

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-K405

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405

Filing Date: **1999-03-26** | Period of Report: **1998-12-31**  
SEC Accession No. **0000950152-99-002405**

([HTML Version](#) on [secdatabase.com](http://secdatabase.com))

### FILER

#### **EASCO INC /DE/**

CIK: **938145** | IRS No.: **943157362** | State of Incorpor.: **DE** | Fiscal Year End: **1231**  
Type: **10-K405** | Act: **34** | File No.: **000-25834** | Film No.: **99573421**  
SIC: **3350** Rolling drawing & extruding of nonferrous metals

Mailing Address  
706 SOUTH MAIN STREET  
GIRARD OH 44420

Business Address  
706 SOUTH STATE ST  
GIRARD OH 44420  
3305454311

=====

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF  
--- THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998  
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: 0-25834

EASCO, INC.

(Exact name of registrant as specified in its charter)

<TABLE>			
<S>	<C>	<C>	<C>
Delaware	94-3157362	706 South State Street, Girard, Ohio	44420
-----	-----	-----	-----
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)	(Address of principal executive office)	(Zip Code)
</TABLE>			

Registrant's telephone number, including area code: (330) 545-4311

Securities registered pursuant to Section 12(b) of the Act: None  
Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$0.01 Par Value  
(Title of Class)

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 X No  
--- ---

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. X  
---

The aggregate market value of the voting common stock held by non-affiliates of the registrant, based upon the closing sale price of the common stock on March 22, 1999 as reported on the Nasdaq National Market, was approximately \$17,842,143. Shares of common stock held by each officer and director and by each person who owns 5% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates.

Number of shares of common stock outstanding as of March 22, 1999:  
9,452,541

1

2

3

DOCUMENTS INCORPORATED BY REFERENCE

CERTAIN PORTIONS OF THE DOCUMENTS LISTED BELOW HAVE BEEN INCORPORATED BY REFERENCE INTO THE INDICATED PART OF THIS FORM 10-K.

<TABLE> <CAPTION> DOCUMENT INCORPORATED ----- <S>	PART OF FORM 10-K ----- <C>
ANNUAL REPORT TO SHAREHOLDERS	ITEMS 5, 6, 7 AND 8 OF PART II AND ITEM 14(1)A OF PART IV
PROXY STATEMENT FOR 1998 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD MAY 7, 1999	ITEMS 10, 11, 12 AND 13 OF PART III

3

4

CAUTIONARY STATEMENT

Holders of the Company's securities and prospective investors should consider the following factors with the other information contained in this Annual Report on Form 10-K, in connection with an investment in the Company's securities. Information contained or incorporated by reference in this Annual Report on Form 10-K contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, which are not historical facts or use forward-looking terminology such as "may," "will," "plans," "expects," "anticipates," "estimates," "intends," "should" or "continue" or the negative thereof or other variations thereon or comparable terminology. The matters set forth in the section titled "Risks and Uncertainties," constitute cautionary statements identifying important factors with respect to such forward-looking statements that could cause actual results to differ materially from those contemplated by any such forward-looking statements.

PART I

ITEM 1. BUSINESS

GENERAL

All references to the Company refer to Easco, Inc., its wholly-owned subsidiary, Easco Corporation ("Easco") and its subsidiary, Dolton Aluminum Company, Inc. ("Dolton").

The Company is the largest independent extruder of soft alloy aluminum products in the United States. In 1998, the Company shipped 313.9 million pounds of aluminum extrusions, representing approximately 9% of all U.S. soft alloy extrusion shipments. The Company operates 21 aluminum extrusion presses and three casting facilities at eleven plants in five states, and its products include standard and custom profiles (shapes of specific lengths and cross-sectional design), conduit and drawn tubing. The Company also produced vinyl extrusions through operations that were sold in January 1998.

