**SECTION 13. Approvals.**

The Department and the County, by the execution and delivery hereof, each warrants and represents that all approvals and consents necessary to be obtained by it under the laws of the State of Alabama or the United States or otherwise, as a condition precedent to the execution and delivery of this Agreement on its part, have been obtained and are in full force and effect.

**SECTION 14. Limited Liability of the County.**

None of this Agreements, covenants or representations on the part of the County herein contained shall ever constitute or give rise to a debt of the County within the meaning of Section 224 of the Constitution of Alabama of 1901, as amended by Amendment No. 342.

**SECTION 15. Source of Payment; Not a Debt of State; Termination by Department.**

(a) The County and the Department agree that the obligations on the part of the Department to pay the rentals herein required to be paid, and to perform the other agreements on its part herein required to be performed, for any Fiscal Year during which this Agreement is in effect: (1) shall be payable and performed solely out of current revenues of the Department (including particularly, but without limitation, appropriations to the Department by the Legislature of Alabama) for the same Fiscal Year, and (2) shall not constitute or create a debt of the State of Alabama within the meaning of Section 213 of the Constitution of Alabama of 1901, as amended.

(b) It is expressly understood and agreed by the County and the Department that the Department shall have the option to terminate this Agreement at the end of any Fiscal Year of the State of Alabama if (1) the State Legislature does not appropriate funds to the Department sufficient to make the rental payments set out herein which are due and payable under the terms of this Agreement during the ensuing Fiscal Year or (2) in the event of prororation of funds from which payment under this Agreement is to be made.

**SECTION 16. Assignment of Lease and Rental Payments by County**

(a) Simultaneously with the delivery of this Agreement, the County shall assign and pledge to the Trustee all right, title and interest of the County in and to the rental payments and this Agreement and the Authority shall mortgage the Demised Premises to the Trustee as security for the payment of the Warrants. The Department hereby consents to such assignment, pledge and mortgage.

(b) Until the Warrants shall have been paid or provision made therefor as provided in the Indenture, the Trustee shall have all rights and remedies herein accorded to the County and any reference herein to the County shall be deemed, with the necessary changes in detail, to include the Trustee.

**SECTION 17. Provisions of General Application.**

(a) This Agreement constitutes the entire agreement between the parties and shall be binding upon and shall inure to the benefit of the County and the Department and their respective successors and assigns.

(b) The County and the Department agree that if any provision of this Agreement shall contravene any statute or Constitutional provision or amendment, either now in effect or which may, during the Term of this Agreement, be enacted, then that conflicting provision in this Agreement shall be null and void.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers, in their respective capacities hereunder noted, all in seven (7) counterparts, each of which shall be deemed an original, and to be dated as of June 1, 2007 and actually delivered and becoming effective on the date and year first above written.

BALDWIN COUNTY, ALABAMA

By *Wayne C. Carter*  
Chairman

ALABAMA DEPARTMENT OF HUMAN RESOURCES

By *Robert W. Weller*  
Commissioner

RECOMMENDED:

By *James W. Yoder*  
Office of Space Management

6/7/07  
Date Signed

APPROVED FOR CONTENT:

By *Justin Thomas*  
General Services Division

6-6-07  
Date Signed

APPROVED FOR LEGAL FORM:

By *Toel C. Marshall*  
Attorney, Department of Human Resources

06-07-07  
Date Signed

APPROVED:

STATE OF ALABAMA

By *Bob Riley*  
Governor

6/1/07  
Date Signed



STATE OF ALABAMA )

COUNTY OF BALDWIN )

I, the undersigned, a Notary Public in and for said county in said state, hereby certify that Wayne A. Gruenloh, whose name as Chairman of the Baldwin County Commission of Baldwin County, Alabama, a political subdivision in the State of Alabama, is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of said instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said political subdivision.

Given under my hand and official seal of office, this 5<sup>th</sup> day of June, 2007.

W. A. Ruffin  
Notary Public

My Commission Expires: NOTARY PUBLIC STATE OF ALABAMA AT LARGE  
MY COMMISSION EXPIRES: Dec 13, 2008  
BONDED THRU NOTARY PUBLIC UNDERWRITERS

[NOTARIAL SEAL]



STATE OF ALABAMA )

COUNTY OF MONTGOMERY )

I, the undersigned, a Notary Public in and for said county in said state, hereby certify that PAGE B. WALLER, Ph.D. whose name as Commissioner of ALABAMA DEPARTMENT OF HUMAN RESOURCES, an agency of the State of Alabama, is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of said instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said state agency.

