

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

CONRAD INDUSTRIES INC

CIK: **1059167** | IRS No.: **721416999** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-24263** | Film No.: **03838531**
SIC: **3730** Ship & boat building & repairing

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the period ended **June 30, 2003**

OR

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number **000-24263**

CONRAD INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

72-1416999

(I.R.S. Employer
Identification No.)

1100 Brashear Ave., Suite 200

P.O. Box 790

Morgan City, Louisiana

(Address of principal executive offices)

70381

(Zip Code)

Registrant's telephone number, including area code: (985) 702-0195

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

As of August 12, 2003, 7,235,954 shares of the registrant's Common Stock were outstanding.

CONRAD INDUSTRIES, INC. AND SUBSIDIARIES

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FORWARD-LOOKING-STATEMENTS

This Form 10-Q includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements contained herein other than statements of historical fact are forward-looking statements. When used in this Form 10-Q, the words “anticipate”, “believe”, “estimate” and “expect” and similar expressions are intended to

identify forward-looking statements. Such statements reflect the Company's current views with respect to future events and are subject to certain risks, uncertainties and assumptions, including the Company's reliance on cyclical industries, the Company's reliance on principal customers and government contracts, the Company's ability to perform contracts at costs consistent with estimated costs utilized in bidding for the projects covered by such contracts, variations in quarterly revenues and earnings resulting from the percentage of completion accounting method, the possible termination of contracts included in the Company's backlog at the option of customers, operating risks, competition for marine vessel contracts, the Company's ability to retain key management personnel and to continue to attract and retain skilled workers, state and federal regulations, the availability and cost of capital, and general industry and economic conditions. These and other risks and assumptions are discussed in more detail in the Company's Form 10-K. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated or expected. The Company does not intend to update these forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove correct.

PART I. FINANCIAL INFORMATION

Item 1: Financial Statements (Unaudited)

CONRAD INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

(Unaudited)

	June 30, 2003	December 31, 2002
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$4,994	\$ 6,427
Accounts receivable, net	3,462	3,650
Costs and estimated earnings, net in excess of billings on uncompleted contracts	2,187	4,360
Inventories	441	214
Other current assets	2,367	1,641
Total current assets	13,451	16,292
PROPERTY, PLANT AND EQUIPMENT, net	30,944	29,430
GOODWILL	8,101	8,101
OTHER ASSETS	13	18
TOTAL ASSETS	\$52,509	\$ 53,841

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable	\$2,136	\$ 3,278
Accrued employee costs	695	760
Accrued expenses	1,084	362
Current maturities of long-term debt	1,980	1,806
Billings in excess of costs and estimated earnings, net on uncompleted contracts	518	639
Total current liabilities	6,413	6,845
LONG-TERM DEBT, less current maturities	11,627	11,417
DEFERRED INCOME TAXES	3,297	3,364
Total liabilities	21,337	21,626

COMMITMENTS AND CONTINGENCIES (Note 8)

SHAREHOLDERS' EQUITY:

Preferred stock, \$0.01 par value, 5,000,000 shares authorized, no shares issued	-	-
Common stock, \$0.01 par value 20,000,000 shares authorized, 7,276,437 issued in 2003 and 2002	73	73
Additional paid-in capital	29,000	29,000

Unearned stock compensation	(2)	(6)
Treasury stock at cost, 40,483 shares in 2003 and 2002	(211)	(211)
Retained earnings	2,312	3,359
Total shareholders' equity	31,172	32,215
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$52,509	\$ 53,841

See notes to unaudited consolidated financial statements.

CONRAD INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2003	2002	2003	2002
REVENUE	\$9,338	\$10,427	\$19,812	\$21,012
COST OF REVENUE	9,405	8,712	19,064	17,202
GROSS (LOSS) PROFIT	(67)	1,715	748	3,810
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	944	1,165	2,187	2,467
(LOSS) INCOME FROM OPERATIONS	(1,011)	550	(1,439)	1,343
INTEREST EXPENSE	(107)	(81)	(173)	(162)
OTHER INCOME, NET	8	5	12	15
(LOSS) INCOME BEFORE INCOME TAXES	(1,110)	474	(1,600)	1,196
(BENEFIT) PROVISION FOR INCOME TAXES	(384)	174	(553)	438
(LOSS) INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(726)	300	(1,047)	758
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	-	-	-	(4,500)

NET (LOSS) INCOME	\$(726)	\$300	\$(1,047)	\$(3,742)
Basic and diluted (loss) income per share:				
(Loss) income before cumulative effect of change in accounting principle	\$(0.10)	\$0.04	\$(0.14)	\$0.10
Cumulative effect of change in accounting principle	–	–	–	(0.62)
Net (loss) income	\$(0.10)	\$0.04	\$(0.14)	\$(0.52)
Weighted average common shares outstanding:				
Basic	7,233	7,228	7,233	7,228
Diluted	7,233	7,239	7,233	7,228

See notes to unaudited consolidated financial statements.

CONRAD INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six Months Ended	
	June 30,	
	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(1,047)	\$(3,742)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Cumulative effect of change in accounting principle	-	4,500
Depreciation and amortization	1,060	961
Deferred income tax benefit	(67)	(228)
Changes in assets and liabilities:		
Accounts receivable	188	(3,373)
Net change in billings related to cost and estimated earnings on uncompleted contracts	2,052	2,813
Inventory and other assets	(953)	(340)
Accounts payable and accrued expenses	(485)	936
Net cash provided by operating activities	748	1,527
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures for plant and equipment	(2,565)	(2,971)

Payment of executive notes receivable	-	456
Net cash used in investing activities	(2,565)	(2,515)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal repayments of debt	(816)	(642)
Proceeds from issuance of debt	1,200	-
Net cash provided by (used in) financing activities	384	(642)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,433)	(1,630)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	6,427	6,909
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$4,994	\$5,279
SUPPLEMENTAL DISCLOSURES CASH FLOW INFORMATION:		
Interest paid, net of capitalized interest	\$173	\$162
Taxes paid	\$-	\$-

See notes to unaudited consolidated financial statements.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited consolidated financial statements include the accounts of Conrad Industries, Inc. and its wholly-owned subsidiaries (the "Company") which are primarily engaged in the construction, conversion and repair of a variety of marine vessels for commercial and government customers. The Company was incorporated in March 1998 to serve as the holding company for Conrad Shipyard, L.L.C. ("Conrad") and Orange Shipbuilding Company, Inc. ("Orange Shipbuilding"). In addition, during the second quarter of 2003, Conrad Aluminum, L.L.C., a wholly owned subsidiary of Conrad, was organized as a vehicle to accommodate the Company's expansion into aluminum marine fabrication, repair and conversion services. New construction work and some repair work is performed on a fixed-price basis. The Company performs the majority of repair work under cost-plus-fee agreements. All significant intercompany transactions have been eliminated. In the opinion of the management of the Company, the interim consolidated financial statements included herein have been prepared in accordance with generally accepted accounting principles and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and disclosures required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (such adjustments consisting only of a normal recurring nature) considered necessary for a fair presentation have been included in the interim consolidated financial statements. These interim consolidated financial statements should be read in conjunction with the Company's audited 2002 consolidated financial statements and related notes filed on Form 10-K for the year ended December 31, 2002.

The results of operations for the three-month and six month periods ended June 30, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003.

2. RECEIVABLES

Receivables consisted of the following at June 30, 2003 and December 31, 2002 (in thousands):

	2003	2002
U.S. Government:		
Amounts billed	\$630	\$424
Unbilled costs and estimated earnings on uncompleted contracts	1,493	423
	2,123	847
Commercial:		
Amounts billed	2,832	3,226
Unbilled costs and estimated earnings on uncompleted contracts	694	3,937

Total	\$5,649	\$8,010
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Included above in amounts billed is an allowance for doubtful accounts of \$16,000 at June 30, 2003 and December 31, 2002. During 2003, there were no significant transactions recorded in the allowance for doubtful accounts. During 2002, the Company reserved for approximately \$65,000 related to a receivable deemed uncollectible as a result of a settlement reached with a vessel construction customer.

Unbilled costs and estimated earnings on uncompleted contracts were not billable to customers at the balance sheet dates under terms of the respective contracts. Of the unbilled costs and estimated earnings at June 30, 2003, substantially all is expected to be collected within the next twelve months.

CONRAD INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Information with respect to uncompleted contracts as of June 30, 2003 and December 31, 2002 is as follows (in thousands):

	<u>2003</u>	<u>2002</u>
Costs incurred on uncompleted contracts	\$32,776	\$28,684
Estimated earnings, net	3,331	4,698
	<u>36,107</u>	<u>33,382</u>
Less billings to date	(34,438)	(29,661)
	<u>\$1,669</u>	<u>\$3,721</u>

The above amounts are included in the accompanying balance sheets under the following captions (in thousands):

	<u>2003</u>	<u>2002</u>
Costs and estimated earnings, net in excess of billings		
on uncompleted contracts	\$2,187	\$4,360
Billings in excess of cost and estimated earnings, net		
on uncompleted contracts	(518)	(639)
Total	<u>\$1,669</u>	<u>\$3,721</u>

The Company recorded a charge of approximately \$140,000 in the second quarter of 2003, and charges of \$50,000 and \$150,000 in the first quarter of 2003 and the fourth quarter of 2002, respectively, to reflect revised estimates related to anticipated losses on certain uncompleted vessels in progress. As of June 30, 2003 and December 31, 2002, approximately \$160,000 and \$150,000, respectively, of this provision is included in costs and estimated earnings, net in excess of billings on uncompleted contracts.

3. INVENTORIES

Inventories consist primarily of costs related to vessels in progress not under customer contract. As of June 30, 2003, amounts related to these vessels totaled \$217,000. No such amounts were outstanding as of December 31, 2002. Remaining inventories consist of excess job related materials and supplies. They are stated at the lower of cost (first-in, first-out basis) or market.

4. GOODWILL

In June 2001, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 142, “Goodwill and Other Intangible Assets.” SFAS No. 142 changes the accounting for goodwill from an amortization method to an impairment-only approach. Amortization of goodwill, including goodwill recorded in past business combinations, ceased upon adoption of this statement. In accordance with SFAS No. 142, the Company discontinued the amortization of goodwill upon the adoption of this statement on January 1, 2002.

During 2002, the Company completed the two-step process of the transitional goodwill impairment test prescribed in SFAS No. 142 with respect to existing goodwill. The first step of the transitional goodwill impairment test involved a comparison of the fair value of each of the Company’s reporting units, as defined under SFAS No. 142, with its carrying amount. If the carrying amount exceeded the fair value of a reporting unit, the Company was required to perform the second step of the transitional goodwill impairment test. As a result of

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

the outcome of the first step relative to the Orange Shipbuilding reporting unit, the Company was required to perform the second step of the transitional goodwill impairment test for this reporting unit. The second step involved comparing the implied fair value of this reporting unit's goodwill to its carrying value to measure the amount of impairment. The transitional goodwill impairment test resulted in the Company recognizing a non-cash transitional goodwill impairment charge of \$4.5 million related entirely to the Orange Shipbuilding reporting unit. As required by SFAS No. 142, the \$4.5 million charge is reflected as a cumulative effect of a change in accounting principle in the Company's Consolidated Statement of Operations for the six months ended June 30, 2002. There was no income tax effect on the impairment charge as the charge related to non-deductible goodwill. The fair value of the Orange Shipbuilding reporting unit was determined based on the excess earnings return on assets (treasury) valuation method. The circumstance leading to the goodwill impairment was a decline in market conditions since the acquisition of this reporting unit. This circumstance caused lower than expected operating profits and cash flows.

During the first quarter of 2003, the Company completed its annual update of the impairment test as prescribed in SFAS No. 142 with respect to existing goodwill. The first step of the goodwill impairment test indicated that the fair value of each of the Company's reporting units exceeded its respective carrying amount. As no impairment was indicated, the second step of the test, as defined under SFAS No. 142, was not required to be performed.

The carrying amount of goodwill of \$8.1 million as of June 30, 2003 and December 31, 2002, relates to the Company's vessel construction segment.

5. LONG-TERM DEBT

The Company has a Loan Agreement with a commercial bank, which specifies the terms of the Term Loan, the Development Loan and the Revolving Credit Facility. The interest rate is variable, and interest accrues at the option of the Company either at the JPMorgan Chase prime rate or LIBOR plus 1.75%. The Loan Agreement is secured by substantially all of the Company's assets, contains customary restrictive covenants and requires the maintenance of certain financial ratios, including a current ratio requirement of 1.25 to 1.0, a debt to tangible net worth requirement of no greater than 1.50 and a debt service coverage ratio of 1.25 to 1.0 that could limit the Company's use of available capacity under the Revolving Credit Facility. In addition, the Loan Agreement prohibits the Company from paying dividends without the consent of the lender and restricts the ability of the Company to incur additional indebtedness. At June 30, 2003, the Company was in compliance with these covenants.

The Term Loan has a maturity date of May 31, 2005 and is payable in 22 remaining monthly principal payments of \$107,000 plus interest, with a final payment of \$4.7 million. Interest accrues at 3.09% until August 30, 2003, and thereafter at the option of the Company either at the JPMorgan Chase prime rate or LIBOR plus 1.75%. At June 30, 2003 and December 31, 2002, the Term Loan balance outstanding was \$7.1 million and \$7.7 million, respectively.

The Revolving Credit Facility permits the Company to borrow up to \$10.0 million for working capital and other general corporate purposes, including the funding of acquisitions and matures on May 31, 2004. As of June 30, 2003 and December 31, 2002, no amounts were outstanding on the Revolving Credit Facility.

On July 18, 2002, the Company entered into The Development Loan which provided financing totaling \$6.7 million to fund the development of the Amelia Deepwater facility. The facility included a revolver that converted to a term loan on April 1, 2003. Payments under the revolver included interest only until March 31, 2003, at

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

which time it converted to a term loan to be repaid in 49 monthly principal payments of \$58,000 plus interest with a final payment of \$3.9 million due on May 31, 2007. Interest accrues at 2.87% until December 30, 2003, and thereafter at the option of the Company either at the JPMorgan Chase prime rate or LIBOR plus 1.75%. At June 30, 2003 and December 31, 2002, the Development Loan outstanding was \$6.5 million and \$5.5 million, respectively.

6. SHAREHOLDERS' EQUITY

Income (Loss) per Share

The calculation of basic earnings per share excludes any dilutive effect of stock options, while diluted earnings per share includes the dilutive effect of stock options. The number of weighted average shares outstanding for "basic" income per share was 7,233,454 and 7,228,454 for the three and six months ended June 30, 2003 and 2002, respectively. The number of weighted average shares outstanding for "diluted" income per share was 7,233,454 and 7,239,240 for the three months ended June 30, 2003 and 2002, respectively, and 7,233,454 and 7,228,454 for the six months ended June 30, 2003 and 2002, respectively.

Stock-Based Compensation

The Company uses the intrinsic value method of accounting for employee-based compensation prescribed by Accounting Principles Board ("APB") Opinion No. 25 and, accordingly, follows the disclosure-only provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation." SFAS No. 123 encourages the use of a fair value based method of accounting for compensation expense associated with stock option and similar plans. However, SFAS No. 123 permits the continued use of the intrinsic value based method prescribed by Opinion No. 25 but requires additional disclosures, including pro forma calculations of net earnings and earnings per share as if the fair value method of accounting prescribed by SFAS No. 123 had been applied.

Had compensation cost for the Company's stock plans been determined based on the fair value at the grant dates consistent with the method of SFAS No. 123, net income and net income per share amounts would have approximated the following pro forma amounts (in thousands, except per share data):

	Three Months		Six Months Ended	
	Ended June 30,		June 30,	
	2003	2002	2003	2002
Net (loss) income, as reported	\$ (726)	\$300	\$(1,047)	\$(3,742)
Add: Total stock-based employee compensation expense included in reported net loss net of related tax effects	2	5	3	10
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(28)	(39)	(49)	(72)
Pro forma, net (loss) income	\$ (752)	\$266	\$(1,093)	\$(3,804)

(Loss) income per share:

Basic and diluted—as reported

\$ (0.10) \$0.04 \$(0.14) \$(0.52)

Basic and diluted—pro forma

\$ (0.10) \$0.04 \$(0.15) \$(0.53)

Weighted average fair value of grants

\$ 1.38 \$2.40 \$1.38 \$2.40

Black-Scholes option pricing model assumptions:

Risk-free interest rate

3.07 % 2.72% 3.07 % 2.72 %

Expected life (years)

3.0 3.0 3.0 3.0

Volatility

77.5 % 79.0% 77.5 % 79.0 %

Dividend yield

— — — —

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

7. SEGMENT AND RELATED INFORMATION

The Company classifies its business into two segments:

Vessel Construction

The Company constructs a variety of marine vessels, including tugboats, ferries, liftboats, barges, offshore support vessels, large and small deck barges and other steel and aluminum products for both commercial and government markets. The Company also fabricates components of offshore drilling rigs and floating production, storage and offloading vessels including sponsons, stability columns, blisters, pencil columns and other modular components.

Repair and Conversions

The Company's conversion projects primarily consist of lengthening the midbodies of vessels, modifying vessels to permit their use for a different type of activity and other modifications to increase the capacity or functionality of a vessel. The Company also derives a significant amount of revenue from repairs made as a result of periodic inspections required by the U.S. Coast Guard, the American Bureau of Shipping and other regulatory agencies.

The Company evaluates the performance of its segments based upon gross profit. Selling, general and administrative expenses, interest expense, other income, net, and income taxes are not allocated to the segments. Accounting policies are the same as those described in Note 1, "Summary of Significant Accounting Policies" in the Company's Form 10-K for the year ended December 31, 2002. Intersegment sales and transfers are not significant.

CONRAD INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Selected information as to the operations of the Company by segment is as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2003	2002	2003	2002
Revenue:				
Vessel construction	\$6,472	\$7,895	\$13,272	\$14,648
Repair and conversions	2,866	2,532	6,540	6,364
Total revenue	9,338	10,427	19,812	21,012
Cost of revenue:				
Vessel construction	6,469	6,678	13,043	12,094
Repair and conversions	2,936	2,034	6,021	5,108
Total cost of revenue	9,405	8,712	19,064	17,202
Gross (loss) profit:				
Vessel construction	3	1,217	229	2,554
Repair and conversions	(70)	498	519	1,256
Total gross (loss) profit	(67)	1,715	748	3,810
Selling, general and administrative expenses	944	1,165	2,187	2,467

(Loss) income from operations	(1,011)	550	(1,439)	1,343
Interest expense	(107)	(81)	(173)	(162)
Other income, net	8	5	12	15
(Loss) income before income taxes	(1,110)	474	(1,600)	1,196
(Benefit) provision for income taxes	(384)	174	(553)	438
(Loss) income before cumulative effect of change in accounting principle	(726)	300	(1,047)	758
Cumulative effect of change in accounting principle	-	-	-	(4,500)
Net (loss) income	\$(726)	\$300	\$(1,047)	\$(3,742)

CONRAD INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Certain other financial information of the Company by segment is as follows (in thousands):

	Three Months		Six Months Ended	
	Ended		June 30,	
	2003	2002	2003	2002
Depreciation and amortization expense:				
Vessel construction	\$222	\$218	\$443	\$434
Repair and conversions	244	165	422	318
Included in selling, general and administrative expenses	97	84	195	209
Total depreciation and amortization expense	\$563	\$467	\$1,060	\$961
Capital expenditures:				
Vessel construction	\$226	\$253	\$265	\$402
Repair and conversions	622	1,802	2,265	2,263
Other	14	218	35	306
Total capital expenditures	\$862	\$2,273	\$2,565	\$2,971

Total assets of the Company by segment is as follows as of June 30, 2003 and December 31, 2002 (in thousands):

	2003	2002
Total assets:		

Vessel construction	\$23,426	\$24,799
Repair and conversions	19,531	18,393
Other	9,552	10,649
Total assets	\$52,509	\$53,841

Certain assets, including cash and cash equivalents, and capital expenditures of the Company are allocated to corporate and are included in the “Other” caption.

Revenues included in the consolidated financial statements of the Company are derived from customers domiciled in the United States. All assets of the Company are located in the United States.

8. COMMITMENTS AND CONTINGENCIES

Legal Matters—The Company is a party to various legal proceedings primarily involving commercial claims and workers’ compensation claims. While the outcome of these claims and legal proceedings cannot be predicted with certainty, management believes that the outcome of such proceedings, in the aggregate, even if determined adversely, would not have a material adverse effect on the Company’s consolidated financial statements.

Employment Agreements—The Company has employment agreements with certain of its executive officers which provide for employment of the officers through December 31, 2004, and provide for extensions at the end of the term, subject to the parties’ mutual agreement. The minimum annual total compensation under these agreements is \$790,000.

Construction Commitments—As of June 30, 2003, the Company had an outstanding commitment of \$1.5 million for the construction of its new aluminum marine fabrication repair and conversion facility in Amelia, Louisiana.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Letters of Credit and Bonds—In the normal course of its business, the Company is required to provide letters of credit to secure the payment of workers' compensation obligations. Additionally, under certain contracts the Company may be required to provide letters of credit and bonds to secure certain performance and payment obligations of the Company thereunder. Outstanding letters of credit and bonds relating to these business activities amounted to \$31.3 million and \$28.1 million at June 30, 2003 and December 31, 2002, respectively.

9. NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 requires the recording of liabilities for all legal obligations associated with the retirement of long-lived assets that result from the normal operation of those assets. These liabilities are required to be recorded at their fair values (which are likely to be the present values of the estimated future cash flows) in the period in which they are incurred. SFAS No. 143 requires the associated asset retirement costs to be capitalized as part of the carrying amount of the long-lived asset. The asset retirement obligation will be accreted each year through a charge to expense. The amounts added to the carrying amounts of the assets will be depreciated over the useful lives of the assets. The Company implemented SFAS No. 143 on January 1, 2003, as required, and it did not have a material effect on the Company's consolidated financial position or results of operations.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 eliminates SFAS No. 4 and as a result, gains and losses from extinguishments of debt should be classified as extraordinary items only if they meet the criteria of APB Opinion No. 30. SFAS No. 145 amends SFAS No. 13, "Accounting for Leases," to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. SFAS No. 145 also updates and amends existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. The Company implemented SFAS No. 145 on January 1, 2003, and it did not have a material impact on the Company's consolidated financial position or results of operations.

In July 2002, FASB issued SFAS No. 146, "Accounting for Cost Associated with Exit or Disposal Activities," which is effective for fiscal periods after December 31, 2002. SFAS No. 146 requires companies to recognize costs associated with restructuring, discontinued operations, plant closing, or other exit or disposal activities, when incurred rather than at the date a plan is committed to. The Company adopted the standard as of the effective date and will implement its provisions on a prospective basis.

In November 2002, FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. As required, the Company adopted the disclosure requirements of FIN 45 as of December 31, 2002. On January 1, 2003, the Company adopted the initial recognition and measurement provisions on a prospective basis for guarantees that may be issued or modified after December 31, 2002.

In January 2003, FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"). FIN 46 requires that companies that control another entity through interests other than voting interests should consolidate the controlled entity. FIN 46 applies to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest in after that date. The Company implemented FIN 46 and it did not have a material impact on its consolidated financial position or results of operations.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

10. SUBSEQUENT EVENTS

In June 2003, the Company announced its intention to expand its services into the aluminum marine fabrication, repair and conversion market for both commercial and government customers. The expansion is part of a \$5.5 million investment in the Company's original facility in Amelia, Louisiana ("Amelia Topside"), through the Company's subsidiary Conrad Aluminum, L.L.C. The financing of this expansion includes a \$1.5 million grant by the State of Louisiana through the Economic Development Award Program (EDAP) and \$4.0 million of industrial revenue bonds issued by the St. Mary Parish Industrial Development Board. The investment includes a 37,500 square foot two-bay building, a 300 ton travel lift and six overhead cranes. The Company anticipates completion of the expansion and commencement of operations in the fourth quarter of 2003.

In July 2003, the Company completed the financing for its expansion into the aluminum marine fabrication, repair and construction business. In connection with the issuance of the bonds, Conrad subsidiary Conrad Aluminum, L.L.C. donated to the Industrial Development Board the land and buildings at the Amelia Topside yard and is leasing them back along with the items to be purchased with the bond proceeds, with a right to repurchase or extend. The lease payments will be used to pay principal and interest on the bonds. Conrad and its subsidiaries have guaranteed the bonds. The bonds have a 15 year term, monthly principal payments of \$22,222.22 plus interest and bear interest, at the Company's option, at either a prime rate or the higher of (a) 30, 60 or 90-day LIBOR plus two percent or (b) a prime rate minus one percent. The \$1.5 million EDAP grant requires the Company to meet specified job creation objectives.

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the Unaudited Consolidated Financial Statements and the Notes to Unaudited Consolidated Financial Statements included elsewhere in this Form 10-Q as well as the Company's annual report on Form 10-K for the year ended December 31, 2002.

Overview

The Company was incorporated in March 1998 to serve as the holding company for Conrad Shipyard, Inc. ("Conrad") and Orange Shipbuilding Company, Inc. ("Orange Shipbuilding"). The Company completed an initial public offering in June 1998 by issuing 2.1 million shares of common stock. Conrad has operated since 1948 at its shipyard in Morgan City, Louisiana. The Company designs, builds and overhauls tugboats, ferries, liftboats, barges, offshore support vessels and other steel and aluminum products for both commercial and government markets. In December 1997, Conrad acquired Orange Shipbuilding to increase its capacity to serve Conrad's existing markets and to expand its product capability into the construction of additional types of marine vessels, including tug boats for the U.S. Army, offshore tug boats, push boats and double hull barges, and the fabrication of modular components for offshore drilling rigs and FPSOs. In February 1998, Conrad commenced operations at a repair and conversion facility in Amelia, Louisiana, thereby expanding its capacity to provide repair and conversion services for marine vessels. In 2000, Conrad Shipyard, Inc. was converted into a Louisiana limited liability company named Conrad Shipyard, L.L.C. In February 2003, the Company commenced operations at a second repair and conversion facility in Amelia, Louisiana, thereby further expanding its capacity to provide repair and conversion services for marine vessels with deeper drafts than the Company has been able to service at its other facilities. In June 2003, the original facility in Amelia was transferred to a newly organized subsidiary, Conrad Aluminum L.L.C., in order to accommodate the Company's expansion into the aluminum marine fabrication, repair and conversion services.

Demand for the Company's products and services is dependent upon a number of factors, including the economic condition of the Company's customers and markets, the age and state of repair of the vessels operated by the Company's customers and the relative cost to construct a new vessel as compared with repairing an older vessel. Over the last ten years, the Company's customers have been primarily (1) companies serving the offshore Gulf of Mexico oil and gas industry, (2) federal, state and local governments, and (3) other commercial customers. Since late 1998 and particularly since the fourth quarter of 2001, weakness in the economy in general, and the offshore Gulf of Mexico oil and gas industry in particular, has resulted in decreased demand from these customers. Because much of our repair and conversion work has been performed for customers in this industry, our financial results for this segment of our business have been adversely affected. We did experience an increase in demand for repair and conversion services in the first quarter of 2003 as a result of seasonal workload patterns, but this increased demand was not sustained in the second quarter. We have been successful in securing backlog in our vessel construction segment primarily from government customers. Government contracts accounted for approximately 24.9% of our backlog at December 31, 2000 and 97.4% at June 30, 2003.

The Company's firm backlog was \$34.8 million at June 30, 2003 as compared to \$36.2 million at December 31, 2002 and \$22.6 million at June 30, 2002. The increase in backlog from the same period of the prior year is primarily attributable to the award of a \$16.6 million contract for the construction of three towboats as well as the exercise of a \$6.1 million option for an additional towboat by the Corps of Engineers. As a result of the extended design phase of a number of contracts in the Company's backlog, the Company anticipates the impact of these new contracts to become more evident in late 2003 and 2004 operating results.

The Company is engaged in various types of construction under contracts that generally range from one month to 36 months in duration. The Company uses the percentage-of-completion method of accounting and therefore takes into account the estimated costs, estimated earnings and revenue to date on fixed-price contracts not yet completed. The amount of revenue recognized is equal to the portion of the total contract price that the labor hours incurred to date bears to the estimated total labor hours, based on current estimates to complete. This

method is used because management considers expended labor hours to be the best available measure of progress on these contracts. Revenues from cost-plus-fee contracts are recognized on the basis of cost incurred during the period plus the fee earned.

Most of the contracts entered into by the Company for new vessel construction, whether commercial or governmental, are fixed-price contracts under which the Company retains all cost savings on completed contracts but is liable for all cost overruns. The Company develops its bids for a fixed price project by estimating the amount of labor hours and the cost of materials necessary to complete the project and then bids such projects in order to achieve a sufficient profit margin to justify the allocation of its resources to such project. The Company's revenues therefore may fluctuate from period to period based on, among other things, the aggregate amount of materials used in projects during a period and whether the customer provides materials and equipment. The Company generally performs conversion and repair services on the basis of cost-plus-fee arrangements pursuant to which the customer pays a negotiated labor rate for labor hours spent on the project as well as the cost of materials plus a margin on materials purchased.

Recent Events

Expansion Into Aluminum Marine Fabrication, Repair and Conversion

In June 2003, the Company announced its intention to expand its services into the aluminum marine fabrication, repair and conversion market for both commercial and government customers. The expansion is part of a \$5.5 million investment in the Company's original facility in Amelia, Louisiana, through the Company's subsidiary Conrad Aluminum, L.L.C. The financing of this expansion includes a \$1.5 million grant by the State of Louisiana through the Economic Development Award Program (EDAP) and \$4.0 million of industrial revenue bonds issued by the St. Mary Parish Industrial Development Board. The investment includes a 37,500 square foot two-bay building, a 300 ton travel lift and six overhead cranes. Conrad has donated the facility to the St. Mary Parish Industrial Development Board and has entered into a fifteen year lease with an option to extend or repurchase. The Company anticipates completion of the expansion and commencement of operations in the fourth quarter of 2003.

Internal Expansion

On October 23, 2000, the Company purchased 52 acres of land in Amelia, Louisiana for \$1.3 million. The land is strategically located on the Bayou Boeuf/Intracoastal Waterway approximately 30 miles from the Gulf of Mexico and is within one mile of the other existing Amelia facility. Approximately 14 acres of the property have been developed as a repair and conversion facility. The development includes clearing land, grubbing, dredging, installation of a steel sheet-pile bulkhead system, dry excavation, construction of a 5,400 square foot building, other infrastructure improvements and outfitting with tools and equipment at an anticipated total cost of approximately \$7.6 million. As of June 30, 2003, the Company had incurred \$7.0 million developing the facility. In the first quarter of 2003, the Company moved its three largest drydocks to the facility and commenced operations. The Company moved an additional drydock to the facility during the second quarter of 2003. The facility allows the Company to handle vessels with deeper drafts than the Company has historically been able to service at its other facilities. In addition, the infrastructure improvements also allow for the potential future development of the facility to accommodate vessel construction should the market so dictate.

Results of Operations

The following table sets forth certain historical data of the Company and percentage of revenues for the periods presented (in thousands):

Conrad Industries, Inc. Summary Results of Operations (In thousands)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2003		2002		2003		2002	
Financial Data:								
Revenue								
Vessel construction	\$6,472	69.3 %	\$7,895	75.7 %	\$13,272	67.0 %	\$14,648	69.7 %
Repair and conversions	2,866	30.7 %	2,532	24.3 %	6,540	33.0 %	6,364	30.3 %
Total revenue	9,338	100.0%	10,427	100.0%	19,812	100.0%	21,012	100.0%
Cost of revenue								
Vessel construction	6,469	100.0%	6,678	84.6 %	13,043	98.3 %	12,094	82.6 %
Repair and conversions	2,936	102.4%	2,034	80.3 %	6,021	92.1 %	5,108	80.3 %
Total cost of revenue	9,405	100.7%	8,712	83.6 %	19,064	96.2 %	17,202	81.9 %
Gross (loss) profit								
Vessel construction	3	0.0 %	1,217	15.4 %	229	1.7 %	2,554	17.4 %

Repair and conversions	(70)	-2.4 %	498	19.7 %	519	7.9 %	1,256	19.7 %
Total gross (loss) profit	(67)	-0.7 %	1,715	16.4 %	748	3.8 %	3,810	18.1 %
S G & A expenses	944	10.1 %	1,165	11.2 %	2,187	11.0 %	2,467	11.7 %
(Loss) income from operations	(1,011)	-10.8 %	550	5.3 %	(1,439)	-7.3 %	1,343	6.4 %
Interest expense	107	1.1 %	81	0.8 %	173	0.9 %	162	0.8 %
Other expenses (income), net	(8)	-0.1 %	(5)	0.0 %	(12)	-0.1 %	(15)	-0.1 %
(Loss) income before income taxes	(1,110)	-11.9 %	474	4.5 %	(1,600)	-8.1 %	1,196	5.7 %
Income tax (benefit) provision	(384)	-4.1 %	174	1.7 %	(553)	-2.8 %	438	2.1 %
(Loss) income before cumulative effect of change in accounting principle	(726)	-7.8 %	300	2.9 %	(1,047)	-5.3 %	758	3.6 %
Cumulative effect of change in accounting principle (1)	-	0.0 %	-	0.0 %	-	0.0 %	(4,500)	-21.4 %
Net (loss) income	\$(726)	-7.8 %	\$300	2.9 %	\$(1,047)	-5.3 %	\$(3,742)	-17.8 %
EBITDA (2)	\$(440)	-4.7 %	\$1,022	9.8 %	\$(367)	-1.9 %	\$2,319	11.0 %

Net cash provided by operating activities	\$514	\$4,025	\$748	\$1,527
Operating Data: Labor hours	123	108	255	250

- (1) The Company recorded a \$4.5 million non-cash charge for the impairment of goodwill resulting from the adoption of Statement of Financial Accounting Standards Board No. 142, "Goodwill and Other Intangible Assets" as detailed in the notes to the financial statements.
- (2) Represents earnings before deduction of interest, taxes, depreciation and amortization. EBITDA is not a measure of cash flow, operating results or liquidity as determined by generally accepted accounting principles. The Company has included information concerning EBITDA as supplemental disclosure because management believes that EBITDA provides meaningful information regarding a company's historical ability to incur and service debt. EBITDA as defined and measured by the Company may not be comparable to similarly titled measures reported by other companies. EBITDA should not be considered in isolation or as an alternative to, or more meaningful than, net income or cash flow provided by operations as determined in accordance with generally accepted accounting principles as an indicator of the Company's profitability or liquidity.

The following table sets forth a reconciliation of net cash provided by operating activities to EBITDA for the periods presented (in thousands):

	Three months ended		Six months ended	
	June 30,		June 30,	
	2003	2002	2003	2002
Net cash provided by operating activities	\$ 514	\$4,025	\$ 748	\$1,527
Interest expense	107	81	173	162
(Benefit) provision for income taxes	(384)	174	(553)	438
Deferred income tax provision	29	154	67	228
Changes in operating assets and liabilities	(706)	(3,412)	(802)	(36)
EBITDA	\$ (440)	\$1,022	\$ (367)	\$2,319

Revenue for the second quarter of 2003 decreased \$1.1 million, or 10.4%, to \$9.3 million compared to \$10.4 million for the second quarter of 2002 while revenue for the first six months of 2003 reflected a decrease of \$1.2 million, or 5.7%, compared to the same period in the prior year. Vessel construction revenue decreased \$1.4 million, or 18.0%, and \$1.4 million, or 9.4% for the second quarter and first six months of 2003 compared to the same periods in 2002. Repair and conversion revenue increased \$334,000 for the second quarter of 2003, or 13.2%, compared to the same period of the prior year, while repair and conversion revenue increased \$176,000, or 2.8%, for the first six months of 2003 compared to the same period in 2002. The decrease in revenue in the current periods is primarily a result of changes in the estimates at completion associated with increased production hours encountered during the delivery phase of various contracts in the vessel construction segment of the Company's business. Vessel construction hours for the second quarter and first six months of 2003 decreased 1.3% and 0.8%, respectively, when compared to the same periods in 2002, while repair and conversion hours increased 41.1% and 5.5% for the three and six months ended June 30, 2003, respectively, when compared to the year earlier periods.

Gross profit for the second quarter and first six months of 2003 decreased \$1.8 million, or 103.9%, and \$3.1 million or 80.4%, compared to the same periods of the prior year. Vessel construction gross profit decreased \$1.2 million, or 99.8%, for the second quarter of 2003 compared to the second quarter of 2002, while vessel construction gross profit decreased \$2.3 million, or 91.0%, for the first six months of 2003 compared to the same period in 2002. Repair and conversion gross profit decreased \$568,000, or 114.1%, and \$737,000 or 58.7% for the second quarter and first six months of 2003, respectively, compared to the same periods of 2002. Vessel construction gross profit was

depressed as a result of an additional charge recorded in the second quarter of 2003 of approximately \$139,000 related to anticipated losses on a commercial contract in progress for four vessels. The Company had previously recorded charges of \$50,000 and \$150,000 during the first quarter of 2003 and the fourth quarter of 2002, respectively, related to this contract. In addition, the margins were negatively impacted by increases in the estimated costs of completion on separate projects for other motorized vessels awarded in the second quarter of 2002 as a result of the disruptive effects caused by this commercial contract. Complexities experienced in the hull structures of the commercial contract discussed above caused a significant compression of the schedule. As a result, the Company focused key project resources in order to prioritize and control the increases in costs at completion on this commercial contract. However, the compression of the schedule forced

the Company to deliver three separate vessels concurrently. This resulted in a significant disruption to the previously planned orderly sequence of work on other contracts thereby precluding the labor efficiencies and productivity gains previously forecast based on the Company's historical experience. The first three vessels of the commercial contract have been delivered; however, gross profit and net income will continue to be negatively impacted until the final vessel's scheduled completion in the middle of the third quarter of 2003. Repair and conversion gross profit was negatively impacted as a result of the disruptive impact associated with the transition and relocation of the Company's core repair and conversion operations to a new location. In addition, the gross margins were depressed as a result of increases in the estimated costs at completion on a single significant fixed price repair and conversion contract that was scheduled for delivery during this transition period.