The Company serves approximately 2,600 customers spanning primarily five industry groups (building and construction, transportation, distribution, electrical and consumer durables), and its extrusions are used in a wide variety of products including door and window frames, truck bodies, truck trailers, recreational vehicles, automobiles, boats, home appliances, patio enclosures and furniture, office furniture and equipment, picture frames, sport and exercise

equipment, health care equipment, coaxial cable and electrical conduit.

During November 1996, the Company's executive staff was reorganized. This reorganization resulted in the turnover of several key executive positions, including President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, and Vice President, Sales and Marketing. In addition, the positions of Vice President, Operations and Vice President, Raw Materials were established. The new management team has initiated changes which helped return the Company to profitability in 1997 and continued growth in 1998 by focusing on product quality and the improvement of production methods.

4

5

PRODUCTS

Overview. The Company's aluminum extrusions are sold to a wide array of industries as summarized in the following table. Aluminum's valuable physical properties include its light weight, resistance to corrosion, thermal and electrical conductivity and high tensile strength.

<TABLE>  
<CAPTION>

INDUSTRY -----	PRIMARY CUSTOMERS -----	PRINCIPAL END-PRODUCTS -----	PERCENTAGE OF COMPANY'S TOTAL ALUMINUM SALES (BY WEIGHT)	
			1998 ----	1997 ----
<S>	<C>	<C>	<C>	<C>
Building and Construction	Manufacturers, assemblers and contractors	New and replacement windows and storm doors, wall partitions, railings, structural beams, patio enclosures, bleacher seats, road signs, skylights and curtain walls	27%	25%
Transportation	Manufacturers of vehicles and their suppliers	Components used in truck bodies, recreational vehicles, railcars, step vans, van conversions, automobiles, emergency vehicles and livestock trailers	37%	36%
Distribution	General metal distributors and service centers primarily serving the building and construction and transportation industries	Building and construction and transportation products and a variety of general industrial applications	16%	15%
Electrical	Manufacturers of coaxial cable and distributors, contractors and fabricators	Coaxial cable, electrical conduit, heat sinks and connectors	15%	19%
Consumer Durables	Manufacturers and assemblers of finished goods and major subassemblers	Components for boats, sports and exercise equipment, swimming pools, health care equipment, and lawn and patio furniture	5%	5%

</TABLE>

The Company does not consider its business to be dependent on sales to any single customer or small number of customers, the loss of which would have a material adverse effect on the Company's business or financial condition, with the possible exception of coaxial cable sheathing sales, which are limited to a market of only two customers, as discussed below. Including sales to this market, the Company's top ten customers accounted for approximately 32% of its 1998 net sales. For additional information on the Company's customers, see "-- Managing Aluminum Price Fluctuations" and "-- Marketing and Distribution;

Building and Construction. Products for the building and construction industry include new and replacement windows and storm door frames, wall partitions, railings, structural beams and other

5

6

components, patio enclosures, solariums, skylights, bleacher seats, road signs, curtain walls and other products for both the commercial and residential markets. Window and door products represent one of the Company's single largest markets, comprising approximately 17% of the Company's total sales by weight in 1998. The Company's products are sold to manufacturers, assemblers and contractors in both the new construction and replacement window and door markets. The largest geographic market for the Company's commercial replacement windows are Northeastern cities where older commercial buildings are retrofitted with energy saving windows using the Company's products.

Transportation. The transportation industry is a significant market for extruded shapes used in truck bodies, recreational vehicles, step vans (delivery vehicles) and van conversions as well as automobiles, beverage delivery trucks, emergency vehicles, livestock trailers and motor homes. Through acquisitions and capital spending, the Company has enhanced its position in the market for transportation products, which represented approximately 37% of the Company's total aluminum sales by weight in 1998. The Company is well positioned geographically to serve this market through its plants in Illinois, Indiana and Ohio.

Distribution. The Company has historically served the distribution market through sales to distributors servicing the building and construction and transportation industries and, to a lesser extent, to general metal distributors and service centers. These customers resell extrusions and other metal products to manufacturers, contractors and other industrial end users. To better meet the requirements of this market, the Company has established and stocked depots in Illinois, North Carolina and Connecticut to provide rapid customer order fulfillment for a number of the Company's products.