Given under my hand and official seal of office, this 7th day of June, 2007.

*Candice L. Quinn*  
Notary Public

My Commission Expires: 4/30/2011

[NOTARIAL SEAL]

**EXHIBIT "A"**

**REAL PROPERTY**

The real property is located at 22259 Palmer Street, Robertsdale, Alabama, as described below:

COMMENCING AT THE SOUTHEAST CORNER OF SECTION 1 TOWNSHIP 6 SOUTH, RANGE 3 EAST, BALDWIN COUNTY, ALABAMA: THENCE RUN N-00°02'59"-E, 665.14 FEET TO A POINT: THENCE RUN S-89°32'23"-W, 30.00 FEET TO A POINT ON THE WEST RIGHT-OF-WAY OF BALDWIN COUNTY ROAD NO. 65 (A.K.A. PALMER STREET) THENCE CONTINUE S-89°32'23"-W, 638.33 FEET TO A POINT: THENCE RUN N-00°04' 19"W, 604.5 FEET ± TO A POINT; THENCE RUN S-89°49'59", 49 FEET ± TO A POINT AND THE POINT OF BEGINNING; THENCE RUN N-0°10'01"-E, 185 FEET TO A POINT; THENCE RUN S-89°49'59"-E, 165 FEET TO A POINT: THENCE RUN S-0°10'01"-W. 185 FEET TO A POINT; THENCE RUN N-N-89°49'59"-W, 165 FEET TO THE POINT OF BEGINNING.

EXHIBIT "B"

<u>Year</u>	<u>Principal Amount Maturing</u>	<u>Applicable Interest Rate</u>
2009	\$210,000	4.000%
2010	215,000	4.000
2011	225,000	4.000
2012	235,000	4.000
2013	245,000	4.000
2014	255,000	5.000
2015	265,000	5.000
2016	280,000	5.000
2017	295,000	5.000
2018	310,000	4.000
2019	320,000	4.000
2020	335,000	4.125
2021	345,000	4.125
2022	360,000	4.250
2023	375,000	4.250
2024	390,000	4.300
2025	410,000	4.375
2026	425,000	4.375
2027	445,000	4.375
2028	465,000	4.375

EXHIBIT C

BALDWIN COUNTY, AL  
PUBLIC BUILDING AUTHORITY (DHR) SERIES 2007

Period Ending	Principal	Interest	Total Debt Service	General Fund	Capitalized Interest	Net Debt Service
09/30/2008		277,551.26	277,551.26	4,625.85	272,925.41	395,034.18
09/30/2009	210,000	277,551.26	487,551.26		92,517.08	484,151.26
09/30/2010	215,000	269,151.26	484,151.26			485,551.26
09/30/2011	225,000	260,551.26	485,551.26			486,551.26
09/30/2012	235,000	251,551.26	486,551.26			487,151.26
09/30/2013	245,000	242,151.26	487,151.26			487,351.26
09/30/2014	255,000	232,351.26	487,351.26			484,601.26
09/30/2015	265,000	219,601.26	484,601.26			486,351.26
09/30/2016	280,000	206,351.26	486,351.26			487,351.26
09/30/2017	295,000	192,351.26	487,351.26			487,601.26
09/30/2018	310,000	177,601.26	487,601.26			485,201.26
09/30/2019	320,000	165,201.26	485,201.26			487,401.26
09/30/2020	335,000	152,401.26	487,401.26			483,582.50
09/30/2021	345,000	138,582.50	483,582.50			484,351.26
09/30/2022	360,000	124,351.26	484,351.26			484,051.26
09/30/2023	375,000	109,051.26	484,051.26			483,113.76
09/30/2024	390,000	93,113.76	483,113.76			486,343.76
09/30/2025	410,000	76,343.76	486,343.76			483,406.26
09/30/2026	425,000	58,406.26	483,406.26			484,812.50
09/30/2027	445,000	39,812.50	484,812.50			485,343.76
09/30/2028	465,000	20,343.76	485,343.76			
	6,405,000	3,584,371.44	9,989,371.44	4,625.85	365,442.49	9,619,303.10

