

Project (i) twenty annual FILOT Payments calculated as set forth in the next succeeding paragraph of this Lease for each Increment of the Project that is placed in service during the Investment Period, and for that portion of the Project consisting of substitution or replacement property subject to the terms and provisions of Section 4-12-30(F) of the Act; and (ii) after the payments due pursuant to clause (i) hereinabove and for all other property that is part of the Project but does not qualify for payments pursuant to clause (i) hereinabove, the statutory payments in lieu of ad valorem taxes required by Section 4-12-20 of the Act.

Such annual payments under clause (i) above shall be due and payable and subject to such penalties on the date and in the manner as prescribed for ad valorem taxes. The amount of such annual payments shall be determined by using an assessment ratio of 6%, a fixed millage rate equal to 279.4 mills, the fair market value of real property as determined by the State Department of Revenue and Taxation by using the original cost for any real property (basis for income tax purposes) or, if not acquired in an arm's length purchase transactions, its fair market value, and the original cost less allowable depreciation for the personal property but without extraordinary obsolescence, unless South Carolina law should subsequently be revised to allow extraordinary obsolescence, in which event such extraordinary obsolescence shall be permitted under this Lease.

In the event that the Act and/or the FILOT Payments are declared invalid or unenforceable, in whole or in part, for any reason, the Tenant and the County express their intentions that such payments be reformed so as to afford the Tenant the maximum benefit then permitted by law. If the Project is deemed to be subject to ad valorem taxation, the Tenant shall be entitled (i) to the five-year exemption from ad valorem taxes provided by South Carolina Constitution Article X, Section 3, and any other exemption allowed by law from time to time; (ii) to all allowable depreciation; and (iii) to receive credit, if any there be, by reason of the fact that the School District received larger allocations of funds under the Education Finance Act of 1977 (Section 59-20-10 to 59-20-80 of the Code) than it would have received if the Project had been taxed at the normal property assessment ratio (presently up to 10.5% of fair market value), provided such credit shall be adjusted to take into account any amounts which the School District is required to pay under the Education Finance Act as a result of the Project becoming subject to ad valorem taxation.

In the event that the Cost of the Project does not exceed One Million Dollars (\$1,000,000) within the Initial Investment Period, or the minimum number of jobs to be created pursuant to Section 2.02(g), hereof has not been achieved, the Project subject to this Lease shall revert retroactively to the tax treatment required pursuant to Section 4-12-20 of the Code and the unpaid taxes due thereby shall be subject to interest as provided in Section 12-54-20 of the Code. However, the Tenant shall be entitled (i) to the five-year exemption from ad valorem taxes provided by South Carolina Constitution Article X, Section 3, and any other exemption allowed by law from time to time; (ii) to all allowable depreciation; and (iii) to receive credit, if any there be, by reason of the fact that the School District received larger allocations of funds under the Education Finance Act of 1977 (Section 59-20-10 to 59-20-80 of the Code) than it would have received if the Project had been taxed at the normal property assessment ratio, provided such credit shall be adjusted to take into account any amounts which the School District is required to pay under the Education Finance Act as a result of the Project becoming subject to ad valorem taxation. Further, if, at any time following the Initial Investment Period, the investment based on income tax basis without regard to

depreciation falls below the One Million Dollars (\$1,000,000) minimum investment to which the FILOT Payment relates, the FILOT Payment provided in this Section will no longer be available and the Tenant will be required to make the payments due under Section 4-12-20 of the Code for the remainder of the Term, subject to the adjustments provided in this paragraph, if applicable.

With respect to improvements to the Project placed in service by the Tenant during the Term but after the Investment Period and which do not qualify as replacement property under Section 4-12-30(F) of the Act, Tenant shall make the statutory payments in lieu of ad valorem taxes required by Section 4-12-20 of the Code, with appropriate reductions similar to the tax exemption, if any, which would be afforded to the Tenant if it were the owner of such leasehold improvements.