Gross profit margins decreased to -0.7% and 3.8%, respectively, for the three and six months ended June 30, 2003. As a result of the charges discussed above, vessel construction gross profit margins decreased to essentially break even for the three months ended June 30, 2003, compared to gross profit margins of 15.4% for the three months ended June 30, 2002 while gross profit margins for vessel construction for the six months ended June 30, 2003, decreased to 1.7% compared to 17.4% for the same period of the prior year. Repair and conversion gross profit margins decreased to -2.4% for the three months ended June 30, 2003, compared to gross profit margins of 19.7% for the same period of 2002 while repair and conversion gross profit margins decreased to 7.9% for the six months ended June 30, 2003 when compared to 19.7% for the first six months of 2002.

Selling, general and administrative expenses ("SG&A") decreased \$221,000, or 19.0%, and \$280,000, or 11.3%, for the second quarter and first six months of 2003, respectively, compared to the same periods in 2002. The decrease in SG&A was primarily a result of decreases in legal and accounting expenses and the elimination of employee bonuses compared to the same periods of 2002 as well as a write-off of bad debts in the year earlier period.

Interest expense increased \$26,000, or 32.1%, for the second quarter of 2003, compared to the same period in 2002, while interest expense increased \$11,000 for the first six months of 2003 compared to the same period in the prior year. The increase is primarily the result of the increased interest expense associated with an increase in the average outstanding loan balance partially offset by the capitalization of interest related to the development of the 52 acres of land in Amelia, Louisiana during the first quarter. The Company expects interest expense to increase in the remainder of 2003 as a result of an increase in the average outstanding loan balance compared to 2002 and the lack of future capitalization of interest with the commencement of operations at the second facility in Amelia, Louisiana.

The Company had an income tax benefit of \$384,000 for the second quarter of 2003 compared to an income tax expense of \$174,000 in the same period of 2002. For the six months ended June 30, 2003, the Company had an income tax benefit of \$553,000 compared to income taxes of \$438,000 for the same period of the prior year. The decrease in income tax expense is primarily attributable to the 2003 losses from operations as discussed above.

During 2002, the Company completed the two-step process of the transitional goodwill impairment test prescribed in SFAS No. 142 with respect to existing goodwill. The first step of the transitional goodwill impairment test involved a comparison of the fair value of each of the Company's reporting units, as defined under SFAS No. 142, with its carrying amount. If the carrying amount exceeded the fair value of a reporting unit, the Company was required to perform the second step of the transitional goodwill impairment test. As a result of the outcome of the first step relative to the Orange Shipbuilding reporting unit, the Company was required to perform the second step of the transitional goodwill impairment test for this reporting unit. The second step involved comparing the implied fair value of this reporting unit's goodwill to its carrying value to measure the amount of impairment. The transitional goodwill impairment test resulted in the Company recognizing a non-cash transitional goodwill impairment charge of \$4.5 million related entirely to the Orange Shipbuilding reporting unit. As required by SFAS No. 142, the \$4.5 million charge is reflected as a cumulative effect of a change in accounting principle in the Company's Consolidated Statement of Operations for the six months ended

June 30, 2002. There was no income tax effect on the impairment charge as the charge related to non-deductible goodwill. The fair value of the Orange Shipbuilding reporting unit was determined based on the excess earnings return on assets (treasury) valuation method. The circumstance leading to the goodwill impairment was a decline in market conditions since the acquisition of this reporting unit. This circumstance caused lower than expected operating profits and cash flows.

During the first quarter of 2003, the Company completed its annual update of the impairment test as prescribed in SFAS No. 142 with respect to existing goodwill. The first step of the goodwill impairment test indicated that the fair value of each of the Company's reporting units exceeded its respective carrying amount. As no impairment was indicated, the second step of the test, as defined under SFAS No. 142, was not required to be performed.

Liquidity and Capital Resources

Net cash provided by operations was \$748,000 for the first six months of 2003 compared to \$1.5 million for the prior year period due to decreases in accounts receivable and billings related to costs and estimated earnings on uncompleted contracts offset by a decrease in accounts payable, and an increase in inventory. The Company's working capital position was \$7.0 million at June 30, 2003 compared to \$9.4 million at December 31, 2002. The decrease in the working capital position was primarily due to approximately \$2.6 million in capital expenditures for plant and equipment predominantly associated with the completion of the new facility in Amelia, Louisiana.

The Company's capital requirements historically have been primarily for improvements to its facilities and equipment. The Company's net cash used in investing activities of \$2.6 million for the six months ended June 30, 2003 reflected approximately \$2.0 million for improvements to the 52 acres in Amelia and approximately \$600,000 for improvements to facilities and equipment. As of June 30, 2003, the Company had an outstanding commitment of \$1.5 million for the construction of its new aluminum marine fabrication repair and conversion facility in Amelia, Louisiana.

Net cash provided by financing activities was \$384,000 for the six months ended June 30, 2003 which included borrowings of \$1.2 million and the repayment of \$816,000 of debt.

The Company has a Loan Agreement with a commercial bank, which specifies the terms of the Term Loan, the Development Loan and the Revolving Credit Facility. The interest rate is variable, and interest accrues at the option of the Company either at the JPMorgan Chase prime rate or LIBOR plus 1.75%. The Loan Agreement is secured by substantially all of the Company's assets, contains customary restrictive covenants and requires the maintenance of certain financial ratios, including a current ratio requirement of 1.25 to 1.0, a debt to tangible net worth requirement of at least 1.5 to 1.0 and a debt service coverage ratio of 1.25 to 1.0 that could limit the Company's use of available capacity under the Revolving Credit Facility. In addition, the Loan Agreement prohibits the Company from paying dividends without the consent of the lender and restricts the ability of the Company to incur additional indebtedness. At June 30, 2003, the Company was in compliance with these covenants.

The Term Loan is payable in 22 monthly principal payments of \$107,000 plus interest, with a final payment of \$4.7 million due on May 31, 2005. At June 30, 2003, the Term Loan balance outstanding was \$7.1 million and the interest rate was 3.09%.

The Revolving Credit Facility permits the Company to borrow up to \$10.0 million for working capital and other general corporate purposes, including the funding of acquisitions, and matures on May 31, 2004. No draws were outstanding as of June 30, 2003.

On July 18, 2002 the Company entered into The Development Loan which provided financing totaling \$6.7 million to fund the development of the Amelia Deepwater facility. The Development Loan included a revolver

that converted to a term loan. Payments under the revolver included interest only payments until March 31, 2003, at which time it converted to a term loan to be repaid in 49 monthly principal payments of \$58,000 plus interest, with a final balloon payment due on May 31, 2007. At June 30, 2003, the Development Loan balance outstanding was \$6.5 million and the interest rate was 2.87%.

In July 2003, the Company completed the financing for its expansion into the aluminum marine fabrication, repair and construction business. The \$5.5 million financing consists of a \$1.5 million grant by the State of Louisiana through the Economic Development Award Program (EDAP) and \$4.0 million of industrial revenue bonds issued by the St. Mary Parish Industrial Development Board.

In connection with the issuance of the bonds, Conrad subsidiary Conrad Aluminum, L.L.C. donated to the Industrial Development Board the land and buildings at the Amelia Topside yard and is leasing them back along with the items to be purchased with the bond proceeds, with a right to repurchase or extend. The lease payments will be used to pay amounts outstanding on the bonds. Conrad and its subsidiaries have guaranteed the bonds. The bonds have a 15 year term, monthly principal payments of \$22,222.22 plus interest and bear interest, at the Company's option, at either a prime rate or the higher of (a) 30, 60 or 90-day LIBOR plus two percent or (b) a prime rate minus one percent. The \$1.5 million EDAP grant requires the Company to meet specified job creation objectives.

In the normal course of its business, the Company is required to provide letters of credit to secure the payment of workers' compensation obligations. Additionally, under certain contracts the Company may be required to provide letters of credit and bonds to secure certain performance and payment obligations of the Company thereunder. At June 30, 2003, outstanding letters of credit and bonds amounted to \$31.3 million. The Company believes that general industry conditions have led customers to require performance bonds more often than in the past. The Company believes that it has secured adequate bonding for potential future job prospects. Although the Company believes that it will be able to obtain contract bid and performance bonds, letters of credit, and similar obligations on terms it regards as acceptable, there can be no assurance it will be successful in doing so. In addition, the cost of obtaining such bonds, letters of credit and similar obligations has increased and may continue to increase.

The Company's firm backlog was \$34.8 million at June 30, 2003 as compared to \$36.2 million at December 31, 2002 and \$22.6 million at June 30, 2002. The increase in backlog from the same period of the prior year is primarily attributable to the award of a \$16.6 million contract for the construction of three towboats as well as the exercise of a \$6.1 million option for an additional towboat by the Corps of Engineers.

Management believes that the Company's existing working capital, cash flows from operations and bank commitments will be adequate to meet its working capital needs for operations and capital expenditures for the next twelve months. The Company may pursue acquisition and internal expansion opportunities if deemed attractive if and when such opportunities arise. The timing, size or success of any acquisition or internal expansion effort and the associated potential capital commitments cannot be predicted.

New Accounting Pronouncements

In June 2001, FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 requires the recording of liabilities for all legal obligations associated with the retirement of long-lived assets that result from the normal operation of those assets. These liabilities are required to be recorded at their fair values (which are likely to be the present values of the estimated future cash flows) in the period in which they are incurred. SFAS No. 143 requires the associated asset retirement costs to be capitalized as part of the carrying amount of the long-lived asset. The asset retirement obligation will be accreted each year through a charge to expense. The amounts added to the carrying amounts of the assets will be depreciated over the useful lives of the assets. The Company implemented SFAS No. 143 on January 1, 2003, as required, and it did not have a material effect on the Company's consolidated financial position or results of operations.

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In November 2002, FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. As required, the Company adopted the disclosure requirements of FIN 45 as of December 31, 2002. On January 1, 2003, the Company adopted the initial recognition and measurement provisions on a prospective basis for guarantees that may be issued or modified after December 31, 2002.

In January 2003, FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"). FIN 46 requires that companies that control another entity through interests other than voting interests should consolidate the controlled entity. FIN 46 applies to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest in after that date. The Company implemented FIN 46 and it did not have a material impact on its consolidated financial position or results of operations.

Item 3: Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to the risk of changing interest rates. Interest on \$13.6 million of the Company's long-term debt with a weighted average interest rate of 2.98% at June 30, 2003 was variable based on short-term market rates. Thus a general increase of 1.0% in short-term market interest rates would result in additional interest cost of \$136,000 per year if the Company were to maintain the same debt level and structure.

Item 4: Controls and Procedures

The Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of the end of the period covered by this report. The evaluation was carried out under the supervision of and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer. Based on the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective as of the end of the period covered by this report in timely alerting them to material information relating to the Company, including its consolidated subsidiaries, required to be included in reports the Company files with or submits to the Securities and Exchange Commission under the Securities Exchange Act of 1934. There have been no changes in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is a party to various routine legal proceedings primarily involving commercial claims and workers' compensation claims. While the outcome of these claims and legal proceedings cannot be predicted with certainty, management believes that the outcome of such proceedings in the aggregate, even if determined adversely, would not have a material adverse effect on the Company's consolidated financial statements.

Item 4. Submission of Matters to a Vote of Security Holders

The Company's 2003 annual meeting of stockholders was held on May 22, 2003. All director nominees were elected. The voting tabulation was as follows: Michael J. Harris: 5,801,632 votes for, 733,025 votes withheld, Kenneth G. Myers, Jr.: 5,801,632 votes for, 733,025 votes withheld.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

3.1

–Amended and Restated Certificate of Incorporation (filed as Exhibit 3.1 to the Company's Annual Report on Form 10-K for year ended December 31, 1998 and incorporated by reference herein).

3.2

–Amended and Restated Bylaws (filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for year ended December 31, 1998 and incorporated by reference herein).

4.1

–Specimen Common Stock Certificate (filed as Exhibit 4 to the Company's Registration Statement on Form 8-A and incorporated by reference herein).

4.2

–Registration Rights Agreement by and among Conrad Industries, Inc., J. Parker Conrad, John P. Conrad, Jr., Katherine C. Court, The John P. Conrad, Jr. Trust, The Daniel T. Conrad Trust, The Glen Alan Conrad Trust, The Kenneth C. Conrad Trust, The Katherine C. Court Trust, The James P. Conrad Trust, William H. Hidalgo, and Cecil A. Hernandez (filed as Exhibit 4.2 to the Company's Annual Report on Form 10-K for year ended December 31, 1998 and incorporated by reference herein).

4.3

–Registration Rights Agreement between Conrad Industries, Inc. and Morgan Keegan & Company, Inc. (filed as Exhibit 4.3 to the Company's Annual Report on Form 10-K for year ended December 31, 1998 and incorporated by reference herein).

4.4

–Rights Agreement dated May 23, 2002 between Conrad Industries, Inc. and American Stock Transfer & Trust Company (filed as Exhibits 1, 2, 3 and 4 to the Company's Registration Statement on Form 8-A filed May 29, 2002 and incorporated by reference herein).

- 10.1
–Third Amendment to the Third Amended and Restated Loan Agreement by and among Whitney National Bank, Conrad Shipyard, L.L.C., Orange Shipbuilding Company, Inc. and Conrad Industries dated July 11, 2003.
- 10.2
–Economic Development Award Contract / Agreement by and among the Louisiana Economic Development Corporation, acting through the Louisiana Department of Economic Development, Conrad Aluminum, L.L.C., and St. Mary Parish Government dated April 11, 2003 (without exhibits).
- 10.3
–Lease Agreement between The Industrial Development Board of the Parish of St. Mary, Louisiana, Inc. and Conrad Aluminum, L.L.C. dated June 1, 2003.
- 10.4
–Trust Indenture between The Industrial Development Board of the Parish of St. Mary, Louisiana, Inc. and The Bank of New York Trust Company of Florida, N.A. dated June 1, 2003.

10.5

–Guaranty Agreement by and between Conrad Industries, Inc., Conrad Shipyard, L.L.C., Orange Shipbuilding Company, Inc., Conrad Aluminum, L.L.C., and The Bank of New York Trust Company of Florida, N. A. dated June 1, 2003.

10.6

–Lease Agreement between the Parish of St. Mary, State of Louisiana and Conrad Aluminum, L.L.C. dated July 23, 2003.

31.1

–Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2

–Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1

–Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

On May 8, 2003 the Company filed a report on Form 8-K to report the Company’ s first quarter 2003 results and announce new contract awards.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 12, 2003

CONRAD INDUSTRIES, INC.

By: /s/ LEWIS J. DERBES, JR.

Lewis J. Derbes, Jr.

Vice President and Chief Financial Officer

THIRD AMENDMENT
TO
THIRD AMENDED AND RESTATED LOAN AGREEMENT

This Third Amendment to Third Amended and Restated Loan Agreement (the "Third Amendment") is dated July 11, 2003 and is made by and among Whitney National Bank ("Lender"), Conrad Shipyard, L.L.C. ("Borrower"), Orange Shipbuilding Company, Inc. ("Orange") and Conrad Industries, Inc. ("Conrad").

WHEREAS, Borrower and Guarantor have requested that Lender purchase those certain Industrial Revenue Bonds in the amount of \$4,000,00.00 (the "Bonds") to be issued by The Industrial Development Board of the Parish of St. Mary , Louisiana, Inc. for the purpose of constructing a new aluminum marine fabrication repair and conversion facility to be operated and leased by Conrad Aluminum, LLC ("Aluminum"), a wholly-owned subsidiary of Conrad Shipyard, L.L.C. with the repayment of the Bonds to be jointly, severally and solidarily guarantied by Borrower, Conrad, Orange and Aluminum;

WHEREAS, Lender has requested Borrower and Guarantor to guaranty the obligations of Aluminum under the Bonds and the guaranty of the Bonds;

WHEREAS, the parties wish to amend that certain Third Amended and Restated Loan Agreement by and among Lender, Borrower, Orange and Conrad, dated July 18, 2002, as amended by the First Amendment to the Third Amended and Restated Loan Agreement, dated March 21, 2003 and the Second Amendment to Third Amended and Restated Loan Agreement, dated as of dated May 9, 2003 (collectively the "Loan Agreement") as follows:.

NOW THEREFORE, the parties hereby agree as follows:

1. As used herein, capitalized terms not defined herein shall have the meanings attributed to them in the Loan Agreement. The Loan Agreement is hereby amended by the addition or restatement of the following definitions in Section 1.01:

"Aluminum" shall mean Conrad Aluminum, L.L.C., a Louisiana limited liability company and the wholly owned subsidiary of Borrower.

"Bonds" shall mean those certain Industrial Revenue Bonds in the amount of \$4,000,000.00, dated as of June 1, 2003, to be issued by The Industrial Development Board of the Parish of St. Mary, Louisiana, Inc. and purchased by Lender, which Bonds are issued and sold pursuant to that certain Trust Indenture (the "Trust Indenture"), dated as of June 1, 2003 between The Bank of New York Trust Company of Florida, N.A., as Trustee, and The Industrial Development Board of the Parish of St. Mary, Louisiana, Inc.

"Bond Guaranty" shall mean that certain Guaranty Agreement, dated as of June 1, 2003, by and between Conrad Industries, Inc., Conrad Shipyard, L.L.C., Orange Shipbuilding Company, Inc. and Conrad Aluminum, L.L.C., as Guarantors and The Bank of New York Trust Company of Florida, N.A., as Trustee, whereby the Guarantors jointly, severally and solidarily guarantee in favor of the Trustee for the benefit of the holders of the Bonds the repayment of the Bonds.

"Grant" shall mean that certain Grant of \$1,500,000.00 made by the Louisiana Economic Development Corporation, acting through the Louisiana Department of Economic Development pursuant to that certain Economic Development Award Contract/Agreement, effective as of April 11, 2003 by and among Louisiana Economic Development Corporation, acting through the Louisiana Department of Economic Development, Conrad Aluminum, L.L.C. and St. Mary Parish, State of Louisiana.

"Loan" shall mean collectively the Bonds, the Lines of Credit and the Term Loan and shall include all principal, interest, attorney's fees and costs owed thereon.

"Obligations" shall mean all obligations (monetary or otherwise, including, but not limited to, all representations, warranties and covenants contained in this Agreement)

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of the Borrower to Lender, whether direct or contingent, due or to become due, now existing or hereafter arising, including future advances, with interest, attorneys' fees, expenses of collection and costs arising under or in connection with this Agreement, the Loan, the Note, the Collateral Documents, promissory notes, checks, overdrafts, letter of credit agreements, endorsements and continuing guaranties, including but not limited to the Bonds and the Bond Guaranty.

"Permitted Liens" shall mean those presently outstanding Liens of the Borrower in favor of Lender and (i) pledges or deposits by the Borrower under workmen's compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Debt of the Borrower) or leases (other than capitalized leases) to which the Borrower is a party, or deposits to secure statutory obligations of the Borrower or deposits of cash or U.S. Government Bonds to secure surety or appeal bonds to which the Borrower is a party, or deposits as security for contested taxes or import duties or for the payment of rent; (ii) Liens imposed by law, such as carriers', warehousemen's, materialmen's and mechanics' liens, incurred in the ordinary course of business for sums not overdue or being contested in good faith by appropriate proceedings and for which adequate reserves shall have been set aside on the Borrower's books; (iii) judgment Liens in

existence less than 30 days after the entry thereof or with respect to which execution has been stayed or the payment of which is covered in full (subject to a customary deductible) by insurance; (iv) Liens for property taxes not yet delinquent and Liens for property taxes the payment of which is being actively contested in good faith by appropriate proceedings and for which adequate reserves shall have been set aside on the Borrower's books; and (v) minor survey exceptions, minor encumbrances, easements or reservations of, or rights of others for rights-of-way, highways and railroad crossings, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property or Liens incidental to the conduct of the business of the Borrower or to the ownership of its property which were not incurred in connection with Debt of the Borrower, which Liens do not in the aggregate materially detract from the value of said properties or materially impair their use in the operation of the business taken as a whole of the Borrower. Permitted Liens shall also include all collateral required by (i) St. Mary Parish Industrial Revenue Board in connection with the issue of the Bonds and (ii) the lease of certain equipment by St. Mary Parish to Borrower in connection with the Grant.

2. Section 2.02(c) of the Loan Agreement is hereby amended and restated as follows to reflect the execution of the Allonge, dated December 31, 2002, to the Line of Credit Note evidencing the \$6,700,000 Line of Credit:

(c) \$6,700,000 Line of Credit. Subject to and upon the terms and conditions contained in this Agreement, and relying on the representations and warranties contained in this Agreement, the Lender agrees to make Advances to Borrower periodically during the \$6,700,000 Line of Credit Period in an aggregate principal amount outstanding not to exceed the sum of Six Million Seven Hundred Thousand and No/100 (\$6,700,000.00) Dollars (the "\$6,700,000 Line of Credit"). On March 31, 2003, Lender's obligations to make any Advance on the \$6,700,000 Line of Credit shall cease. The \$6,700,000 Line of Credit shall be evidenced by a promissory note executed by the Borrower on the Closing Date in the principal sum of \$6,700,000.00, payable to the order of the Lender. The \$6,700,000 Line of Credit shall bear interest at Libor Rate or Base Rate in accordance with Section 2.03 and shall be payable interest only monthly in arrears on the last day of each month, beginning the first month after the initial Advance, and continuing on the last day of each succeeding month through and including March 31, 2003. On April 1, 2003, the \$6,700,000 Line of Credit shall convert to a term loan and shall be payable in 49 monthly payments of principal each in the amount of \$58,000.00, plus accrued interest, beginning on April 30, 2003, and continuing on the last day of each succeeding month thereafter, with a final payment of the remaining unpaid balance of principal and accrued interest due on May 31, 2007.

3. The Loan Agreement is amended by adding a Section 3.03:

Section 3.03. Guaranties. Borrower and Guarantor shall jointly, severally and solidarily guaranty the repayment of the all Obligations of Aluminum to Lender, including but not limited to the Bonds.

4. The Loan Agreement is hereby amended by adding Subsection (e) to Section 4.01 and amending and restating Sections 4.22 and 4.24:

Section 4.01. Corporate Existence.

(e) Aluminum is a validly organized limited liability company duly existing and in good standing under the laws of the State of Louisiana and is duly qualified as a foreign limited liability company in all jurisdictions wherein the property owned or the business transacted by it make such qualifications necessary. Aluminum has never done business under any name other than the name of Conrad Aluminum, L.L.C. Aluminum's tax identification number is 72-1560551 and its principal place of business is 9752 U S Highway 182 East, Amelia, Louisiana 70340. Aluminum's corporate charter number with the Secretary of State of Louisiana is 35332588K.

Section 4.22. Subsidiaries. At the Effective Date of the Third Amendment, the Borrower has no Subsidiaries except Orange and Aluminum, and the Borrower owns all of the capital stock or membership interests of Orange and Aluminum, and Conrad owns all of the capital stock or membership interests of Borrower. There are no Liens on any of the capital stock or membership interests of Orange, Borrower or Aluminum.

Section 4.24. Assets Mortgaged to Lender. Except for the Drydock, all drydocks, barges and other vessels and equipment of Borrower and Guarantor are not documented vessels with the United States Coast Guard and are free and clear of any Liens, except the Collateral Documents or Permitted Liens. In the event any asset of Borrower or Guarantor becomes a documented vessel with the United States Coast Guard, Borrower agrees to notify Lender and to execute a preferred maritime ship mortgage encumbering such asset in favor of Lender upon terms and conditions reasonably acceptable to Lender. Except for the immovable property which is the subject of the Bonds and the Trust Indenture, all immovable and real property of Borrower and Guarantor are mortgaged to Lender under the Collateral Documents. Except such equipment to be leased to Aluminum under the Grant, all equipment of Borrower and Guarantor are subject to a perfected security interest in favor of Lender in accordance with the terms of the Collateral Documents. Orange acknowledges that the Collateral Documents executed by it continue to secure the performance and payment of the Obligations, even though Borrower changed its name from Conrad Industries, Inc. to Conrad Shipyard, Inc. and then merged into Conrad Shipyard, L.L.C.

5. Section 5.01 of the Loan Agreement is amended and restated as follows

Section 5.01. Financial Covenants. Borrower shall comply with the following Financial Covenants until the Loan has been paid in full:

(a) Debt to Tangible Net Worth. The Borrower on a consolidated basis with Guarantor and each Subsidiary shall maintain a Debt to Net Worth Ratio of no greater than 1.5 to 1.0 until the Loan is paid in full.

(b) Debt Service Coverage Ratio. Borrower on a consolidated basis with Guarantor and each Subsidiary shall maintain at all times during the existence of the Loan a Debt Service Coverage Ratio of at least 1.25 to 1.0 as of the end of each fiscal quarter (calculated as of the last day of each fiscal quarter on a rolling four quarter basis) beginning December 31, 2003 and each fiscal quarter thereafter.

(c) Current Ratio. Borrower on a consolidated basis with Guarantor and each Subsidiary shall maintain at all times during the existence of the Loan a ratio of Current Assets (minus any prepaid expenses) to Current Liabilities of 1.25 to 1.0 or greater.

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6. In connection with the foregoing and only in connection with the foregoing, the Loan Agreement is hereby amended, but in all other respects all of the terms and conditions of the Loan Agreement remain unaffected.

7. Borrower, Orange and Conrad acknowledge and agree that this Third Amendment shall not constitute a waiver of any Default(s) under the Loan Agreement or any documents executed in connection therewith, all of Lender's rights and remedies being preserved and maintained. Borrowers, Orange and Conrad hereby represent and warrant to Lender that no Default has occurred under the Loan Agreement and there has not occurred any condition, event or act which constitutes, or with notice or lapse of time (or both) would constitute, a Default under the Loan Agreement. Borrower, Orange and Conrad further acknowledge that the Collateral Documents and the continuing guaranties of Orange and Conrad remain in full force and effect and that the Collateral Documents and the continuing guaranties of Orange and Conrad continue to secure the payment and performance of the Obligations, as hereby amended, in accordance with their terms.

8. This Third Amendment may be executed in two or more counterparts, and it shall not be necessary that the signatures of all parties hereto be contained on any one counterpart hereof; each counterpart shall be deemed an original, but all of which together shall constitute one and the same instrument.

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IN WITNESS WHEREOF, the parties hereto have caused this Third Amendment to be duly executed.

LENDER:
WHITNEY NATIONAL BANK

BORROWER:
CONRAD SHIPYARD, L.L.C.

By: /s/ Edgar W. Santa Cruz, III

Edgar W. Santa Cruz, III
Title: Vice President

By: /s/ Lewis J. Derbes, Jr.

Lewis J. Derbes, Jr.
Its: Treasurer/Secretary and Manager

GUARANTORS:
ORANGE SHIPBUILDING COMPANY, INC.

By: /s/ Lewis J. Derbes, Jr.

Lewis J. Derbes, Jr.
Its: Secretary and Treasurer

CONRAD INDUSTRIES, INC.

By: /s/ Lewis J. Derbes, Jr.

Lewis J. Derbes, Jr.
Its: Vice President and
Chief Financial Officer

ECONOMIC DEVELOPMENT
AWARD CONTRACT / AGREEMENT

Contract No. _____

This Contract / Agreement is effective as of April 11, 2003, by and among the LOUISIANA ECONOMIC DEVELOPMENT CORPORATION, acting through the LOUISIANA DEPARTMENT OF ECONOMIC DEVELOPMENT (either or both herein sometimes referred to as LED), P. O. Box 94185, Baton Rouge, LA 70804-9185; CONRAD ALUMINUM, L.L.C. (herein sometimes referred to as COMPANY), 9752 Hwy. 182 East, Amelia, LA. 70340; and ST. MARY PARISH GOVERNMENT (herein sometimes referred to as SPONSORING ENTITY), 500 Main Street, Fifth Floor-Courthouse, Franklin, LA. 70538-6198; who, in order to serve the public for the purposes hereinafter stated, declared and acknowledged, as follows:

WHEREAS, the parties intend to develop an industrial or business development project requiring basic infrastructure;

WHEREAS, a program for providing financial incentives to industrial or business development projects promoting economic development within the State of Louisiana has been finalized;

WHEREAS, COMPANY and SPONSORING ENTITY, in order to fully establish, implement, and develop the agreed upon infrastructure Project, have need for the funds available from the special fund of the State of Louisiana, pursuant to the Economic Development Award Program, La. R.S. 51:2341 et seq.;

WHEREAS, the Louisiana Economic Development Corporation, acting through the Louisiana Department of Economic Development, which is charged with the responsibility of authorizing the expenditure of monies from this special fund, is in favor of establishing this infrastructure Project and approved said Project on April 11, 2003; and

WHEREAS, the SPONSORING ENTITY has the expertise and ability to contract for any necessary engineering and technical services, and desires the assistance of the State of Louisiana, and the Louisiana Economic Development Corporation, through the Louisiana Department of Economic Development, in carrying out this Project;

NOW, THEREFORE, for and in consideration of the premises and the mutual agreements hereinafter set forth, the parties hereto do hereby agree as follows:

ARTICLE I. PURPOSE

The purpose of this Grant is to provide funding for the SPONSORING ENTITY to purchase capital equipment (including a travel lift and several movable overhead cranes, etc.) to be leased to and used by COMPANY to expand its business into the aluminum marine fabrication, repair and conversion markets for both commercial and military customers. Currently COMPANY and its affiliated companies specialize in the construction, conversion and repair of a wide variety of marine vessels for commercial and government customers, and the fabrication of modular components of offshore drilling rigs and floating, production, storage and offloading vessels. COMPANY and its affiliated companies commenced their operations in a conversion and repair facility in Amelia, St Mary Parish, Louisiana, in February, 1998, and they currently own and operate

four (4) shipyards located along the Gulf Coast in Morgan City, Louisiana, Orange, Texas, and Amelia, Louisiana. The COMPANY will utilize these funds as a part of a \$6.755 Million investment to expand its services; and plans to employ 224 new employees over the next three (3) years in connection with this expansion.

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ARTICLE II. DEFINITIONS

Definitional Section. As used herein, the following terms shall have the following meanings unless the context clearly requires otherwise, and such meanings shall be equally applicable to both singular and plural forms of the terms defined;

a. "AGREEMENT" shall mean this Economic Development Award Contract/Agreement by and among LED, the SPONSORING ENTITY and COMPANY, including all exhibits attached hereto, and all supplements, modifications or amendments from time to time as may be added in accordance with the terms hereof.

b. "ELIGIBLE COSTS" shall mean the costs set forth as "project costs" under Article VII as allowable under the Economic Development Award Program, LAC 13:III, Chapter 1.

c. "PROJECT" shall mean the expansion, improvements and infrastructure as more fully described in Article I which promote economic development for which LED assistance is required as an incentive to COMPANY to remain in, continue, expand and/or locate its operations in the State of Louisiana.

d. "STATE FUNDS" or "FUNDS" shall mean funds provided by LED pursuant to this Agreement in an amount not to exceed ONE MILLION FIVE HUNDRED THOUSAND & NO/100 (\$ 1,500,000.00) DOLLARS allowable for reimbursement under this Agreement.

Rules of Interpretation. Unless the context clearly indicates to the contrary, the following rules shall apply to the interpretation and construction of this Agreement:

a. Words importing the singular number shall include the plural number and vice versa.

b. All references herein to particular articles or sections are references to articles or sections of this Agreement.

c. The captions and headings herein are solely for convenience of references and shall not constitute part of this Agreement, nor shall they affect its meaning, construction or effect.

d. The terms "hereby, " "hereof, " "hereto, " "herein, " "hereunder" or any similar terms as used in this Agreement refer to the Agreement in its entirety and not the particular article or section of this Agreement in which they appear, and the term "hereafter" means after, and the term "heretofore" means before the date of execution of this Agreement.

ARTICLE III. PERFORMANCE OBJECTIVES

The Grant which SPONSORING ENTITY receives as a result of this Agreement shall be used solely for the purpose more fully described in Article I of this

Agreement.

COMPANY shall, by December 31, 2004, employ thirty-five (35) new employees for thirty-five (35) newly created positions at a total annual payroll level of not less than ONE MILLION NINETY THOUSAND ONE HUNDRED SIXTY & NO/100 (\$ 1,090,160.00) DOLLARS; and COMPANY shall continue to fill and maintain these new employed positions and payroll levels at least until December 31, 2012.

And, in addition to the above, COMPANY shall, by December 31, 2005, employ an additional eighty-one (81) new employees for eighty-one (81) additional newly created positions at an additional total annual payroll level of not less than TWO MILLION THREE HUNDRED EIGHTY-FIVE THOUSAND FORTY-TWO & NO/100 (\$ 2,385,042.00) DOLLARS; and COMPANY shall continue to fill and maintain these additional employed positions and payroll levels at least until December 31, 2012.

And, in addition to the above, COMPANY shall, by December 31, 2006, employ an additional one hundred eight (108) new employees for one hundred eight (108) additional newly created positions at an additional total annual payroll level of not less than THREE MILLION

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ONE HUNDRED FORTY-THREE THOUSAND NINE HUNDRED SIXTEEN & NO/100 (\$ 3,143,916.00) DOLLARS; and COMPANY shall continue to fill and maintain these additional employed positions and payroll levels at least until December 31, 2012.

Reimbursements may be suspended by LED if COMPANY fails to comply with the purpose of Article I or the requirements of Article III of this Agreement. This shall not in any way limit LED's ability to utilize other actions provided for in this Agreement.

All expenditure of funds by SPONSORING ENTITY shall be made in accordance with applicable procurement law, and upon written contract or purchase order. The Objectives and the Economic Impact of this Project expected by the COMPANY are described in Exhibit "A", which is attached and made part of this Agreement.

ARTICLE IV. USE OF FUNDS

The funds which are disbursed to SPONSORING ENTITY under this Agreement shall be used solely for the Eligible Costs in connection with this Project and in accordance with constitutional and statutory restrictions on the use of State Funds for public purposes. The SPONSORING ENTITY shall maintain appropriate financial records which shall document all expenditures. Upon reasonable notice, the SPONSORING ENTITY and COMPANY shall permit the inspection and/or audit of all books, records, and activities relative to the Project by LED or the Legislative Auditor at any time. The SPONSORING ENTITY agrees to reimburse LED for any funds from the Project which are not used in accordance with this Agreement and applicable state law, and shall be responsible for the payment of all costs which are not considered to be Eligible Costs.

SPONSORING ENTITY and COMPANY shall not sign any contract or agreement in connection with the Project which would cause LED's total obligation under this Agreement to exceed ONE MILLION FIVE HUNDRED THOUSAND & NO/100 (\$ 1, 500,000.00) DOLLARS.

ARTICLE V. PUBLIC BID LAWS

In the event that SPONSORING ENTITY undertakes to perform any construction

with respect to the Project with the funds provided by this Contract and public bid laws are applicable thereto, SPONSORING ENTITY shall solicit bids for the services, labor and materials required for the Project in accordance with any applicable public bid laws. SPONSORING ENTITY shall maintain a procurement file which shall contain the information and data regarding the process as well as the result of procuring these services, labor, and materials.

ARTICLE VI. CONSTRUCTION OF PROJECT

Prior to acquisition of any immovable property paid for with State Funds, SPONSORING ENTITY shall obtain an appraisal, a survey, and a title examination and provide copies of these documents to LED.

Insofar as SPONSORING ENTITY undertakes to perform any construction in connection with the Project with the funds provided by this Agreement, SPONSORING ENTITY shall select and execute a contract with an appropriate engineering or architectural firm for the performance of all engineering or architectural services necessary, which may include the preparation of complete plans, specifications and estimates, including, but not limited to, surveys, environmental processing, preliminary and final plans, assistance in preparation of construction proposals and advertisements for the Project, for construction contract administration and for construction inspection.

In the event that funds provided by this Contract are to be used by SPONSORING ENTITY for construction with respect to this Project, SPONSORING ENTITY shall prepare all proposals to comply with applicable state law, and will advertise for and receive bids for work in accordance with the Public Bid Law. All such bids shall be properly tabulated, extended and summarized to determine the official low bidder. The award of contract shall be made by SPONSORING ENTITY in accordance with law.

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In the event that SPONSORING ENTITY utilizes the funds provided by this Agreement for construction in connection with the Project, a construction contract will be prepared by SPONSORING ENTITY after the award of contract, requiring of the contractor an appropriate Performance and Payment Bond for the Project's construction, and requiring, if appropriate, Builder's Risk Insurance Coverage insuring the building and improvements during the construction period. Copies of said construction contract, bond and insurance shall be transmitted to LED after execution and issuance. SPONSORING ENTITY will be responsible for recordation of any construction contract and bond in accordance with law. SPONSORING ENTITY will supervise and assume all liability and responsibility for all aspects of the Project's construction.

ARTICLE VII. DISBURSEMENT OF FUNDS

In accordance with the terms hereof, it is intended that LED shall disburse funds to SPONSORING ENTITY on a reimbursement basis for acquisition costs, documented infrastructure expenses, or in accordance with the engineering or architectural estimates, and only after the following conditions have been met:

a. SPONSORING ENTITY and/or COMPANY shall provide LED with signed commitment letters from all of the Project's other sources of funding and in-kind contributions, both public and private. Said commitment letters shall specify the terms and conditions required by other sponsors in return for said funding or contributions.

b. SPONSORING ENTITY and COMPANY shall provide LED with signed confirmation that all technical, environmental, engineering studies or other analyses, licenses and/or permits required have been completed or obtained.

c. COMPANY and SPONSORING ENTITY shall provide LED with a copy of any lease agreement showing all the terms and conditions of said lease, including all options on renewals or extension of the terms of the lease.

d. SPONSORING ENTITY shall provide LED with a copy of all closing documents relating to the acquisition of immovable property paid for with State Funds including, but not limited to, a certified copy of the executed and recorded Act of Sale.