Electrical. The Company is one of two principal manufacturers in the world of sheathing for coaxial cable. There are two manufacturers of coaxial cable who dominate this market. For over 10 years, the Company has been the principal supplier to one of these manufacturers and currently serves as a secondary supplier to the other.

Sales to this market depend upon new and replacement cable installations, both domestically and internationally. Because coaxial cable has an expected life of approximately 10 to 15 years before signal integrity begins to erode, the Company believes that the replacement market represents a large and stable market for coaxial cable sheathing. Additionally, management believes that if the two dominant cable manufacturers proceed with their announced cable system architecture to install fiber optics (which do not utilize aluminum sheathing), it will be necessary to replace the older, less efficient coaxial cable network with new coaxial cable. Management believes that the telecommunications industry will continue to undergo rapid change, both technological and legislative; however, it is not possible to predict the impact these changes will have on the market for sheathing for coaxial cable.

The Company is one of three extruders in the United States that manufactures aluminum electrical conduit pipe. Aluminum conduit is considered by many users to be superior to that manufactured with steel because aluminum is lighter in weight, non-sparking, non-magnetic and resistant to corrosion. Aluminum electrical conduit is frequently specified by engineers for use in applications involving pulp, paper and petro-chemicals due to its non-sparking characteristics. The Company also manufactures extrusions for heat sinks, connectors, and other electrical parts that are used by electrical equipment manufacturers and utilities.

Consumer Durables. The Company extrudes products for manufacturers of finished goods and major sub-assemblers of consumer durable products. End use products in this segment include, among others, boats, sports and exercise equipment, swimming pools, health care equipment, appliances, and lawn and patio furniture. In 1998, sales by weight to the consumer durables market accounted for approximately 5% of the Company's total aluminum sales.

Vinyl Products. The Company's vinyl extrusions were sold primarily to manufacturers of replacement windows used in the building and construction

totaled 12.2 million pounds, representing approximately 4% of the Company's total shipments by weight. In January 1998, the Company completed the sale of its vinyl extrusion operations.

#### MANUFACTURING

The Company's manufacturing operations consist principally of casting, extruding, fabricating and finishing aluminum. First, cylindrical aluminum logs of between 16 and 20 feet in length and of varying diameters are cast from a mixture of pure aluminum ingot and scrap aluminum. The logs are homogenized in large ovens and cut into the optimal aluminum billet lengths (usually between 24 and 36 inches) for the products to be extruded. The aluminum billet is the raw material used to manufacture aluminum extrusions. The process begins by heating the billet and forcing it under high pressure in an extrusion press through a die that forms the desired cross-sectional pattern or profile. Next, the extrusions are either straightened by stretching, after which they are cut to required lengths and, in most cases, age-hardened in ovens, or coiled onto reels (as in the case of coaxial cable sheathing). These "mill finish" extrusions are then either packed and shipped directly to customers or receive further finishing and/or fabrication as specified by the customer.

#### Raw Materials

The Company's major raw materials are primary aluminum, aluminum scrap and, to a lesser extent, aluminum billet purchased on the open market. Historically, the Company has produced approximately 80% to 85% of its billet requirements in its own casting facilities utilizing primary aluminum ingot, purchased aluminum scrap and scrap recycled from the Company's extrusion plants. Billet is cast in a number of standard alloys dictated by the physical properties required of the finished product. During the third quarter of 1998, the Company completed an expansion at its Ahoskie, North Carolina casting facility and is now substantially self-sufficient for its billet requirements. The Company purchases certain non-standard alloy billet in the open market.

The Company buys primary aluminum ingot from metal brokers as well as primary aluminum producers. As a global commodity, aluminum ingot is widely available, and no single supplier or group of suppliers has been able to dictate pricing. The Company typically purchases aluminum for casting as necessary to meet its requirements, and generally engages in forward aluminum purchases to meet the requirements of fixed price sales contracts. See "-- Managing Aluminum Price Fluctuations."