Section 6.04. Taxes, Utilities and Other Governmental Charges. The County and the Tenant acknowledge that: (a) pursuant to the Act, no part of the Project owned by the County will be subject to ad valorem taxation in South Carolina but will be subject to fees in lieu of taxes as provided in Section 6.03 hereof; and (b) under present law the income and profits (if any) of the County from the Project are not subject to either Federal or South Carolina taxation and under present law there is no tax imposed upon leasehold estates in South Carolina. However, in addition to the payments in lieu of taxes referred to in Section 6.03 hereof and any other taxes and governmental charges that may lawfully be assessed, levied, or imposed against it, the Tenant will pay as the same respectively become due: (i) all taxes and governmental charges of any kind whatsoever that may be lawfully assessed, levied, or imposed against the County with respect to the Project or any machinery, equipment, or other property installed or brought by the Tenant therein or thereon; (ii) all utility and other charges incurred in the operation, maintenance, use, and occupancy of the Project; and (iii) all assessments and charges lawfully made by any governmental body for public improvements to the Project (together with the items listed in Section 5.03 herein collectively referred to as "Additional Rent"). If the Tenant shall contest any such tax, assessment, lien, or charge, such action by the Tenant shall not be considered as a breach by it of any of its covenants under this Lease while the action to contest such tax, assessment, lien, or charge remains pending.

Section 6.05. Insurance. The Tenant shall maintain public liability insurance with specific reference to the Project and shall otherwise keep the Project continuously insured against such risks as are customarily insured against by businesses of like size and type, paying as the same become due and payable all premiums with respect thereto. Instead of separate insurance policies, such insurance may be in the form of a blanket insurance policy or policies. Insurance policies may be written with deductible amounts, exceptions, and exclusions comparable to those of businesses of like size and type. The insurance requirements hereunder may be satisfied by the Tenant's providing self-insurance.

All proceeds of insurance against property damage to the property shall be made payable as the Tenant shall specify, and such proceeds shall be collected and applied as provided in Section 7.01 hereof, and all claims under any insurance policy referred to in this Lease may be settled by the Tenant.

[End of Article VI]

ARTICLE VII

CASUALTY AND CONDEMNATION

Section 7.01. Damage and Destruction. If all or part of the Project shall be destroyed or damaged, the Tenant shall either repair the Project or not, as the Tenant may elect in its sole discretion. If the cost of rebuilding, replacing, restoring, or repairing thereof after any particular incident shall exceed Two Hundred and Fifty Thousand Dollars (\$250,000) the Tenant shall promptly notify the County as to the nature and extent of such damage or loss. If the Tenant shall determine to repair the Project, the Tenant shall forthwith proceed with such rebuilding, repairing, or restoring and shall notify the County upon completion thereof. In the event any insurance proceeds are not sufficient to pay in full the costs of such rebuilding, repair, or restoration, the County shall not have any responsibility to complete the work thereof or pay that portion of the costs thereof in excess of the amount of said proceeds. If otherwise qualified the replacement or repair investments may be subjected to a new fee-in-lieu-of-tax arrangement, to be negotiated and agreed upon by the Tenant and the County.

Section 7.02. Condemnation. In the event that title to or the temporary use of the Project, or any part thereof, shall be taken in condemnation or by the exercise of the power of eminent domain, there shall be no abatement or reduction in the payments required under Section 5.02 hereof to be made by the Tenant. Immediately after the occurrence of any such taking of the Project, the Tenant shall notify the County as to the nature and extent of such taking and, as soon as practicable thereafter, notify the County whether it desires to restore the Project. If the Tenant shall determine to restore the Project, the Tenant shall forthwith proceed with such restoration, and shall notify the County upon the completion thereof. Any proceeds of any such taking shall be paid as the Tenant shall specify.

Section 7.03. Payments in Lieu of Taxes in the Event of Damage and Destruction or Condemnation. In the event that the Project is damaged, destroyed, or the subject of condemnation proceedings, which damage, destruction, and/or condemnation would substantially impair the operating ability of the Project, the parties hereto agree that the FILOT Payment required pursuant to Section 6.03 hereof shall be abated in the same manner and in the same proportion as would ad valorem taxes if the Project were owned by the Tenant, subject always to the terms and provisions of Section 6.03.

[End of Article VII]

ARTICLE VIII

PARTICULAR COVENANTS AND AGREEMENTS

Section 8.01. Covenant of Quiet Possession. The County does not make any representation or covenant that the Tenant shall have quiet and peaceable possession of the Project. The County agrees, however, that except with respect to its rights hereunder and in furtherance of its duties and authorities as a political subdivision, it will not take or cause another party to take any action to interfere with the Tenant's peaceful and quiet enjoyment of the Project. In the event peaceful and quiet enjoyment of the Project shall be denied to the Tenant or contested by anyone, the County shall, upon request of the Tenant, join where necessary in any proceeding to protect and defend the quiet enjoyment of the Tenant, provided that the Tenant shall pay the entire cost of any such proceeding and shall reimburse, indemnify, and hold harmless the County from any cost or liability whatsoever resulting therefrom. The provisions of this Section shall be subject and subordinate to the obligations of the Tenant set forth in Article V hereof.