The eligible cost of this Grant by LED is ONE MILLION FIVE HUNDRED THOUSAND & NO/100 (\$ 1,500,000.00) DOLLARS. The allowable funds shall be used as follows:

[GRAPHIC OMITTED]

<TABLE>

<CAPTION>

Total Costs by Activity	Amount and Source of Funds				Total Costs
	Private	EDAP	Local Govt.	Other	
<S>	<C>	<C>	<C>	<C>	<C>
Land Acquisition	\$1,000,000				\$ 1,000,000
Building Acquisition	235,909		\$1,800,000		2,035,909
Building Construction					
Building Renovation	19,500				19,500
Capital Equipment: Travel Lift, Movable Overhead Cranes, etc.		\$1,500,000	1,830,000		3,330,000
Infrastructure Improvement; Utilities, Water, Sewage			350,000		350,000
Infrastructure Improvement; Parking Area			20,000		20,000

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Other (Specify):

Administration

Total Project Costs	\$1,255,409	\$1,500,000	\$4,000,000*		\$ 6,755,409
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</TABLE>

* Local Government Funds are to be provided through the issuance of \$ 4,000,000 of Industrial Revenue Bonds by the St. Mary Parish Industrial Development Board, State of Louisiana.

[GRAPHIC OMITTED]

No state funds shall be paid for any one phase of this Agreement that exceeds the categories on the above table of Project Costs, without LED's prior written approval. Requests to transfer funds between categories shall require the prior written approval of the Director of Resource Services, LED, or his successor in authority.

SPONSORING ENTITY shall submit a Cost Report to LED for approval. The Cost Report shall be in the form of Exhibit "D" and list reimbursable expenses as allowed by law and pursuant to the Rules of the Economic Development Award Program, (LAC 13:III, Chapter 1). Copies of all of the COMPANY's most recent Louisiana Department of Labor (LDOL) ES-4 Forms ("Quarterly Report of Wages Paid") which have been filed by the COMPANY either since the beginning of this Agreement or since the last previously submitted report (whichever is appropriate) shall be attached to and submitted with each Cost Report submitted. The COMPANY shall be required to submit copies of such ES-4 Forms to SPONSORING ENTITY as needed.

Cost Reports submitted to LED by SPONSORING ENTITY shall bear a certification by the proper authority of SPONSORING ENTITY, or his/her duly appointed designee, that the expense items listed contained in the Cost Reports are correct and have been incurred in accordance with the terms of the contract, applicable Federal and Louisiana State Laws, and the Rules of the Economic Development Award Program.

In the event that this grant is intended to fund a purchase, all award funds shall be eligible for reimbursement following the completion of the purchase and inspection of the project by the LED staff or its designee. Otherwise, expenses will initially be eligible for reimbursement at eighty-five (85%) percent, the remaining fifteen (15%) percent being retained by LED until the tasks or work required by this Agreement have been performed or completed. The final fifteen (15%) percent of the award will be available for reimbursement after LED staff or its designee reviews or inspects the project to assure that the tasks or work required by this award Agreement have been performed or completed.

ARTICLE VIII. OWNERSHIP OF PROPERTY

During the term of this Agreement, SPONSORING ENTITY shall maintain ownership of all property and improvements acquired by or paid for out of STATE FUNDS and shall not transfer ownership of such property or improvements for less than fair market value during the term of this Agreement. SPONSORING ENTITY agrees that it shall not transfer ownership to anyone other than COMPANY at anytime during the term of this Agreement. Should SPONSORING ENTITY elect to sell such property, and should COMPANY elect to purchase said property for fair market value, credit will be given for any accumulated "payback" to the State, as determined by LED's formula for determining such "payback". Proceeds received by SPONSORING ENTITY from COMPANY derived from such purchase shall be refunded to LED by SPONSORING ENTITY immediately upon receipt. Should the accumulated "payback" to the State exceed the fair market value, then no cash consideration need be paid therefor.

All records, reports, documents and other material delivered or transmitted to SPONSORING ENTITY by LED shall remain the property of LED, and shall be returned by SPONSORING ENTITY to LED, at SPONSORING ENTITY's expense, upon the completion, termination or expiration of this contract. All administrative type records, reports, documents, forms or other materials related to this contract and/or obtained or prepared by SPONSORING ENTITY in

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connection with the performance of the services contracted for herein shall become the property of LED, and shall, upon LED's request, be surrendered or returned by SPONSORING ENTITY to LED, at SPONSORING ENTITY's expense, upon the completion, termination or expiration of this contract.

ARTICLE IX. REPORTING AND MONITORING

SPONSORING ENTITY and COMPANY shall provide LED with standardized semi-annual reports describing the progress toward the Performance Objectives (Exhibits "B" and "C"). The first report shall be due on July 15, 2003, for the period ending June 30, 2003. Subsequent semi-annual reports are due fifteen (15) days after the end of each subsequent semi-annual calendar period throughout the contract period. The final report will be due within fifteen (15) days of the contract's termination or expiration.

SPONSORING ENTITY's standardized semi-annual report shall include, but is not limited to, a review and certification of COMPANY's hiring records and the extent of COMPANY's compliance with contract employment commitments. Copies of all of the COMPANY's most recent Louisiana Department of Labor (LDOL) ES-4 Forms ("Quarterly Report of Wages Paid") which have been filed by the COMPANY either since the beginning of this Agreement or since the last previously submitted report (whichever is appropriate) shall be attached to and submitted with each periodic report submitted. The COMPANY shall be required to submit copies of such ES-4 Forms to SPONSORING ENTITY as needed.

If, in the opinion of LED, either or both SPONSORING ENTITY and/or COMPANY is/are not adequately performing or meeting its performance objectives, LED may require either or both SPONSORING ENTITY and/or COMPANY to complete and submit to LED standardized quarterly reports instead of the semi-annual reports required by the previous paragraphs. In such event, the first quarterly report shall be due fifteen (15) days after the end of the calendar quarter in which LED's opinion was reached; and thereafter, quarterly reports shall be due within fifteen (15) days after the end of each subsequent calendar quarter throughout the remainder of the contract period; and the final report shall be due as stated above.

SPONSORING ENTITY shall oversee timely submission of reports by COMPANY to LED.

LED's Contract Monitor shall review and approve all Cost Reports submitted pursuant to Article VII and all reports required by this Article.

ARTICLE X. CONTRACT TERM

This Agreement shall be effective from April 11, 2003, and shall terminate on December 31, 2012.

ARTICLE XI. TERMINATION FOR CAUSE

LED may terminate this contract for cause based upon the failure or inability of

the COMPANY and/or SPONSORING ENTITY to comply with the terms and/or conditions of this contract; provided that LED shall give the COMPANY and SPONSORING ENTITY written notice, via certified mail, return receipt requested, specifying the COMPANY's and/or SPONSORING ENTITY's failure or inability. If within thirty (30) days after receipt of such notice, the COMPANY and/or SPONSORING ENTITY shall not have corrected such failure or inability or commenced to correct and thereafter proceeded diligently to complete such correction, then LED may at its option, place the COMPANY and/or SPONSORING ENTITY in default and the contract shall terminate on the date specified in such notice. The COMPANY and/or SPONSORING ENTITY may exercise any rights available to it under Louisiana law to terminate for cause upon the failure of LED to comply with the terms and conditions of this contract; provided that COMPANY and/or SPONSORING ENTITY shall give LED written notice, via certified mail, return receipt requested, specifying LED's failure. If within thirty (30) days after receipt of such notice, LED shall not have either corrected such failure or commenced to correct and thereafter proceeded diligently to complete such correction, then COMPANY and/or SPONSORING ENTITY may at its option, place LED in default, and the contract shall terminate on the date specified in such notice.

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LED may also at its option amend this contract due to COMPANY's and/or SPONSORING ENTITY's inability to perform as agreed, and may extend the duration of this contract in order to provide an adequate period for performance and/or monitoring.

ARTICLE XII. AMENDMENT/TERMINATION FOR BUDGETARY REDUCTIONS; COMPLETION OF PERFORMANCE

LED may amend and/or terminate this contract due to budgetary reductions or changes in funding priorities of LED which have been ordered by the Governor of the State of Louisiana or by the Legislature of the State of Louisiana, upon thirty (30) days written notice, via certified mail, return receipt requested. SPONSORING ENTITY shall be entitled to payment for deliverables in progress, to the extent work has been performed satisfactorily.

LED shall terminate this contract upon thirty (30) days written notice, by certified mail, return receipt requested, in the event that the conditions, requirements and obligations of the parties as contained in this contract have been met, fully performed and successfully completed; the State has received its "payback" in accordance with LED's formula, as previously discussed; or in the opinion of LED there remains no reason for the continuation of the effectiveness of this contract.

ARTICLE XIII. FISCAL FUNDING

The continuation of this contract is contingent upon the appropriation of funds by the Louisiana legislature to fulfill the requirements of the contract. If the legislature fails to appropriate sufficient monies to provide for the continuation of the contract, or if such appropriation is reduced by the veto of the Governor or by any means provided in the appropriations act to prevent the total appropriation for the year from exceeding revenues for that year, or for any other lawful purpose, and the effect of such reduction is to provide insufficient monies for the continuation of the contract, the contract shall terminate on the date of the beginning of the first fiscal year for which funds are not appropriated. Funds for this grant have been set aside in the current budget and will be available to the SPONSORING ENTITY on the terms set forth in this Contract.

ARTICLE XIV. DEFAULT

In the event SPONSORING ENTITY fails to comply with the purpose described in Article I or COMPANY fails to comply with the performance objectives described in Article III, LED shall retain the right to withhold additional award funds and/or to reclaim previously disbursed funds from the non-performing party, be it the SPONSORING ENTITY or COMPANY, or both SPONSORING ENTITY and COMPANY, in an amount commensurate with the scope of the unmet performance objectives.

ARTICLE XV. ASSIGNMENT OF INTEREST

Neither COMPANY nor the SPONSORING ENTITY may assign any interest in this contract and shall not transfer any interest in same (whether by assignment, novation or otherwise), without prior written consent of LED, provided however, that claims for money due or to become due to SPONSORING ENTITY from LED may be assigned to a bank, trust company, or other financial institution without such prior written consent. Written notice of any such assignment or transfer shall be furnished promptly to LED, via certified mail, return receipt requested.

ARTICLE XVI. TAX LIABILITY

SPONSORING ENTITY agrees that any responsibility for payment of taxes from the funds granted to it under this Agreement shall be said SPONSORING ENTITY's obligation, identified under Federal Tax Identification Number: 72-6001283.

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ARTICLE XVII. PUBLIC LIABILITY

The SPONSORING ENTITY and/or COMPANY hereby agree to protect, defend, indemnify, save and hold harmless LED, the State of Louisiana, all State Departments, Agencies, Boards and Commissions, its officers, agents, servants and employees, including volunteers, from and against any and all claims, demands, expenses and liability arising out of injury or death to any person or the damage, loss, or destruction of any property which may occur or in any way grow out of any act or omission of SPONSORING ENTITY and/or COMPANY, their agents, servants, and employees or any and all costs, expenses and/or attorney fees incurred by the SPONSORING ENTITY and/or COMPANY as a result of any claims, demands, and/or causes of actions except for those claims, demands, and/or causes of action arising out of the negligence of LED, the State of Louisiana, its State Departments, Agencies, Boards, Commissions, its agents, representatives, and/or employees. SPONSORING ENTITY and/or COMPANY agree to investigate, handle, respond to, provide defense for and defend any such claims, demands or suit at its sole expense and agrees to bear all other costs and expenses related thereto, even if it (claims, etc.) is groundless, false or fraudulent.

ARTICLE XVIII. AUDITS OF ACCOUNTS

It is hereby agreed that the Legislative Auditor of the State of Louisiana, the Office of the Governor, Division of Administration auditors, and/or the LED Auditor shall have the option of auditing all accounts of COMPANY and SPONSORING ENTITY which relate to this contract at any time.

For each fiscal or accounting year wherein SPONSORING ENTITY receives Funds from LED pursuant to this Agreement, SPONSORING ENTITY shall have an independent Contract Compliance Audit performed on the expenses reimbursed under this contract by an independent qualified CPA. This audit must be performed in

accordance with generally accepted auditing standards, and is to be so certified by the independent auditor. The Contract Compliance Audit must include an examination of reimbursed expenses to determine if they were made in accordance with the terms of the contract, applicable Laws and Economic Development Award Program Rules. The audit must also determine that the expenses were not reimbursed by any other source. SPONSORING ENTITY's single audit pursuant to the Single Audit Act of 1984, P.L. or other federal legislation shall fulfill the audit requirements of this contract. SPONSORING ENTITY shall have an independent Contract Compliance Audit performed by a qualified independent Certified Public Accountant at the end of its fiscal or accounting year. The audit may be performed in conjunction with a financial audit, but results must be made available to LED within twelve (12) months after SPONSORING ENTITY's fiscal or accounting year-end. SPONSORING ENTITY may, with LED approval, elect to have a multi-year independent Contract Compliance Audit performed to cover the entire contract period.

ARTICLE XIX. DISCRIMINATION CLAUSE

COMPANY and SPONSORING ENTITY agree to abide by the requirements of Title VI and VII of the Civil Rights Act of 1964, as amended by the Equal Opportunity Act of 1972, Federal Executive Order 11246, the Federal Rehabilitation Act of 1973, as amended, the Vietnam Era Veterans' Readjustment Assistance Act of 1974, Title IX of the Education Amendments of 1972, the Age Act of 1975, and COMPANY and SPONSORING ENTITY agree to abide by the requirements of the Americans with Disabilities Act of 1990.

COMPANY and SPONSORING ENTITY agree not to discriminate in their employment practices, and will render services under this contract without regard to race, color, religion, sex, national origin, veteran status, political affiliation, or disabilities.

Any act of discrimination committed by COMPANY or SPONSORING ENTITY, or failure to comply with these statutory obligations when applicable shall be grounds for termination of this contract.

ARTICLE XX. AMENDMENT TO AGREEMENT

The parties hereby agree that, in order to be effective, any amendment to this Agreement shall be in writing and signed by all parties.

ARTICLE XXI. NOTICES

The parties hereby agree that, in order to be effective, any notices and documentation with respect to this Agreement, not required to be sent by certified mail, return receipt requested, shall be deemed received the day after such are sent, when sent either by overnight courier or first-class mail, postage pre-paid and simultaneous facsimile transmission, to the parties at the addresses given below:

<TABLE>

<S>

If to LED:

Mr. Michael Williams, Director
Resource Services Division
Dept. of Econ. Development
P.O. Box 94185

<C>

If to Sponsoring Entity:

Hon. William A. Cefalu,
Parish President
St.Mary Parish Government
500 Main Street,

<C>

If to Company:

Mr. Lewis J. Derbes, Jr.,
Vice President & CFO
Conrad Aluminum, L.L.C.
9752 Hwy. 182 East

</TABLE>

ARTICLE XXII. CHOICE OF LAW

This Agreement is a Louisiana contract, and all of its terms shall be construed in accordance with, and all disputes shall be governed by the laws of the State of Louisiana, of the United States of America; and all parties hereto submit to the jurisdiction of the courts located in the Parish of East Baton Rouge, State of Louisiana, in the event of any proceedings therein in connection herewith.

IN WITNESS WHEREOF, the parties hereto have caused this Contract and Agreement to be signed by the undersigned duly authorized representatives of the respective parties, for the uses, purposes and benefits herein expressed, on the dates hereafter shown, but as of the date first herein above mentioned, in the presence of the undersigned competent witnesses, after a due reading of the whole document.

WITNESSES:

LOUISIANA ECONOMIC
DEVELOPMENT CORPORATION,
acting through the
LOUISIANA DEPARTMENT OF
ECONOMIC DEVELOPMENT

/s/ Gladys M. Vernon

Witness

By: /s/ Don J. Hutchinson 6/30/03

Don J.Hutchinson, (Date)
President of LEDC &
Secretary of LED

/s/ Chris Stewart

Witness

By: /s/ Darlene P. Richard 6/30/03

Darlene P. Richard, (Date)
Secretary/Treasurer of LEDC &
UnderSecretary of LED

/s/ Clark Forrest 6/30/03

Clark Forrest, (Date)

LED Contract Monitor

/s/ Melisha L. Johnson

Witness

By: /s/ Michael O. Williams 6/30/03

Michael O. Williams, (Date)
Director of Resource Services

/s/ Michelle L. Andrews

Witness

CONRAD ALUMINUM, L.L.C.

/s/ Opal Duhe'

Witness

By: /s/ Lewis J. Derbes, Jr. 6/27/03

Lewis J. Derbes, Jr., (Date)
Secretary and Treasurer

/s/ Henry C. LaGrange

Witness

ST. MARY PARISH GOVERNMENT

/s/ Frank G. Fink

Witness

By: /s/ William A. Cefalu 6/25/03

William A. Cefalu, (Date)
Parish President

Lease Agreement

Between

The Industrial Development Board of the Parish of St. Mary, Louisiana, Inc.

And

Conrad Aluminum, L.L.C.

Dated as of June 1, 2003

\$4,000,000

The Industrial Development Board of the Parish of St. Mary, Louisiana, Inc. Taxable Revenue Bonds (Conrad Aluminum, L.L.C. Project) Series 2003

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EXHIBIT A Leased Facilities

Lease Agreement

This Lease Agreement, dated as of June 1, 2003 (the "Lease Agreement" or the "Lease"), by and between The Industrial Development Board of the Parish of St. Mary, Louisiana, Inc., a public corporation and instrumentality of the Parish of St. Mary, State of Louisiana (hereinafter called the "Lessor"), as lessor, and Conrad Aluminum, L.L.C. (the "Lessee"), a limited liability company duly organized and existing under the laws of the State of Louisiana.

W I T N E S S E T H :

WHEREAS, the Lessor is authorized under the authority of Chapter 7 of Title 51 of the Louisiana Revised Statutes of 1950, as amended (the "Act"), to acquire, own, lease, rent, finance, sell and dispose of properties for use by any industry for the manufacturing, processing or assembling of any raw, agricultural, semi-manufactured or manufactured products or any commercial enterprise in storing, warehousing, distributing, or selling any products of agriculture, fishing, forestry, mining, or industry;

WHEREAS, the Lessor has agreed, at the request of the Lessee and pursuant to a Trust Indenture entered into by and between the Lessor and The Bank of New York Trust Company of Florida, N.A., in Jacksonville, Florida (the "Trustee") dated as of June 1, 2003 (the "Indenture"), to issue its \$4,000,000 Taxable Revenue Bonds (Conrad Aluminum, L.L.C. Project) Series 2003 (the "Bonds") to finance the acquisition, construction and equipping of an aluminum marine fabrication, repair and conversion facility to be located in Amelia, St. Mary Parish, Louisiana (the "Project");

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged and of the mutual benefits, covenants and agreements herein expressed, the Lessor and the Lessee hereby agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1. Definitions. The following terms shall have the meanings assigned to them in this Article I whenever they are used in this Agreement. Terms not defined herein shall have the meanings set forth in the Indenture.

"Act" means Chapter 7 of Title 51 of the Louisiana Revised Statutes of 1950, as amended, and all future acts supplemental thereto or amendatory thereof.

"Authorized Lessee Representative" means a person at the time designated to act on behalf of the Lessee by written certificate furnished to the Lessor and the Trustee containing the specimen signature of such person and signed on behalf of the Lessee by the Chairman of the Board of Directors, or by the President or the Secretary-Treasurer of the sole member of the Lessee. Such certificate may designate an alternate or alternates.

"Bondholder" or "holder" or any similar term means any person who shall be the registered owner of any Bond or Bonds.

"Bond Fund" means the Bond Fund created by Section 601 of the Indenture.

"Bonds" means the Taxable Revenue Bonds (Conrad Aluminum, L.L.C. Project) Series 2003 of the Lessor issued pursuant to the Indenture.

"Completion Date" has the meaning set forth in Section 3.4 hereof

"Construction" or "construction" (and other forms of the word "construct"), when used with respect to the Project, means the acquisition, construction, reconstruction, extension, equipping or improvement of the Project.

"Construction Fund" means the fund by that name created by Section 303 of the Indenture.

"Costs" means all costs paid or incurred by the Lessee with respect to the construction of the Leased Facilities and the financing thereof for the payment of which the Issuer is authorized to issue bonds under the Act, and shall include without limitation, (a) the expenses paid or incurred by the Lessee for test borings, surveys, estimates and preliminary investigations therefor with respect to the Leased Facilities; (b) administration expenses, legal, accounting, financial, underwriting, advertising, recording and printing expenses, Trustee fees and expenses and all other expenses paid or incurred by the Lessee in connection with the authorization, issuance and sale of the Bonds; and (c) all costs and expenses relating to transfers of title between the Lessee and the Issuer pursuant to this Agreement.

"Indenture" means the Trust Indenture between the Lessor and the Trustee, of even date herewith, pursuant to which the Bonds are authorized to be issued and any indenture supplemental thereto.

"Independent Counsel" means an attorney or firm of attorneys duly admitted to practice law before the highest court of any state and which attorney, firm or any member thereof is not an officer, director or full time employee of either the Lessor or the Lessee.

"Independent Engineer" means an engineer or engineering firm or architect or architectural firm registered and qualified to practice the profession of engineering or architecture under the laws of the State and

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which engineer, architect, firm or any member thereof is not an officer, director or employee of either the Lessor or the Lessee.

"Land" means the land described in Exhibit A attached hereto.

"Leased Facilities" means the Land and Project described in Exhibit A attached hereto, which by this reference thereto is incorporated herein, together with all additions thereto and substitutions therefor and includes those buildings, structures, fixtures, furnishings and equipment, including any structures, fixtures, furnishings and related property comprising a portion of the Project (both movable and immovable) financed with the proceeds of the Bonds, owned by the Lessor and hereby leased to the Lessee under this Agreement which is not otherwise included in the definition of the Project, but not including the Lessee's own furniture, fixtures, machinery and equipment now existing or installed under the provisions of Sections 5.1 and 8.6 hereof.

"Lease Term" means the duration of the leasehold estate created in this Agreement as specified in Section 4.1 hereof.

"Lessee" means Conrad Aluminum, L.L.C., a Louisiana limited liability company, and any surviving, resulting or transferee entity as provided in Section 7.3 hereof.

"Lessor" or "Issuer" means The Industrial Development Board of the Parish of St. Mary, Louisiana, Inc., a public corporation and instrumentality of the Parish of St. Mary, State of Louisiana.

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

"Permitted Encumbrances" means, as of any particular time, (i) any liens and encumbrances existing on the date hereof, (ii) liens for ad valorem taxes not then delinquent, (iii) the Indenture and this Agreement, (iv) mechanic's, materialman's, warehouseman's, carrier's or other similar liens and liens referred to in Section 8.6 hereof, or permitted under Section 5.1 hereof, (v) such minor defects, irregularities, encumbrances, easements, rights of way and clouds on title as exist on the date of closing or as normally exist with respect to properties similar in character and location to the Leased Facilities and as do not, in the opinion of Independent Counsel, materially impair the use of property affected thereby for the purpose for which it was acquired or is held by the Lessor or to which the Bondholder has been notified and does not

object to, and (vi) the lien of the Security Agreement dated July 11, 2003 in favor of the Purchaser from the Lessee.

"Plans and Specifications" means the plans and specifications prepared for the Project for the benefit of the Lessee, as amended from time to time, which plans and specifications are on file at the principal office of the Lessee.

"Project" shall have the meaning set forth in the preamble hereto and as more specifically described in Exhibit A hereto.

"State" means the State of Louisiana.

"Trustee" means The Bank of New York Trust Company of Florida, N.A., in Jacksonville, Florida, a national banking corporation organized under the laws of the United States, the party of the second part of the Indenture or any successor trustee pursuant to Section 1205 or 1208 of the Indenture at the time serving as successor trustee under the Indenture.

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ARTICLE II

REPRESENTATIONS

SECTION 2.1. Representations and Findings by the Lessor. The Lessor makes the following representations as the basis for the undertakings on its part herein contained:

(a) The Lessor is a duly constituted public corporation and instrumentality of the Parish of St. Mary, State of Louisiana, and is duly authorized under the provisions of the Act to enter into the transactions contemplated by this Agreement and the Indenture and to carry out its obligations hereunder and thereunder.

(b) The Lessor is the owner of the Leased Facilities, and proposes to lease the Leased Facilities to the Lessee and to sell the interest of the Lessor in the Leased Facilities to the Lessee at the expiration of the Lease Term, or earlier termination thereof, if the Lessee shall elect to purchase the same, in order to promote the purposes of the Act.

(c) To finance the Leased Facilities, the Lessor proposes to issue \$4,000,000 original principal amount of its Taxable Revenue Bonds (Conrad Aluminum, L.L.C. Project) Series 2003.

(d) All the Bonds will be issued under the Indenture and will mature, bear interest, be redeemable and have the other terms and provisions set forth in the Indenture, pursuant to which the Lessor's interest in this Agreement and the revenues and receipts derived by the Lessor from the leasing of the Leased Facilities will be pledged to the Trustee as security for payment of the principal of and interest on the Bonds.

(e) No consent, approval, authorization or other order of any regulatory body or administrative agency or other governmental body is legally required as of the date of this Lease Agreement for the Lessor's participation in the transactions contemplated by this Lease Agreement,

other than those that have been obtained.

(f) It is the intention of the Lessor that the Lessor's ownership of the Project and the lease thereof to the Lessee hereunder will result in the property being exempt from ad valorem taxes. The Lessor accepts no responsibility for damages as the result of any determination to the contrary, but agrees, to the extent it may legally do so, to assist and cooperate with the Lessee in all reasonable efforts to establish and maintain such exemption from ad valorem taxes as contemplated herein.

(g) The execution and delivery of this Agreement and the consummation of the transactions contemplated herein or in the Indenture will not conflict with or constitute a breach of or default under the Act or any bond, debenture, note or other evidence of indebtedness, or any contract, agreement or lease to which the Lessor is a party.

(h) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, known to be pending or threatened against or affecting the Lessor, nor to the best of the knowledge of the Lessor is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by this Agreement or which, in any way, would adversely affect the validity or enforceability of the Bonds, this Agreement or any agreement or instrument to which the Lessor is a party, used or contemplated for use in the consummation of the transactions contemplated hereby.

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SECTION 2.2. Representations by the Lessee. The Lessee makes the following representations as the basis for the undertakings on its part herein contained:

(a) The Lessee (i) is a limited liability company duly organized and in good standing under the laws of the State of Louisiana, (ii) has the power to enter into this Agreement, and (iii) is duly authorized to execute and deliver this Agreement.

(b) The execution and delivery of this Agreement and the consummation of the transactions contemplated herein or in the Indenture will not conflict with or constitute a breach of or default under the Lessee's articles of organization, operating agreement and by-laws or any bond, debenture, note or other evidence of indebtedness, or any contract, agreement or lease to which the Lessee is a party.

(c) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, known to be pending or threatened against or affecting the Lessee, nor to the best of the knowledge of the Lessee is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by this Agreement or which, in any way, would adversely affect the validity or enforceability of the Bonds, this Agreement or any agreement or instrument to which the Lessee is a party, used or contemplated for use in the consummation of the transactions contemplated hereby.

(d) The Project consists of the acquisition construction and equipping of an aluminum marine fabrication, repair and conversion facility and the Lessee will continue to use the Project for those purposes as long as the Bonds are Outstanding.

(e) No consent, approval, authorization or other order of any regulatory body or administrative agency or other governmental body is legally required as of the date of this Agreement for the Lessee's participation in the transactions contemplated by this Agreement, except such as may have been obtained or may be required under the securities laws of any state or under any federal securities laws.

(f) The Lessee agrees to cooperate with the Lessor in the performance of the Lessor's obligations under the Indenture.

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ARTICLE III

ISSUANCE OF THE BONDS; DISPOSITION OF PROCEEDS OF THE BONDS

SECTION 3.1. Issuance of the Bonds. The Lessor shall issue the Bonds under and in accordance with the Indenture. The Lessee hereby approves the issuance of the Bonds and all terms and conditions thereof.

SECTION 3.2. Disposition of Bond Proceeds. The Issuer and the Lessee agree that the proceeds of the Bonds shall be applied as in this Section 3.2 described.

The moneys on deposit in the Construction Fund shall be applied by the Trustee as provided in Section 3.3 hereof and as otherwise provided in Article III of the Indenture. Until the moneys on deposit in the Construction Fund are so applied, such moneys shall be and remain the property of the Lessor, subject to the lien of the Indenture, and the Lessee shall have no right, title or interest therein except as expressly provided in this Agreement and the Indenture.

SECTION 3.3. Disbursements from the Construction Fund. After setting aside amounts for payment of Costs described in Exhibit C to the Indenture, the Issuer hereby authorizes and directs the Trustee, upon compliance with Section 305 of the Indenture, to disburse the moneys in the Construction Fund to or on behalf of the Lessee, acting as agent for and on behalf of the Lessor, the owner of the Leased Facilities, for the following purposes:

(a) Payment to the Lessee of such amounts, if any, as shall be necessary to reimburse the Lessee in full for all advances and payments made by it or others at any time prior to or after the delivery of the Bonds for all hard and soft costs in connection with the preparation of the Plans and Specifications (including any preliminary study or planning of the Project or any aspect thereof) and the construction, financing and acquisition of the Project.

(b) To the extent not described in Exhibit C to the Indenture, payment of the initial or acceptance fee of the Trustee, legal, financial and

accounting fees and expenses, the Issuer's fees and expenses, and printing and engraving costs incurred in connection with the authorization, issuance and sale of the Bonds, the execution and filing of the Indenture and the preparation and recording or filing of all other documents in connection therewith, and payment of all fees, costs and expenses for the preparation of this Agreement, the Indenture and all other documents in connection with the authorization, issuance and sale of the Bonds.

(c) Payment for labor, services, materials and supplies used or furnished in the construction, installation and financing of the Project, and payment of amounts due under contracts for the construction of the Project, all as provided in the Plans and Specifications and work orders therefor.

(d) Payment of the fees, if any, for architectural, engineering, legal, underwriting and supervisory services with respect to the Project.

(e) To the extent not paid by a contractor for construction or installation with respect to any part of the Project, payment of the premiums on all insurance required to be taken out and maintained during the period of construction.

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(f) Payment of the taxes, assessments and other charges, if any, that may become payable during the period of construction with respect to the Project, or reimbursement thereof if paid by the Lessee.

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

(h) To the extent not described in Exhibit C to the Indenture, payment of the Purchaser's fees and expenses incurred in connection with the financing of the Project.

(i) Payment of any other hard and soft costs which constitute part of the Cost of the Project in accordance with generally accepted accounting principles and which are permitted by the Act.

All moneys remaining in the Construction Fund after payment or provision for payment of all other items provided for in the preceding subsections (a) to (i), inclusive, of this Section, shall be transferred to the Bond Fund.

SECTION 3.4. Certification of Completion. The Completion Date shall be the date on which the Project is completed in its entirety and ready to be placed in service and operated at substantially the level for which it was designed, all as determined by the Lessee. Promptly after the Completion Date, the Lessee shall submit to the Issuer and the Trustee a certificate, executed by an Authorized Lessee Representative, which shall specify the Completion Date and shall state that (a) construction of the Project has been completed and the Cost of the Project has been paid, except for any Cost of the Project which has been incurred but is not then due and payable, or the amount of which, or the liability for the payment of which, is being contested or disputed by the Lessee, and for the payment of which the Trustee is directed to retain specified

amounts of moneys in specified accounts within the Construction Fund, and (b) the Project is suitable for its intended purposes. Notwithstanding the foregoing, such certificate may state that it is given without prejudice to any rights of the Lessee against third parties which exist at the date thereof or which may subsequently come into being.

SECTION 3.5. Insufficient Moneys in Construction Fund. In the event the moneys in the Construction Fund available for payment of the Costs should not be sufficient to pay the Costs in full, the Lessee agrees to pay that portion of the Costs in excess of the moneys available therefor.

The Lessor does not make any warranty, either express or implied, that the moneys which will be paid into the Construction Fund and will be available for payment of the Costs will be sufficient to pay the Costs in full.

If the Lessee shall make any payments pursuant to this Section, it shall not be entitled to any reimbursement therefor from the Issuer, the Trustee or the holders of any of the Bonds.

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ARTICLE IV

EFFECTIVE DATE OF THIS AGREEMENT; DURATION OF LEASE TERM; RENTAL PROVISIONS

SECTION 4.1. Effective Date of this Agreement; Duration of Lease Term. This Agreement shall become effective upon its delivery, and the leasehold estate created in this Agreement shall commence on such date and subject to the provisions of this Agreement (including particularly Articles IX and X hereof), shall expire, unless extended with the mutual consent of the parties hereto, August 1, 2018, or if the Bonds have not then been fully paid and retired (or provision for such payment made as provided in the Indenture), on such date as such payment or provision shall have been made within one year thereof, or as provided in Article X hereof (the "Lease Term").

SECTION 4.2. Demise of the Project; Delivery and Acceptance of Possession. The Lessor hereby demises and lets to the Lessee and the Lessee hereby takes and leases from Lessor, for the duration of the Lease Term, the following described property in connection with the Leased Facilities: (i) the Project; (ii) the Land; (iii) all accretions, servitudes, hereditaments, and appurtenances belonging or otherwise appertaining to the immovable property and improvements referred to in subpart (i) or (ii) herein; and (iv) all property of every nature, including immovable property, movable property and intangible property, which are purchased or acquired from the proceeds of the Bonds.

The Lessee has conveyed, or caused to be conveyed, to the Lessor that portion of the Leased Facilities in existence on the date hereof and agrees that the Lessor will automatically own and be vested in ownership of the remainder of the Leased Facilities that it has acquired, constructed and installed or will acquire, construct and install during the Lease Term. The Lessor hereby delivers to the Lessee sole and exclusive possession of the Leased Facilities, now or hereafter existing (subject to the right of the Lessor and the Trustee to enter thereon for inspection purposes and to the other provisions of Section 7.2 hereof) and the Lessee hereby accepts possession of the Leased Facilities. The

Lessor covenants and represents that so long as the Lessee has paid the rent and all other sums payable by it hereunder, and has duly observed all the covenants and agreements herein contained on its part to be performed, the Lessee shall have, hold and enjoy, during the Lease Term, peaceful, quiet and undisturbed possession of the Leased Facilities subject to the terms and provisions hereof, and the Lessor shall from time to time take all necessary action to that end. Lessor and Lessee agree to enter into any additional conveyances, if any, necessary or desirable, from time to time, to evidence ownership of the Leased Facilities in the Lessor.

SECTION 4.3. Rents and Other Amounts Payable. The Lessee agrees to pay for the rental for the Leased Facilities, such sums of money as are required to meet the payment of the principal, interest and redemption premium, if any, due or to become due on the Bonds, and all other sums as required by subsections (a), (b) and (c) of this Section.

(a) The Lessee agrees to pay to the Trustee, acting as the paying agent (or to the Bondholders as provided in the final paragraph of Section 2.02(d) of the Indenture), in immediately available funds until the principal of and interest and any redemption premium on all of the Bonds shall have been fully paid or provisions for the payment thereof shall have been made in accordance with the Indenture, (1) an aggregate amount equal to the sum of (i) interest coming due on each monthly interest payment date on all outstanding Bonds; plus (ii) the principal amount of all outstanding Bonds maturing on such interest payment date; plus (iii) the principal amount of and premium, if any, on the Bonds to be redeemed in accordance with the provisions of the Indenture on such interest payment date and (2) on any date on which (i) all the Bonds shall be declared to be and shall become due and payable prior to their stated maturities pursuant to the provisions of the Indenture, or (ii) all or part of the Bonds are to be redeemed pursuant to the provisions of the

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Indenture, the aggregate amount of principal, premium, if any, and interest so becoming due and payable on all the Bonds; provided, however, in the case of each such payment, the amount thereof shall be reduced by an amount equal to any amount then held by the Trustee in the Bond Fund in excess of the amount held and required for payment of (i) any Bonds theretofore matured or called for redemption and (ii) past due interest, in all cases where such Bonds have not been presented for payment. If at any time the amount held by the Trustee in the Bond Fund and available therefor shall be sufficient to pay at the time required the principal of and interest and redemption premium, if any, on all of the Bonds then remaining unpaid together with any amounts accrued under subsection (b) of this Section, the Lessee shall not be obligated to make any further payments under the provisions of subsections (a) and (b) of this Section. As long as the Purchaser is the owner of all of the Bonds, the Lessee may pay such amounts directly to the Purchaser.

(b) The Lessee agrees to pay to the Trustee, acting as the paying agent, until the principal of and interest and any redemption premium on all the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the provisions of the Indenture, (i) the annual fees of the Trustee for the Ordinary Services of

the Trustee rendered and its Ordinary Expenses incurred under the Indenture as and when the same become due, plus any reasonable counsel fees and expenses incurred, (ii) the reasonable fees and charges of the Trustee, as bond registrar and paying agent, and the reasonable fees and charges of any agent of the Trustee acting as paying agent for the Bonds as and when the same become due, and (iii) the reasonable fees and charges of the Trustee for necessary Extraordinary Services rendered by it and Extraordinary Expenses incurred by it under the Indenture, as and when the same become due; provided, that the Lessee may, without creating a default hereunder, contest in good faith the necessity for any such Extraordinary Services and Extraordinary Expenses and the reasonableness of any such fees, charges or expenses.