The Company's scrap aluminum requirements are met through purchases from scrap brokers, dealers, other extruders and customers. Aluminum scrap sells at a discount to primary aluminum, with the amount of the differential dependent upon aluminum price levels, grade of the scrap and scrap market conditions. These differentials generally make it advantageous for companies with casting capabilities to utilize as high a percentage of scrap in their raw material mix as possible. The differentials, measured as a percentage of primary aluminum prices, have generally been consistent over time.

#### Casting Operations

Billet casting operations fall into one of two categories: primary and secondary. Primary billet casting refers to billet produced as part of the original process of smelting aluminum from alumina and is dominated by the large integrated aluminum producers, including Alcan Aluminum Ltd., Aluminum Company of America (Alcoa), Kaiser Aluminum Corporation, Noranda Aluminum Inc., Pechiney Corp. and Reynolds Metals Company. The Company does not engage in primary billet casting. Secondary billet, which refers to billet cast from recycled and remelted aluminum, is produced by a number of casting operations, including the Company's casting operations, other extruders with casting capabilities and independent casting companies.

The first step in the Company's casting process is to melt aluminum ingot and scrap in a large natural gas fired furnace. The liquid aluminum is either alloyed directly in the melting furnace or transferred to a holding furnace where the proper alloying materials are added. The aluminum is then cast into logs of varying diameters, with lengths of 16 to 20 feet. These logs are subsequently heated in ovens. This heating process, called homogenization,

allows the cast aluminum to achieve an evenly distributed

7

8

chemical composition which is optimal for extruding and ensures consistency. After homogenization, the logs are cut into shorter lengths called billet, and then bundled and shipped to the Company's extrusion plants.

#### Aluminum Extrusion

In the aluminum extrusion process, a billet is first heated, placed into an extrusion press, and forced, or extruded, through a die that creates the desired profile or cross-sectional design. Extrusions are then either straightened by stretching and cut to the required lengths (in the case of lineal extrusions) or coiled onto reels (in the case of coaxial cable sheathing). Most extrusions are hardened by aging in large ovens for four to ten hours. Drawn tubing requires additional processing in which an extruded pipe is pulled through a die to create thin-walled aluminum tubing.

During the extrusion process, scrap is generated at several stages and is collected and shipped to the Company's casting facilities for recasting into billet. The Company's management is focusing on programs intended to reduce internally generated scrap, increasing extrusion throughput and thereby reducing unit costs.

#### Fabrication and Finishing

The Company provides its customers with a variety of value-added services, such as painting, anodizing, thermal filling, threading, bending, cutting to length and drilling. Value-added services enhance the Company's ability to produce factory-finished extrusions that are ready for the customer's manufacturing or assembly processes. Management believes that the Company is an industry leader in painted extrusions, with approximately 80 million pounds shipped in 1998. Approximately 43% of all products sold by the Company in 1998 included some degree of value-added processing.

#### Utilization and Capacity

The Company's objective is to operate at maximum facility utilization, defined as full machine usage three shifts per day, seven days per week, 50 weeks per year. Achievement of this objective would allow the Company to produce approximately 400 million pounds of aluminum extrusions annually, compared to approximately 314 million pounds of aluminum extrusions shipped by the Company in 1998. While several plants already operate at full capacity during periods of high demand, the Company's sales and marketing efforts are focused on achieving greater sales and profitability in the first and fourth quarters, when capacity utilization has generally been lower.

Management believes the Company operates at a higher level of utilization than the industry average based on the Company's shipment in 1998 of approximately 9% of all soft alloy extrusions shipped in the United States while utilizing only 4.7% of the industry's active extrusion presses. Management believes the Company has a cost advantage over many smaller competitors, since a high level of facility utilization is important in order to utilize operating leverage by spreading fixed costs over the greatest possible production levels.