**EXHIBIT "D"**

**BUILDING FOR BALDWIN COUNTY DHR**

**Building Specifications**

**A 46,610-square-foot, fully sprinkled, brick veneer office building standing two stories high. The building will be constructed with a flat roof and electric utilities with a gas emergency generator.**

SEND TAX NOTICE TO:

Michael Thompson, County Administrator  
Baldwin County Commission  
312 Courthouse Square, Suite 12  
Bay Minette, Alabama 36507

STATE OF ALABAMA

BALDWIN COUNTY

**STATUTORY WARRANTY DEED**

KNOW ALL MEN BY THESE PRESENTS, that in consideration of Ten Dollars (\$10.00) and other good and valuable consideration paid to the undersigned, Baldwin County, a political subdivision of the State of Alabama (the "Grantor"), by The Public Building Authority of Baldwin County, a public corporation in the State of Alabama (the "Grantee"), the receipt of which is hereby acknowledged, the Grantor, pursuant to the laws of the State of Alabama, including in particular, Section 11-15-16 of the CODE OF ALABAMA 1975, as amended, does hereby grant, bargain, sell and convey unto the Grantee the real estate described on Exhibit A attached hereto and incorporated herein by reference, together with all buildings, structures and fixtures located thereon, situated in Baldwin County, Alabama.

Together with all the rights, tenements, hereditaments and appurtenances thereto belonging or in any way appertaining.

This conveyance is subject to:

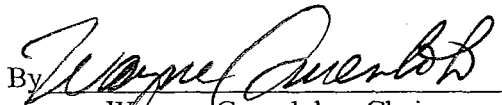
1. All easements, restrictions and encumbrances of record.
2. Ad valorem taxes for the current tax year and all subsequent years.

TO HAVE AND TO HOLD to the Grantee, its successors and assigns forever.

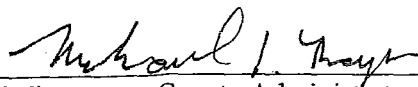
IN WITNESS WHEREOF, Baldwin County has caused this instrument to be executed by its duly authorized officers, this 5<sup>th</sup> day of June, 2007.

BALDWIN COUNTY

S E A L

By   
Wayne Gruenloh, Chairman of the  
Baldwin County Commission

Attest:

  
Michael Thompson, County Administrator

STATE OF ALABAMA )

BALDWIN COUNTY )

I, the undersigned, a Notary Public in and for said County, in said State, hereby certify that Wayne Gruenloh, whose name as Chairman of the Baldwin County Commission of Baldwin County, Alabama, a political subdivision of the State of Alabama, is signed to the foregoing conveyance, and who is known to me, acknowledged before me on this day, that, being informed of the contents of the conveyance he, as such officer and with full authority, executed the same voluntarily for and as the act of Baldwin County.

Given under my hand and official seal this 5<sup>th</sup> day of June, 2007.

*Kari A. Rubin*  
Notary Public

My commission expires: \_\_\_\_\_  
NOTARY PUBLIC STATE OF ALABAMA AT LARGE  
MY COMMISSION EXPIRES: Dec 13, 2008  
BONDED THROUGH NOTARY PUBLIC UNDERWRITERS

AFFIX SEAL

This instrument Prepared by:

James L. Birchall  
WALSTON, WELLS & BIRCHALL, LLP  
1819 5<sup>th</sup> Avenue North, Suite 1100  
P.O. Box 830642  
Birmingham, Alabama 35283-0642  
(205) 244-5222