Rental payments hereunder shall first be applied in the following order:

- (i) amounts due under paragraph (b) above; and
- (ii) amounts due under paragraph (a) above.

In the event the Lessee should fail to make any of the payments required in this Section, the item or installment so in default shall continue as an obligation of the Lessee until the amount in default shall have been fully paid and the Lessee agrees to pay the same with interest thereon (to the extent permitted by law) until paid at the rate per annum which is one percentage point greater than the highest rate per annum borne by any of the Bonds issued under the Indenture.

SECTION 4.4. Place of Rental Payments. The rent provided for in Section 4.3(a) hereof shall be paid directly to (i) the Trustee for the account of the Lessor or (ii) the Bondholder if the Purchaser is the Bondholder and shall be applied to pay the principal of, interest and premium, if any, on the Bonds in accordance with the provisions of the Indenture. The additional payments to be made to the Trustee under Section 4.3(b) hereof shall be paid directly to the Trustee for their own use.

SECTION 4.5. Obligations of Lessee Hereunder Unconditional. The obligations of the Lessee to make the payments required in Section 4.3 hereof and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional and shall not be subject to diminution by set-off, counterclaim, abatement or otherwise and until such time as the principal of and interest and any redemption premium on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, the Lessee (i) will not suspend or discontinue any payments provided for in Section 4.3 hereof, (ii) will perform and observe all of its other agreements contained in this Agreement and (iii) except as provided in Section 10.1 will not terminate the Lease Term for any cause including, without

limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Leased Facilities, condemnation of the Leased Facilities, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either, or any failure of the Lessor to perform and observe any agreement, whether expressed or implied, or

any duty, liability or obligation arising out of or connected with this Agreement. Nothing contained in this Section shall be construed to release the Lessor from the performance of any of the agreements on its part herein contained; and in the event the Lessor should fail to perform any such agreement on its part, the Lessee may institute such action against the Lessor as the Lessee may deem necessary to compel performance or recover its damages for non-performance so long as such action shall not do violence to the agreements on the part of the Lessee contained in the first sentence of this Section; provided, however, that the Lessor shall not be liable for monetary damages absent its wilful breach of this Agreement, wilful misconduct, bad faith or fraud and in no event shall any recourse be had against the Lessor other than from the Trust Estate. The Lessee may, however, at its own 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 their persons which the Lessee deems reasonably necessary in order to secure or protect its right of possession, occupancy and use hereunder, and in such event the Lessor hereby agrees to cooperate fully with the Lessee and to take all action necessary to effect the substitution of the Lessee for the Lessor in any action or proceeding if the Lessee shall so request. The covenant to pay rental shall be and is hereby agreed to be independent of any other covenant in this Agreement.

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ARTICLE V

MAINTENANCE, TAXES AND INSURANCE

SECTION 5.1. Maintenance and Modification by Lessee. The Lessee agrees that during the Lease Term it will at its own expense keep the Leased Facilities in as reasonably safe condition as its operations shall permit. The Lessee may also at its own expense, make from time to time any additions, modifications or improvements to the Leased Facilities it may deem desirable for its business purposes. None of such additions, modifications and improvements shall become a part of the Leased Facilities; provided further that any real or personal property, machinery, equipment, furniture or fixtures installed by the Lessee without expense to the Lessor and not constituting a part of the Leased Facilities may be removed by the Lessee at any time and from time to time while it is not in default under this Agreement; and provided further that any damage to the Leased Facilities occasioned by such removal shall be repaired by the Lessee at its own expense. The Lessee shall cause the Leased Facilities at all times to be free from all encumbrances except Permitted Encumbrances and will not permit any mechanics', laborers, materialmens' or other liens to be established or remain against the Leased Facilities for labor or materials furnished in connection with any additions, modifications, improvements, repairs, renewals or replacements to the Project made by it; provided, that, if the Lessee shall first notify the Trustee in writing of its intentions so to do, the Lessee may in good faith contest any mechanics', laborers', materialmens' or other liens filed or established against the Leased Facilities, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless by non-payment of any such items the lien of this Agreement will be materially endangered or the Leased Facilities or any part thereof will be subject to loss or forfeiture, in which event the Lessee shall promptly pay and cause to be satisfied and discharged all such unpaid items or secure such payment by posting a bond, in form satisfactory to the Trustee, with the Trustee. The Lessor will cooperate

fully with the Lessee in any such contest.

Lessee will with reasonable promptness make all structural and non-structural, foreseen and unforeseen, and ordinary and extraordinary changes and repairs of every kind and nature which may be required to be made upon or in connection with the Leased Facilities or any part thereof in order to keep and maintain the Leased Facilities in good repair and appearance. Lessor shall not be required to maintain, repair, or rebuild the Leased Facilities or any part thereof in any way, or to make any alterations, replacements or renewals of any nature or description to the Leased Facilities or any part thereof, whether ordinary or extraordinary, structural or non-structural, foreseen or unforeseen, and Lessee hereby expressly waives any right to make repairs at the expense of Lessor, which right may be provided for in any statute or law in effect at the time of the execution and delivery hereof or of any other statute or law which may thereafter be enacted.

SECTION 5.2. Removal of Leased Facilities. The Lessor shall not be under any obligation to renew, repair or replace any item of inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary equipment, fixtures or furnishings comprising a part of the Leased Facilities. In any instance where the Lessee in its sound discretion determines that any items of Leased Facilities have become inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary, the Lessee may remove such items of the Leased Facilities and (on behalf of the Lessor) sell, trade-in, exchange or otherwise dispose of them (as a whole or in part) without any responsibility or accountability to the Lessor or the Trustee therefor.

The removal of any portion of the Leased Facilities pursuant to the provisions of this Section shall not entitle the Lessee to any abatement or diminution of the rents payable under Section 4.3 hereof.

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SECTION 5.3. Taxes and Other Governmental Charges and Utility Charges. Subject to Section 5.8 hereof, the Lessee agrees to pay, as the same, respectively, become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Leased Facilities or any structures or other property installed or brought by the Lessee therein or thereon or with respect to the original issuance of the Bonds, including, without limiting the generality of the foregoing, any taxes levied upon or with respect to the original issuance of the Bonds, any taxes levied upon or with respect to the income or profits of the Lessor from the Leased Facilities which, if not paid, would become a lien or a charge on the revenues and receipts from the leasing of the Leased Facilities prior to or on a parity with the lien and charge under the Indenture thereon and the pledge or assignment thereof to be created and made in the Indenture and including all ad valorem taxes lawfully assessed upon the leasehold estate hereby granted and demised and leased to the Lessee, all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Leased Facilities and all assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Leased Facilities; 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 Lessee may, at its expense and in its own name and on behalf or in the name and on behalf of the Lessor, in good faith contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless by non-payment of any such items the lien of this Agreement will be materially endangered or the Leased Facilities or any part thereof will be subject to loss or forfeiture, in which event such taxes, assessments or charges shall be paid promptly or secured by posting a bond, in form satisfactory to the Lessor, with the Trustee. The Lessor will cooperate fully with the Lessee in any such contest. In the event that the Lessee shall fail to pay any of the foregoing items required by this Section to be paid by the Lessee, the Lessor or the Trustee may (but shall be under no obligation to) pay the same and any amounts so advanced therefor by the Lessor or the Trustee shall become an additional obligation of the Lessee to the one making the advancement, which amounts, from the date thereof, together (to the extent permitted by law) with interest thereon until paid at a rate per annum which is one percentage point greater than the highest rate per annum borne by any of the Bonds issued under the Indenture, the Lessee agrees to pay. The Lessor does hereby acknowledge that, subject to the applicable law of the State, and provided no event of default (as defined in Section 9.1 hereof) exists, the Leased Facilities are to be exempt from ad valorem taxes.

SECTION 5.4. Insurance Required. Throughout the Lease Term, the Leased Facilities shall be considered an asset of the Lessee for the purpose of its insurance practices, and as such the Leased Facilities and the Lessee's activities related thereto shall be insured by the Lessee against such risks and in such amounts as are consistent with the insurance practices of the Lessee, including but not limited to, the following:

(a) Insurance against loss and/or damage to the Leased Facilities covering such risks ordinarily insured against with respect to similar facilities.

(b) Comprehensive general public liability insurance for injuries to persons and/or property occurring in or about the Leased Facilities, in the minimum amount of \$1,000,000 per person and \$3,000,000 per occurrence for bodily injury and \$1,000,000 per occurrence for property damage; and

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(c) Worker's compensation insurance or self-insurance with respect to all employees of the Lessee in such manner and amount as is required by Louisiana law as related to worker's compensation law.

Each policy of insurance shall be issued by a recognized, responsible insurance company qualified under the laws of the State to assume the risks covered by such policy or policies or bond or bonds. To the extent the Lessee at any time shall carry insurance with reference to the Leased Facilities, the Lessor and the Trustee shall be named as additional insureds as their interests may appear and the Lessee hereby agrees to furnish to the Trustee and the Lessor copies of insurance certificates on or before January 30 of each year and upon any change in such insurance.

SECTION 5.5. Application of Net Proceeds of Insurance. The Net Proceeds of

any insurance carried pursuant to the provisions of Section 5.4 hereof shall be applied as follows: (i) the Net Proceeds of insurance, other than liability or worker's compensation insurance, shall be applied as provided in Section 6.1 hereof and (ii) the Net Proceeds of the liability or worker's compensation insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which such insurance proceeds may be paid.

SECTION 5.6. Additional Provisions Respecting Insurance. All such policies, or a certificate or certificates of the insurers that such insurance is in force and effect, shall be deposited with the Trustee; and prior to expiration of any such policy, the Lessee shall furnish the Trustee with evidence satisfactory to the latter that the policy has been renewed or replaced or is no longer required by this Agreement.

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

SECTION 5.7. Reserved.

SECTION 5.8. Exemption From Ad Valorem Taxation. It is the intent and agreement of the Lessor and Lessee that the Leased Facilities shall be owned by the Lessor and exempt from ad valorem taxes for the term of this Agreement. However, the Lessor shall not be responsible for or liable for any different result.

SECTION 5.9. Environmental Matters. The Lessee shall keep and maintain the Leased Facilities in compliance with, and shall not cause or permit the Leased Facilities to be in violation of, any federal, state, or local laws, ordinances or regulations relating to industrial hygiene or to the environmental conditions ("Hazardous Materials Laws") on, under, about, or affecting the Leased Facilities. The Lessee shall not use, generate, manufacture, store, or dispose of on, under or about the Leased Facilities or transport to or from the Leased Facilities any flammable explosives, radioactive materials, hazardous wastes, toxic substances, or related materials, including without limitation any substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," or "toxic substances" under any applicable federal or state laws or regulations (collectively referred to herein as "Hazardous Materials"), other than in accordance with the Hazardous Materials laws.

The Lessee shall be solely responsible for, and shall indemnify and hold harmless the Lessor, the Purchaser and the Trustee from and against, any loss, damage, costs, expense, or liability, directly or indirectly, arising out of or attributable to the use, generation, storage, release, threatened release, discharge, disposal, or presence of Hazardous Material on, under or about the Leased Facilities, including without limitation: (i) all foreseeable consequential damages; (ii) the cost of any required or necessary repair, clean-up or detoxification

of the Leased Facilities, and the preparation and implementation of any closure, remedial, or other required plans; and (iii) all reasonable costs and expenses

incurred by the Lessor and the Trustee in connection with clauses (i) and (ii), including but not limited to reasonable attorney's fees and expenses. The Lessee shall, at its expense, take all necessary remedial action(s) in response to the presence of any Hazardous Material on, under or about the Leased Facilities, other than in accordance with the Hazardous Materials laws. The indemnification covenants of the Lessee set forth in this paragraph shall survive the termination of this Agreement.

The said release and indemnification covenants of the Lessee shall apply equally to the officers and employees of the Lessor and to its Board of Directors and to the officers and employees of the Trustee and to its Board of Directors.

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ARTICLE VI

DAMAGE, DESTRUCTION AND CONDEMNATION

SECTION 6.1. Damage and Destruction. (a) The Lessee agrees to notify the Trustee and the Purchaser immediately in writing of any material fire or other casualty to or accident involving any of the Leased Facilities, whether or not such fire, casualty or accident is covered by insurance. The Lessee further agrees to notify promptly the Lessee's insurance company and to submit an appropriate claim and proof of claim to the respective insurance company if any of the Leased Facilities is damaged or destroyed by fire or other casualty.

(b) If there is a fire or casualty loss which damages a portion (but not all) of the improvements on any of the Leased Facilities and as long as no default has occurred and is continuing, then the proceeds of the insurance shall be deposited into a cash collateral account with the Purchaser and such proceeds will be applied to the payment of the cost of restoration of the Leased Facilities upon such terms and conditions as the Purchaser may deem necessary or appropriate in its reasonable discretion; provided, however, that (i) such insurance proceeds must be adequate to cover the cost of restoration of the Leased Facilities, or if the proceeds are insufficient, then the Lessee shall give the Purchaser such adequate protection and assurance as the Purchaser may, in its reasonable discretion require, that additional funds will be provided by the Lessee in order to complete the restoration of the Leased Facilities, and (ii) the Lessee shall have provided the Purchaser with such adequate protection and assurance as Purchaser may, in its reasonable discretion require, that the Lessee has sufficient funds on hand to pay interest and principal on the Bonds during the restoration period. In connection with any restoration of any of the Leased Facilities, the Lessee shall provide the Purchaser with a detailed cost breakdown showing by line item all costs projected for such restoration and a revised and updated cost breakdown shall be furnished by the Lessee to the Purchaser on a monthly basis, as may be required by the Purchaser.

(c) If there is a fire or casualty loss which constitutes a total loss or a constructive total loss of any of the Leased Facilities and the Lessee decides not to rebuild the Leased Facilities, or if all of the conditions set forth in subclause (i) through (iii) of Section 6.1 (b) are not satisfied, then the insurance proceeds shall be applied to the payment of the Bonds. If such insurance proceeds are not sufficient to pay the Bonds in full, the Lessee shall remain liable to pay the deficiency; and if the proceeds exceed the amount

necessary to pay the Bonds in full, then such excess shall be paid to the Lessee. If the Lessee decides to rebuild the Leased Facilities, the provisions of Section 6.1 (b) must be satisfied.

(d) The Lessee shall not, by reason of the payment of any costs, be entitled to any reimbursement from the Lessor, the Trustee or the holders of the Bonds, or any abatement or diminution of the rents payable under Section 4.3 hereof; provided, however, that as the result of such damage, the Lessee shall not be required to pay more as Services Rent to the recipients of the Services Rent than would be paid to such recipients, if the Project were subject to ad valorem tax.

SECTION 6.2. Condemnation. Unless the Lessee shall exercise its option to purchase pursuant to the provisions of Section 10.1 hereof, 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 by any governmental body or by any person, firm or corporation acting under governmental authority, the Lessee shall be obligated to continue to make the rental payments specified in Section 4.3 hereof. Lessee shall be entitled to all condemnation proceeds.

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

The Lessee shall have the discretion to restore the Leased Facilities and use the proceeds of any condemnation proceedings provided that the provisions of Section 6.1 (b) have been satisfied. If all of the conditions set forth in subclause (i) through (iii) of Section 6.1 (b) are not satisfied, then the condemnation proceeds shall be applied to the payment of the Bonds. If such condemnation proceeds are not sufficient to pay the Bonds in full, the Lessee shall remain liable to pay the deficiency; and if the proceeds exceed the amount necessary to pay the Bonds in full, then such excess shall be paid to Lessee.

SECTION 6.3. Condemnation of Lessee-Owned Property. The Lessee shall be entitled to the Net Proceeds of any condemnation award or portion thereof made for the damages to or takings of its own property other than the Project.

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ARTICLE VII

SPECIAL COVENANTS

SECTION 7.1. No Warranty of Condition or Suitability by the Lessor. The Lessor makes no warranty, either expressed or implied, as to the condition of the Leased Facilities or that it will be suitable for the Lessee's purposes or needs.

SECTION 7.2. Inspection of the Leased Facilities. The Lessee agrees that the Lessor, the Trustee or either of their duly authorized agents shall have the right at all reasonable times and upon reasonable notice to enter upon the Leased Facilities and to examine and inspect the Leased Facilities. The Lessee further agrees that the Lessor and the Trustee and their duly authorized agents shall have such rights of access to the Leased Facilities as may be reasonably necessary to enforce the rights of the Lessor contained in this Agreement and for the proper maintenance of the Leased Facilities in the event of failure by the Lessee to perform its obligations under Section 5.1 hereof.

SECTION 7.3. Lessee to Maintain its Corporate Existence; Conditions Under Which Exceptions Permitted. The Lessee agrees that during the Lease Term it will maintain its corporate existence, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another entity or permit one or more other entities to consolidate with or merge into it; provided that the Lessee may, without violating the agreement contained in this Section, consolidate with or merge into another entity, or permit one or more other entities to consolidate with or merge into it, or sell or otherwise transfer to another entity all or substantially all of its assets as an entirety and thereafter dissolve, provided the surviving, resulting or transferee entity (i) is a entity organized and in good standing under the laws of one of the States of the United States of America, (ii) has a net worth immediately after such action not less than that of the Lessee immediately prior to such action, and (iii) irrevocably and unconditionally assumes by means of an instrument in writing all of the obligations of the Lessee herein.

SECTION 7.4. Qualification in the State. The Lessee warrants that it is and throughout the Lease Term it will continue to be duly qualified to do business in the State.

SECTION 7.5. Release and Indemnification Covenants. The Lessee releases the Lessor and the Trustee from, agrees that the Lessor and the Trustee shall not be liable for and agrees to hold the Lessor and the Trustee harmless against, any loss or damage to property or any injury to or death of any person that may be occasioned by any defect in the Leased Facilities or by any cause whatsoever; provided, that the indemnity provided in this sentence shall be effective only to the extent of any loss that might be sustained by the Lessor in excess of the Net Proceeds received from any insurance carried with respect to the loss sustained. The said release and indemnification covenants of the Lessee shall apply equally to the officers and employees of the Lessor and to its Board of Directors and the officers and employees of the Trustee and to its Board of Directors. The provisions of this Section 7.5 shall survive the termination of this Agreement. The Lessor covenants and agrees that the Lessor will not undertake or initiate any undertakings in connection with the performance of its obligations hereunder (other than with respect to the enforcement of its rights hereunder without the prior reasonable consent of the Lessee).

Whenever under the provisions of this Agreement the approval of the Lessee is required or the Lessor is required to take some action at the request of the Lessee, such approval shall be given or such request shall be made by the Authorized Lessee Representative unless otherwise specified in this Agreement and the Lessor

shall be authorized to act on any such approval or request and the Lessee shall have no complaint against the Lessor as a result of any such action taken.

Furthermore, the Lessee agrees to reimburse the reasonable expenses incurred by the Lessor pursuant to this Section in the performance of its obligations under this Agreement and the Indenture not otherwise provided for under the terms of such documents and not being performed on behalf of the Lessor by the Trustee or the Lessee, as the case may be.

SECTION 7.6. Financial Statements of Lessee. The Lessee agrees that it will during the Lease Term furnish to the Trustee (only if requested by the Trustee) and Bondholder:

(a) Annual Reports - as soon as available and in any event within ninety (90) days after the close of each fiscal year of the Lessee, the audited balance sheet of the Lessee as at the end of such year, the audited statements of income and cash flow of the Lessee for such year, setting forth in each case in comparative form, the corresponding figures for the preceding fiscal year, accompanied by the unqualified opinion of an independent certified public accountant acceptable to the Bondholder.

(b) Interim Reports - as soon as available and in any event within forty-five (45) days after March 31, June 30 and September 30, the unaudited balance sheet of the Lessee as of March 31, June 30 and September 30, and the unaudited statements of income and of Lessee for such period then ending, setting forth in each case in comparative form, the corresponding figures for the preceding period, certified correct by the chief executive officer or controller of the Lessee.

All balance sheets and other financial reports referred to above shall be in such detail as the Bondholder may reasonably request and shall conform to generally accepted accounting principles applied on a consistent basis, except only for such changes in accounting principles or practice with which the independent certified public accountants concur. For purposes of this Section 7.6, the receipt of consolidated financial statements for Conrad Industries, Inc., parent company of the Lessee, shall satisfy these reporting requirements.

SECTION 7.7. Estoppel Certificate. Lessor and Lessee shall, from time to time, upon not less than 20 days prior request by the other, execute, acknowledge and deliver to the other a statement in writing, executed by an authorized officer certifying (i) that this Agreement is unmodified and in full force and effect (or, if there have been modifications, that this Agreement is in full force and effect as modified, setting forth such modifications), (ii) the dates through which all rent and all other sums payable hereunder have been paid, and (iii) that to the knowledge of the signer of such certificate no default by either Lessor or Lessee exists hereunder or specifying each such default of which the signer may have knowledge. It is intended that any such statements may be relied upon by the recipient of such statements or their assignees, or by any prospective purchaser or mortgagee of the Leased Facilities.

SECTION 7.8. Assignment of Warranties, Guaranties, Indemnities. Lessor hereby assigns without recourse or warranty whatsoever, to the Lessee, for the duration of this Agreement all Lessors' interest in all warranties, contractual rights, guaranties and indemnities, express/implied, and similar rights which Lessor may have against any seller, engineer or consultant in respect of the

Leased Facilities, including without limitation, any rights and remedies existing by contract. So long as no default has occurred and is continuing hereunder and until the expiration or termination of this Agreement, the Lessee shall have the right (at its sole cost and expense) to enforce any such warranty, contractual right, guaranty or indemnity in the name of the Lessee or the Lessor. Lessor hereby agrees to deliver and execute at the Lessee's expense, such further documents (including powers of attorney) as the Lessee may reasonably request, in order that the Lessee may

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have the full benefit of the assignment effected or intended to be effected by this paragraph and the ability to enforce such warranties, guaranties and indemnities.

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ARTICLE VIII

ASSIGNMENT; SUBLEASING; SELLING; REDEMPTION; RENT PREPAYMENT AND ABATEMENT

SECTION 8.1. Assignment and Subleasing. This Agreement may be assigned, and the Leased Facilities may be subleased as a whole or in part, by the Lessee without the necessity of obtaining the consent of either the Lessor or the Trustee, subject, however, to each of the following conditions:

(a) No assignment (other than pursuant to Section 7.3 hereof) or subleasing shall relieve the Lessee from primary liability for any of its obligations hereunder, and in the event of any such assignment or subleasing the Lessee shall continue to remain primarily liable for payment of the rents specified in Section 4.3 hereof and for performance and observance of the other agreements on its part herein provided to be performed and observed by it.

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

(c) The Lessee shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Lessor and to the Trustee a true and complete copy of each such assignment and sublease, as the case may be.

SECTION 8.2. Transfer of Lessor's Interest in Leased Facilities. Subject to the provisions of Article IX and X hereof, the Lessor agrees that, except for the assignment of this Agreement and the rentals hereunder to the Trustee (to all of which the Lessee hereby consents) pursuant to the Indenture, it will not sell, assign, convey, encumber or otherwise dispose of any part of the Leased Facilities during the Lease Term. If the laws of the State at the time shall permit such sale, assignment, transfer or conveyance to be taken, nothing contained in this Section shall prevent the consolidation of the Lessor with, or merger of the Lessor into, or transfer of title to the Leased Facilities as an entirety to, any public entity whose property and income are not subject to

taxation and which has corporate authority to carry on the business of owning and leasing the Leased Facilities; provided, that upon any such consolidation, merger or transfer, the due and punctual payment of the principal of, premium, if any, and interest on the Bonds according to their tenor, and the due and punctual performance and observance of all the contracts and conditions of this Agreement to be kept and performed by the Lessor, shall be expressly assumed in writing by the entity resulting from such consolidation or surviving such merger or to which the Leased Facilities shall be transferred as an entirety.

SECTION 8.3. Redemption of Bonds. If the Lessee is not in default in the payment of rents under Section 4.3 hereof, the Lessor, at the request of the Lessee, shall forthwith take all steps that may be necessary under the applicable redemption provisions of the Indenture to effect redemption of all or part of the then outstanding Bonds as may be specified by the Lessee, on such redemption date as may be specified by the Lessee.

SECTION 8.4. Prepayment of Rents. There is expressly reserved to the Lessee the right, and the Lessee is authorized and permitted, at any time it may choose, to prepay all or any part of the rents payable under Section 4.3 hereof, and the Lessor agrees that the Trustee may accept such prepayments of rents when the same are tendered by the Lessee. All rents so prepaid shall be deposited in the Bond Fund and credited on the rental payments specified in Section 4.3 hereof in the order of their due dates, and at the election of the

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Lessee shall be used for the redemption or purchase of outstanding Bonds in the manner and to the extent provided in the Indenture.

SECTION 8.5. Lessee Entitled to Conveyance of the Leased Facilities if Bonds Paid Prior to Maturity. If at any time the aggregate moneys in the Bond Fund shall be sufficient to retire in accordance with the provisions of the Indenture all of the Bonds at the time outstanding and to pay all fees and charges of the Trustee and the expenses of the Lessor due or to become due through the date on which the last of the Bonds is to be retired, and all other amounts owed to the Lessor under this Lease Agreement, the Lessee shall be entitled to the conveyance of the Leased Facilities pursuant to Sections 10.2 and 10.3 hereof.

SECTION 8.6. Installation of Lessee's Own Machinery and Facilities; Landlord's Lien Thereon. In addition to the machinery and equipment installed by the Lessee under the provisions of Section 5.1 hereof which does not become part of the Leased Facilities the Lessee may from time to time, in its sole discretion and at its own expense, install additional machinery and equipment at the site of the Leased Facilities. Except as provided in Section 8.7 hereof, all machinery and equipment so installed by the Lessee shall remain the sole property of the Lessee in which neither the Lessor nor the Trustee shall have any interest, may be modified or removed at any time which the Lessee is not in default hereunder and shall not be subject to the lien of this Agreement. Nothing contained in the preceding provisions of this Section shall prevent the Lessee from purchasing, after delivery of the Indenture, such additional machinery and equipment on conditional sale contract or lease sale contract, or subject to vendor's lien or purchase money mortgage, as security for the unpaid portion of the purchase price thereof, and each such conditional sale contract, lease sale contract, vendor's lien or purchase money mortgage made by the Lessee

with respect to machinery and equipment purchased by it under the provisions of this Section after delivery of the Indenture shall be prior and superior to any landlord's lien. The Lessee agrees to pay, unless in good faith contested by it, as due the purchase price of and all costs and expenses with respect to the acquisition and installation of any machinery and equipment installed by it pursuant to this Section.

SECTION 8.7. Additional Real or Personal Property, Machinery, Equipment, Furniture or Fixtures Constituting a Part of the Leased Facilities. Notwithstanding any provision of this Agreement to the contrary, the Lessee may elect to have any real or personal property, machinery, equipment, furniture or fixtures acquired at the sole cost of the Lessee included in the Leased Facilities by delivering to the Trustee and the Lessor written notice of the Lessee's election to have such property included in the Leased Facilities. Upon the filing of such written notice with the Trustee and the Lessor, such property specified in said notice shall become a part of the Leased Facilities.

SECTION 8.8. References to Bonds Ineffective After Bonds Paid. Upon payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and all fees and charges of the Trustee, the paying agent and the Lessor, all references in this Agreement to the Bonds and the Trustee shall be ineffective and neither the Trustee nor the holder of any of the Bonds shall thereafter have any rights hereunder, saving and excepting those that shall have theretofore vested.

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ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

SECTION 9.1. Events of Default Defined. The following shall be "events of default" under this Agreement and the terms "event of default" or "default" shall mean, whenever they are used in this Agreement, any one or more of the following events:

(a) Failure by the Lessee to pay or cause to be paid the rent and other amounts required to be paid under Section 4.3 hereof at the times specified therein.

(b) Failure by the Lessee to observe and perform any covenant, condition or agreement in this Agreement on its part to be observed or performed, other than as referred to in subsection (a) of this Section, for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, is given to the Lessee by the Lessor or the Trustee or by the holders of not less than 25% in aggregate principal amount of Bonds Outstanding, unless the Lessor and the Trustee (with any required consent of Bondholders under the provisions of the Indenture) shall agree in writing to an extension of such time prior to its expiration in accordance with Section 1111 of the Indenture or as otherwise provided in Section 1111 or Section 1112 thereof regarding a cure period.

(c) The dissolution or liquidation of the Lessee or the filing of the Lessee of a voluntary petition in bankruptcy, or failure by the Lessee promptly to institute judicial proceedings to lift any execution,

garnishment or attachment of such consequence as will impair its ability to carry on its operations at the Leased Facilities, or the commission by the Lessee of any act of bankruptcy, or adjudication of the Lessee as a bankrupt, or assignment by the Lessee for the benefit of its creditors, or the entry by the Lessee into an agreement of composition with its creditors, or the approval by the court of competent jurisdiction of a petition applicable to the Lessee in any proceeding for its reorganization instituted under the provisions of the United States Bankruptcy Code, as amended, or under any similar act which may hereafter be enacted. The term "dissolution or liquidation of the Lessee", as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Lessee resulting either from a merger or consolidation of the Lessee into or with another entity or a dissolution or liquidation of the Lessee following a transfer of all or substantially all of its assets as an entirety, under the conditions permitting such actions contained in Section 7.3 hereof.

(d) The occurrence of a Default under the Loan Agreement after the expiration of any applicable notice and cure provision contained in the Loan Agreement shall be a default of this Agreement. The term "Loan Agreement" shall mean that certain Third Amended and Restated Loan Agreement by and among Whitney National Bank, Conrad Shipyard, L.L.C., Orange Shipbuilding Company, Inc. and Conrad Industries, Inc., dated July 18, 2002, as it may be amended, modified, supplemented or renewed from time to time.

The foregoing provisions of this Section are subject to the following limitations: If by reason of force majeure the Lessee is unable in whole or in part to carry out its agreements on its part herein contained, other than the obligations on the part of the Lessee contained in Article IV and Sections 4.3, 5.3, 5.4, 7.3 and 7.5 hereof, the Lessee shall not be deemed in default during the continuance of such liability. The term "force majeure" as used herein shall mean the following: acts of God; strikes, acts of terrorism, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of the State

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or any of their departments, agencies, or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquake; fire; hurricanes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Lessee. The Lessee agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Lessee from carrying out its agreements; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Lessee, and the Lessee shall not be required to make settlement of strikes, lockouts, and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the Lessee unfavorable to the Lessee.

SECTION 9.2. Remedies on Default. In the event any of the Bonds shall at the time be outstanding and unpaid and provision for the payment thereof shall not have been made in accordance with the provisions of the Indenture, whenever

any event of default referred to in Section 9.1 hereof shall have happened and be subsisting, the Lessor or the Trustee, where so provided, may take any one or more of the following remedial steps:

(a) The Lessor, or the Trustee as provided in the Indenture, upon the giving of written notice to the Lessee, may, at its option, declare all installments of rent payable under Section 4.3 hereof for the remainder of the Lease Term to be immediately due and payable, whereupon the same shall become immediately due and payable.

(b) The Lessor, with the prior written consent of the Trustee, may re-enter and take possession of the Leased Facilities without terminating this Agreement, and lease the Leased Facilities for the account of the Lessee, holding the Lessee liable for the difference between the rentals and other amounts payable by such Lessee in such leasing and the rents and other amounts payable by the Lessee hereunder.

(c) the Lessor, with the prior written consent of the Trustee, may terminate the Lease Term, exclude the Lessee from possession of the Leased Facilities and use its best efforts to lease the Leased Facilities to another party.

(d) The Lessor or the Trustee may attempt to collect amounts due under this Agreement or to enforce the performance and observance of any other obligation or covenants of the Lessee under this Agreement by mandamus or the appointment of a receiver in equity with power to charge and collect amounts due hereunder and to apply such amounts in the manner required by this Agreement and the Indenture.

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

Any amounts collected pursuant to action taken under this Section shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture or, if the bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture) to the Lessee.

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No action taken pursuant to this Section (including the repossession of the Leased Facilities or termination of the Lease Term) shall relieve the Lessee from the Lessee's obligations pursuant to Section 4.3 hereof, all of which shall survive any such action.

SECTION 9.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Lessor or to 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 Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may

be deemed expedient. In order to entitle the Lessor or the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. Such rights and remedies as are given the Lessor hereunder shall also extend to the Trustee and the Trustee and the holders of the Bonds issued under the Indenture shall be deemed third party beneficiaries of all covenants and agreements herein contained.

SECTION 9.4. Agreement to Pay Attorney's Fees and Expenses.

(a) The Lessee agrees to reimburse the Lessor and the Trustee for expenses incurred, including the employment of attorneys, in fulfilling the obligations of the Lessor pursuant hereto.

(b) In the event the Lessee shall default under any of the provisions of this Agreement and the Lessor or the Trustee shall employ attorneys or incur other expenses for the collection of the rents or the enforcement of performance or observance of any obligation or agreement on the part of the Lessee herein contained, the Lessee agrees that it will on demand therefor pay to the Lessor or the Trustee the reasonable fees of such attorneys and such other expenses so incurred by the Lessor or the Trustee.

(c) This Section shall not require the Lessor to undertake any legal proceeding with respect to this Agreement; provided, however, the Lessor does agree that the Lessee or the Trustee may institute legal proceedings in the name of the Lessor to protect their rights under this Agreement.

SECTION 9.5. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this 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.

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ARTICLE X

OPTIONS IN FAVOR OF LESSEE

SECTION 10.1. Options to Terminate. The Lessee shall have, and is hereby granted, the option to purchase the Leased Facilities upon payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) throughout the Lease Term, subject to the following provisions.

To exercise such option, the Lessee shall give written notice to the Lessor and to the Trustee, if any of the Bonds shall then be unpaid and provision for the payment thereof has not been made in accordance with the provisions of the Indenture, and shall specify therein the date of closing such purchase, which date shall be not less than forty-five (45) nor more than ninety (90) days from the date such notice is mailed, and in case of a redemption of the bonds in accordance with the provisions of the Indenture shall make arrangements satisfactory to the Trustee for the giving of the required notice of redemption. The purchase price payable by the Lessee shall be the sum of the following:

(1) an amount of money to be paid into the Bond Fund which, when added to the amount then on deposit in the Bond Fund for payment of the bonds, will be sufficient to pay, redeem or pay at maturity all of the then outstanding Bonds on the next date on which such Bonds may be redeemed or paid at maturity, including without limitation, principal, premium, if any, all accrued interest to said date and redemption expenses, plus

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

(3) consideration in the amount of \$1,000 to cover administrative fees incurred in connection with such conveyance.

In the event of the exercise of the option granted in this Section any Net Proceeds of insurance or condemnation not transferred to the Bond Fund for the redemption or payment of the Bonds shall be paid to the Lessee and the Lease Term shall be terminated.

SECTION 10.2. Conveyance of the Leased Facilities to the Lessee. The Lessor shall upon the payment of all sums due to the Lessor under this Agreement, at the expiration or sooner termination of the Lease Term following full payment of the Bonds or provision for payment thereof having been made in accordance with the provisions of the Indenture, convey the Leased Facilities to the Lessee. The Lessee shall pay an administrative fee in connection therewith of \$1,000.

SECTION 10.3. Conveyance at Closing. At the closing of any purchase pursuant to any option to purchase or mandatory purchase, the Lessor will upon receipt of the purchase price deliver to the Lessee documents conveying to the Lessee title to the property being purchased, as such property then exists, subject to the following: (i) those liens and encumbrances (if any) to which title to said property was subject when conveyed to the Lessor; (ii) those liens and encumbrances created by the Lessee or to the creation or suffering of which the Lessee consented; (iii) those liens and encumbrances resulting from the failure of the Lessee to perform or observe any of the agreements on its part contained in this Agreement; and (iv) Permitted Encumbrances other than the Indenture and this Agreement.

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SECTION 10.4. Economic Benefits. The Lessor acknowledges, in addition to the consideration recited for the option granted in this Article X and the other consideration stated herein, that there will be multiple economic and other advantages that will benefit St. Mary Parish, including employment, directly or indirectly, additional tax revenues to the Lessor and the other governmental agencies, attracting satellite and kindred industries to St. Mary Parish, and stimulating many collateral benefits to present residents of St. Mary Parish who are engaged in the business of providing supplies and services.

SECTION 10.5. Release of Leased Facilities. The Lessor or the Trustee as assignee of the Lessor, is hereby authorized to release portions of the Leased Facilities and convey them to the Lessee for no consideration, other than reasonable expenses, provided that the remaining Leased Facilities maintains a value of at least 120% of the outstanding Bonds as determined in a written appraisal approved by the Purchaser. Such release and/or transfer shall be

conducted and accomplished in the manner and direction of the Lessee, subject to payment of reasonable costs of the Lessor, Trustee and/or Bondholder.

SECTION 10.6. Option to Extend Lease Term. The Lease Term may be extended upon the expiration thereof with the consent of the parties hereto at an annual rental to be agreed upon and an annual in-lieu-of-ad valorem tax payment for a term to be agreed upon.

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ARTICLE XI

MISCELLANEOUS

SECTION 11.1. Surrender of Leased Facilities. Except as otherwise expressly provided in this Agreement, at the expiration or sooner termination of the Lease Term, the Lessee agrees to surrender possession of the Leased Facilities peaceably and promptly to the Lessor in as good condition as at the commencement of the Lease Term, loss by fire or other casualty covered by insurance, condemnation and ordinary wear, tear and obsolescence only excepted.

SECTION 11.2. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given on the second day following the day on which the same have been mailed by registered mail, postage prepaid, addressed as follows: if to the Lessor, 7332 Highway 90 East, Morgan City, Louisiana 70381, Attention: President; or to such address as the Lessor may from time to time file with the Trustee and the Lessee; if to the Lessee, at 1100 Brashear Avenue, Suite 200, Morgan City, Louisiana 70380, Attention: Lewis J. Derbes, Jr.; and if to the Trustee, at Towermark Plaza, 10161 Centurion Parkway, Jacksonville, Florida 32256, Attention: Corporate Trust Division. A duplicate copy of each notice, certificate or other communication given hereunder by either the Lessor or 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 11.3 Law Governing Construction of Agreement. This Agreement is prepared and entered into with the intention that the laws of the State shall govern its construction.