The Company believes that its existing casting facilities, coupled with purchases of extrusion billet and log on the open market as, and to the extent necessary, will be adequate to supply the billet requirements of the Company's extrusion plants operating at full utilization rates. Because efficient in-house casting provides cost advantages, the Company is focusing on improving its casting capability through improved technology at each of its casting facilities.

8

9

Under the Company's Customer Conversion Program, the Company's larger customers are permitted to provide the Company with the primary aluminum ingot needed to produce that customer's extrusion requirements. For an agreed upon tolling fee, the Company casts the customer-supplied ingot along with its own purchased ingot and scrap aluminum into billet and subsequently manufactures the customer's extrusions to order. The Customer Conversion Program offers customers the opportunity, if they so desire, to fix their aluminum costs by making forward purchases of aluminum ingot. Orders under this program effectively eliminates the Company's exposure to aluminum price volatility. Management believes this program increases sales volume and loyalty from certain customers, particularly those that enter into long term aluminum supply contracts who typically will then enter into a relationship with the Company for at least the duration of their aluminum supply contract. Furthermore, the program reduces the working capital requirements of the Company by reducing both accounts receivable and inventories. In 1998, shipments under the Customer Conversion Program accounted for 34% of the Company's total pounds shipped.

In addition to the Customer Conversion Program, the Company offers three pricing alternatives that allow its customers to control the impact of aluminum price fluctuations and minimize the Company's aluminum price fluctuation risk. These three alternatives are (i) a formula, adjusted monthly or quarterly, which sets the Company's selling price at the market price of primary aluminum plus a spread; (ii) an arrangement whereby the Company enters into an agreement to sell certain quantities of finished product to the customer at fixed prices concurrently with an agreement to buy or set aside, at future dates, the same amount of raw aluminum at pre-determined prices; and (iii) market-based pricing. The Company also regularly monitors its inventory levels, purchase commitments and sales commitments and enters into forward aluminum commodity sales and/or purchase contracts to keep its inventory levels and production requirements in balance.

#### CAPITAL EXPENDITURES

Beginning in 1996, the Company's management team has focused on the casting or "supply" side of the Company in their capital spending initiatives. Equipment upgrades have been completed at each casting facility, the most significant of which was the \$7.0 million expansion of the Company's Ahoskie, North Carolina casting facility in 1998. As a result of this expansion, the Company is now substantially self-sufficient for its aluminum billet requirements. Billet self-sufficiency is a key strategy of the Company's management team since internally produced billet has a \$0.04 to \$0.05 per pound cost advantage over that purchased on the open market.

The Company also significantly upgraded the painting operations at its Girard, Ohio location in 1998. As a result, the Company believes it has the most cost efficient and highest quality painting operation in the extrusion industry.

Capital expenditures in 1999 are anticipated to be approximately \$12.0 million and will focus primarily on upgrading the Company's extrusion presses. These improvements include the installation of log shears at certain locations, the installation of computerized process controls and upgrades of handling equipment.

#### MARKETING AND DISTRIBUTION; CUSTOMER SERVICE

The Company markets its products through a separate sales force based at each facility. The Company sells to approximately 2,600 customers in a variety of industries and markets located throughout the U.S., although the Company's primary geographic focus is in the Eastern, Southeastern and Midwestern United States. While decisions on overall sales strategy and base pricing management are made at the corporate level, each plant general manager and facility sales staff are responsible for promoting the Company's products, identifying marketing opportunities, servicing customers and aligning their sales efforts with regional customer requirements and plant capabilities. Management believes this provides a higher overall level of customer service and results in a greater degree of customer loyalty. Compensation of the direct sales force is comprised of salary and performance-based bonuses. The Company also utilizes outside sales agents to supplement its marketing effort for certain of its products.