Exhibit A

Description of Property

FROM THE SOUTHEAST CORNER OF SECTION 1, TOWNSHIP 6 SOUTH, RANGE 3 EAST, BALDWIN COUNTY, ALABAMA; THENCE RUN NORTH 0 DEGREES, 02 MINUTES, 59 SECONDS EAST A DISTANCE OF 665.51 FEET TO A POINT, THENCE RUN SOUTH 89 DEGREES, 32 MINUTES, 23 SECONDS WEST A DISTANCE OF 667.92 FEET TO A POINT, THENCE RUN NORTH 0 DEGREES, 01 MINUTES, 04 SECONDS WEST A DISTANCE OF 560.20 FEET TO THE POINT OF BEGINNING OF THE PROPERTY HEREIN DESCRIBED; THENCE CONTINUE NORTH 0 DEGREES, 01 MINUTES, 04 SECONDS WEST A DISTANCE OF 364.00 FEET TO A POINT; THENCE RUN NORTH 33 DEGREES, 18 MINUTES, 22 SECONDS EAST A DISTANCE OF 426.12 FEET TO A POINT, THENCE RUN SOUTH 0 DEGREES, 13 MINUTES, 27 SECONDS EAST A DISTANCE OF 247.69 FEET TO A POINT, THENCE RUN NORTH 89 DEGREES, 41 MINUTES 56 SECONDS EAST A DISTANCE OF 67.01 FEET TO A POINT; THENCE RUN SOUTH 0 DEGREES, 01 MINUTES 04 SECONDS EAST A DISTANCE OF 472.69 FEET TO A POINT; THENCE RUN SOUTH 89 DEGREES, 58 MINUTES, 56 SECONDS WEST A DISTANCE OF 302.00 FEET TO THE POINT OF BEGINNING, CONTAINING 3.65 ACRES MORE OR LESS





**EXCERPTS FROM THE MINUTES OF A REGULAR MEETING OF  
THE COUNTY COMMISSION OF BALDWIN COUNTY, ALABAMA**

The County Commission of Baldwin County, Alabama met in regular public session at the Baldwin County Administration Building in the City of Bay Minette, Alabama, at 8:30 o'clock a.m., on the 5th day of June, 2007.

The meeting was called to order by the Chairman, and the roll was called with the following results:

Present: Wayne Gruenloh, Chairman  
David Ed Bishop  
Charles Gruber

Absent: Frank Burt, Jr.

\* \* \*

The Chairman stated that a quorum was present and that the meeting was open for the transaction of business.

\* \* \*

Thereupon, the following resolution was introduced in writing by the Chairman, read by Kyle Baggett and considered by the County Commission:

RESOLUTION AND ORDER NO. 2007-133

**A RESOLUTION REGARDING THE ISSUANCE AND SALE OF \$6,405,000 PRINCIPAL  
AMOUNT OF BUILDING REVENUE WARRANTS (DHR PROJECT), SERIES 2007-A,  
DATED JUNE 1, 2007 BY THE COUNTY COMMISSION OF BALDWIN COUNTY,  
ALABAMA AND APPROVING THE EXECUTION AND DELIVERY OF RELATED  
FINANCING DOCUMENTS**

BE IT RESOLVED BY THE COUNTY COMMISSION (the "Commission") OF BALDWIN COUNTY (the "County"), as follows:

1. The Commission does hereby approve, adopt, authorize, ratify and confirm the following:

(a) the financing, acquisition, construction and installation by The Public Building Authority of Baldwin County (the "Authority") of a public building project within the meaning of Chapter 15 of Title 11 of the Code of Alabama 1975 (the "Project") through the issuance of \$6,405,000 principal amount Building Revenue Warrants (DHR Project), Series 2007-A, to be dated June 1, 2007 (the "Warrants") pursuant to the Mortgage hereinafter referenced, for lease to the County and sublease to and use by the Alabama Department of Human Resources, and

(b) the terms and provisions of, and the transactions to be undertaken pursuant to, the following documents:

(1) The Mortgage and Deed of Trust dated as of June 1, 2007 (the "Mortgage") between the Authority and Regions Bank, as trustee (the "Trustee").

(2) The Lease Agreement dated as of June 1, 2007 (the "Lease Agreement") between the Authority and the County,

(3) The Sublease Agreement dated as of June 1, 2007 (the "Sublease Agreement") between the County, as sublessor, and the Alabama Department of Human Resources, as sublessee.

- (4) Continuing Disclosure Agreement, to be dated the date of delivery, by the Authority.
- (5) The Official Statement with respect to the Warrants.
- (6) The Warrant Purchase Agreement between the Authority and The Frazer Lanier Company, Inc. and Sterne, Agee & Leach, Inc.
- (7) The Statutory Warrant Deed from the County to the Authority.

2. The documents described in Section 1 of this resolution (herein collectively the "Financing Documents") are approved in substantially the form and of substantially the content as the Financing Documents presented to and considered by the Commission, with such changes or additions thereto or deletions therefrom as the officer of the County executing those of the Financing Documents to which the County is a party signatory thereto (herein collectively the "County Documents") shall approve, which approval shall be conclusively evidenced by his executing the County Documents as hereinafter provided.