SECTION 11.4. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Lessor, the Lessee and their respective successors and assigns, subject, however, to the limitations contained in Sections 7.3, 8.1 and 8.2 hereof.

SECTION 11.5. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

SECTION 11.6. Amounts Remaining in the Bond Fund. It is agreed by the parties hereto that any amounts remaining in the Bond Fund upon expiration or sooner termination of the Lease Term, as provided in this Agreement, after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and the fees, charges and expenses of the Trustee and paying agent and the Lessor in accordance with the

Indenture shall belong to and be paid to the Lessee by the Trustee as overpayment of the rents.

SECTION 11.7. Agreement Represents Complete Agreement. This Agreement represents the entire contract between the parties. This Agreement may not be modified or amended, except as otherwise provided in this Agreement or in the Indenture, subsequent to the issuance of Bonds and prior to the payment in full of the Bonds (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), and this Agreement may not be effectively amended, changed, modified, altered or terminated without the concurring written consent of the Trustee, given in accordance with the provisions of the Indenture.

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SECTION 11.8. Net Lease. This Agreement shall be deemed and construed to be a "net lease", and the Lessee shall pay absolutely net during the Lease Term the rent and all other payments required hereunder, free of any deductions, without abatement, diminution or set-off other than those herein expressly provided.

SECTION 11.9. Execution of Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

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IN WITNESS WHEREOF, the Lessor has caused this Agreement to be executed by its President or Vice President and has caused the seal of the Issuer to be affixed hereto and attested by its Secretary-Treasurer.

THE INDUSTRIAL DEVELOPMENT BOARD OF THE
PARISH OF ST. MARY, LOUISIANA, INC.

By: /s/ Emile Babin

Vice President

ATTEST:

By: /s/ Frank G. Fink

Secretary-Treasurer

[SEAL]

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The Lessee has caused this Agreement to be executed in its behalf by its duly authorized officer, all as of the day and year above written.

CONRAD ALUMINUM, L.L.C.

By: /s/ Lewis J. Derbes, Jr.

Treasurer/Secretary and Manager

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EXHIBIT A

LEASED FACILITIES

Land

That certain tract or parcel of land lying and being situated in the lower end of the Parish of St. Mary, in Section 42, Township 16 South, Range 13 East, Southeastern Land District of Louisiana, forming part of the tract acquired by Biaggio Domino from the Jeanerette Lumber & Shingle Company, Ltd., by act dated August 6, 1918 and duly recorded in Book 3-T, Page 304, Entry No. 45,346 of Conveyance Records, St. Mary Parish, Louisiana. The tract herein sold and conveyed being more particularly described as follows: Beginning at a Point "A" at the northeast corner thereof, on the west side of the right-of-way limits of U.S. Highway 90, thence a distance of 544.7' feet, more or less, to Point "F" on the water's edge of Bayou Boeuf; thence along the water's edge of Bayou Boeuf in a southeasterly direction to Point "E"; thence North 49 degrees east 300 feet, more or less, to Point "D"; thence South 30 degrees 27 minutes East 42 feet, more or less, to Point "C"; thence North 53 degrees 28 minutes east 445.5 feet, more or less, to Point "B" on the right-of-way limits of U.S. Highway 90; thence North 41 degrees West along said right-of-way limits 1075.7 feet, more or less, to Point "A".

The said tract containing a total acreage of 15.63 acres, all as shown and designated on survey of T.F. Kramer dated May 7, 1946 attached to that act recorded May 21, 1946 in St. Mary Parish COB 6-V, Folio 77, under Entry No. 74,242.

It is the intent of the Seller herein to include in the property herein conveyed all of the property which it owns to the water's edge. This includes the property which lies within the extension of the line between Points "D" and "E" to the water's edge and the extension of the line between Points "A" and "F" to the water's edge.

It is the intent of the Seller herein to include in the property conveyed herein whatever reversionary rights it may have in and to the old roadbed running across said property as shown on the survey described above.

Being the same property acquired by Marine Shale Processors, Inc. by Act of Cash Sale from Brown a Root Corporate Services, Inc. recorded January 18, 1996 in Book 38-Q, Entry No. 251,507 of the conveyance Records of St. Mary Parish, Louisiana.

Municipal address of the above described property is: 9752 U.S. Highway 182 East, Amelia, Louisiana.

Project

Consists of financing the acquisition, construction and equipping of an aluminum marine fabrication, repair and conversion facility to be located in Amelia, St. Mary Parish, Louisiana, as more particularly described as follows:

Construction of an approximately 37,500 square foot building containing two work bays, construction of parking facilities, construction of utility improvements and land improvements to support the building and parking facilities, refurbishment and extension of piers and bulkheads, and acquisition of various equipment, including, but not limited to, air compressors, iron workers and other various equipment items.

Trust Indenture

Between

The Industrial Development Board of the
Parish of St. Mary, Louisiana, Inc.

And

The Bank of New York Trust Company
of Florida, N.A.

Dated as of June 1, 2003

\$4,000,000

The Industrial Development Board of the
Parish of St. Mary, Louisiana, Inc.
Taxable Revenue Bonds
(Conrad Aluminum, L.L.C. Project)
Series 2003

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Trust Indenture

This Trust Indenture dated as of June 1, 2003 (together with any amendments hereto, the "Indenture"), is between The Industrial Development Board of the Parish of St. Mary, Inc., a public corporation and instrumentality of the Parish of St. Mary, State of Louisiana (the "Issuer"), and The Bank of New York Trust Company of Florida, N. A., a national banking association organized and existing under and by virtue of the laws of the United States of America and duly authorized to accept and execute trusts, as trustee (the "Trustee").

W I T N E S S E T H :

WHEREAS, the Issuer is authorized under the authority of Chapter 7 of Title 51 of the Louisiana Revised Statutes of 1950, as amended (the "Act"), to acquire, own, lease, rent, finance, sell and dispose of properties for use by any industry for the manufacturing, processing or assembling of any raw, agricultural, semi-manufactured or manufactured products or any commercial enterprise in storing, warehousing, distributing, or selling any products of agriculture, fishing, forestry, mining, or industry; and

WHEREAS, after careful study and investigation the Issuer, in furtherance of the purpose for which it was created and pursuant to a resolution duly adopted, has entered into a lease agreement (the "Lease Agreement"), dated as of even date herewith, with Conrad Aluminum, L.L.C. (the "Lessee"), a limited liability company duly organized and existing under the laws of the State of Louisiana, pursuant to which the Lessee has agreed to pay the Issuer specified rental payments and other payments; and

WHEREAS, the Issuer has agreed at the request of the Lessee to issue its \$4,000,000 Taxable Revenue Bonds (Conrad Aluminum, L.L.C. Project) Series 2003 (the "Bonds") to finance the acquisition, construction and equipping of an aluminum marine fabrication, repair and conversion facility to be located in Amelia, St. Mary Parish, Louisiana (the "Project"); and

WHEREAS, Conrad Industries, Inc., a Delaware corporation, Conrad Shipyard, L.L.C., a Louisiana limited liability company, Orange Shipbuilding Company, Inc., a Texas corporation, and the Lessee (collectively, the "Guarantors") have executed and delivered a Guaranty Agreement dated as of the date hereof (such Guaranty Agreement, together with any amendment or supplements thereto, being herein called the "Guaranty Agreement"), pursuant to which the Guarantors, as an inducement to the Issuer to issue the Bonds and to the purchasers of any such Bonds to purchase the same, unconditionally guarantee the full and prompt payment of the principal of, premium, if any, and interest on, the Bonds when and as the same shall become due; and

WHEREAS, the execution and delivery of the Lease Agreement, the Indenture and the issuance of the Bonds have been in all respects duly and validly authorized by duly adopted and approved resolutions of the Board of Directors of the Issuer, the governing authority of the Issuer; and

WHEREAS, all other things necessary to make the Bonds, when issued, executed and delivered by the Issuer and authenticated by the Trustee pursuant to this Indenture, the valid, legal and binding obligations of the Issuer, and to constitute this Indenture a valid pledge of certain income and revenue derived from the Leased Facilities (hereinafter defined) as security for the payment of the principal of, premium, if any, and interest on, the Bonds authenticated and delivered under this Indenture, have been performed, and the creation, execution and delivery of this Indenture, and the creation, execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized; and

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WHEREAS, all of the Bonds are to be issued in fully registered form and said Bonds and the Trustee's certificate of authentication to be endorsed thereon are all to be in substantially the form attached hereto as Exhibit A with necessary and appropriate variations, omissions and insertions as permitted or required by this Indenture.

WHEREAS, all things necessary to make the Bonds, when authenticated by the Trustee and issued as in this Indenture provided, the valid, binding and legal obligations of the Issuer according to the import thereof, and to constitute a valid pledge of the rental payments and revenues herein made to the payment of

the principal of, premium, if any, and interest on the Bonds, have been done and performed, and the creation, execution and delivery of this Indenture, and the creation, execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS, THIS TRUST INDENTURE WITNESSETH:

That the Issuer in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds issued and secured hereunder by the holders and owners thereof, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, in order to secure the payment of the principal of, premium, if any, and interest on said Bonds according to their tenor and effect and the performance and observance by the Issuer of all the covenants expressed or implied herein and in the Bonds, does hereby specially effect, hypothecate, pledge, pawn, transfer and assign unto the Trustee and unto its successors in trust, and to its assigns forever, all of the following properties of the Issuer (the "Trust Estate"), which the Issuer now owns or may hereafter acquire for the objects and purposes of this Indenture, subject to Permitted Encumbrances (hereinafter defined):

(a) The rights of the Issuer under and pursuant to the Lease Agreement (other than the right to indemnification and the right to receive reimbursement of certain expenses under the Lease Agreement, including, without limitation, Sections 5.9, 7.5 and 9.4 thereof), all rental payments (less and except rentals payable under Section 4.3(c) of the Lease Agreement), revenues and other amounts receivable by the Issuer from the Leased Facilities including, without limitation, all revenues to be received by the Issuer from the leasing or sale of the Leased Facilities and in particular the rental payments to be received under and pursuant to and subject to the provisions of the Lease Agreement, and pursuant to the terms of which rent is to be paid directly to the Trustee at the principal office of the Trustee for the account of the Issuer and deposited in the Bond Fund (hereinafter defined); and

(b) All monies and securities from time to time held by the Trustee under the terms of this Indenture, except for monies deposited with or paid to the Trustee for the redemption of Bonds, notice of the redemption of which has been duly given, and except as specifically provided in this Indenture; and

(c) All the rights and interest of the Issuer in and to the Bond Fund and the Construction Fund (as hereinafter defined), and all moneys and investments therein, but subject to the provisions of this Trust Indenture pertaining thereto, including those pertaining to the making of disbursements therefrom.

TO HAVE AND TO HOLD all of the same hereby conveyed and assigned, or agreed or intended so to be, to the Trustee and its successors in said trust and to it and its assigns forever;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all holders and owners of the Bonds issued and secured hereunder, without privilege, priority or distinction of any of such Bonds over any other of such Bonds.

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PROVIDED, HOWEVER, that if the Issuer, its successors or assigns, shall well and truly pay, or cause to be paid, the principal of the Bonds issued and secured hereunder and the interest due or to become due thereon, at the times

and in the manner mentioned in said Bonds according to the true intent and meaning thereof, and shall cause the payments to be made into the Bond Fund as required under Article VI hereof or shall provide, as permitted under Article X hereof, for the payment thereof by depositing with the Trustee the amount due or to become due thereon, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee all sums of moneys due or to become due to it in accordance with the terms and provisions hereof, then upon such final payments this Indenture, and the rights hereby granted shall cease, terminate and be void; otherwise this Indenture to be and remain in full force and effect.

THIS INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all said revenues and receipts hereby pledged are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Issuer has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective holders and owners, from time to time, of the said Bonds, or any part thereof, as follows, that is to say:

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ARTICLE I

DEFINITIONS

SECTION 101. Definitions of Terms. In addition to the words and terms elsewhere defined in this Indenture, the following words and terms as used in this Indenture shall have the following meanings unless the context or use indicates another or different meaning or intent. Terms not defined herein shall have the meanings set forth in the Lease Agreement:

"Act" means Chapter 7 of Title 51 of the Louisiana Revised Statutes of 1950, as amended, and all future acts supplemental thereto or amendatory thereof.

"Base Rate" means that rate of interest as recorded by JPMorgan Chase Bank, N.A. from time to time as its prime lending rate with the rate of interest to change when and as said prime lending rate changes. Each change in any interest rate provided for herein based upon the Base Rate resulting from a change in JPMorgan Chase Prime Rate shall take effect at the time of such change in JPMorgan Chase Prime Rate.

"Bond Counsel" means a law firm having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds, appointed by the Issuer.

"Bond Fund" means the Bond Fund created by Section 601 of this Indenture.

"Bond Register" shall have the meaning set forth in Section 208 hereof.

"Bondholder" or "holder" or any similar term means any Person who shall be the registered owner of any Bond or Bonds.

"Bonds" means the Taxable Revenue Bonds (Conrad Aluminum, L.L.C. Project) Series 2003 of the Issuer issued hereunder.

"Business Day" means a day other than a Saturday, Sunday or legal holiday for commercial banks in New Orleans, Louisiana, New York, New York, and London, United Kingdom.

"Construction Fund" means the fund by that name created and established in Section 303 of this Indenture.

"Corporate Trust Division" means the corporate trust offices of the Trustee located in Jacksonville, Florida.

"Costs" shall have the meaning set forth in the Lease Agreement.

"Default" means those defaults specified in and defined as such by Section 1101 hereof.

"Eligible Investments" means to the extent authorized by State law for the investment of moneys of the Issuer:

(i) Government Obligations;

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(ii) Federal Home Loan Mortgage Corporation (FHLMC) and Farm Credit Banks (Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) participation certificates and senior debt obligations which bear interest at a fixed rate and are fully amortizing;

(iii) Federal National Mortgage Association's (FNMA) mortgage backed securities and senior debt obligations which bear interest at a fixed rate and are fully amortizing;

(iv) Student Loan Marketing Association (Sallie Mae) letter of credit backed issues and senior debt obligations;

(v) Federal funds, certificates of deposits, time deposits and bankers' acceptances (having original maturities of not more than 365 days) of any bank the unsecured, uninsured and unguaranteed debt obligations of which (or, in the case of a bank subsidiary in a bank holding company, debt obligations of the bank holding company) have been rated "AA" or "A-1" or its equivalent by either Rating Service;

(vi) commercial paper (having original maturities of not more than 270 days) rated "A-1" or its equivalent by either Rating Service;

(vii) obligations rated "AA" or "A-1" or its equivalent by either Rating Service, or unrated general obligations of any Person which has outstanding other unsecured, uninsured and unguaranteed obligations which are so rated by either Rating Service;

(viii) repurchase agreements with any institution the unsecured, uninsured and unguaranteed debt obligations of which (or, in the case of a bank subsidiary in a bank holding company, debt obligations of the bank holding company) are rated "AA" or its equivalent by either Rating Service or which are otherwise acceptable to the Bondholder;

(ix) tax-exempt obligations of any state of the United States of America or any political subdivision or other instrumentality of any such state and such obligations are rated in either of the two highest rating categories (i.e., "AA" or higher) of either Rating Service;

(x) tax-exempt money market funds which are "qualified regulated investment companies" within the meaning of IRS Notice 87-22, dated October 25, 1987, and which meet the other requirements of IRS Notice 87-22 and any subsequent regulations necessary to exempt investments in such funds from the definition of "investment property" under Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), whose assets are solely invested in obligations rated in

either of the two highest rating categories by either Rating Service;

(xi) interest-bearing savings deposit accounts or money market accounts at Whitney National Bank or other national or state bank insured by the Federal Deposit Insurance Corporation; and

(xii) any other obligations (including, without limit, investment agreements) approved in writing by the Bondholder.

"Extraordinary Services" and "Extraordinary Expenses" mean all services rendered and all expenses incurred by the Trustee under this Indenture other than Ordinary Services and Ordinary Expenses, including reasonable attorneys' fees and expenses.

"Government Obligations" shall mean direct general obligations of, or obligations the prompt payment of the principal of and the interest on which are fully and unconditionally guaranteed by, the United States of America. In addition, investments having a maturity of seven days or less in a money market or other

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fund, investments of which fund are exclusively in Government Obligations, shall be considered investments in Government Obligations.

"Guarantors" means collectively Conrad Industries, Inc., a Delaware corporation, Conrad Shipyard, L.L.C., a Louisiana limited liability company, Orange Shipbuilding Company, Inc., a Texas corporation, and the Lessee.

"Guaranty Agreement" means the Guaranty Agreement executed by and between the Guarantors and the Trustee of even date herewith and more particularly described in the preambles hereof.

"Independent Counsel" means an attorney or firm of attorneys duly admitted to practice law before the highest court of any state and which attorney, firm or any member thereof is not an officer, director or full time employee of either the Issuer or the Lessee.

"Indenture" means these presents and other indentures supplemental hereto with the Trustee in pursuance hereof.

"Interest Period" means the interest period applicable to the LIBOR Rate or Base Rate, which Interest Period shall be a one month, two months, or three month period for LIBOR Rate and a thirty-day period for Base Rate, as specified in the Notice of Conversion in respect of the making or converting of the interest rate on the Bonds to accrue at the LIBOR Rate or the Base Rate.

"Issuer" or "Lessor" means The Industrial Development Board of the Parish of St. Mary, Louisiana, Inc., a public corporation and instrumentality of the Parish of St. Mary, State of Louisiana, and its successors and assigns.

"Land" means the land described in Exhibit B attached hereto.

"Lease Agreement" means the Lease Agreement executed by and between the Issuer and the Lessee of even date herewith and more particularly described in the preambles hereof, as from time to time amended.

"Leased Facilities" means the Land and Project described in Exhibit B hereto, which by this reference thereto is incorporated herein, together with all additions thereto and substitutions therefor and includes those buildings, structures, fixtures, furnishings and equipment, including any structures, fixtures, furnishings and related property comprising a portion of the Project

(both movable and immovable) financed with the proceeds of the Bonds, owned by the Lessor and leased to the Lessee under the Lease Agreement which is not otherwise included in the definition of Project, but not including the Lessee's own machinery and equipment now in existence or installed under the provisions of Sections 5.1 and 8.6 of the Lease Agreement.

"Lessee" means Conrad Aluminum, L.L.C., a Louisiana limited liability company, and any surviving, resulting or transferee corporation as provided in Section 7.3 of the Lease Agreement.

"Libor Rate" means an interest rate per annum (rounded upward to the nearest hundredth of a percent (1/100 of 1%)) which is the offered quotation to Bondholder of the London interbank offered rate for U.S. Dollar deposits of amounts in immediately available funds in the London market for one month, two months or three months, as recorded by the Bloomberg, L.P. or such other service used by Bondholder as an information vendor for the purpose of displaying British Bankers' Association interest settlement rates for U.S. Dollar Deposits, as determined by Bondholder as of the opening of business of Bondholder or as soon thereafter as practicable, as of the applicable Interest Period, plus the applicable margin of 200 basis points (2% percent); provided however, the Libor Rate shall never be lower than the Base Rate less 100 basis points (1% percent).

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The Libor Rate shall be determined by Bondholder on the first Business Day of each Interest Period with the change in the Libor Rate to be effective as of such Business Day.

"Notice of Conversion" means the notice of conversion given by the Authorized Lessee Representative of its election to convert the interest rate on the Bonds and the applicable Interest Period pursuant to Section 202 hereof.

"Opinion of Counsel" means an opinion of counsel who may be counsel to the Issuer or to the Lessee, including an employee of the Lessee.

"Ordinary Services" and "Ordinary Expenses" mean those services normally rendered and those expenses normally incurred by the Trustee in carrying out and performing its normal duties under this Indenture, including reasonable attorneys' fees and expenses.

"Outstanding", "outstanding" or "Bonds Outstanding" means all Bonds which have been authenticated and delivered by the Trustee under this Indenture, except:

(a) Bonds canceled by the Trustee because of payment or redemption prior to maturity;

(b) Bonds for the payment or redemption of which moneys or securities shall have been theretofore deposited with the Trustee (whether upon or prior to the maturity or redemption date of any such Bond); provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee, shall have been filed with the Trustee; and

(c) Bonds in lieu of which others have been authenticated under Section 207 hereof.

In determining whether the holders of a requisite aggregate principal amount of Bonds outstanding have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions hereof,

Bonds which are purchased for purposes of cancellation by the Lessee shall be disregarded and deemed not to be outstanding for the purpose of any such determination.

"Permitted Encumbrances" means, as of any particular time, (i) any liens and encumbrances existing on the date hereof, (ii) liens for ad valorem taxes not then delinquent, (iii) the Lease Agreement and this Indenture, (iv) mechanic's, materialman's, warehouseman's, carrier's and other similar liens and liens referred to in Section 8.6 of the Lease Agreement or permitted under Section 5.1 thereof, (v) such minor defects, irregularities, encumbrances, easements, rights-of-way, and clouds on title as exist on the date of closing or as normally exist with respect to properties similar in character and location to the Leased Facilities and as do not, in the Opinion of Counsel, materially impair the property affected thereby for the purpose for which it was acquired or is held by the Issuer or to which the Bondholder has been notified and does not object to, and (vi) the lien of the Security Agreement dated July 11, 2003 in favor of the Purchaser from the Lessee.

"Person" means natural persons, firms, associations, corporations and public bodies.

"Project" shall have the meaning set forth in the preamble hereto and as more particularly described in Exhibit B hereto.

"Purchaser" means the initial purchaser of the Bonds, Whitney National Bank.

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"Rating Service" means Moody's Investors Service and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc, or any other rating agency approved by the Bondholder.

"Registered Owner" means the person or persons in whose name or names the particular registered Bonds shall be registered on the books of the Issuer kept for that purpose in accordance with the terms of this Indenture.

"State" means the State of Louisiana.

"Trust Estate" or "property herein conveyed" means the property specified in the Granting Clauses hereof.

"Trustee" means The Bank of New York Trust Company of Florida, N. A., in Jacksonville, Florida, a national banking corporation organized under the laws of the United States of America, the party of the second part hereto, and any successor trustee pursuant to Sections 1205 or 1208 hereof at the time serving as successor trustee hereunder.

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ARTICLE II

THE BONDS

SECTION 201. Authorized Amount of Bonds. No Bonds may be issued under the provisions of this Indenture except in accordance with this Article. The total principal amount of Bonds that may be issued hereunder is hereby expressly limited to Four Million Dollars (\$4,000,000).

SECTION 202. Issuance of Bonds. The Bonds shall be designated "Taxable

Revenue Bonds (Conrad Aluminum, L.L.C. Project) Series 2003", shall be dated the date of initial issuance and delivery thereof, and shall be issued as a single fully registered Bond, numbered from R-1 upwards. Except as prepaid or redeemed, the Bonds shall mature in 179 monthly principal installments of \$22,222.22 commencing September 1, 2003 through and including July 1, 2018 and a final principal installment of \$22,222.62 due and payable on August 1, 2018.

The Bonds shall bear interest from the later of the date thereof or the most recent interest payment date to which interest has been paid or duly provided for in full as follows:

(a) The Lessee has previously determined that the Bonds shall initially accrue interest at the three (3) month Libor Rate. On the last Business Day prior to the expiration of the then applicable Interest Period for the Bonds, Lessee will determine the Interest Period and whether the Bonds will accrue interest at Libor Rate or Base Rate. Upon the expiration of such Interest Period and any Interest Period thereafter, the Lessee shall have the option to convert the interest rate accruing on all (but not less than all) of the outstanding principal balance of the Bonds into a Libor Rate or Base Rate; provided that (i) Bonds cannot be converted when any Default has occurred and is continuing and in such event the Bonds shall accrue interest at the Base Rate, and (ii) no conversions of the Bonds are allowed until the expiration of the Interest Period applicable to the existing rate of interest has expired.

(b) Each conversion shall be enacted by the Authorized Lessee Representative by giving to the Bondholder at its main office prior to 11:00 a. m. (New Orleans time) on or before the last Business Day of the applicable Interest Period written or telephone Notice of Conversion specifying if the Bonds are to be converted into accruing interest at Libor Rate or Base Rate and the Interest Period to be applicable thereto. In the absence of any specific rate election by the Lessee or if Lessee fails to provide such notice to the Bondholder in a timely manner, the Bonds shall accrue interest at the Base Rate.

(c) Interest on the outstanding principal owed on the Bonds shall be computed on the basis of the actual number of days elapsed over a year composed of 360 days.

(d) Additionally, with respect to each Interest Period, in the event that Bondholder shall have determined in good faith (which determination shall, absent manifest error, be final and conclusive and binding upon all parties hereto):

(i) on any Interest Period or date of conversion that, by reason of any changes arising after the date of this Indenture affecting the London interbank market, adequate and fair means do not exist for ascertaining the applicable interest rate on the basis provided for in the definition of Libor Rate; or

(ii) at any time, that Bondholder shall incur increased costs or reductions in the amounts received or receivable hereunder with respect to any Libor Rate because of any change since the date of this Indenture in any applicable law or governmental rule, regulation, order, guideline or request or in the interpretation or administration thereof and including the introduction of any new law or governmental rule, regulation, order, guideline or request, such as, for example, but not limited to: (A)

a change in the basis of taxation of payment to the Bondholder of the principal or interest on such Libor Rate (except for changes in the rate of tax on, or determined by reference to, the net income or profits of the Bondholder) or (B) a change in official reserve requirements; or

(iii) at any time, that the making or continuance of any Libor Rate has been made (x) unlawful by any law or governmental rule, regulation or order, (y) impossible by compliance by the Bondholder in good faith with any governmental request (whether or not having force of law) or (z) impracticable as a result of a contingency occurring after the date of this Indenture which materially and adversely affects the London interbank market;

then, and in any such event, the Bondholder shall promptly give notice (by telephone confirmed in writing) to the Lessee. Thereafter (x) in the case of clause (i) above, the Libor Rate shall no longer be available until such time as the Bondholder notifies the Lessee that the circumstances giving rise to such notice no longer exist, the Bonds shall then accrue interest at the Base Rate, and any Notice of Conversion given by the Lessee with respect to the Libor Rate which have not yet been incurred (including by way of conversion) shall be deemed rescinded by the Lessee, (y) in the case of clause (ii) above, the Lessee agrees to pay to the Bondholder, upon written demand therefor, such additional amounts (in the form of an increased rate of, or a different method of calculating, interest or otherwise as agreed to by the Bondholder and the Lessee) as shall be required to compensate the Bondholder for such increased costs or reductions in amounts received or receivable hereunder (a written notice as to the additional amounts owed to the Bondholder, showing the basis for the calculation thereof, submitted to the Lessee by the Bondholder in good faith shall, absent manifest error, be final and conclusive and binding on all the parties hereto) and (z) in the case of clause (iii) above, the Bonds shall accrue interest at the Base Rate. The Bondholder agrees that if it gives notice to the Lessee of any of the events described in clause (i) or (iii) above, it shall promptly notify the Lessee if such event ceases to exist. If any such event described in clause (iii) above ceases to exist as to the Bondholder, the Bondholder's obligations to convert the interest accruing on the Bonds into Libor Rate on the terms and conditions contained herein shall be reinstated.

The Bonds are not subject to redemption prior to maturity except pursuant to the redemption provisions of Article IV hereof.

The principal of, premium, if any, and interest on the Bonds shall be paid in lawful money of the United States of America, and the final payment of principal of and interest on the Bonds shall be payable upon presentation and surrender of such Bonds as they become due at the office of the Corporate Trust Division of the Trustee, or its successor in trust provided that principal and interest on each fully registered Bond shall be paid by check or draft mailed to the registered owner thereof whose name is registered at the close of business on the fifteenth calendar day preceding any such payment date at his or her address as it appears on the Bond Register.

Notwithstanding any provision of this Indenture or the Bonds to the contrary, if a Bondholder owning all Outstanding Bonds shall file with the Trustee an instrument requesting the amount payable by the Trustee as interest and principal hereunder to such Bondholder or a nominee therefor be paid either (a) by crediting in immediately available funds the amount to be distributed to such Bondholder to any account maintained by such Bondholder with the Trustee, or (b) by transferring by wire transfer in immediately available funds the amount to be distributed to such Bondholder to a designated account maintained by such Bondholder at any other bank in the United States, the Trustee shall pay all amounts payable by the Trustee as interest and principal hereunder to such Bondholder or nominee therefor in accordance with the provisions of any such agreement and without presentment of such Bond to the Trustee, except for the final maturity. Furthermore, notwithstanding any provision of this Indenture or the Bonds to the contrary, if a Bondholder owning all Outstanding Bonds shall file with the Trustee and the Company an instrument requesting all payments on the Bonds to be paid directly to the Bondholder, such payments shall be paid directly to the Bondholder without

any requirement for presentation and surrender as set forth in the preceding paragraph and the Bondholder shall keep records of all payments on the Bonds on the schedules attached to the Bonds. All payments so made shall be valid and effective to satisfy and discharge the liability upon any Bonds, but only to the extent of the sums actually paid and collected. Such payment shall be valid and effective irrespective of whether any such notation has been made thereon and irrespective of any error or omission in such notation.

SECTION 203. Execution; Limited Obligation. The Bonds shall be executed on behalf of the Issuer with the manual or facsimile signature of its President or Vice President and shall have affixed, impressed, or otherwise reproduced thereon the seal of the Issuer and attested with the manual or facsimile signature of its Secretary-Treasurer. The Bonds, together with interest thereon, shall be limited obligations of the Issuer payable from the Trust Estate, including the Bond Fund, and shall be a valid claim of the respective holders thereof only against such Trust Estate and fund and the revenues and receipts derived from the lease or sale of the Leased Facilities and pledged to such fund, which revenues and receipts are hereby pledged for the equal and ratable payment of the Bonds and shall be used for no other purpose than to pay the principal of, premium, if any, and interest on the Bonds, except as may be otherwise expressly authorized in this Indenture or in the Lease Agreement. The Bonds are also secured by a Guaranty Agreement. The Bonds do not now and shall never constitute an indebtedness or a pledge of the general credit of the Issuer, the Parish of St. Mary, the State, or any political subdivision of the State, within the meaning of any constitutional provision or statutory limitation of indebtedness. In case any officer whose signature or facsimile of whose signature shall appear on the Bonds shall cease to be such officer before the delivery of such Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he had remained in office until delivery.

SECTION 204. Authentication. Only such Bonds as shall have endorsed thereon a certificate of authentication substantially in the form of Bond set forth in Exhibit A duly executed by the Trustee shall be entitled to any right or benefit under this Indenture. No Bond shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Trustee, and such executed certificate of the Trustee upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Indenture. The Trustee's certificate of authentication on any Bond shall be deemed to have been executed by it if signed by an authorized officer of the Trustee, but it shall not be necessary that the same officer sign the certificate of authentication on all of the Bonds issued hereunder.

SECTION 205. Form of Bonds. The Bonds issued under this Indenture shall be substantially in the form set forth in Exhibit A with such appropriate variations, omissions and insertions as are permitted or required by this Indenture.

SECTION 206. Delivery of Bonds. Upon the execution and delivery of this Indenture, the Issuer shall execute and deliver to the Trustee and the Trustee shall authenticate the Bonds and deliver them to the purchasers as may be directed by the Issuer in writing as hereinafter in this Section 206 provided.

Prior to the delivery by the Trustee of any of the Bonds there shall be filed with the Trustee:

1. A copy, duly certified by the Secretary-Treasurer of the Issuer, of the resolution or resolutions adopted by the Board of Directors of the Issuer, authorizing the execution and delivery of the Lease Agreement and this Indenture and the issuance, execution and delivery of the Bonds.

2. An original executed counterpart of the Lease Agreement and this Indenture.

3. An original executed counterpart of the Guaranty Agreement.

4. A request and authorization to the Trustee on behalf of the Issuer and signed by its President or Vice President and Secretary-Treasurer, to authenticate and deliver the aggregate

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principal amount of the Bonds to be issued to the purchasers therein identified upon payment to the Trustee, but for the account of the Issuer, of a sum specified in such request and authorization. Such proceeds shall be paid over to the Trustee and deposited as hereinafter provided under Article VII.

5. A certified copy of the resolution of the Lessee authorizing the execution of the Lease Agreement and Guaranty Agreement.

6. An opinion of Bond Counsel.

7. Such other items, if any, required by the Purchaser under its commitment letter.

Simultaneously with the delivery of the Bonds, the Trustee shall apply the proceeds of the Bonds (including accrued interest, if any) in accordance with Article VII hereof.

SECTION 207. Mutilated, Lost, Stolen or Destroyed Bonds. In the event any Bond is mutilated, lost, stolen or destroyed, the Issuer may execute and the Trustee may authenticate a new Bond of like date, maturity and denomination as the Bond mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Bonds, such mutilated Bond shall first be surrendered to Trustee, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the Issuer and the Trustee evidence of such loss, theft or destruction satisfactory to the Issuer and the Trustee, together with indemnity satisfactory to them. In the event any such Bond shall have matured, instead of issuing a substitute Bond the Issuer may pay the same without surrender thereof. The Issuer and the Trustee may charge the holder or owner of such Bond with their reasonable fees and expenses in this connection. Each new Bond shall in all respects be identical with the pertinent lost, mutilated, destroyed or stolen Bond, except that it shall bear on its face the following clause:

"This bond is issued to replace a lost, cancelled or destroyed Bond under the authority of R.S. 39:971 through 39:974."

SECTION 208. Registration of Bonds; Persons Treated as Owners. So long as any of the Bonds shall remain outstanding, the Issuer shall maintain and keep, at the office of the Corporate Trust Division of the Trustee, books for the registration and transfer of Bonds (the "Bond Register"), and the Issuer shall register or cause to be registered therein, under such reasonable regulations as it or the Trustee may prescribe, any Bond. So long as any of the Bonds remain outstanding, the Issuer shall make all necessary provisions to permit the exchange of Bonds at such office of the Trustee.

All Bonds shall be transferable only on the Bond Register upon surrender of such Bond at the office of the Corporate Trust Division of the Trustee, with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his attorney duly authorized in writing.

Bonds, upon surrender thereof at the office of the Corporate Trust Division of the Trustee with a written instrument of transfer satisfactory to the Trustee duly executed by the Registered Owner or his attorney duly authorized in writing, may at the option of the Registered Owner thereof be exchanged for an equal aggregate principal amount of Bonds of the same maturity and interest rate in any of the authorized denominations and registered in such name or names as may be requested.

Registrations and transfers of Bonds shall be without charge to the holder of the Bonds but, for every registration or transfer of Bonds, the Issuer or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such registration or transfer, which sum or sums shall be paid by the person requesting such registration or transfer as a condition precedent to the exercise of the privilege of making such registration or transfer.

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Each Bond delivered pursuant to any provision of this Indenture in exchange or substitution for, or upon the transfer of the whole or any part of one or more other Bonds, shall carry all of the rights to interest accrued and unpaid and to accrue which were carried by the whole or such part, as the case may be, of such one or more other Bonds, and notwithstanding anything contained in this Indenture, such Bonds shall be so dated or bear such notation that neither gain or loss in interest shall result from any such exchange, substitution or transfer.

Every transfer of Bonds under the foregoing provisions shall be effected in such manner as may be prescribed by the Issuer or pursuant to its written authorization, with the approval of the Trustee. Neither the Issuer nor the Trustee shall be required (a) to register or transfer Bonds for a period of ten days next preceding an interest payment date on the Bonds or next preceding the date of first publication or mailing of notice of redemption, whichever is earlier, or (b) to register or transfer any Bonds called for redemption.

Anything in this Indenture to the contrary notwithstanding, there shall not be effected, and the Trustee, acting as bond registrar, shall not permit the effecting of, any transfer of any Bond pursuant to the provisions of this Section, unless there is delivered to the Trustee an opinion of counsel satisfactory to the Trustee and the Lessee to the effect that such transfer will not violate applicable securities laws.

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ARTICLE III

ISSUE OF BONDS; CONSTRUCTION FUND

SECTION 301. Issue of Bonds. The Issuer may issue the Bonds following the execution of this Indenture; and the Trustee shall, at the Issuer's written request, authenticate such Bonds and deliver them as specified in the request.

SECTION 302. Issue of Additional Bonds. No Additional Bonds shall be issued hereunder.

SECTION 303. Creation of Construction Fund. There is hereby created and ordered to be established with the Trustee, a special account of the Issuer to be designated "The Industrial Development Board of the Parish of St. Mary, Louisiana, Inc. Taxable Revenue Bond Construction Fund - Conrad Aluminum, L.L.C. Project" (the "Construction Fund").

SECTION 304. Payments into Construction Fund. The proceeds from the issuance and sale of the Bonds, other than accrued interest, if any, on such Bonds to the date of delivery thereof paid by the Purchaser shall be deposited by the Trustee into the Construction Fund as provided in Article VII hereof. All income or other gain or any loss from the investment of moneys in the Construction Fund shall be credited to the Construction Fund.

SECTION 305. Disbursements from Construction Fund. Moneys in the Construction Fund shall be expended in accordance with Section 3.3 of the Lease Agreement to or on behalf of the Lessee, acting as agent for and on behalf of the Issuer, the owner of the Leased Facilities, pursuant to requisitions signed by an Authorized Lessee Representative, approved in writing by the Purchaser and delivered to the Trustee stating with respect to each payment to be made:

(a) The requisition number;

(b) The name and address of the person, firm or corporation to whom payment is due or has been made, which may include the Lessee;

(c) The amount to be or which has been paid; and

(d) That each obligation mentioned therein has been properly incurred, is a proper charge against the Construction Fund in accordance with the provisions of the Lease Agreement and has not been the basis of any previous requisition from the Construction Fund or from the proceeds (including investment income) of any other obligations issued by or on behalf of any state or political subdivision, including authorities, agencies, departments or other similar issuers.