Management believes the most important elements of customer service in the



extrusion industry are responsiveness to customer orders, predictable lead times, short delivery cycles and on-time delivery. The Company seeks to provide its customers with predictable lead times and short product delivery cycles so that its customers can optimize their inventory management. The Company reserves press time for key customers to accommodate their production schedules, and is generally able to fulfill critical orders from key customers within 48 hours of receipt by taking advantage of its strategically located plants and its own fleet of trucks.

Pricing in the aluminum extrusion industry is typically based upon spreads over primary aluminum prices: the more difficult or time-consuming a product is to extrude, the larger the spread.

The Company distributes a portion of its products through its own transportation fleet. A majority of the Company's transportation fleet is leased. Management believes that maintaining a fleet of tractor-trailers enhances its level of service to customers by enabling the Company to deliver products in a more timely manner with less damage. The Company also uses contract carriers and common carriers for certain long hauls, partial loads and trips where no back haul is available, thereby reducing operating costs without materially affecting delivery capabilities.

Because lead times in the extrusion industry are generally less than one month, the dollar amount of backlog orders is not significant.

#### COMPETITION

The soft alloy aluminum extrusion industry is fragmented and highly competitive. Management estimates that, in the United States, over 100 independent and integrated aluminum extruders operate more than 170 aluminum extrusion plants and approximately 440 extrusion presses. Management believes a majority of these competitors operate only one or two presses and estimates that nearly one half of the industry's output is produced by large, vertically integrated producers of primary aluminum such as Alcoa and Kaiser. Management believes that while capacity within the aluminum extrusion industry has increased during the past two years, it is at a level lower than the late 1980's. The industry has undergone consolidation in recent years, as evidenced by the acquisition of Cressona Aluminum by Alumax and the subsequent acquisition of Alumax by Alcoa in 1998.

Competition is generally conducted on a regional basis due in part to the large number of extruders and transportation costs. The marketplace requires each competitor to supply a quality product at a competitive price. Suppliers differentiate themselves based upon shorter lead times, timely deliveries, the availability of value-added finishing and fabricating services, and overall customer service.

The U.S. extrusion industry has not faced significant foreign competition since the high level of service required to compete effectively in the U.S. market would generally be difficult to maintain with foreign production facilities, where the delay between the receipt of orders and delivery of finished products, coupled with incremental shipping costs, places foreign manufacturers at a competitive disadvantage. Management

10

11

believes that these factors would require an importer of foreign aluminum extrusions to maintain a comparatively high level of finished goods inventories in the U.S. to meet routine customer demands. These required inventories would increase an importer's relative working capital requirements and its exposure to swings in aluminum prices and product changes. Management is not aware of any significant foreign extruders that have pursued this strategy.

#### EMPLOYEES

As of December 31, 1998, the Company employed 1,999 people, 1,422 of whom were covered by collective bargaining agreements. The Company's collective bargaining agreements are independently negotiated at each manufacturing facility and expire on a staggered basis. Locals affiliated with the International Union of Operating Engineers and the United Steelworkers of America represent most of the organized employees. Since 1980, the Company has operated without a work stoppage, and Dolton has experienced only one single-day work stoppage in 1991; however, there can be no assurance that work stoppages will not occur in the future. In 1998, four union contracts were successfully renewed and no contracts are scheduled for renewal during 1999.

## ENVIRONMENTAL MATTERS

The Company is subject to a wide variety of federal, state and local environmental laws and regulations ("Environmental Laws") which continue to be adopted and amended. These Environmental Laws regulate, among other things, air and water emissions and discharges at the Company's manufacturing facilities; the generation, storage, treatment, transportation and disposal of solid and hazardous waste by the Company; the release of hazardous substances, pollutants and contaminants into the environment at properties operated by the Company and at other sites; and, in some circumstances, the environmental condition of property prior to a transfer or sale. Risks of significant environmental costs and liabilities are inherent in the operations and facilities of the Company, as well as other participants in the aluminum extrusion industry. The Company believes, however, that its current operations are in substantial compliance with Environmental Laws.