Section 8.02. No Warranty of Condition or Suitability of Project. The Tenant acknowledges that it has examined the Leased Land prior to the making of this Lease and knows the condition and state thereof as of the day of the execution hereof, and accepts the same in said condition and state; that no representations as to the condition or state thereof have been made by representatives of the County; and that the Tenant in entering into this Lease is relying solely upon its own examination thereof.

The County makes no warranty, either express or implied, as to the design, capabilities, or condition of the Project or that it will be suitable for the Tenant's purposes or needs.

Section 8.03. No Conveyance or Impairment of Title by the County. The County covenants and agrees that, during the Term of this Lease, it will not convey, or suffer or permit the conveyance of, or impair or permit the impairment of (other than Permitted Encumbrances), by any voluntary act or omission on its part, its title to the Project to any Person whatsoever irrespective of whether any such conveyance or attempted conveyance shall recite that it is expressly subject to the terms of this Lease; provided, however, that nothing herein shall restrict the conveyance or transfer of the Project in accordance with any terms or requirements of this Lease.

Section 8.04. Primary Use. The Tenant is granted and shall have the right during the Term of this Lease to occupy and use the Project for any lawful purpose authorized pursuant to the Act. Insofar as is practicable under existing conditions from time to time during the Term of the Lease, the Project shall be used primarily as a manufacturing facility for powder coating applications and related technologies.

Section 8.05. Right to Inspect. The Tenant agrees that the County shall have the right at all reasonable times to enter upon, examine, and inspect the Project. The County shall also be permitted, at all reasonable times, to examine the Plans and Specifications and the other books and records of the Tenant with respect to the Project. The aforesaid rights of examination and inspection shall be exercised only upon such reasonable and necessary terms and conditions as the

Tenant shall prescribe, which conditions shall be deemed to include, but not be limited to, those necessary to protect the Tenant's trade secrets and proprietary rights and to minimize related cost and impact on operation. Prior to the exercise of any right to inspect the Project or the Plans and Specifications and books and records of the Project, the inspecting County representative(s) shall sign a nondisclosure statement substantially in the form shown in *Exhibit E* attached hereto. In no way shall this requirement of a nondisclosure statement be deemed to apply to or restrict the rights of the United States Government and the State or its political subdivisions in the exercise of their respective sovereign duties and powers.

Section 8.06. Release of Leased Land; Easements. The County, with consent of any leasehold mortgagee, agrees that so long as the Tenant is not in default hereof, it will convey fee title, grant easements, rights of way, licenses, execute party wall agreements, or terminate any of the foregoing or enter into such other similar agreements for the purposes of providing utility services, roadway or roadway access whether for the Project or other land, expanding the Tenant's facilities, enhancing the reasonable business purposes of the Tenant or for such other similar purposes as may be deemed necessary or desirable by the Tenant upon receipt of the following:

- (a) a legal description of the real property proposed to be conveyed or affected by such grant, license, or agreement (which legal description shall be accompanied by a current plat of survey delineating that portion of the Leased Land affected by the proposed conveyance, grant, license, or agreements);
- (b) the instrument in the form necessary for such purpose;
- (c) a certificate from the Tenant executed by an Authorized Tenant Representative on behalf of the Tenant stating that (i) the conveyance, grant, license, or agreement will not impair the character or significance of the Project for the purpose for which it was last designated or modified and is not detrimental to the proper conduct of the business of the Tenant at the Project, (ii) no part of the Project necessary to the Tenant's use of the Project as a manufacturing facility for powder coating applications is included in any conveyance, and (iii) such conveyance, grant, license, or agreement will not destroy the means of ingress thereto or egress therefrom.

Upon receipt of the foregoing, the County shall promptly execute and deliver such conveyance, grant, or agreement.

No release effected under the provisions of this Section of the Lease shall entitle the Tenant to any abatement or diminution of the rents payable under Sections 5.02 and 5.03. If a portion of the Leased Land subject to the FILOT Payments described in Section 6.03 is conveyed pursuant to this section, the FILOT Payments must be reduced by the amount of the FILOT Payment applicable to that conveyed portion of the Leased Land, and, to the extent any grant of an encumbrance or easement pursuant to this section affects the property value that is basis for the assessment under Section 6.03, the reduced property value shall be used in such assessment to the same extent it would be used for the assessment of regular ad valorem taxation.