The Trustee is hereby authorized and directed to make the disbursement pursuant to each such requisition and to issue its checks therefor or by wire transfer pursuant to instructions given to the Trustee by the Authorized Lessee Representative. In making any such disbursement, the Trustee may rely on any such requisition. The Trustee shall keep and maintain adequate records pertaining to the Construction Fund and all disbursements therefrom and shall provide monthly statements of transactions and investments pertaining to the Construction Fund to the Lessee so long as any funds remain in the Construction Fund.

Notwithstanding the foregoing, the fees and expenses related to the issuance and delivery of the Bonds listed on Exhibit C hereto shall be paid from the Construction Fund to the persons listed thereon by the Trustee upon receipt of statements or invoices for such amounts by the persons listed thereon and without the necessity of the submission of a requisition.

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SECTION 306. Balance in Construction Fund. Any balance remaining in the Construction Fund (except for amounts retained at the Lessee's written direction for Costs of Construction not then due and payable), shall, at the written direction of the Lessee, be deposited into a segregated account of the Issuer in the Bond Fund to be designated "The Industrial Development Board of the Parish of St. Mary, Louisiana, Inc. Taxable Revenue Bond Lessee Designation Account - Conrad Aluminum, L.L.C. Project" (the "Lessee Designation Account") and used by the Trustee for (a) redemption of principal of the Bonds in inverse order of installments on or prior to the earliest redemption date permitted by this Indenture without a premium or penalty in accordance with the provisions of this Indenture; or (b) the payment of a portion of the principal due on the Bonds in years before the Bonds are subject to redemption without premium or penalty; or (c) any other purpose specified in writing by the Lessee, provided that the Trustee is furnished with an opinion of Bond Counsel, satisfactory to the

Trustee, to the effect that such use is lawful under the Act.

SECTION 307. Optional Redemption of Bonds. In the event that Bonds are to be redeemed pursuant to the provisions hereof, the Trustee shall, at the written direction of the Lessee, with the written consent of the Purchaser, to the extent moneys remain on deposit in the Construction Fund, if any, withdraw from the Construction Fund and transfer to the Bond Fund amounts in the aggregate not exceeding the aggregate principal amount of, and accrued interest on, the Bonds to be redeemed, with advice to the Issuer and the Lessee of such action, such withdrawals and deposits to be made on the date specified in such direction.

SECTION 308. Reserved.

SECTION 309. Acceleration of Bonds. In the event that the principal of the Bonds shall have become due and payable pursuant to Section 1102 hereof, the Trustee may, and at the written direction of the holders of at least 25% in aggregate principal amount of Bonds then outstanding hereunder shall, deposit into the Bond Fund all amounts remaining in the Construction Fund, with written advice to the Issuer and the Lessee of such action.

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ARTICLE IV

REDEMPTION OF BONDS BEFORE MATURITY; GENERAL REDEMPTION PROVISIONS

SECTION 401. Redemption Dates and Prices. The Bonds shall be subject to redemption prior to maturity, in whole or in part, at the option of the Issuer, as directed by the Lessee in writing, on any date, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date.

SECTION 402. Notice of Redemption. Notice of the call for any such redemption pursuant to the first paragraph of Section 401 hereof identifying the Bonds to be redeemed shall be given by mailing a copy of the redemption notice by first class mail at least thirty (30) days to the Registered Owners of any Bonds which are to be redeemed at their last addresses, if any, appearing on the registration books.

Prior to the date fixed for redemption, moneys shall be placed with the Trustee to pay the Bonds called for redemption and accrued interest thereon to the redemption date and the premium, if any. Upon the happening of the above conditions, the Bonds thus called for redemption shall be redeemed, shall cease to bear interest from and after the redemption date, shall no longer be protected by this Indenture and shall not be deemed to be Outstanding under the provisions of this Indenture.

SECTION 403. Cancellation. Unless otherwise provided in Section 401 hereof, all Bonds which have been redeemed pursuant to Section 401 hereof shall be cancelled and destroyed by the Trustee and shall not be reissued and counterparts of the certificate of destruction evidencing such destruction shall be furnished by the Trustee to the Issuer and the Lessee.

SECTION 404. Partial Redemption of Bonds. In the event of redemption of the Bonds in part only, the holder thereof shall surrender the Bonds to the Trustee and the Trustee shall authenticate and the Issuer shall execute and deliver to the holder a new bond of the same maturity in the denomination of the unredeemed portion of the Bonds surrendered. Any costs incurred in the printing of said new Bond shall be paid by the Lessee.

SECTION 405. Partial Prepayment of Bonds. Upon surrender of any Bond for prepayment in part only, the Issuer shall execute and the Trustee shall

authenticate and deliver to the holder thereof, at the expense of the Lessee, a new Bond in the denomination of the unredeemed portion of the Bonds surrendered.

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ARTICLE V

MISCELLANEOUS PROVISIONS

SECTION 501. Payment of Principal and Interest. The Issuer covenants that it will promptly pay the principal of and interest and premium, if any, on every Bond issued under this Indenture at the place, on the dates and in the manner provided herein and in said Bonds according to the true intent and meaning thereof subject, however, to the provisions of Section 203 hereof. The principal of, premium, if any, and interest in respect of the Bonds are payable solely from the Trust Estate, including revenues and other amounts derived from the lease or sale of the Leased Facilities pursuant to the terms of the Lease Agreement, which revenues and other amounts are hereby specifically pledged to the payment thereof in the manner and to the extent herein specified and the Bonds are secured by the Guaranty Agreement, and nothing in the Bonds or in this Indenture shall ever be considered or construed as pledging any assets or funds of the Issuer other than those pledged hereby. The Issuer shall not in any event be liable for the payment of the principal of or interest or premium, if any, on any of the Bonds or for the performance of any pledge, obligation or agreement undertaken by the Issuer, except to the extent provided herein.

SECTION 502. Performance of Covenants; Authority. The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in each and every Bond executed, authenticated and delivered hereunder and in all proceedings of the Issuer pertaining thereto. The Issuer covenants that it is duly authorized under the Constitution and laws of the State, including particularly and without limitation the Act, to issue the Bonds authorized hereby and to execute this Indenture, and to pledge the revenues and properties described herein and pledged hereby in the manner and to the extent herein set forth; that all action on its part for the issuance of the Bonds and the execution and delivery of this Indenture has been duly and effectively taken; and that the Bonds in the hands of the holders and owners thereof are and will be valid and enforceable obligations of the Issuer according to the import thereof.

SECTION 503. Payment of Taxes, Charges, Etc. The Lessee has agreed to pay all lawful taxes, assessments and charges at any time levied or assessed upon or against the Leased Facilities or any part thereof, which might impair or prejudice the lien and priority of this Indenture or the Lease Agreement; provided, however, that nothing contained in the Lease Agreement shall require the payment of any such taxes, assessments or charges if the same are not required to be paid under the provisions of Section 5.3 and/or 5.8 of the Lease Agreement.

SECTION 504. Maintenance and Repair. Pursuant to the provisions of Section 5.1 of the Lease Agreement the Lessee has agreed at its own expense to cause the Leased Facilities to be maintained.

SECTION 505. Inspection of Leased Facilities Books. The Issuer covenants and agrees that all books and documents in its possession relating to the Leased Facilities and the revenues derived from the Leased Facilities shall at all times be open to inspection by such accountants or other agents as the Trustee may from time to time designate. The Trustee may but shall have no obligation or liability with respect to inspection of the books of the Leased Facilities.

SECTION 506. List of Bondholders. The Trustee will keep on file at its office of the Corporate Trust Division of the Bond Register which shall contain

a list of names and addresses of the owners of all Bonds. The Issuer shall have no responsibility with regard to the accuracy of said list. At reasonable times and under reasonable regulations established by the Trustee, said list may be inspected and copied by the Lessee.

SECTION 507. Rights Under Lease Agreement. The Lease Agreement, a duly executed counterpart of which has been filed with the Trustee, sets forth the covenants and obligations of the Issuer and the Lessee,

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including a provision that subsequent to the issuance of the Bonds and prior to their payment in full or provision for payment thereof in accordance with the provisions hereof, the Lease Agreement may not be effectively amended, changed, modified, altered or terminated (other than as provided therein) without the concurring written consent of the Trustee, given as hereinafter in Article XIV provided, and reference is hereby made to the Lease Agreement for a detailed statement of said covenants and obligations of the Lessee thereunder. The Issuer agrees that the Trustee in its name or in the name of the Issuer may enforce all rights of the Issuer and all obligations of the Lessee under and pursuant to the Lease Agreement for and on behalf of the Bondholders, whether or not the Issuer is in default hereunder.

SECTION 508. Ownership. The Issuer shall continually defend the title to the Leased Facilities and every part thereof to the Trustee, and its respective successors and assigns, for the benefit of the holders and owners of the Bonds against the claims and demands of all persons whomsoever at the expense of the Lessee. The Issuer covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such indentures supplemental hereto and such further acts, instruments and transfers as the Trustee may reasonably require for the better assuring, transferring, pledging, assigning and confirming unto the Trustee all and similar property herein described, pledged and assigned hereby and the income and revenue pledged hereby to the payment of the principal of, premium, if any, and interest on the Bonds. The Issuer covenants, and agrees that, except as herein and in the Lease Agreement provided, it will not sell, lease, convey, mortgage, hypothecate, encumber or otherwise dispose of any part of the Leased Facilities or the income and revenue derived therefrom or of its rights under the Lease Agreement.

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ARTICLE VI

REVENUES AND FUNDS

SECTION 601. Creation of Bond Fund. There is hereby created by the Issuer and ordered established with the Trustee a trust fund to be designated "Taxable Revenue Bond Fund -- Conrad Aluminum, L.L.C. Project" (the "Bond Fund").

Moneys on deposit in the Bond Fund shall be used to pay the principal of and interest and premium, if any, on the Bonds as the same mature and become due or upon the redemption thereof prior to maturity except as provided in Sections 602, 609, 1107 and 1202 hereof.

SECTION 602. Payments into the Bond Fund. There shall be deposited in the Bond Fund the amounts required by Section 701 hereof. Additionally, there shall be deposited in the Bond Fund, as and when received, (a) all rental payments specified in Section 4.3(a) of the Lease Agreement; provided, however, that in the event a Bondholder files an election to be paid directly in accordance with the provisions of Section 202(d) hereof, said rental payments shall be paid

directly to the Bondholder, and references to deposits into the Bond Fund shall be of no force and effect; (b) all payments made pursuant to the Guaranty Agreement; and (c) all other moneys received by the Trustee under and pursuant to any of the provisions of the Lease Agreement when accompanied by written directions from the Lessee that such moneys are to be paid into the Bond Fund or otherwise received on account of the Leased Facilities. The Issuer hereby covenants and agrees that so long as any of the Bonds issued hereunder are outstanding it will deposit, or cause to be deposited, in the Bond Fund for its account sufficient sums from revenues and receipts derived from the Leased Facilities (whether or not under and pursuant to the Lease Agreement) promptly to meet and pay the principal of and interest and premium, if any, on the Bonds as the same become due and payable and to this end the Issuer covenants and agrees that, so long as any Bonds issued hereunder are outstanding, should there be a default under the Lease Agreement with the result that the right of possession of the Leased Facilities under the Lease Agreement is returned to the Issuer, the Issuer shall fully cooperate with the Trustee and with the Bondholders to the end of fully protecting the rights and security of the Bondholders and shall diligently proceed in good faith and use its best efforts to secure another lessee or a suitable tenant for the Leased Facilities to the end that at all times sufficient revenues and receipts will be derived from the Leased Facilities promptly to meet and pay the principal of and interest and premium, if any, on the Bonds as the same become due and payable, as well as covering the cost of maintaining and insuring the Leased Facilities as more particularly provided in the Lease Agreement. Nothing herein shall be construed as requiring the Issuer to operate the Leased Facilities or to use any funds or revenues from any source other than funds and revenues derived from the Leased Facilities.

SECTION 603. Use of Moneys in the Bond Fund. Except as provided in Sections 602, 609, 1107 and 1202 hereof, moneys in the Bond Fund shall be used solely for the payment of the premium, if any, and the interest on the Bonds and for the payment or redemption of the principal of the Bonds.

Whenever the amount in the Bond Fund from any source whatsoever is sufficient to redeem all of the outstanding Bonds and to pay interest to accrue thereon to such redemption, the Issuer covenants and agrees, upon request of the Lessee, to take and cause to be taken the necessary steps to redeem all such Bonds on the next succeeding redemption date for which the required redemption notice may be given or on such later redemption date as may be specified by the Lessee.

SECTION 604. Custody of Bond Fund. The Bond Fund shall be in the custody of the Trustee but in the name of the Issuer, and the Issuer hereby authorizes and directs the Trustee to withdraw sufficient funds from the Bond Fund to pay the principal of, and premium, if any, and interest on the Bonds, as the same may become due and payable, and to make said funds so withdrawn available to the Trustee for the purpose of

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paying said principal and interest and premium, if any, which authorization and direction the Trustee hereby accepts.

SECTION 605. Non-presentment of Bonds. In the event any Bonds shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof, if funds sufficient to pay such Bonds shall be held by the Trustee for the benefit of the owner or owners thereof, all liability of the Issuer to the owner thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such fund or funds without liability for interest thereon, for the benefit of the owner of such Bond, who shall thereafter be restricted exclusively to such fund or funds, for any claim

of whatever nature on his part under this Indenture or on, or with respect to, said Bond.

SECTION 606. Trustee's Fees, Charges and Expenses. Pursuant to the provisions of the Lease Agreement, the Lessee has agreed to pay to the Trustee, at the commencement of the Lease Term (as defined in the Lease Agreement) and continuing until the principal of and interest and premium, if any, on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the provisions of this Indenture: (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 this Indenture, (ii) the reasonable fees and charges of the Trustee, as bond registrar and paying agent, and (iii) the reasonable fees and charges of the Trustee, including reasonable attorney fees and expenses, for Extraordinary Services and Extraordinary Expenses of the Trustee under this Indenture, as and when the same become due. 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 of the fees or charges referred to herein.

SECTION 607. Moneys to be Held in Trust. All moneys required to be deposited with or paid to the Trustee for account of the Bond Fund under any provision of this Indenture shall be held by the Trustee in trust, and except for moneys deposited with or paid to the Trustee for the redemption of Bonds, notice of the redemption of which has been duly given, shall, while held by the Trustee, constitute part of the Trust Estate and be subject to the lien hereof.

SECTION 608. Insurance and Condemnation Proceeds. Reference is hereby made to Articles V and VI of the Lease Agreement for the provisions governing insurance and condemnation proceeds.

SECTION 609. Repayment to the Lessee from the Bond Fund. Any amounts remaining in the Bond Fund after payment in full of the principal and interest and premium, if any, on the Bonds (or provision for the payment thereof as provided in this Indenture) and all fees, charges and expenses of the Trustee and all other amounts required to be paid hereunder, shall be paid to the Lessee upon the expiration or sooner termination of the term of the Lease Agreement as provided in Section 11.6 of the Lease Agreement.

SECTION 610. Deposits under Guaranty Agreement. Reference is hereby made to the Guaranty Agreement, wherein it is provided that the Guarantors guarantee the prompt and full payment of the principal of, premium, if any, and interest on, the Bonds. The Trustee and the Issuer hereby acknowledge that any amounts paid under the Guaranty Agreement shall be paid directly to the Trustee and deposited in the Bond Fund. All amounts received under the Guaranty Agreement shall be applied solely to the payment of the principal of, premium, if any, and interest on the Bonds or returned to the Guarantors.

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ARTICLE VII

CUSTODY AND APPLICATION OF PROCEEDS OF BONDS

SECTION 701. Deposits in the Bond Fund. From the proceeds of issuance and delivery of the Bonds there shall be deposited in the Bond Fund a sum equal to the accrued interest on the Bonds paid by the purchasers thereof, if any.

SECTION 702. Deposits in the Construction Fund. Except as provided in Section 701 above, all of the proceeds derived from the issuance and delivery of the Bonds shall be deposited into the Construction Fund.

ARTICLE VIII

INVESTMENTS

SECTION 801. Investment of Moneys. Any moneys held by the Trustee in any fund or account under this Indenture shall be separately invested and reinvested by the Trustee in Eligible Investments at the written direction of the Lessee.

The Trustee may make any and all investments of funds through its own bond department, or in the investment department of any Bondholder. The Trustee is authorized and directed to cause to be sold and reduce to cash a sufficient amount of Eligible Investments whenever the cash balance is or will be insufficient to make a requested or required disbursement. The Trustee shall not be accountable for any depreciation in value of the Eligible Investments or for any loss resulting from such sale. The Trustee shall have no liability for any investments made in accordance with this Section 801.

Notwithstanding the foregoing, to the extent any funds or accounts are held by or transferred to the Bondholder, such funds or accounts shall be invested by the Bondholder in Eligible Investments at the written direction of the Lessee and the Trustee will have no responsibility with respect thereto.

ARTICLE IX

POSSESSION, USE AND PARTIAL RELEASE OF LEASED FACILITIES

SECTION 901. Subordination to Rights of the Lessee. So long as there is no default by the Lessee under the Lease Agreement, this Indenture and the rights and privileges hereunder of the Trustee (except the Trustee's right to fees, charges and expenses hereunder) and the owners of the Bonds are specifically made subject and subordinate to the rights and privileges of the Lessee set forth in the Lease Agreement. So long as not otherwise provided in this Indenture, the Lessee shall be suffered and permitted to possess, use and enjoy the Leased Facilities and appurtenances so as to carry out its rights and obligations under the Lease Agreement.

SECTION 902. Release of Leased Facilities. Reference is made to the provisions of the Lease Agreement, including without limitation Section 5.2 thereof, whereby the Lessee may remove certain portions of the Leased Facilities upon compliance by the parties with the terms and conditions of the Lease Agreement.

ARTICLE X

DISCHARGE OF LIEN

SECTION 1001. Discharge of Lien of the Indenture. If and when the Bonds secured hereby shall become due and payable in accordance with their terms or through redemption proceedings as provided in this Indenture, or otherwise, and the whole amount of the principal, redemption premium (if any) and the interest so due and payable upon all of the Bonds shall be paid, or provision shall have been made for the payment of the same, together with all other sums payable

under this Indenture, including Trustee fees for Ordinary Services and Ordinary Expenses and fees due for Extraordinary Services and Extraordinary Expenses, and the reasonable fees and expenses of Trustee's counsel, by the Issuer, then and in that case, this Indenture and the lien created hereby shall be discharged and satisfied and the Issuer shall be released from the covenants, agreements and obligations of the Issuer contained in this Indenture, and the Trustee shall assign and transfer to the Lessee, or upon the written order of the Lessee and the Issuer, all property (in excess of the amounts required for the foregoing) then held by the Trustee and shall execute such documents as may be reasonably required by the Lessee in this regard.

Notwithstanding the satisfaction and discharge of this Indenture, the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of, premium, if any, and interest on the Bonds, to pay to the owners of Bonds the funds so held by the Trustee as and when such payment becomes due, and on written demand of the Lessee and the Issuer, shall assign and transfer to or upon the order of the Lessee all property (in excess of the amounts required for the foregoing) then held by the Trustee and shall execute such documents as may be reasonably required by the Lessee in this regard.

SECTION 1002. Bonds Deemed to be Paid. All outstanding Bonds shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in Section 1001 if (a) in case said Bonds are to be redeemed on any date prior to their maturity, the Issuer shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail on a date in accordance with the provisions of Section 402 hereof notice of redemption of such Bonds on said redemption date, such notice to be given in accordance with the provisions of Section 402 hereof, (b) there shall have been deposited with the Trustee either moneys in an amount, or obligations of or guaranteed as to principal and interest by the United States of America, which shall not contain provisions permitting the redemption thereof at the option of the Issuer, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which together with the moneys, if any, deposited with or held by the Trustee at the same time, shall be sufficient to pay when due the principal of and premium, if any, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event all or any part of said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Issuer shall have given the Trustee in form satisfactory to it irrevocable written instructions to mail, as soon as practicable in the same manner as a notice of redemption is mailed pursuant to Section 402 hereof, a notice to the holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that the said Bonds are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of and premium, if any, and interest on said Bonds. Neither the obligations nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and premium, if any, and interest on said Bonds; provided that any cash received from such principal or interest payments on such obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in obligations of the type described in clause (b) of this paragraph maturing at times and in amounts sufficient to pay when due the principal of and premium, if any, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and the interest earned from

such reinvestments may be paid over to the Lessee, as received by the Trustee,

free and clear of any trust, lien and pledge.

Any release under this Section 1002 shall be conditioned upon payment to the Trustee of all reasonable compensation for all services rendered by it under this Indenture and all its reasonable expenses, charges and other disbursements and those of its attorneys, agents and employees, incurred on and about the administration of trusts by this Indenture created and the performance of its powers and duties under this Indenture.

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ARTICLE XI

DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND BONDHOLDERS

SECTION 1101. Defaults; Events of Default. If any of the following events occur, subject to the provisions of Section 1112 hereof, it is hereby defined as and declared to be and to constitute an "event of default":

(a) Default in the due and punctual payment of any interest on any Bond; or

(b) Default in the due and punctual payment of the principal or redemption premium, if any, on any Bond, whether at the stated maturity thereof, or upon proceedings for redemption thereof, or upon the maturity thereof by declaration; or

(c) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer in this Indenture or in the Bonds contained, and the continuance thereof for a period of sixty (60) days after written notice given to the Issuer and the Lessee by the Trustee or to the Trustee and the Issuer by the holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then outstanding, unless the Lessor and the Trustee (with any required consent of the Bondholders pursuant to Section 1111 hereof) shall agree in writing to an extension of such time prior to its expiration; or

(d) The occurrence, of an "event of default" under the Lease Agreement as provided in Section 9.1 thereof which shall not be cured by the Lessee pursuant to the terms of the Lease Agreement; or

(e) The failure of any Guarantor to observe any covenant, condition or agreement set forth in the Guaranty Agreement.

SECTION 1102. Acceleration. Subject to the provisions of Section 1112 hereof, upon the occurrence of an event of default hereunder the Trustee may, and upon the written request of the holders of not less than a majority in aggregate principal amount of Bonds then outstanding shall, by notice in writing delivered to the Issuer and the Lessee, declare the principal of all Bonds then outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable. Upon any declaration of acceleration hereunder, the Trustee shall immediately exercise such rights as it may have to declare all rental payments payable under Section 4.3 of the Lease Agreement to be immediately due and payable in accordance with Section 9.2(a) of the Lease Agreement.

SECTION 1103. Surrender of Possession of Leased Facilities; Rights and Duties of Trustee in Possession. Upon the occurrence of an event of default hereunder, the Trustee shall have the power to require the Issuer to surrender possession of the Leased Facilities and the Issuer, upon written demand of the Trustee, shall forthwith surrender the possession of, and it shall be lawful for

the Trustee, by such officer or agent as it may appoint, to take possession of, all or any part of the Leased Facilities together with the books, papers and accounts of the Issuer pertaining thereto, and including the rights and the position of the Issuer under the Lease Agreement and to hold, operate and manage the same, and from time to time make all needful repairs and improvements as by the Trustee shall be deemed commercially reasonable or necessary; and the Trustee may lease the Leased Facilities, or any part thereof, in the name and for the account of the Issuer and collect, receive and sequester the rents, revenues, issues, earnings, income, products and profits therefrom, and out of the same and any moneys received from any receiver or any part thereof pay, and/or set up proper reserves for the payment of, all proper costs and expenses of so taking, holding and managing the same, including reasonable

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compensation to the Trustee, its agents and counsel, and any charges of the Trustee hereunder, and any taxes and assessments and other charges prior to the lien of this Indenture which the Trustee may deem commercially reasonable or necessary to pay, and all expenses of such repairs and improvements, and apply the moneys so received in accordance with the provisions of Section 1107 hereof. Whenever all that is due upon the Bonds shall have been paid and all defaults made good, the Trustee shall surrender possession to the Issuer, its successors or assigns; the same right of entry, however, to exist upon any subsequent event of default.

While in possession of such property the Trustee shall render annually to the Issuer and the Lessee and also to the Bondholders, at their addresses set forth in the Bond Register, a summarized statement of income and expenditures in connection therewith.

Upon the occurrence of an event of default hereunder, to the extent that such rights may then lawfully be waived, neither the Issuer, nor anyone claiming through or under it, shall set up, claim, or seek to take advantage of any appraisalment, valuation, stay, execution or redemption laws now or hereafter in force, in order to prevent or hinder the enforcement of this Indenture, and the Issuer, for itself and all who may claim through or under it, hereby waives, to the extent that it lawfully may do so, the benefit of all such laws and all right of appraisalment and redemption to which it may be entitled under the laws of Louisiana.

SECTION 1104. Other Remedies; Rights of Bondholders. Upon the occurrence of an event of default the Trustee may, as an alternative, either after entry or without entry, pursue any available remedy by action at law or suit in equity to enforce the payment of the principal of, premium, if any, and interest on the Bonds then outstanding.

If an event of default shall have occurred, and if requested so to do by the holders of a majority in aggregate principal amount of Bonds then outstanding and indemnified as provided in subsection (m) of Section 1201 hereof, the Trustee shall be obliged to exercise such of the rights and powers conferred by this Section and by Section 1103 hereof as the Trustee, being advised by counsel, shall deem most expedient in the interest of the Bondholders.

No remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Bondholders) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bondholders hereunder 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 or event of default shall impair any such right or power or shall be

construed to be a waiver of any such default or event of default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or event of default hereunder, whether by the Trustee pursuant to the provisions of Section 1111 hereof, or by the Bondholders, shall extend to or shall affect any subsequent default or event of default or shall impair any rights or remedies consequent thereon.

SECTION 1105. Right of Bondholders to Direct Proceedings. Anything in this Indenture to the contrary notwithstanding, the holders of a majority of the aggregate principal amount of Bonds then outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture, or for the appointment of a receiver or any other proceedings hereunder; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of this Indenture.

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SECTION 1106. Appointment of Receivers. Upon the occurrence of an event of default hereunder, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondholders under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Leased Facilities and of the rents, revenues, issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

SECTION 1107. Application of Moneys. All moneys received by the Trustee with respect to the Leased Facilities pursuant to any right given or action taken under the provisions of this Article shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund, and all moneys so deposited in the Bond Fund and all moneys held or deposited in the Bond Fund during the continuance of an event of default hereunder and available for payment of the Bonds under the provisions of Section 603 hereof shall (after payment of all fees and expenses of the Trustee) be applied as follows:

(a) Unless the principal of all Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

First--To the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

Second--To the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for redemption the payment of which moneys are held pursuant to the provisions of this Indenture), in the order of their due dates, with interest on such Bonds from the respective dates upon which they become due and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon all of the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amount due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

(c) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article then, subject to the provisions of paragraph (b) of this Section in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this Section.

Whenever moneys are to be applied pursuant to the provisions of this Section, such monies shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional monies becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be

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made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all of the Bonds and interest thereon have been paid under the provisions of this Section 1107 and all fees, charges and expenses of the Trustee and all other amounts required to be paid hereunder have been paid, any balance remaining in the Bond Fund shall be paid to the Lessee as provided in Section 609 hereof.

SECTION 1108. Remedies Vested in Trustee. All rights of action (including the right to file proof of claims) under this Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any holders of the Bonds, and any recovery or judgment shall, subject to the provisions of Section 1107 hereof, be for the equal benefit of the holders of the outstanding Bonds.

SECTION 1109. Rights and Remedies of Bondholders. No holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture or for the execution of any trust thereof or for the appointment of a receiver or any other remedy hereunder, unless a default has occurred of which the Trustee has been notified as provided in subsection (h) of Section 1201, or of which by said subsection it is deemed to have notice, nor unless also such default shall have become an event of default hereunder and the holders of twenty-five percent (25%) in aggregate principal amount of Bonds then outstanding shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed

to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, nor unless also they have offered to the Trustee indemnity as provided in Section 1201 nor unless the Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its, his or their own name or names; and such notification, request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for the enforcement of this Indenture, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more holders of the Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of this Indenture by its, his or their action or to enforce any right hereunder except in the manner herein provided and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the holders of all Bonds then outstanding. Nothing in this Indenture contained shall, however, affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on any Bond at and after the maturity thereof, or the obligation of the Issuer to pay the principal of and interest and premium, if any, on each of the Bonds issued hereunder to the respective holders thereof at the time, place, from the source and in the manner stated herein and in said Bonds.

SECTION 1110. Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Issuer, the Lessee and the Trustee shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Trustee shall continue as if no such proceeding had been taken.

SECTION 1111. Waivers of Events of Default. The Trustee shall waive any event of default hereunder and its consequences and rescind any declaration of maturity of principal of and interest on the Bonds upon the written request of the holders of (1) a majority in aggregate principal amount of all the Bonds

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then outstanding in respect of which default in the payment of principal and/or interest exists, or (2) a majority in aggregate principal amount of all Bonds then outstanding in the case of any other default; provided, however, that there shall not be waived without the consent of the holders of all the Bonds outstanding (a) any event of default in the payment of the principal of any outstanding Bonds at the date of maturity specified therein or (b) any default in the payment when due of the interest on any such Bonds unless, prior to such waiver or rescission, all arrears of interest, with interest (to the extent permitted by law) on overdue of installments of interest at the Base Rate, in respect of which such default shall have occurred, or all arrears of payments of principal when due, as the case may be, and all expenses of the Trustee in connection with such default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the Issuer, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

SECTION 1112. Notice of Defaults; Opportunity of Lessee to Cure Defaults. Anything herein to the contrary notwithstanding, no default specified in Section 1101(c) hereof on the part of the Issuer or the Lessee shall constitute an event of default hereunder until actual notice of such default by registered or certified mail shall be given by the Trustee or by the holders of not less than

twenty-five percent (25%) in aggregate principal amount of all the Bonds then outstanding to the Issuer and to the Lessee, and the Issuer and the Lessee shall have had sixty (60) days after receipt of such notice to correct said default or cause said default to be corrected, and shall not have corrected said default or caused said default to be corrected within such period; provided, however, if any default specified in Section 1101(c) shall be such that it cannot be corrected within such period, it shall not constitute an event of default hereunder if corrective action is instituted by the Lessee within the applicable period and diligently pursued until the default is corrected; and provided further if any default specified in Section 1101(c) should occur by reason of the failure of the Lessee to perform any covenant, condition or agreement on its part contained in the Lease Agreement which failure would not constitute an event of default under Section 9.1 of the Lease Agreement by reason of force majeure as defined therein, then such default shall not constitute an event of default under Section 1101(c) hereof.

With regard to an alleged default concerning which notice is given to the Lessee under the provisions of this Section 1112, the Issuer hereby grants the Lessee full authority for the account of the Issuer to perform any covenant or obligation the non-performance of which is alleged in said notice to constitute a default in the name and stead of the Issuer with full power to do any and all things and acts to the same extent that the Issuer could do and perform any such things and acts and with power of substitution.

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ARTICLE XII

THE TRUSTEE

SECTION 1201. Acceptance of Trusts. The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions, and no implied covenants or obligations shall be read into this Indenture against the Trustee:

(a) The Trustee, prior to the occurrence of an event of default hereunder and after the curing of all events of default which may have occurred hereunder, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an event of default has occurred hereunder (which has not been cured) the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent trustee would exercise or use under the circumstances in the conduct of its corporate trust duties.

(b) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees but shall be answerable for the conduct of the same in accordance with the standard specified above, and shall be entitled to act upon the opinion or advice of its counsel concerning all matters of trust hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trust hereof. The Trustee may act upon an Opinion of Counsel and shall not be responsible for any loss or damage resulting from any action or non-action by it taken or omitted to be taken in good faith in reliance upon such Opinion of Counsel.

(c) The Trustee shall not be responsible for any recital herein or in the Bonds (except in respect to the certificate of the Trustee endorsed on the Bonds), or for the recording or re-recording, filing or refiling of this Indenture or for insuring the Leased Facilities or collecting any insurance moneys, or for the validity of the execution by the Issuer of

this Indenture or of any supplements hereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby, or otherwise as to the maintenance of the security hereof, and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Issuer or on the part of the Lessee in connection with the matters referred to in Sections 503 and 504 hereof, except as hereinafter set forth; but the Trustee may require of the Issuer or the Lessee full information and advice as to the performance of the covenants, conditions and agreements aforesaid as to the condition of the Leased Facilities. Except as otherwise provided in Section 1103 hereof, the Trustee shall have no obligation to perform any of the duties of the Issuer as lessor under the Lease Agreement; and the Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Section 801.

(d) The Trustee shall not be liable for the use of any Bonds authenticated or delivered hereunder. The Trustee may become the owner of Bonds secured hereby with the same rights which it would have if not Trustee.

(e) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed by it to be genuine and correct and action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the owner of any Bond, shall be conclusive and binding upon all future owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof.

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(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate signed on behalf of the Issuer by its President or Vice President or such other person as may be designated for such purpose by resolution of the Board of Directors of the Issuer, the governing authority of the Issuer, and attested by its Secretary-Treasurer or such other person as may be designated for such purpose by resolution of the Issuer as sufficient evidence of the facts therein contained and prior to the occurrence of a default of which the Trustee has been notified as provided in subsection (h) of this Section, or of which pursuant to said subsection it is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence as it deems necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate of the Secretary-Treasurer of the Issuer under the seal of the Issuer to the effect that a resolution in the form therein set forth has been adopted by the Issuer as conclusive evidence that such resolution has been duly adopted, and is in full force and effect.

(g) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or wilful misconduct.

(h) The Trustee shall not be required to take notice or be deemed to have notice of any default hereunder except any default under paragraphs (a) or (b) of Section 1101 unless the Trustee shall be specifically notified in writing of such default by the Issuer or by the holders of at least twenty-five percent (25%) in aggregate principal amount of Bonds then outstanding and all notices or other instruments required by this Indenture

to be delivered to the Trustee must, in order to be effective, be delivered at the principal office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no default except as aforesaid.

(i) The Trustee shall not be personally liable for any debts contracted or for damages to persons or to personal property injured or damaged or for salaries or non-fulfillment of contracts during any period in which it may be in the possession of or managing the Leased Facilities as in this Indenture provided.

(j) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right, but shall not be required, to inspect any and all books, papers and records of the Issuer pertaining to the Leased Facilities and the Bonds, and to take such memoranda from and in regard thereto as may be desired.

(k) The Trustee shall not be required to give any bond or surety in respect to the execution of the said trusts and powers or otherwise in respect of the premises.

(l) Notwithstanding anything elsewhere in this Indenture contained, the Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required, as a condition of such action by the Trustee deemed desirable for the purpose of establishing the right of the Issuer to the authentication of any Bonds, the withdrawal of any cash, or the taking of any other action by the Trustee.

(m) Before taking any action under this Section 1201 or Article XI of this Indenture, the Trustee may require that satisfactory indemnity be furnished to it for the reimbursement of all

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expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or wilful misconduct, by reason of any action so taken.

(n) All moneys received by the Trustee or any paying agent shall, until used or applied or invested as herein provided, be held in trust in the manner and for the purposes for which they were received but need not be segregated from other funds except to the extent required by this Indenture or law. Neither the Trustee nor any paying agent shall be under any liability for interest on any moneys received hereunder except such as may be agreed upon in writing.

SECTION 1202. Fees, Charges and Expenses of Trustee. The Trustee shall be entitled to payment and/or reimbursement for reasonable fees for its Ordinary Services rendered hereunder and all advances, counsel fees and other Ordinary Expenses reasonably and necessarily made or incurred by the Trustee in connection with such Ordinary Services and, in the event that it should become necessary that the Trustee perform Extraordinary Services, it shall be entitled to reasonable extra compensation therefor, and to reimbursement for reasonable and necessary Extraordinary Expenses in connection therewith; provided, that if such Extraordinary Services or Extraordinary Expenses are occasioned by the gross negligence or wilful misconduct of the Trustee, it shall not be entitled to compensation or reimbursement therefor. The Trustee shall be entitled to

payment and reimbursement for the reasonable fees and charges of the Trustee as paying agent and registrar for the Bonds as hereinabove provided. Upon the occurrence of an event of default hereunder, but only upon such occurrence, the Trustee shall have a first lien with right of payment prior to payment on account of interest or principal of any Bond, from the moneys received by it for the foregoing advances, fees, costs and expenses incurred.

SECTION 1203. Notice to Bondholders if Default Occurs. If a default occurs of which the Trustee is by subsection (h) of Section 1201 hereof required to take notice or if notice of default be given as in said subsection (h) provided, then within five (5) business days of obtaining knowledge of such default, the Trustee shall give written notice thereof by first class mail to the owners of all Bonds then outstanding shown by the Bond Register.

SECTION 1204. Intervention by Trustee. In any judicial proceeding to which the Issuer is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of owners of the Bonds, the Trustee may intervene on behalf of Bondholders and shall do so if requested in writing by the owners of at least twenty-five percent (25%) in aggregate principal amount of all Bonds then outstanding, provided that the Trustee shall first have been offered such reasonable indemnity as it may require against the costs, expenses and liabilities which it may incur in or by reason of such proceeding. The rights and obligations of the Trustee under this Section are subject to the approval of a court of competent jurisdiction.