The Company believes that approximately 15 of the disposal facilities known to have been used by the Company are "Superfund" sites or potentially will be considered for Superfund status. The Company has been named as a "potentially responsible party" with respect to the disposal of wastes at six of these waste disposal sites under the federal "Superfund" statute and certain analogous state statutes. Based upon information known to the Company concerning the size of these sites, their years of operation, the number of past users and the characteristics of the Company's waste generation, management believes that the Company's proportionate share of the cost of the necessary investigation and eventual remedial work that may need to be performed at the sites will not have a material adverse effect on the Company's financial condition or results of operations.

A number of the Company's present and past facilities have been in operation for many years, and it is possible that additional environmental issues that could be material may arise in the future. Also, future regulations and changes in the text or interpretation of existing Environmental Laws may subject the Company's operations to increasingly stringent standards. While the precise effect of these changes on the Company cannot be estimated, compliance with such requirements may make it necessary, at costs which may be substantial, to retrofit existing facilities with additional pollution-control equipment and to undertake new measures in connection with the storage, transportation, treatment and disposal of by-products and wastes.

While the ultimate extent of the Company's liability for pending or potential fines, penalties, remedial costs, claims and litigation relating to environmental laws and health and safety matters and future capital expenditures that may be associated with environmental laws cannot be determined at this time, the Company, with the assistance of outside environmental consultants, regularly assesses its environmental contingencies. After an extensive review of each operating facility and all known environmental exposures by management and outside environmental consultants during 1997, the Company reduced the recorded environmental reserve by \$2.3 million to reflect the Company's best estimate of costs of remedial action as well as any related legal

11

12

and consulting work. As of December 31, 1998 and 1997, respectively, the Company's environmental reserves totaled \$3.8 million and \$6.3 million. Management believes such amounts, under existing laws and regulations, are adequate to cover presently identified environmental liabilities, but no assurance can be given that such amounts will be adequate to cover the ultimate costs of these liabilities, or the cost of environmental liabilities that may arise or be identified in the future. Although management expects that any cash outlays with respect to such matters would be made over a number of years, the timing of any such expenditures cannot be determined.

## PATENTS

The Company owns certain patents and licenses some patent rights from third parties. The Company does not believe, however, that its business as a whole, or the business of its industry, is dependent on any single patent, group of patents, trademark or franchise.

## EXECUTIVE OFFICERS

<TABLE>

<CAPTION>

NAME	AGE	POSITION
----	---	-----
<S>	<C>	<C>
Norman E. Wells, Jr.	50	President and Chief Executive Officer
Terry D. Smith	44	Executive Vice President and Chief Financial Officer
Joseph M. Byers	54	Vice President, Sales and Marketing
James R. McKeithan	53	Vice President, Operations
Lawrence J. Sax	66	Vice President, Raw Materials
Thomas H. DuFore	44	Vice President, Human Resources

</TABLE>

Mr. Wells joined the Company as President and Chief Executive Officer in November 1996. From March 1993 to November 1996 he was President and Chief Executive Officer of CasTech Aluminum Group Inc. From 1989 to 1993 he held various executive positions with CasTech. Prior to his working at CasTech, Mr. Wells spent 14 years in various positions with Kaiser Aluminum.

Mr. Smith joined the Company as Executive Vice President and Chief Financial Officer in November 1996. Previously he was Vice President, Chief Financial Officer and Treasurer of CasTech Aluminum Group Inc., from 1994 to 1996 and CasTech's predecessor, ABF Investors Inc., from 1987 to 1994.

Mr. Byers joined the Company as Vice President, Sales and Marketing in November 1996. For more than five years previously, he was Vice President, Sales and Marketing for Barmet Aluminum Corporation, a producer of continuous cast aluminum sheet which subsequently became a subsidiary of CasTech Aluminum Group Inc.

Mr. McKeithan joined the Company as Vice President, Operations in November 1996. Previously he was Vice President, Production for Barmet Aluminum Corporation from 1992 to 1996. Prior thereto he held a similar position with Ravenswood Aluminum Company, a producer of aluminum sheet and plate.