3. The Financing Documents presented to, considered and adopted by the County shall be filed in the permanent records of the County.

4. The Chairman of the County is hereby authorized and directed to execute, acknowledge and deliver the County Documents for and on behalf of and in the name of the County. The County Administrator is hereby authorized and directed to attest the same. Any prior execution of the County Documents by any of the aforesaid officers is hereby ratified and confirmed.

5. The County Administrator or the County Clerk/Treasurer (whether heretofore or hereafter elected or appointed) are hereby authorized to execute for and on behalf of and in the name of the County payment requests or requisitions on the Construction Fund established under the Mortgage.

6. The Chairman and the County Administrator, or either of them, are hereby authorized and directed to execute, deliver and file such related contracts, documents, certificates, and financing and security agreements as may be necessary or desirable to carry out the provisions of this resolution or complete the financing herein authorized; and execute and deliver to the purchasers and to the attorneys approving the legality of the Warrants such certified copies of proceedings of the County and such documents, contracts, closing papers, proofs and statements containing such representations of fact and law as may be necessary to demonstrate the validity of the Warrants and the Financing Documents, the absence of any pending or threatened litigation with respect to the Warrants and such instruments or any matter referred to therein or in this resolution, the exclusion of interest on the Warrants from gross income for federal income taxation, and the exemption of interest on the Warrants from State of Alabama income taxation.

7. The County has not designated the Series 2007-A Warrants as "qualified tax-exempt obligations" for purposes of paragraph (3) of section (b) of Section 265 of the Internal Revenue Code of 1986, as amended. The Warrants are not bank qualified.

8. The Certificate of Incorporation of the Authority heretofore approved by the County Commission on November 21, 2006 and filed for record on November 22, 2006 in the Office of the Judge of Probate of Baldwin County in Instrument Number 1015649, Page 18 et seq., is hereby ratified, certified and approved. The election of Locke Whitley Williams, James K. Merrihew, Jr., and Harry Bradford Archer as members of the Board of Directors of the Authority is ratified, confirmed and approved.

Adopted this 5<sup>th</sup> day of June, 2007.

After said resolution had been discussed and considered in full by the Commission, it was moved by David Ed Bishop that said resolution be now placed upon its final passage and adopted. The motion was seconded by Charles Gruber. The question being put as to the adoption of said motion and the final passage and adoption of said resolution, the roll was called with the following results:

Ayes: Wayne Gruenloh  
~~Frank Bart, Jr. (absent)~~  
David Ed Bishop  
Charles Gruber



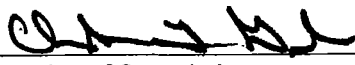
Nays: None

The Chairman thereupon declared said motion carried and the resolution passed and adopted as introduced and read.

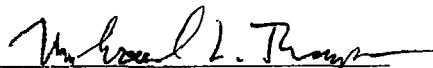
\* \* \*

There being no further business to come before the meeting, it was moved and seconded that the meeting be adjourned. Motion carried.

Minutes Approved

  
Chairman  
  
Member of Commission  
  
Member of Commission  
  
\_\_\_\_\_  
Member of Commission

SEAL

Attest   
County Administrator

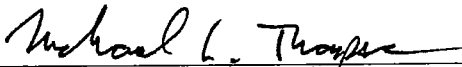
STATE OF ALABAMA )

BALDWIN COUNTY )

CERTIFICATE OF COUNTY ADMINISTRATOR

I, the undersigned, do hereby certify that (1) I am the duly elected, qualified and acting Administrator of Baldwin County, Alabama (the "County"); (2) as Administrator of the County I have access to all original records of the County and I am duly authorized to make certified copies of its records on its behalf; (3) the above and foregoing pages constitute a complete, verbatim and compared copy of excerpts from the minutes of a regular meeting of the County Commission of the County duly held on the 5<sup>th</sup> day of June, 2007, the original of which is on file and of record in the minute book of the County Commission in my custody; (4) the resolutions set forth in such excerpts are complete, verbatim and compared copies of such resolutions as introduced and adopted by the County Commission on such date; and (5) said resolutions are in full force and effect and have not been repealed, amended or changed.

IN WITNESS WHEREOF, I have hereunto set my hand as Administrator of the County and have affixed the official seal of the County, this 6<sup>th</sup> day of June, 2007.

  
\_\_\_\_\_  
Administrator of Baldwin County, Alabama

SEAL