SECTION 1205. Successor Trustee. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto, shall be and become successor Trustee hereunder and vested with all of the title to the whole property or trust estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

SECTION 1206. Resignation by the Trustee. The Trustee and any successor Trustee may at any time resign from the trusts hereby created by giving thirty (30) days' written notice to the Issuer and the Lessee and by first class mail to each registered owner of Bonds as shown by the Bond Register, and such resignation shall

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take effect upon the appointment of a successor Trustee by the Bondholders or by the Issuer. Such notice to the Issuer and to the Lessee may be served personally or sent by registered mail.

SECTION 1207. Removal of the Trustee. The Trustee may be removed at any time, by an instrument or concurrent instruments in writing delivered to the Trustee and to the Issuer, and signed by the owners of a majority in aggregate principal amount of Bonds then outstanding.

SECTION 1208. Appointment of Successor Trustee by the Bondholders; Temporary Trustee. In case the Trustee hereunder shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers or of a receiver appointed by a court, a successor may be appointed by the owners of a majority in aggregate principal amount of Bonds then outstanding, by an instrument or concurrent instruments in writing signed by such owners, or by their attorneys-in-fact, duly authorized;

provided, nevertheless, that in case of such vacancy the Issuer by an instrument executed and signed by its President and attested by its Secretary-Treasurer under its seal, may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by the Bondholders in the manner above provided; and any such temporary Trustee so appointed by the Issuer shall immediately and without further act be superseded by the Trustee so appointed by such Bondholders. Every such Trustee appointed pursuant to the provisions of this Section shall be a trust company or bank in good standing within the State having a reported capital and surplus of not less than twenty-five million dollars, if there be such an institution willing, qualified and able to accept the trust upon reasonable or customary terms. So long as there does not exist any event of default under the Lease Agreement, the appointment of any successor Trustee pursuant to the provisions of this Section shall be subject to the approval of the Lessee, which approval shall not be unreasonably withheld.

SECTION 1209. Concerning Any Successor Trustees. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Issuer and the Lessee an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor shall, nevertheless, on the written request of the Issuer, or of its successor, execute and deliver an instrument transferring to such successor Trustee all the estates, properties, rights, powers, and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as Trustee hereunder to its successor. Should any instrument in writing from the Issuer be required by any successor Trustee for more fully and certainly vesting in such successor the estate properties, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Issuer. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article shall be filed and/or recorded by the successor Trustee in each recording office where the Indenture shall have been filed and/or recorded.

SECTION 1210. Right Of Trustee to Pay Taxes and Other Charges. In case any tax, assessment or governmental or other charge upon any part of the Trust Estate is not paid as required herein, the Trustee may pay such tax, assessment or governmental or other charge, without prejudice, however, to any rights of the Trustee or the Bondholders hereunder arising in consequence of such failure; and any amount at any time so paid under this Section, with interest thereon from the date of payment at the rate of interest which is one percent (1%) higher than the highest rate of interest borne by any of the Bonds, shall become so much additional indebtedness secured by this Indenture, and the same shall be given a preference in payment over any of the Bonds, and shall be paid out of the proceeds of revenues collected from the property herein conveyed, if not otherwise caused to be paid; but the Trustee shall be under no obligation to make any such payment unless it shall have been requested to do so in writing by the holders of at least twenty-five percent

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(25%) in aggregate principal amount of all Bonds then outstanding and shall have been provided with adequate funds for the purpose of such payment.

SECTION 1211. Trustee Protected in Relying Upon Resolutions, etc. The resolutions, opinions, certificates and other instruments provided for in this Indenture may be accepted by the Trustee as conclusive evidence of the facts and conclusions stated therein and shall be full warrant, protection and authority to the Trustee for the release of property and the withdrawal of cash hereunder.

SECTION 1212. Successor Trustee as Trustee of Bond Fund; Paying Agent and Registrar. In the event of a change in the office of Trustee, the predecessor Trustee which has resigned or been removed shall cease to be trustee of the Bond Fund and paying agent for principal and interest and premium, if any, on the Bonds and registrar and the successor Trustee shall become such trustee, paying agent and registrar.

SECTION 1213. Trust Estate May be Vested in Separate or Co-Trustee. It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as trustee in such jurisdiction. It is recognized that in case of litigation under this Indenture or the Lease Agreement, and in particular in case of the enforcement of either on default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the Trust Estate, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate or co-trustee. The following provisions of this Section 1213 are adopted to these ends.

In the event that the Trustee appoints an additional individual or institution as a separate or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vested in such separate or co-trustee but only to the extent necessary to enable such separate or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them.

Should any deed, conveyance or instrument in writing from the Issuer be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to him such properties, rights, powers, trusts, duties and obligations, any and all such deeds, conveyances and instruments in writing shall, on request, be executed, acknowledged and delivered by the Issuer. In case any separate trustee or co-trustee, or a successor to either, shall die, become incapable of acting, resign, or be removed, all the estates properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

SECTION 1213. Trustee Not Responsible for Insurance, Taxes or Execution of Indenture. The Trustee shall not be under any obligation to effect or maintain insurance or to renew any policies of insurance or to inquire as to the sufficiency of any policies of insurance carried by the Lessee or to report, or make or file claims or proof of loss for, any loss or damage insured against or which may occur, or to keep itself informed or advised as to the payment of any taxes or assessments, or to require any such payment to be made. The Trustee shall have no responsibility in respect of the validity, sufficiency, due execution or acknowledgment of this Indenture or the validity or sufficiency of the security provided hereunder or in respect of the validity of the Bonds or the due execution or issuance thereof, except as to the authentication thereof.

SECTION 1301. Supplemental Indentures Not Requiring Consent of Bondholders. The Issuer and the Trustee may, without the consent of, or notice to, any of the Bondholders, enter into an indenture, or indentures supplemental to this Indenture as shall not be inconsistent with the terms and provisions hereof for any one or more of the following purposes:

(a) To cure any ambiguity or formal defect or omission in this Indenture;

(b) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee or either of them; and

(c) To subject to the lien and pledge of this Indenture additional revenues, properties or collateral or to more precisely identify the revenues, properties or collateral subject to the lien of this Indenture.

SECTION 1302. Supplemental Indentures Requiring Consent of Bondholders. Exclusive of supplemental indentures covered by Section 1301 hereof and subject to the terms and provisions contained in this Section, and not otherwise, the holders of not less than two-thirds in aggregate principal amount of the Bonds then outstanding shall have the right from time to time, anything contained in this Indenture to the contrary notwithstanding, to consent to and approve in writing the execution by the Issuer and the Trustee of such other indenture or indentures supplemental hereto as shall be deemed necessary and desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any supplemental indenture; provided, however, that nothing in this Section contained shall permit, or be construed as permitting without the consent of the holders of all the Bonds then outstanding (a) an extension of the stated maturity or reduction in the principal amount of, or reduction in the rate or extension of the time of payment of interest on, or the reduction of any premium payable on the redemption of, any Bonds, or (b) the creation of any lien on the Trust Estate (other than Permitted Encumbrances) prior to or on a parity with the lien of this Indenture, or (c) a reduction in the aforesaid aggregate principal amount of Bonds the holders of which are required to consent to any such supplemental indenture. No such modification shall modify the rights, duties or immunities of the Trustee, without the written consent of the Trustee.

If at any time the Issuer shall request the Trustee to enter into any such supplemental indenture for any of the purposes of this Section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be sent to the address of each registered owner of Bonds as set forth in the Bond Register. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the principal office of the Trustee for inspection by all Bondholders. If, within sixty days (60) or such longer period as shall be prescribed by the Issuer following such notice, the holders of not less than two-thirds in aggregate principal amount of the Bonds outstanding at the time of the execution of any such supplemental indenture shall have consented in writing to and approved the execution thereof as herein provided, no holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as in this Section permitted and provided, this Indenture shall be and redeemed to be modified and amended in accordance therewith.

The Trustee may receive, and may rely on, an Opinion of Counsel as conclusive evidence that any indenture supplemental hereto entered into by the Issuer and the Trustee complies with the provisions of this Article XIII.

Anything herein to the contrary notwithstanding, so long as the Lessee is not in default under the Lease Agreement and no event of default exists hereunder, a supplemental indenture under this Article XIII which affects any rights of the Lessee shall not become effective unless and until the Lessee shall have consented in writing to the execution and delivery of such supplemental indenture.

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ARTICLE XIV

AMENDMENT TO LEASE AGREEMENT OR GUARANTY AGREEMENT

SECTION 1401. Amendments, etc., to Lease Agreement Not Requiring Consent of Bondholders. The Issuer and the Trustee may, without the consent of or notice to the Bondholders, consent to any amendment, change or modification of the Lease Agreement as may be required (i) by the provisions of the Lease Agreement and this Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission, (iii) in connection with any facilities, machinery, or equipment substituted or the adding of additional facilities, machinery or equipment in accordance with the provisions of the Lease Agreement, (iv) in connection with additional real estate which pursuant to the Lease Agreement is to become part of the Leased Facilities, or (v) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the holders of the Bonds.

SECTION 1402. Amendments of Guaranty Agreement. Without the consent of or notice to the Bondholders, the Guarantors and the Trustee may enter into any amendment, change or modification of the Guaranty Agreement to cure any ambiguity, formal defect, omission or inconsistent provisions or to make any other change that does not adversely affect the interests of the Bondholders. The Guarantors and the Trustee shall not enter into any amendment, change or modification of the Guaranty Agreement that would adversely affect the rights of the Trustee or the holders of the Bonds without the written consent of the holder of each Bond then outstanding that would be adversely affected by such amendment, change or modification.

SECTION 1403. Amendment, etc., to Lease Agreement Requiring Consent of Bondholders. Except for amendments, changes or modifications as provided in Section 1401 hereof, neither the Issuer nor the Trustee shall consent to any amendment, change or modification of the Lease Agreement without notification and the written approval or written consent of the holders of not less than two-thirds in aggregate principal amount of the Bonds at the time outstanding given and procured as provided in Section 1302; provided, however, no amendment, change or modification of the Lease Agreement shall, without the written consent of the holder or holders of each Bond then outstanding, (i) decrease the basic rent payable under the Lease Agreement, (ii) reduce the stated term of the Lease Agreement (other than renewal terms) to a period shorter than the period during which the Bonds are outstanding, (iii) decrease the amount payable by the Lessee in the event of its purchase of the Leased Facilities in accordance with the provisions of the Lease Agreement, (iv) reduce the Lessee's obligations under Section 4.5 of the Lease Agreement or (v) reduce the aforesaid aggregate principal amount of Bonds the holders of which are required to consent to any such amendment, change or modification. If at any time the Issuer and the Lessee shall request the consent of the Trustee to any such proposed amendment, change or modification of the Lease Agreement the Trustee shall, upon being

satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be mailed in the same manner as provided by Section 1302 hereof with respect to supplemental indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the principal office of the Trustee for inspection by all Bondholders.

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ARTICLE XV

MISCELLANEOUS

SECTION 1501. Consents, etc., of Bondholders. Any consent, request, direction, approval, objection or other instrument required by this Indenture to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Indenture, and shall be conclusive in favor of the Trustee with regard to any action taken under such request or other instrument namely:

The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by affidavit of any witness to such execution.

For all purposes of this Indenture and of the proceedings for the enforcement hereof, such person shall be deemed to continue to be the holder of such Bond until the Trustee shall have received notice in writing to the contrary.

SECTION 1502. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give to any person or company other than the parties hereto, and the holders of the Bonds, any legal or equitable right, remedy or claim under or in respect to this Indenture or any covenants, conditions and provisions herein contained; this Indenture and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto and the holders of the Bonds as herein provided.

SECTION 1503. Severability. If any provision of this Indenture shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses or Sections in this Indenture contained, shall not affect the remaining portions of this Indenture, or any part hereof.

SECTION 1504. Notices. It shall be sufficient service of any notice, request, complaint, demand or other paper on the parties hereto if the same

shall be duly mailed to the Issuer by registered mail, postage - prepaid, addressed to:

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Issuer: The Industrial Development Board
of the Parish of St. Mary, Louisiana, Inc.
7332 Highway 90 East
Morgan City, LA 70381

ATTN: President

Trustee: The Bank of New York Trust Company of Florida, N. A.
10161 Centurion Parkway
Jacksonville, FL 32256

ATTN: Corporate Trust Division

Lessee: Conrad Aluminum, L.L.C.
1100 Brashear Avenue, Suite 200
Morgan City, LA 70380

ATTN: Lewis J. Derbes, Jr.

SECTION 1505. Trustee as Paying Agent and Registrar. The Trustee is hereby designated and agrees to act as paying agent and the registrar for and in respect to the Bonds.

SECTION 1506. Payments Due on Sundays and Holidays. In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be, in the State or where the principal corporate trust office of the Trustee is located, a Sunday or a legal holiday or a day on which banking institutions are authorized by law to close, then payment of interest or principal (and premium, if any) need not be made on such date in such city but may be made on the next succeeding business day not a Sunday or a legal holiday or a day upon which banking institutions are, authorized by law to close with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after such date.

SECTION 1507. Successors and Assigns. All the covenants, promises and agreements in this Indenture, contained by or on behalf of the Issuer shall bind and inure to the benefit of its successors and assigns whether so expressed or not.

SECTION 1508. Counterparts. This Indenture may be simultaneously executed in several counterparts, each of which shall be, an original and all of which shall constitute but one and the same instrument.

SECTION 1509. Louisiana Substantive Law Governs. This Indenture shall be considered to have been executed in the State of Louisiana and it is the intention of the parties that the substantive law of the State of Louisiana govern as to all questions of interpretation, validity and effect.

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IN WITNESS WHEREOF, the Issuer has caused this Indenture to be executed by its President or Vice President and has caused the seal of the Issuer to be affixed hereto and attested by its Secretary-Treasurer, all as of the day and year above written.

THE INDUSTRIAL DEVELOPMENT BOARD OF
THE PARISH OF ST. MARY, LOUISIANA, INC.

By: /s/ Emile Babin

Vice President

ATTEST:

By: /s/ Frank G. Fink

Secretary-Treasurer

[SEAL]

WITNESSES:

/s/ Karen S. Reed

/s/ Kimberly W. Pusateri

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IN WITNESS WHEREOF, the Trustee has caused this Indenture to be executed in its behalf by an authorized officer of the Trustee and its seal to be impressed hereon, all as of the day and year above written.

THE BANK OF NEW YORK TRUST COMPANY
OF FLORIDA, N. A., as Trustee

By: /s/ Elizabeth Dean

Elizabeth Dean, Vice President

WITNESSES:

[SEAL]

/s/ Cynthia M. Moore

/s/ Maryem H. Magee

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EXHIBIT A

[FORM OF BOND]

BOND R-

\$

THIS BOND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION, AND IT MAY NOT BE SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED, WITHOUT

OPINION OF COUNSEL SATISFACTORY TO THE TRUSTEE AND THE LESSEE REFERRED TO IN THIS BOND TO THE EFFECT THAT SUCH SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OR TRANSFER WILL NOT VIOLATE APPLICABLE SECURITIES LAWS.

THE INTEREST ON THIS BOND IS NOT EXCLUDED FROM GROSS INCOME OF THE OWNERS FOR FEDERAL INCOME TAX PURPOSES.

UNITED STATES OF AMERICA
STATE OF LOUISIANA
PARISH OF ST. MARY

THE INDUSTRIAL DEVELOPMENT BOARD OF
THE PARISH OF ST. MARY, LOUISIANA, INC.
TAXABLE REVENUE BOND
(CONRAD ALUMINUM, L.L.C. PROJECT)
SERIES 2003

DATE:

REGISTERED OWNER:

PRINCIPAL AMOUNT:

KNOW ALL MEN BY THESE PRESENTS that The Industrial Development Board of the Parish of St. Mary, Louisiana, Inc., a public corporation and instrumentality of the Parish of St. Mary of the State of Louisiana (hereinafter, together with its successors and assigns, called the "Issuer"), for value received, hereby promises to pay, but only from the source and as hereinafter provided, to the Registered Owner specified above, or registered assigns, in 179 monthly installments of \$22,222.22 commencing September 1, 2003 through and including July 1, 2018, and a final installment of \$22,222.62 due and payable on August 1, 2018, unless redeemed prior thereto as hereinafter provided, the Principal Amount specified above, and in like manner to pay interest on said sum from the later of the date hereof or the most recent interest payment date to which interest has been paid or duly provided for in full, until said Principal Amount is paid, as follows:

The Lessee has previously determined that the Bonds shall initially accrue interest at the three (3) month Libor Rate. On the last Business Day prior to the expiration of the then applicable Interest Period for the Bonds, Lessee will determine the Interest Period and whether the Bonds will accrue interest at Libor Rate

EXHIBIT B

LEASED FACILITIES

Land

That certain tract or parcel of land lying and being situated in the lower end of the Parish of St. Mary, in Section 42, Township 16 South, Range 13 East, Southeastern Land District of Louisiana, forming part of the tract acquired by Biaggio Domino from the Jeanerette Lumber & Shingle Company, Ltd., by act dated August 6, 1918 and duly recorded in Book 3-T, Page 304, Entry No. 45,346 of Conveyance Records, St. Mary Parish, Louisiana. The tract herein sold and conveyed being more particularly described as follows: Beginning at a Point "A" at the northeast corner thereof, on the west side of the right-of-way limits of U.S. Highway 90, thence a distance of 544.7' feet, more or less, to Point "F" on the water's edge of Bayou Boeuf; thence along the water's edge of Bayou Boeuf in a southeasterly direction to Point "E"; thence North 49 degrees east 300 feet, more or less, to Point "D"; thence South 30 degrees 27 minutes East 42 feet, more or less, to Point "C"; thence North 53 degrees 28 minutes east 445.5 feet,

more or less, to Point "B" on the right-of-way limits of U.S. Highway 90; thence North 41 degrees West along said right-of-way limits 1075.7 feet, more or less, to Point "A".

The said tract containing a total acreage of 15.63 acres, all as shown and designated on survey of T.F. Kramer dated May 7, 1946 attached to that act recorded May 21, 1946 in St. Mary Parish COB 6-V, Folio 77, under Entry No. 74,242.

It is the intent of the Seller herein to include in the property herein conveyed all of the property which it owns to the water's edge. This includes the property which lies within the extension of the line between Points "D" and "E" to the water's edge and the extension of the line between Points "A" and "F" to the water's edge.

It is the intent of the Seller herein to include in the property conveyed herein whatever reversionary rights it may have in and to the old roadbed running across said property as shown on the survey described above.

Being the same property acquired by Marine Shale Processors, Inc. by Act of Cash Sale from Brown a Root Corporate Services, Inc. recorded January 18, 1996 in Book 38-Q, Entry No. 251,507 of the conveyance Records of St. Mary Parish, Louisiana.

Municipal address of the above described property is: 9752 U.S. Highway 182 East, Amelia, Louisiana.

Project

Consists of financing the acquisition, construction and equipping of an aluminum marine fabrication, repair and conversion facility to be located in Amelia, St. Mary Parish, Louisiana, as more particularly described as follows:

Construction of an approximately 37,500 square foot building containing two work bays, construction of parking facilities, construction of utility improvements and land improvements to support the building and parking facilities, refurbishment and extension of piers and bulkheads, and acquisition of various equipment, including, but not limited to, air compressors, iron workers and other various equipment items.

EXHIBIT C

PAYEE

AMOUNT

State Bond Commission:

c/o Foley & Judell, L.L.P.
365 Canal Street, Suite 2600
New Orleans, LA 70130

\$ 5,000 - \$3,500 payable to
State Bond Commission
- \$1,500 payable to
Conrad Aluminum as
reimbursement of
preliminary application
fee

Bond Counsel:

Foley & Judell, L.L.P.
365 Canal Street, Suite 2600
New Orleans, LA 70130

\$34,275

Purchaser:

Whitney National Bank
228 St. Charles Avenue
New Orleans, LA 70130

\$15,000 Origination fee

Purchaser Counsel:

Carver Darden Koretzky Tessier Finn
Blossman & Areaux, L.L.C.
1100 Poydras Street, Suite 2700
New Orleans, LA 70163

\$ 9,975

Trustee:

The Bank of New York Trust
Company of Florida, N. A., Trustee
10161 Centurion Parkway
Jacksonville, FL 32256

\$ 500 Acceptance fee
\$ 2,500 First Annual fee

Trustee Counsel:

McGlinchey Stafford PLLC
643 Magazine Street
New Orleans, LA 70130

\$ 3,500

or Base Rate. Upon the expiration of such Interest Period and any Interest Period thereafter, the Lessee shall have the option to convert the interest rate accruing on all (but not less than all) of the outstanding principal balance of the Bonds into a Libor Rate or Base Rate; provided that (i) Bonds cannot be converted when any Default has occurred and is continuing and in such event the Bonds shall accrue interest at the Base Rate, and (ii) no conversions of the Bonds are allowed until the expiration of the Interest Period applicable to the existing rate of interest has expired.

Each conversion shall be enacted by the Authorized Lessee Representative by giving to the Trustee at its main office prior to 11:00 a. m. (New Orleans time) on or before the last Business Day of the applicable Interest Period written or telephone Notice of Conversion specifying if the Bonds are to be converted into accruing interest at Libor Rate or Base Rate and the Interest Period to be applicable thereto. In the absence of any specific rate election by the Lessee or if Lessee fails to provide such notice to the Trustee in a timely manner, the Bonds shall accrue interest at the Base Rate.

Interest on the outstanding principal owed on the Bonds shall be computed and assessed on the basis of the actual number of days elapsed over a year composed of 360 days.

Additionally, with respect to each Interest Period, in the event that the Bondholder shall have determined in good faith (which determination shall, absent manifest error, be final and conclusive and binding upon all parties hereto):

(i) on any Interest Period or date of conversion that, by reason of any changes arising after the date of this Indenture affecting the London interbank market, adequate and fair means do not exist for ascertaining the applicable interest rate on the basis provided for in the definition of Libor Rate; or

(ii) at any time, that the Bondholder shall incur increased costs or reductions in the amounts received or receivable hereunder with respect to

any Libor Rate because of any change since the date of this Indenture in any applicable law or governmental rule, regulation, order, guideline or request or in the interpretation or administration thereof and including the introduction of any new law or governmental rule, regulation, order, guideline or request, such as, for example, but not limited to: (A) a change in the basis of taxation of payment to the Bondholder of the principal or interest on such Libor Rate (except for changes in the rate of tax on, or determined by reference to, the net income or profits of the Bondholder) or (B) a change in official reserve requirements; or

(iii) at any time, that the making or continuance of any Libor Rate has been made (x) unlawful by any law or governmental rule, regulation or order, (y) impossible by compliance by the Bondholder in good faith with any governmental request (whether or not having force of law) or (z) impracticable as a result of a contingency occurring after the date of this Indenture which materially and adversely affects the London interbank market;

then, and in any such event, the Bondholder shall promptly give notice (by telephone confirmed in writing) to the Lessee. Thereafter (x) in the case of clause (i) above, the Libor Rate shall no longer be available until such time as the Bondholder notifies the Lessee that the circumstances giving rise to such notice no longer exist, the Bonds shall then accrue interest at the Base Rate, and any Notice of Conversion given by the Lessee with respect to the Libor Rate which have not yet been incurred (including by way of conversion) shall be deemed rescinded by the Lessee, (y) in the case of clause (ii) above, the Lessee agrees to pay to the Bondholder, upon written demand therefor, such additional amounts (in the form of an increased rate of, or a different method of calculating, interest or otherwise as agreed to by the Bondholder and the Lessee) as shall be required to compensate the Bondholder for such increased costs or reductions in amounts received or receivable

hereunder (a written notice as to the additional amounts owed to the Bondholder, showing the basis for the calculation thereof, submitted to the Lessee by the Bondholder in good faith shall, absent manifest error, be final and conclusive and binding on all the parties hereto) and (z) in the case of clause (iii) above, the Bonds shall accrue interest at the Base Rate. The Bondholder agrees that if it gives notice to the Lessee of any of the events described in clause (i) or (iii) above, it shall promptly notify the Lessee if such event ceases to exist. If any such event described in clause (iii) above ceases to exist as to the Bondholder, the Bondholder's obligations to convert the interest accruing on the Bonds into Libor Rate on the terms and conditions contained herein shall be reinstated.

All interest shall be computed on the basis of the actual number of days elapsed over a year composed of 360 days. Interest will be due and payable on the first day of each month, commencing September 1, 2003. Prepayments of principal shall be noted by the Bondholder on Schedule A hereto. The principal of and premium, if any, and interest on this Bond are payable in lawful money of the United States of America by check or draft mailed to the registered owner hereof whose name is registered at the close of business on the fifteenth calendar day preceding any such payment date at the address of such owner as it appears on the Bond Register kept by the Trustee except as set forth in the Indenture with respect to a single owner of all Bonds outstanding. The term "Trustee", when herein used, means The Bank of New York Trust Company of Florida, N. A., of Jacksonville, Florida, or any successor trustee and co-trustee under the Indenture mentioned below.

Payments of principal and interest, including prepayments of principal, shall be noted on the appropriate payment record made a part of this Bond.

This Bond is one of an authorized issue of Taxable Revenue Bonds (Conrad

Aluminum, L.L.C. Project) Series 2003 (the "Bonds") limited in aggregate principal amount to \$4,000,000, authorized by a resolution duly adopted by the Board of Directors of the Issuer, the governing authority of the Issuer, all issued or to be issued under a Trust Indenture dated as of June 1, 2003 (the "Indenture") made from the Issuer to the Trustee, pursuant to and in full conformity with the Constitution and the laws of the State of Louisiana, in particular the provisions of Chapter 7 of Title 51 of the Louisiana Revised Statutes of 1950, as amended. Payment of the principal of, premium, if any, and interest on the Bonds has been guaranteed by Conrad Industries, Inc., a Delaware corporation, Conrad Shipyard, L.L.C., a Louisiana limited liability company, Orange Shipbuilding Company, Inc., a Texas corporation and Conrad Aluminum, L.L.C., a Louisiana limited liability company (the "Lessee"), pursuant to a Guaranty Agreement dated as of June 1, 2003 entered into for the benefit of the holders of the Bonds (the "Guaranty Agreement"). The Bonds are issued for the purpose of providing a portion of the moneys necessary to finance the acquisition, construction and equipping of an aluminum marine fabrication, repair and conversion facility of the Lessee to be located in Amelia, St. Mary Parish, Louisiana (the "Project"). The facilities (the "Leased Facilities") are to be leased by the Issuer to the Lessee pursuant to a Lease Agreement between the Issuer and the Lessee dated as of June 1, 2003 (the "Lease Agreement"). Reference is hereby made to the Indenture, the Lease Agreement and the Guaranty Agreement, copies of which are filed with the Trustee, for the provisions, among others, with respect to the nature and extent of the rights, duties and obligations of the Issuer, the Lessee, the Trustee and the holders of the Bonds, the terms upon which the Bonds are issued and secured, and the modification or amendment of the Indenture, the Lease Agreement or the Guaranty Agreement, to all of which the owner or holder of this Bond assents by the acceptance of this Bond.

The Bonds are issued in the form of a single fully registered bond.

Upon payment of any required tax, fee or other governmental charge and subject to the conditions provided in the Indenture, the Bonds, upon surrender thereof at the office of the Corporate Trust Division of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered

owner thereof or his duly authorized attorney, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of registered Bonds in any of the authorized denominations and registered in such name or names as may be requested.

This Bond shall be transferable only on the Bond Register (as defined in the Indenture) upon surrender hereof at the office of the Corporate Trust Division of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the Registered Owner hereof or his attorney duly authorized in writing. Such transfer shall be without charge to the owner of this Bond except that any tax, fee or other governmental charge required to be paid with respect to such transfer shall be paid by the registered owner hereof as a condition precedent to the exercise of such privilege.

The Bonds are subject to redemption prior to maturity, in whole or in part, at the option of the Issuer, as directed by the Lessee, on any date, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date.

In the event any of the Bonds are called for redemption as aforesaid, notice thereof identifying the Bonds to be redeemed shall be given by mailing a copy of the redemption notice by first class mail, at least thirty (30) days prior to the date fixed for redemption, to the registered owners of any Bonds to be redeemed at their last addresses shown on the Bond Register. All Bonds so called for redemption will cease to bear interest on the specified redemption

date, provided funds for their redemption are on deposit at the place of payment at that time, and shall no longer be secured by the Indenture and shall not be deemed to be outstanding under the provisions of the Indenture.

The Bonds are limited obligations of the Issuer and are payable from the Bond Fund and shall be a valid claim of the respective holders thereof only against the funds and the revenues and receipts derived from the leasing of the Leased Facilities by the Issuer to the Lessee pursuant to the Lease Agreement or the sale of the Leased Facilities and are additionally secured by the Guaranty Agreement. The Bonds do not now and shall never constitute an indebtedness or pledge of the general credit of the Issuer, the Parish of St. Mary, the State of Louisiana, or any political subdivision of said State, within the meaning of any constitutional or statutory limitation of indebtedness. The rental payments or payments under the Guaranty Agreement sufficient for the prompt payment when due of the interest on and principal or premium, if any, of the Bonds, are to be paid directly to the Trustee by the Lessee for the account of the Issuer and deposited in a fund created by the Issuer and designated "Taxable Revenue Bond Fund -- Conrad Aluminum, L.L.C. Project", and have been duly pledged for that purpose under the Indenture to secure payment of such principal or premium, if any, and interest.

The holder of this Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Indenture, or to institute, appear in or defend any suit or proceedings with respect thereto, except as provided in the Indenture. In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of all of the Bonds issued under the Indenture and then outstanding may become or may be declared due and payable before the stated maturity thereof, together with interest accrued thereon. Modifications or alterations of the Indenture, or any supplements thereto, may be made only to the extent and in the circumstances permitted by the Indenture.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the Indenture and the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law; and that the issuance of this Bond and the issue of which it forms a part, together with all other obligations of the Issuer, does not exceed or violate any constitutional or statutory limitation.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture until the certificate of authentication hereon shall have been signed by the Trustee.

IN WITNESS WHEREOF, The Industrial Development Board of the Parish of St. Mary, Louisiana, Inc. has caused this Bond to be executed in its name by the manual or facsimile signature of its Vice President and its seal or facsimile thereof to be hereunto affixed, impressed, imprinted or otherwise reproduced hereon, and attested by the manual or facsimile signature of its Secretary-Treasurer, all as of the date first set forth above.

THE INDUSTRIAL DEVELOPMENT BOARD OF
THE PARISH OF ST. MARY, LOUISIANA, INC.

By: /s/ Emile Babin

Vice President

ATTEST:

By: /s/ Frank G. Fink

Secretary-Treasurer

(SEAL)

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond represents the entire issue of Bonds described in the within-mentioned Trust Indenture.

THE BANK OF NEW YORK TRUST COMPANY
OF FLORIDA, N. A., as Trustee

By: /s/ Elizabeth Dean

Date of Authentication: July 14, 2003

Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

Please Insert Social Security
or other Identifying Number of Assignee

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints

----- attorney or agent to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: -----

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

SCHEDULE A

The Industrial Development Board
of the Parish of St. Mary, Louisiana, Inc.
Taxable Revenue Bonds
(Conrad Aluminum, L.L.C. Project)
Series 2003

Principal Payments made prior to maturity.

<TABLE>

<CAPTION>

Principal Pay- ment Date	Amount Due	Principal Amount Actually Paid	Date Paid	Signature of Authorized Official and Title
<S>	<C>	<C>	<C>	<C>

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Guaranty Agreement

This Guaranty Agreement dated as of June 1, 2003 is by and between Conrad Industries, Inc., a Delaware corporation, Conrad Shipyard, L.L.C., a Louisiana limited liability company (the "Lessee"), Orange Shipbuilding Company, Inc., a Texas corporation, and Conrad Aluminum, L.L.C., a Louisiana limited liability company (herein collectively referred to as the "Guarantors"), and The Bank of New York Trust Company of Florida, N. A., a national banking corporation located in the City of Jacksonville, Florida (herein, together with any successor trustee at the time serving as such under the hereinafter defined Indenture, referred to as the "Trustee").

W I T N E S S E T H :

WHEREAS, arrangements have been made for the issuance and sale pursuant to the Trust Indenture dated as of June 1, 2003 (the "Indenture") between the Trustee and The Industrial Development Board of the Parish of St. Mary, Louisiana, Inc. (the "Issuer") of the Issuer's Taxable Revenue Bonds (Conrad Aluminum, L.L.C. Project) Series 2003 in the aggregate principal amount of \$4,000,000 (the "Bonds") for the purpose of financing the acquisition, construction and equipping of an aluminum marine fabrication, repair and conversion facility to be located in Amelia, St. Mary Parish, Louisiana, to be leased to Conrad Aluminum, L.L.C., a Louisiana limited liability company; and

WHEREAS, the Guarantors desire that the Issuer issue and sell the Bonds and apply the proceeds for the purpose described above and, in order to provide an inducement to the Issuer to issue and sell the Bonds and an inducement to the purchase of the Bonds by all who shall at any time become holders thereof, the Guarantors are willing to enter into this Guaranty Agreement;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the Guarantors do hereby covenant and agree with the Trustee as follows:

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ARTICLE I

REPRESENTATIONS AND WARRANTIES
OF THE GUARANTORS

SECTION 1.1. Each of the Guarantors hereby represents and warrants that it is duly organized and existing and in good standing under the laws of its respective state of incorporation or formation and has full power and authority to enter into and perform this Guaranty Agreement, has duly authorized the

execution and delivery of this Guaranty Agreement by proper corporate action and that such execution and delivery and compliance with the terms hereof will not contravene or constitute a default under its Charter, By-Laws or other governing documents or any indenture, commitment, agreement or other instrument to which such Guarantor is a party or by which it is bound or any existing law, rule, regulation, judgment, order or decree to which it is subject or will require the consent, approval, authorization or other order of any regulatory body or administrative agency or other governmental body.

ARTICLE II

GUARANTY

SECTION 2.1. Each of the Guarantors hereby unconditionally, irrevocably, jointly, severally and solidarily guarantees to the Trustee for the benefit of the holders from time to time of the Bonds (a) the full and prompt payment of the principal of and premium, if any, on each Bond when and as the same shall become due, whether at the stated maturity thereof, by acceleration, call for redemption or otherwise, and (b) the full and prompt payment of interest on each Bond when and as the same shall become due, and agrees, in the event of any failure of the Issuer to make such payments of principal, interest and premium, if any, when due, to make such payments to the Trustee for the benefit of the holders from time to time of the Bonds. All payments by the Guarantor under this Guaranty Agreement shall be made in lawful money of the United States of America.

SECTION 2.2. The obligations of the Guarantors under this Guaranty Agreement shall be absolute and unconditional, and joint, several and solidary and shall remain in full force and effect until the entire principal of, premium, if any, and interest on the Bonds not theretofore cancelled or delivered to the Trustee for cancellation shall have been paid in full or shall have become due and payable and the Trustee shall hold sufficient moneys for the purpose of such payment. Such obligations shall not be affected, modified or impaired upon the happening from time to time of any event, including without limitation any of the following, whether or not such event shall occur with notice to, or the consent of, any of the Guarantors:

(a) the waiver, surrender, compromise, settlement, discharge, release or termination of any or all of the obligations, covenants or agreements of the Issuer contained in the Indenture or in the Bonds or of payment, performance or observance thereof;

(b) the failure to give notice to the Guarantors of the occurrence of a default under this Guaranty Agreement or any event of default under the terms and provisions of the Indenture or the Lease Agreement dated as of June 1, 2003 between the Issuer and the Lessee (the "Lease Agreement");

(c) the transfer, assignment, or mortgaging or the purported transfer, assignment or mortgaging of all or any part of the interest of the Issuer in the Project (as defined in the Indenture);

(d) the waiver, surrender, compromise, settlement, release or termination of the Issuer's obligations, covenants or agreements contained in the Indenture or the Lease Agreement or of payment, performance or observance thereof;

(e) the extension of the time for payment of any principal of, premium, if any, or interest owing or payable on any Bond or of the time of performance of any obligation, covenant or agreement under or arising out of the Indenture, the Lease Agreement or this Guaranty Agreement or any extension or renewal thereof;

(f) the modification or amendment (whether material or otherwise) of any obligation, covenant or agreement set forth in the Bonds, the Indenture or the Lease Agreement;

(g) the taking or the omission of any action referred to in the Indenture or the Lease Agreement or of any action under this Guaranty Agreement;

(h) any failure, omission, delay or lack of diligence on the part of the Issuer or the Trustee in the enforcement, assertion or exercise of any right, power or remedy conferred on the Issuer or the Trustee in the Indenture, the Lease Agreement or this Guaranty Agreement, or the inability of the Issuer or the Trustee to enforce any provision of the Indenture, the Lease Agreement or this Guaranty Agreement for any other reason, or any other act or omission on the part of the Issuer, the Trustee or any of the holders from time to time of the Bonds;

(i) to the extent permitted by law, the dissolution, sale or other disposition of all or substantially all the assets, liquidation, the marshalling of assets and liabilities, receivership, insolvency, assignment for the benefit of creditors, bankruptcy, reorganization, arrangement, adjustment, composition or other similar proceedings affecting the Issuer, any of the Guarantors or any of the assets of any of them, or any allegation or contest of the validity of this Guaranty Agreement;

(j) to the extent permitted by law, any event or action that would in the absence of this clause, result in the release or discharge by operation of law of any of the Guarantors from the performance or observance of any obligation, covenant or agreement contained in this Guaranty Agreement; or

(k) the default or failure of any of the Guarantors fully to perform any of its obligations set forth in this Guaranty Agreement.

SECTION 2.3. The Guarantors waive notice of the issuance of the Bonds and notice from the Trustee or the holders from time to time of any of the Bonds of their acceptance and reliance on this Guaranty Agreement. Each of the Guarantors

also waives pleas of discussion, presentment, demand for payment, protest and notice of nonpayment or dishonor and all other notices and demands whatsoever relating to the Bonds.