Section 8.07. Limitation of County's Liability. Anything herein to the contrary notwithstanding: (i) any obligation the County may incur hereunder, including for the payment of money, except for the County's obligations under Sections 8.03 and 9.01, shall not be deemed to constitute a debt or general obligation of the County but shall be payable solely and exclusively from the moneys derived by the County from the leasing or sale of the Project or the FILOT Payments; and (ii) the County may require, as a condition to the participation by it with the Tenant in any contests or in obtaining any license or permits or other legal approvals, a deposit by the Tenant of such amount as determined by the County to be reasonable to assure the reimbursement to the County of the costs incurred by it in such participation, with any amount of such deposit in excess of such costs to be returned to the Tenant.

Section 8.08. Liens by Tenant. The Tenant may create or permit to be created or to remain, and will not be required to discharge, except as required in the normal business course of events, any lien, encumbrance, or charge upon the Tenant's leasehold interest in the Project or any part thereof without the prior consent of the County.

Section 8.09. Applications and Licenses. In the event it may be necessary, for the proper performance of this Lease, on the part of the County or the Tenant, that any application or applications for any permit or license to do or to perform certain things be made to any governmental or other agency by the Tenant or the County, the Tenant and the County each agree to execute upon the request of the other such application or applications, including among other things the authorization necessary for the County to perform its obligations under Article X of this Lease.

Section 8.10. Qualification in State. The Tenant warrants that it is duly qualified to do business in the State of South Carolina and covenants that it will continue to be so qualified as long as it operates the Project.

Section 8.11. No Liability of County's Personnel. All covenants, stipulations, promises, agreements, and obligations of the County contained herein shall be deemed to be covenants, stipulations, promises, agreements, and obligations of the County and not of any member of the County Council or any officer, agent, servant, or employee of the County in his individual capacity. No recourse shall be had for the payment of moneys hereunder or the performance of any of the covenants and agreements of the County herein contained for any claims based thereon against any member of the governing body of the County or against any officer, agent, servant, or employee of the County.

[End of Article VIII]

ARTICLE IX

SUBLET, ASSIGNMENT, OR OTHER TRANSFERS OF
INTEREST IN THIS AGREEMENT;
SURVIVAL OF TENANT'S OBLIGATIONS

Section 9.01. Sublet, Assignment, or other Transfer. The Tenant may at any time sublet, assign, or transfer the Project, or any part thereof, or all or part of its rights and interest hereunder to any sublessee, assignee, or transferee selected by the Tenant on such terms as the Tenant may determine in its sole discretion and the Project, or any portion thereof, may be further subleased by such sublessee, all without the consent of the County, unless such consent is specifically required for the particular transaction by the Act, in which case the required consent shall not be unreasonably withheld. No assignment, transfer, or sublease shall affect or reduce any of the obligations of the Tenant hereunder, but all obligations of the Tenant hereunder shall continue in full force and effect as the obligations of a principal and not of a guarantor or surety, except that the Tenant shall be released from its obligations hereunder upon the written consent of the County, to any assignment, transfer, or sublease, which consent shall not be unreasonably withheld.

Notwithstanding anything to the contrary contained in this Section, the Tenant may at any time, without County approval, assign its interest in this Lease and in the underlying Inducement Agreement and Millage Rate Agreement to a financing entity and sublease it from such entity or grant a security interest in this Lease, in each case as provided for in Section 4-12-30(M)(2) of the Act. In such event any property that has been included in this Lease at the time of such transfer and any property that will, after such transfer of the Lease, be acquired and transferred to the County by the Tenant and/or the financing entity to be included in this Lease shall remain or become eligible for the reduced fee under such Lease in lieu of ad valorem taxes.

Section 9.02. Access; Removal and Assignment of Project Property. In lieu of and/or in addition to any subleasing by Tenant pursuant to Section 9.01, Tenant may, without any approval by the County, grant such rights of access to the Project and of removal of part or all of the Project, as the Tenant may decide in its sole discretion and may assign title to any personal property that is part of the Project to a third party on behalf of the County. Tenant may keep any proceeds of such transaction Tenant entered into on behalf of the County to the extent it exceeds the purchase price that would be due under Section 10.03 hereof when Tenant purchased such item from the County pursuant to Article X hereof.

[End of Article IX]