SECTION 2.4. No set-off, counterclaim, reduction or diminution of any obligation or any defense of any kind or nature which any of the Guarantors may have or assert against the Issuer or the Trustee or any holder of any Bond shall be available hereunder to such Guarantor against the Trustee.

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ARTICLE III

DEFAULT AND REMEDIES

SECTION 3.1. The Trustee shall have the right, power and authority to do all things it deems necessary or advisable to enforce the provisions of this Guaranty Agreement and protect the interest of the holders of the Bonds and, in the event of default in the payment of any interest on any Bond when and as the same shall become due, the Trustee may institute or appear in such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of its rights and the rights of the Bondholders, whether for the specific enforcement of any covenant or agreement in this Guaranty Agreement or the Indenture or in aid of the exercise of any power granted herein or therein, or to enforce any other proper remedy. Without limiting the generality of the foregoing, in the event of a default in payment of the principal of, premium, if any, or interest on any Bond when due, the Trustee may institute a judicial proceeding for the collection of the sums so due and unpaid, and may prosecute such proceeding to judgment or final decree, and may enforce the same against the Guarantors and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Guarantors, wherever situated.

SECTION 3.2. No remedy conferred upon or reserved to the Trustee herein 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 Guaranty Agreement or now or hereafter existing at law or in equity.

SECTION 3.3. Each and every default in payment of the principal of, premium, if any, or interest on any Bond shall give rise to a separate cause of action hereunder, and separate suits may be brought hereunder as each cause of action arises. In the event of such a default, the Trustee shall have the right to proceed first and directly against the Guarantors under this Guaranty Agreement without proceeding against any other person, without exhausting any other remedies which it may have and without resorting to any other security held by the Issuer or the Trustee.

SECTION 3.4. Each of the Guarantors agrees to pay all costs, expenses and fees, including all reasonable attorneys' fees, which may be incurred by the

Trustee in enforcing or attempting to enforce this Guaranty Agreement or protecting the rights of the Trustee or the holders of Bonds hereunder following any default on the part of any of the Guarantors hereunder, whether the same shall be enforced by suit or otherwise.

SECTION 3.5. No delay or omission to exercise any right or power accruing upon any default, omission or failure of performance hereunder 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 3.6. This Guaranty Agreement is entered into by the Guarantors with the Trustee for the benefit of the holders from time to time of the Bonds all of whom shall be entitled to enforce performance and observance of this Guaranty Agreement to the same extent the enforcement of remedies is provided in the Indenture.

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ARTICLE IV

GENERAL

SECTION 4.1. The obligations of the Guarantors under this Guaranty Agreement shall arise absolutely and unconditionally upon the issue, sale and delivery of the Bonds.

SECTION 4.2. All moneys recovered by the Trustee pursuant to this Guaranty Agreement (other than those provided for in Section 3.4 hereof) shall be deposited in the Bond Fund and applied to the payment of the principal of, premium, if any, and interest on, the Bonds as provided in the Indenture. This Guaranty Agreement shall not be deemed to create any right, in or to be in whole or in part for the benefit of, any person other than the Trustee, the Guarantors, the holders from time to time of the Bonds and their permitted successors and assigns.

SECTION 4.3. This Guaranty Agreement (a) constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof; (b) may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument; (c) may be modified only in accordance with the provisions of the Indenture; and (d) shall be governed in all respects, including validity, interpretation and effect, by, and shall be enforceable in accordance with, the laws of the State of Louisiana. If any provision of this Guaranty Agreement shall be held to be invalid by any court of competent jurisdiction, the invalidity of such provision shall not affect any of the remaining provisions.

SECTION 4.4. The Guarantors designate and appoint, without power of

revocation except in conjunction with a substitute appointment, Lewis J. Derbes, Jr., as the agent of the Guarantors upon whom may be served all notices, process, pleadings or other papers which may be served upon the Guarantors as a result of any of its obligations, covenants or agreements contained in this Guaranty Agreement.

IN WITNESS WHEREOF, each of the Guarantors has caused this Guaranty Agreement to be executed in its name and behalf, and the Trustee has accepted the same, as of the date first above written.

CONRAD INDUSTRIES, INC.

By: /s/ Lewis J. Derbes, Jr.

Vice President and Chief
Financial Officer

WITNESSES:

/s/ Edgar W. SantaCruz, III

/s/ Amos J. Oelking, III

CONRAD SHIPYARD, L.L.C.

By: /s/ Lewis J. Derbes, Jr.

Treasurer/Secretary and Manager

WITNESSES:

/s/ Edgar W. SantaCruz, III

/s/ Amos J. Oelking, III

ORANGE SHIPBUILDING COMPANY, INC.

By: /s/ Lewis J. Derbes, Jr.

Secretary and Treasurer

WITNESSES:

/s/ Edgar W. SantaCruz, III

/s/ Amos J. Oelking, III

CONRAD ALUMINUM, L.L.C.

By: /s/ Lewis J. Derbes, Jr.

Title: Treasurer/Secretary and Manager

WITNESSES:

/s/ Edgar W. SantaCruz, III

/s/ Amos J. Oelking, III

Accepted this 14th day of July, 2003

THE BANK OF NEW YORK TRUST COMPANY
OF FLORIDA, N.A., as Trustee

By: /s/ Elizabeth Dean

Elizabeth Dean, Vice President

[SEAL]

WITNESSES:

/s/ Cynthia M. Moore

/s/ Maryem H. Magee

AGREEMENT TO LEASE

by and between

The Parish of St. Mary, State of Louisiana
(as Lessor)

and

Conrad Aluminum, L.L.C.
(as Lessee)

Dated as of July 23, 2003

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AGREEMENT TO LEASE WITH OPTION TO PURCHASE

This AGREEMENT TO LEASE (together with any amendment hereto or supplement hereof, the "Lease"), dated effective as of July 23, 2003, is entered into by and between THE PARISH OF ST. MARY, STATE OF LOUISIANA, a political subdivision of the State of Louisiana (the "Parish"); and CONRAD ALUMINUM, L.L.C., a Louisiana limited liability company (the "Company").

W I T N E S S E T H :

WHEREAS, the Company desires to expand its business into the aluminum marine fabrication, repair and conversion markets and in connection therewith desires to acquire, construct and equip an aluminum fabrication, repair and conversion facility to be located in St. Mary Parish, Louisiana (the "Project");

WHEREAS, the State of Louisiana (the "State") has established the Economic Development Award Program (the "EDAP Program") for the purpose of providing financial incentives to industrial or business development projects promoting economic development within the State;

WHEREAS, the Parish desires to assist the Company in obtaining an award from the State under the EDAP Program and has agreed to enter into that certain Economic Development Award Contract/Agreement (the "EDAP Agreement") dated effective as of April 11, 2003 with the Louisiana Economic Development Corporation and the Company;

WHEREAS, pursuant to the EDAP Agreement, the grant from the State in the amount of \$1,500,000 (the "Grant") will be paid to the Parish and used by the Parish to acquire certain equipment to be selected and used by the Company;

WHEREAS, the Parish and the Company desire to enter into this Lease in order to provide for the use by the Company of the equipment acquired with the

proceeds of the Grant and other ancillary matters related thereto.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

SECTION 1. Definitions. Unless the context otherwise requires, the terms defined in this Section 1 shall, for all purposes of and as used in this Lease, have the meanings as set forth below. All other capitalized terms used herein without definition shall have the meanings as set forth in the EDAP Agreement. Other terms shall have the meanings assigned to them in other Sections of this Lease.

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"Bonds" means the \$4,000,000 Taxable Revenue Bonds (Conrad Aluminum, L.L.C. Project) Series 2003 issued by The Industrial Development Board of the Parish of St. Mary, Louisiana, Inc.

"Claim" collectively means any claim, liability, demand, loss, damage, deficiency, litigation, cause of action, penalty, fine, judgment, defense, imposition, fee, lien, bonding cost, settlement, disbursement, penalty, cost or expenses of any and every kind and nature (including without limitation Litigation Expenses), whether known or unknown, incurred or potential, accrued, absolute, direct, indirect, contingent or otherwise and whether imposed by strict liability, negligence, or otherwise, and consequential, punitive and exemplary damage claims.

"Commencement Date" means the effective date of this Lease.

"Company" means Conrad Aluminum, L.L.C., a Louisiana limited liability company.

"Company Representative" means one or more of the persons designated and authorized in writing from time to time by the Company to represent the Company in exercising the Company's rights and performing the Company's obligations under this Lease.

"DED" means the Louisiana Economic Development Corporation, its successors and assigns.

"EDAP Agreement" means the Economic Development Award Contract/Agreement effective as of April 11, 2003 between the Company, the Parish and DED, including any amendments and supplements thereof and thereto as permitted thereunder.

"Encumbrance" means any lien, mortgage, encumbrance, privilege, charge, option, right of first refusal, conditional sales contract, security interest, mechanic's and materialmen's liens, or any lien or encumbrance securing payment of any Claims, including environmental Claims, or of any charges for labor,

materials, supplies, equipment, taxes, or utilities, excluding the Option granted to the Company herein.

"Equipment" means certain equipment and other items funded with the proceeds of the Grant, including, but not limited to the travel lift and overhead cranes more particularly described on Exhibit A attached hereto.

"Event of Default" means any default specified in and defined as such by Section 17 hereof.

"Expiration Date" means December 31, 2012.

"Governmental Authority" means any federal, State, parish, regional, or local government, political subdivision, any governmental agency, department, authority, instrumentality, bureau, commission, board, official, or officer, any court, judge, examiner, or hearing officer, any legislative, judicial, executive, administrative, or regulatory body or committee or official thereof or private accrediting body.

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"Governmental Regulations" means any and all laws, statutes, codes, acts, ordinances, orders, judgments, decrees, writs, injunctions, rules, regulations, restrictions, permits, plans, authorizations, concessions, investigation reports, guidelines, and requirements or accreditation standards of any Governmental Authority having jurisdiction over the Company and/or the Parish, or affecting the Equipment.

"Lease" means this Lease, including the Exhibits attached hereto, and any amendment or supplement hereto entered into from time to time in accordance with the terms hereof.

"Legal Expenses" means the reasonable fees and charges of attorneys and of legal assistants, paralegals, law clerks and other persons and entities used by attorneys and under attorney supervision and all costs incurred or advanced by any of them irrespective of whether incurred in or advanced prior to the initiation of any legal, equitable, arbitration, administrative, bankruptcy, trial or similar proceedings and any appeal from any of same.

"Litigation Expenses" means all out-of-pocket costs and expenses incurred as a result of a Default, or in connection with an indemnification obligation, including Legal Expenses, the reasonable fees and charges of experts and/or consultants, and all court costs and expenses.

"Notice" shall have the meaning set forth in Section 31 hereof.

"Option to Purchase" or "Option" means the option to purchase the Equipment granted in Section 19 of this Lease.

"Other Parties" means a Person other than the Parties.

"Parish" means the Parish of St. Mary, State of Louisiana.

"Parties" means the Company and the Parish collectively.

"Person" means all juridical persons, whether corporate or natural, including individuals, firms, trusts, corporations, associations, joint ventures, partnerships, and limited liability companies or partnerships.

"State" means the State of Louisiana.

"Term" means the term of this Lease, as provided in Section 2 hereof.

SECTION 2. Agreement to Lease; Term of Lease. The Parish hereby leases the Equipment to the Company, and the Company hereby leases the Equipment from the Parish effective as of the Commencement Date of this Lease and agrees upon completion of the acquisition and installation of the Equipment in a manner acceptable to the Company to accept possession of the Equipment and agrees to use the Equipment and to comply with its obligations set forth herein, all on the terms and conditions set forth herein. No delay in the date of acceptance by the Company of the Equipment beyond the time contemplated by the Parties will extend the Term. The Term of this Lease begins on

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the Commencement Date and ends on the Expiration Date; provided, however, this Lease shall terminate prior to the Expiration Date upon the happening of any of the following events:

(a) termination of the EDAP Agreement;

(b) the exercise by the Company of the Option to Purchase and the purchase of the Equipment pursuant to the Option; or

(c) any other event described in this Lease which is specifically stated to cause a termination of this Lease, including without limitation a Default by the Company.

Upon the termination of this Lease under the circumstances set forth in Section 2(a) or (b) above and provided that the Company shall have performed its obligations under the EDAP Agreement, all right, title and interest in and to the Equipment shall be transferred to the Company, and the Parish hereby agrees to execute a bill of sale in form acceptable to the Company and any other documents necessary to effectuate such transfer of title to the Equipment to the Company.

Lessee has arranged for the purchase of the Equipment, acting as agent for and on behalf of Lessor, and Lessee has conveyed, or caused to be conveyed, to

the Lessor, all of its rights in and to the Equipment as of the date hereof and agrees that Lessor shall automatically own and be vested with ownership of the remainder of the Equipment that is acquired and installed during the Term of this Lease.

SECTION 3. Representations and Covenants of the Parish. The Parish represents and covenants as follows:

(a) The Parish has full power and authority to enter into this Lease, the EDAP Agreement and the transactions contemplated thereby and agrees to perform all of its obligations hereunder and under the EDAP Agreement;

(b) The Parish has been duly authorized to execute and deliver this Lease and the EDAP Agreement and further represents and covenants that this Lease and the EDAP Agreement constitute the valid and binding obligations of the Parish and that all requirements have been met and procedures have occurred in order to ensure the enforceability of this Lease and the EDAP Agreement and the Parish has complied with all constitutional and other statutory requirements as may be applicable to the Parish in the authorization, execution, delivery and performance of this Lease and the EDAP Agreement;

(c) The execution and delivery of this Lease and the EDAP Agreement, and compliance with the provisions hereof, will not conflict with or constitute on the part of the Parish a violation of, breach of, or default under any constitutional provision, statute, law, resolution, bond indenture or other financing agreement or any other agreement or instrument to which the Parish is a party or by which the Parish is bound, or any order, rule or regulation of any court or Governmental Authority or body having jurisdiction over the Parish or any of its activities or properties; and all consents, approvals or authorizations required of the Parish for the consummation of the transactions contemplated hereby have been obtained or timely will be obtained;

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(d) Other than that which was previously disclosed, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body pending or threatened against or affecting the Parish, wherein an unfavorable decision, ruling or finding would materially and adversely affect the transactions contemplated hereunder or which in any way would adversely affect the validity or enforceability of this Lease and the EDAP Agreement;

SECTION 4. Representations and Covenants of the Company. The Company represents and covenants as follows:

(a) The Company has been validly created as a Louisiana limited liability company, is currently in good standing under the laws of the State, has the power to enter into the transactions contemplated by, and to carry out its obligations under this Lease and the EDAP Agreement. The Company is not in

breach of or in default under any of the provisions contained in any contract, instrument or agreement to which it is a party or in any other instrument by which it is bound. By proper action of its governing authority, the Company has been duly authorized to execute and deliver this Lease and the EDAP Agreement;

(b) The execution and delivery of this Lease and the EDAP Agreement, and compliance with the provisions thereof and hereof, will not conflict with or constitute on the part of the Company a violation of, breach of, or default under any statute, indenture, mortgage, declaration or deed of trust, loan agreement or other agreement or instrument to which the Company is a party or by which the Company is bound or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its activities or properties; and all consents, approvals and authorizations which are required of the Company for the consummation of the transactions contemplated thereby and hereby have been or timely will be obtained;

(c) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body pending or threatened against or affecting the Company, wherein an unfavorable decision, ruling or finding would materially and adversely affect the transactions contemplated hereunder or which in any way would adversely affect the validity or enforceability of this Lease, the EDAP Agreement or any agreement or instrument to which the Company is a party;

SECTION 5. Waiver and Disclaimer of Warranties. The Company acknowledges that the Parish has not made any representations or warranties as to the suitability or fitness of the Equipment for the needs and purposes of the Company or for any other purpose.

The Company further declares and acknowledges that the Parish in connection with this Lease, does not warrant that the Equipment will be free from redhibitory or latent defects or vices and releases the Parish of any liability for redhibitory or latent defects or vices under Louisiana Civil Code Articles 2520 through 2548 and Louisiana Civil Code Article 2695. The Company declares and acknowledges that it does hereby waive, as against the Parish, the warranty of fitness for intended purposes and guarantee against hidden or latent redhibitory defects and vices under Louisiana law, including Louisiana Civil Code Articles 2520 through 2548 and Louisiana Civil Code

Article 2695, and the warranty imposed by Louisiana Civil Code Articles 2476 and 2695, and waives, as against the Parish, all rights in redhibition pursuant to Louisiana Civil Code Articles 2520, et seq. The Company further declares and acknowledges that this waiver has been brought to the attention of the Company and explained in detail and that the Company has voluntarily and knowingly consented to this waiver of warranty of fitness and/or warranty against redhibitory defects and vices for the Equipment. The Parish shall have no obligation to install, erect, test, adjust, service or maintain any of the

Equipment. The Company shall look solely to the manufacturer, seller and/or supplier of the Equipment for any and all claims related to the Equipment.

SECTION 6. Consideration.

(a) The Company, for and in consideration of the Parish entering into the EDAP Agreement and approving the issuance of the Bonds, hereby covenants and agrees to use the Equipment in connection with its operations at the Project for the Term of this Lease, to comply with its other obligations under the EDAP Agreement and hereunder and to cooperate with the Parish and to take such actions as shall be necessary to enable the Parish to comply with the EDAP Agreement. The Parish hereby acknowledges and agrees that the Company's entering into the EDAP Agreement and this Lease and its borrowing of the proceeds of the Bonds for the purpose of constructing the Project in the Parish provides sufficient economic development benefit to the Parish to induce it to enter into this Lease and the EDAP Agreement and approve the issuance of the Bonds.

(b) The Company agrees to pay any and all expenses, of every nature, character, and kind whatsoever, incurred by or on behalf of the Company in connection with the operation, lease and maintenance of the Equipment. These amounts shall be paid by the Company directly to the person or persons to whom such amounts shall be due. Under no circumstances will the Parish be required to make any payment on the Company's behalf or for the Company's benefit under this Lease, or assume any monetary obligation of the Company under this Lease, or with respect to the Equipment.

SECTION 7. Operation, Alterations, Maintenance, Repair and Replacement.

(a) The Company shall be responsible for procuring and maintaining all services necessary or required in order to adequately operate the Equipment and shall operate and use the Equipment in a careful and proper manner and in compliance with all Governmental Regulations.

(b) The Company shall be responsible for maintaining the Equipment and shall make or cause to be made all repairs, restorations, and replacements to the Equipment as and when needed to preserve the Equipment in good working order, condition and repair (ordinary wear and tear excepted).

(c) The Company shall have the right during the Term to make or construct any additions or improvements to the Equipment, alter the Equipment and attach fixtures or other equipment to or on the Equipment without the Parish's prior written consent to the extent allowed under the terms of any insurance covering the Equipment. All such alterations, improvements, additions, attachments, repairs, restorations, and replacements of all or any portion of the Equipment shall (i) be at the sole cost and expense of the Company; (ii) be constructed in a good and workmanlike manner; and (iii)

be in compliance with all Governmental Regulations. All alterations, fixtures, improvements, and additions made to, in, or on the Equipment shall immediately become the property of the Parish, subject to this Lease.

SECTION 8. Insurance.

(a) The Company shall secure and maintain or cause to be secured and maintained at its sole cost and expense:

(i) A policy or policies covering the Equipment against loss or damage by fire, lightning, earthquake, collapse, vandalism and malicious mischief, flood and storm surge, and against such other perils as are included in so-called "extended coverage" and against such other insurable perils as, under good insurance practice, from time to time are insured for equipment of similar character, which insurance shall be not less than the full replacement cost of the Equipment.

(ii) A policy of comprehensive public liability insurance with respect to the Equipment and the operations related thereto, against liability for personal injury (including bodily injury and death) and property damage, of not less than \$3,000,000 in combined single limit liability coverage.

(b) All insurance required in this Section and all renewals of such insurance shall be issued by companies authorized to transact business in the State, and rated at least A-Class VIII by Best's Insurance Reports (property liability). All insurance policies provided by the Company shall expressly provide that the policies shall not be canceled or altered without 30 days' prior written notice to the Parish.

(c) All policies of insurance that the Company is obligated to maintain according to this Lease will name the Parish as an additional insured. Original or copies of original policies (together with copies of the endorsements naming the Parish as an additional insured) and evidence of the payment of all premiums of such policies will be delivered to the Parish from time to time at least 30 days prior to the expiration of the term of each policy. All public liability, property damage liability, and casualty policies maintained by the Company shall be written as primary policies, not contributing with and not in excess of coverage that the Parish may carry, if any.

SECTION 9. Casualty and Other Damage. The risk of loss or decrease in the enjoyment and beneficial use of the Equipment due to any damage or destruction thereof by acts of God, fire, flood, natural disaster, the elements, casualties, thefts, riots, civil strife, lockout, war, nuclear explosion or otherwise (collectively "Casualty") is expressly assumed by the Company. The Parish shall in no event be answerable, accountable or liable therefor.

SECTION 10. Application of Insurance Proceeds. If all or any portion of the Equipment is damaged or destroyed by a Casualty, the Company shall, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the repair, restoration, or replacement thereof. The proceeds of any

portion of the Equipment shall be delivered to the Company and shall be made available for, and to the extent necessary be applied to, such restoration, repair and replacement. Any insurance proceeds remaining on deposit with Company following completion of the repairs, restoration or replacement of the Equipment shall be retained by the Company.

In the event the Company decides not to repair, restore or replace the Equipment for any reason, all insurance proceeds received or payable as a result of such Casualty shall be paid to the Parish to the extent that any amounts are owed by the Parish to the State under the EDAP Agreement.

SECTION 11. Encumbrances.

(a) The Company shall pay or cause to be paid all costs and charges for alterations, improvements, additions, repairs and maintenance ("Work") (i) done by the Company or caused to be done by the Company to the Equipment, and (ii) for all materials furnished for or in connection with such Work.

(b) If the Company fails to pay any charge for which an Encumbrance has been filed, and the Equipment or any portion thereof is placed in imminent danger of being seized, the Parish may, but shall not be obligated to, pay such charge and related costs and interest, and the amount so paid, together with reasonable Legal Expenses incurred in connection with such Encumbrance, will be immediately due from the Company to the Parish. Nothing contained in this Lease will be deemed the consent or agreement of the Parish to subject the Parish's interest in the Equipment to liability under any Encumbrance, or any mechanics', materialman's or other lien law. If the Parish receives written notice that an Encumbrance has been or is about to be filed against the Equipment, or that any action affecting title to the Equipment has been commenced on account of Work done by or for the Company or for materials furnished to or for the Company, it shall immediately give the Parish Notice of such notice.

SECTION 12. Assignment and Sublease. This Lease and the interest of the Company herein may be mortgaged, pledged, assigned, sold, subleased, conveyed or transferred by the Company by voluntary act or by operation of law, or otherwise. The Company shall, however, at all times during the Term of this Lease remain liable for the performance of the covenants and conditions on its part to be performed under this Lease and the EDAP Agreement. Nothing herein contained shall be construed to relieve the Company from its obligations hereunder or under the EDAP Agreement

SECTION 13. Right of Entry. Representatives of the Parish shall, subject to reasonable security precautions, and upon giving the Company not less than 24 hours advance Notice, have the right to inspect the Equipment during reasonable business hours accompanied by a Company Representative (i) to inspect the same,

(ii) for any purpose connected with the rights or obligations of the Parish under this Lease or the EDAP Agreement, or (iii) for all other lawful purposes.

SECTION 14. Sale of Equipment by Parish Prohibited. The Parish shall not have the right to mortgage, pledge, assign, sell, convey or transfer the Equipment during the term of this Lease.

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SECTION 15. Quiet Enjoyment. The Parish covenants that the Company, on performing and observing all of the covenants and agreements herein contained and provided to be performed by the Company, shall and may peaceably and quietly have, hold, occupy, use, and enjoy the Equipment during the Term and may exercise all of its rights hereunder; and the Parish agrees to warrant and forever defend the Company's right to such occupancy, use, and enjoyment and the title to the Equipment against the claims of any and all persons whomsoever lawfully claiming the same, or any part thereof, by or through the Parish, subject only to the provisions of this Lease.

SECTION 16. Indemnification; Parish Reservation of Rights.

(a) The Company assumes liability for and agrees to and does hereby indemnify, protect and hold harmless the Parish and its agents, employees, officers and councilmen from and against any and all liabilities, obligations, losses, damages, injuries, claims, demands, penalties, actions, costs and expenses (including Litigation Expenses), of whatsoever kind and nature, arising out of or by reason of:

(i) the use, condition (including, but not limited to, latent and other defects and whether or not discoverable by the Parish or the Company), operation, ownership, selection, delivery, storage, leasing or return of any item of Equipment, regardless of where, how and by whom operated, or any failure on the part of the Company to accept the Equipment or otherwise to perform or comply with any conditions of this Lease;

(ii) any injury to or death of any person or damage to property occurring on or about the Equipment occasioned by or growing out of or arising or resulting from any tortious or negligent act on the part of the Company in connection with the operation of the Equipment; or

(iii) any failure, breach, or default on the part of the Company in the performance of or compliance with any of the obligations of the Company under the terms of this Lease or the EDAP Agreement.

The indemnities and assumptions of liabilities and obligations herein provided for shall continue in full force and effect notwithstanding the expiration or termination of the term of this Lease.

(b) Notwithstanding the fact that it is the intention of the parties that

the Parish shall not incur any pecuniary liability by reason of the terms of this Lease or the EDAP Agreement or the undertakings required of the Parish hereunder or thereunder, nevertheless, if the Parish should incur any such pecuniary liability, then in that event, the Parish shall be entitled to assert all rights and remedies granted in law or in equity to recover from the Company the amount of any pecuniary liability incurred by the Parish, plus all Litigation Expenses incurred in defense of such liability to the extent subject to indemnification pursuant to subsection (a) above.

(c) This Lease and the obligations of the Parish hereunder and any Claim asserted against the Parish arising therefrom, and the enforcement of any obligation or Claim shall be limited solely

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to the Parish's interest in the Equipment. No personal liability shall attach to, or be incurred by, any officer, councilman, agent or employee of the Parish and the Company acknowledges that all personal liability of any character against every such officer, councilman, agent or employee by the execution of this Lease, is expressly waived and released. The immunity of any officer, councilman, agent or employee of the Parish under the provisions contained in this section shall survive any acquisition of the Equipment by the Company and the expiration or other termination of this Lease.

SECTION 17. Default by the Company. If (i) the Company shall fail to pay or discharge any monetary obligation under this Lease within 30 days after receipt of Notice from the Parish that such sums are due and owing; or (ii) the Company shall breach any of the other covenants or conditions herein or in the EDAP Agreement, and shall fail to remedy any such breach within thirty (30) days after receipt by the Company of written notice, via certified mail, return receipt requested, specifying the breach; provided that if such breach be of a nature that it cannot be cured within such thirty day period, it shall not be a default hereunder if the Company commences curing such breach and proceeds diligently to complete such cure; provided, however, that such extended cure period does not create a default under the EDAP Agreement, then and in any such event the Company shall be deemed to be in default hereunder.

SECTION 18. Remedies. If there occurs a default by the Company hereunder, the Parish shall have the right, at its option, to terminate this Lease on the earliest date permitted by law or this Lease or on any later date specified in any Notice given to the Company, in which case the Company's right to possession of the Equipment will cease and this Lease will be terminated, and to enforce the other obligations of the Company under the EDAP Agreement and under this Lease which survive termination of this Lease, and in such event the Parish may without any further demand or notice repossess the Equipment, which the Company hereby agrees to surrender to the Parish at the Project. Such right of repossession and other rights as specifically provided in this section shall constitute the sole remedies for the Company's failure to perform its obligations when required hereunder, provided that the Parish shall retain all

rights and remedies available to it in the event of a default by the Company under the EDAP Agreement and the right to recover any amounts advanced on behalf of the Company pursuant to the terms of this Lease. If the Parish is entitled to repossess the Equipment, the Company shall permit the Parish or its agents to enter the Project where the Equipment is then located. In the event of any such repossession, the Company shall execute and deliver such documents as may reasonably be required to restore title to and possession of the Equipment to the Parish, free and clear of all liens and security interests to which the Equipment may have become subject.

All costs incurred by the Parish in collecting any amounts and damages owing by the Company pursuant to the provisions of this Lease or to enforce any provision of this Lease, including reasonable Litigation Expenses from the date any such matter is turned over to an attorney, whether or not one or more actions are commenced by the Parish, will also be recoverable by the Parish from the Company. The exercise or beginning of the exercise by the Parish of the remedies provided for in this Lease will not preclude the later exercise by the Parish of such remedies. The waiver by the Parish of any breach by the Company of any term, covenant or condition hereof shall not operate as a waiver of any subsequent breach of the same or any other term, covenant or condition hereof.

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Notwithstanding the foregoing, the Parish shall not exercise any remedies to which it is entitled hereunder due to a default by the Company under the EDAP Agreement unless DED exercises its remedy under the EDAP Agreement to obtain a return of all or any portion of the Grant funds granted to the Parish thereunder and, if DED exercises such remedy the Company shall have the right, prior to the termination of this Lease by the Parish, to cure such default by paying the amount owed to DED under the EDAP Agreement. The Parish hereby agrees not to terminate this Lease or exercise any of its other remedies hereunder due to a default by the Company of its obligations under the EDAP Agreement until such time as the Company and DED have reached agreement on the amount, if any, owed to DED due to such breach.

SECTION 19. Option to Purchase. For and in consideration of the obligations of the Company under this Lease and the EDAP Agreement, the mutual undertakings of the parties, the receipt and adequacy of which is hereby acknowledged, the Parish grants to the Company an exclusive and irrevocable option to purchase for the price and on the terms, provisions, stipulations and conditions hereinafter set forth, all but not less than all of the Equipment.

The Company may exercise the Option herein granted at any time on or before expiration of the Term by Notice to the Parish of its election to exercise the Option and purchase the Equipment given not less than 30 days prior to the date on which the Company desires to purchase the Equipment.

The Purchase Price for the Equipment shall be equal to the amount, if any, that is owed to DED on the date of such purchase under the EDAP Agreement, as

agreed to by the Company and DED. Upon the purchase of the Equipment by the Company pursuant to this Option, this Lease shall terminate and the Parish shall execute bills of sale and other documents acceptable to the Company conveying title to the Equipment to the Company. The Company shall pay all costs and charges incident to the conveyance of the Equipment.

SECTION 20. Conveyance at End of Term. The Parish shall, upon compliance by the Company with all of its obligations hereunder and under the EDAP Agreement, at the expiration of the Term of this Lease, convey the Equipment to the Company for no additional consideration other than payment by the Company of all costs and charges incident to the conveyance of the Equipment.

SECTION 21. Severability. If any provisions of this Lease shall be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable, to any extent whatever. The invalidity of any one or more phrases, sentences, clauses or Sections contained in this Lease shall not affect the remaining portions of this Lease, or any part thereof. To the extent that any provision is held to be unenforceable, the parties hereto agree to reform such provision so that such provision is enforceable but still meets as much as is possible the original expectations of the parties hereto.

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SECTION 22. Law Governing. This Lease is made in the State under the Constitution and laws of the State and is to be governed by the laws of the State.

SECTION 23. Exculpatory Provision. The Company specifically agrees to look solely to the Parish's interest in the Equipment for the recovery of any judgments from the Parish. It is agreed that the Parish will not be personally liable for any such judgments, or incur any pecuniary liability as a result of this Lease to the Company, or the breach of its obligations hereunder. The Parish's liability under this Lease is "in rem" as to its interest in the Equipment. The provisions contained in the preceding sentences are not intended to and will not limit any right that the Company might otherwise have to obtain injunctive relief against the Parish.

SECTION 24. Counterparts. This Lease may be executed in any number of counterparts, each of which shall be an original, but all of which shall together constitute one and the same instrument.

SECTION 25. Written Amendment Required. No amendment, alteration, modification of, or addition to the Lease will be valid or binding unless

expressed in writing and signed by the Parties hereto.

SECTION 26. Entire Agreement. This Lease contains the entire agreement between the Parish and the Company.

SECTION 27. Litigation Expenses. The Company will pay the Parish all reasonable Litigation Expenses and all other reasonable expenses which may be incurred by the Parish in enforcing any of the obligations of the Company under this Lease or the EDAP Agreement, in exercising its rights to recover against the Company for loss or damage sustained in accordance with the provisions of this Lease or the EDAP Agreement, or in any litigation or negotiation in which the Parish shall, without its fault, become involved through or because of this Lease or the EDAP Agreement.

SECTION 28. Binding Effect. The covenants, conditions, and agreements contained in this Lease will bind and inure to the benefit of the Parties hereto and their respective heirs, distributees, executors, administrators and permitted successors and assigns.

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SECTION 29. Rules of Interpretation. The following rules shall apply to the construction of this Lease unless the context requires otherwise: (a) the singular includes the plural and the plural includes the singular; (b) words importing any gender include the other genders; (c) references to statutes are to be construed as including all statutory provisions consolidating, amending or replacing the statute to which reference is made and all regulations promulgated pursuant to such statutes; (d) references to "writing" include printing, photocopy, typing, lithography and other means of reproducing words in a tangible visible form; (e) the words "including", "includes" and "include" shall be deemed to be followed by words "without limitation"; (f) references to the introductory paragraph, preliminary statements, articles, sections (or subdivision of sections), exhibits, appendices, annexes or schedules are to those of this Lease unless otherwise indicated; (g) references to agreements and other contractual instruments shall be deemed to include all subsequent amendments and other modifications to such instruments; (h) references to Persons include their respective successors and assigns to the extent successors or assigns are permitted or not prohibited by the terms of this Lease; (i) any accounting term not otherwise defined has the meaning assigned to it in accordance with generally accepted accounting principles; (j) "or" is not exclusive; (k) provisions apply to successive events and transactions; (l) references to documents or agreements which have been terminated or released or which have expired shall be of no force and effect after such termination, release, or expiration; (m) references to mail shall be deemed to refer to first-class mail, postage prepaid, unless another type of mail is specified; (n) all references to time shall be to Baton Rouge, Louisiana time; (o) references to specific persons, positions, or officers shall include those who or which succeed to or perform their respective functions, duties, or responsibilities; and (p) the terms "herein", "hereunder", "hereby", "hereof," and any similar

terms refer to this Lease as a whole and not to any particular articles, section or subdivision hereof.

SECTION 30. Notices. All notices, filings and other communications ("Notice") shall be in writing and shall be sufficiently given and served upon the other parties if delivered by hand directly to the persons at the addresses set forth below, or shall be sent by first class mail, postage prepaid, addressed as follows:

The Company

Conrad Aluminum, L.L.C.
1100 Brashear Avenue, Suite 200
Morgan City, Louisiana 70380

Attention: Lewis J. Derbes, Jr.

With copies at the same time to:

Jones, Walker, Waechter, Poitevent, Carrere and Denegre, L.L.P.
201 St. Charles Avenue
New Orleans, Louisiana

Attention: Dionne M. Rousseau

The Parish:

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St. Mary Parish Government
500 Main Street, Fifth Floor-Courthouse
Franklin, Louisiana 70538-6198

Attention: Parish President

With copies at the same time to:

Foley & Judell
365 Canal Street
New Orleans, Louisiana 70130-1138

Attention: Susan Weeks

SECTION 31. Option to Extend Lease Term. The Lease Term may be extended upon the expiration thereof with the consent of the parties hereto at an annual rental and an annual in-lieu-of-ad valorem tax payment to be agreed upon for a term to be agreed upon.

IN WITNESS WHEREOF, the undersigned representative has signed this Lease on behalf of the Parish of St. Mary, State of Louisiana in the presence of the undersigned witnesses and notary public on the 5th day of August, 2003.

WITNESSES:

PARISH OF ST. MARY, STATE OF LOUISIANA

/s/ Frank Fink

By: /s/ William A. Cefalu

William A. Cefalu, Parish President

/s/ Heidi Williams

/s/ Keith J. Leonard

Notary Public

IN WITNESS WHEREOF, the undersigned representative has signed this Lease on behalf of Conrad Aluminum, L.L.C. in the presence of the undersigned witnesses and notary public on the 5th day of August, 2003.

CONRAD ALUMINUM, L.L.C.

By: /s/ Lewis J. Derbes, Jr.

Lewis J. Derbes, Jr.,
Treasurer/Secretary and Manager

WITNESSES:

/s/ Fred Newman

/s/ Opal Duhe'

/s/ Dales Hayes

Notary Public

CERTIFICATIONS

I, Kenneth G. Myers, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Conrad Industries, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) [intentionally omitted]

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2003.

By: /s/ KENNETH G. MYERS, JR.

Kenneth G. "Jerry" Myers, Jr.
President & Chief Executive Officer

I, Lewis J. Derbes, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Conrad Industries, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) [intentionally omitted]

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2003.

By: /s/ LEWIS J. DERBES, JR.

Lewis J. Derbes, Jr.

Vice President & Chief Financial Officer

[LOGO OF CONRAD INDUSTRIES, INC.]

August 12, 2003

Securities and Exchange Commission
450 Fifth Street, NW
Washington, D.C. 20549

Re: Conrad Industries, Inc.

Certification of Form 10-Q for the quarter ended June 30, 2003, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Ladies and Gentlemen:

Conrad Industries, Inc. filed today, via EDGAR, its quarterly report on Form 10-Q for the quarter ended June 30, 2003. The undersigned Chief Executive Officer and Chief Financial Officer of the Company certify that the Form 10-Q fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

This certification is being furnished solely to comply with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002, and is being filed as an exhibit to the Form 10-Q.

Very truly yours,

/s/ Kenneth G. Myers, Jr.

Kenneth G. ("Jerry") Myers, Jr.

**President and
Chief Executive Officer**

/s/ Lewis J. Derbes, Jr.

Lewis J. Derbes, Jr.

**Vice President and
Chief Financial Officer**