Mr. Sax joined the Company as Vice President, Raw Materials in December 1996. From 1992 to 1996 he served as Vice President, Materials Management for Barmet Aluminum Corporation. From 1988 to 1992 he served as Vice President, Recycling for WTE Corporation, a materials recycler.

Mr. DuFore joined the Company as Vice President, Human Resources in April 1997. From 1994 to March, 1997 he served as Vice President, Human Resources for Columbia National Group, Inc. From 1989 to 1994 he served as Director, Human Resources for Barmet Aluminum Corporation.

12

13

## RISKS AND UNCERTAINTIES

### CUSTOMERS IN CYCLICAL INDUSTRIES; LIMITED BACKLOGS

Demand for most of the Company's products is cyclical in nature and subject to changes in general economic conditions that affect market demand. Sales to the building and construction markets are driven by trends in commercial and residential construction, housing starts, residential repair and remodelings. Transportation sales also are cyclical in nature and typically follow the trends in the automotive, truck and recreational vehicle manufacturing industries. Sales of coaxial cable sheathing are dependent upon the replacement and/or expanded installation of coaxial cable for cable television. Many of the industries served by the Company have experienced recessionary or slow growth conditions for substantial periods in the past, and adverse economic conditions may have a material adverse effect on the Company's business or financial condition. Historically, lower demand has led to lower margins, lower production levels or both. The Company's capacity utilization is also materially affected by demand levels, and capacity utilization is an important factor in the Company's operating performance. The Company and the extrusion industry generally operate with limited order backlogs, so that adverse changes in demand can rapidly impact production levels and operating performance. Adverse economic conditions affecting the overall economy or one or more of the Company's end-use markets therefore may have a material adverse effect on the Company's business and financial condition.

### SUBSTANTIAL LEVERAGE

The Company is highly leveraged with a debt (net of cash) to total capitalization of 49.6% at December 31, 1998. The Company is permitted to incur

additional indebtedness if, at the time, it is able to comply with restrictions under the indenture governing its 10% Senior Notes due 2001 (the "Senior Note Indenture") and the Company's revolving credit agreement (the "Credit Agreement"). The Company is more highly leveraged than certain of its competitors, which may place the Company at a competitive disadvantage. The Company's degree of leverage may make it more vulnerable to a downturn in general economic conditions, particularly in the building and construction and transportation industries, and limit its ability to respond to changing business and economic conditions. In addition, the Company expects that it will likely require additional financing to refinance its Senior Notes at maturity in 2001. There can be no assurance that such additional financing will be available at that time, or available on reasonable terms.

#### ALUMINUM MARKET CONDITIONS

Since the Company's primary raw materials are aluminum ingot and scrap aluminum, it is subject to the short-term commodity risk of carrying aluminum in its inventory. In addition, because changes in aluminum prices are generally passed through to the Company's customers, increases or decreases in aluminum prices generally cause corresponding increases and decreases in reported net sales, causing fluctuations in reported revenues that are unrelated to the level of business activity. Any major dislocation in the supply and/or price of aluminum could have a material adverse effect on the Company's business and financial condition. If the Company is unable to pass through aluminum price increases to its customers in the future, the Company could be materially adversely affected. Aluminum price levels may also impact the level of inventories the Company's customers seek to maintain, and may thereby impact the Company's order rates as customers adjust their inventories.

#### VARIABLE COSTS

Operating within a competitive industry that has experienced limited market growth in recent years, the Company's operating performance depends to a material extent on its ability to control variable costs. Certain of the Company's costs are significantly affected by factors beyond the Company's control. For example, the Company's casting operations use significant quantities of natural gas, increases in the price of which adversely impacted the Company's operating performance in 1996 and could adversely affect operating performance in future periods. Similarly, the Company's labor costs are affected by regional and national

13

14

labor market conditions, which could adversely affect labor costs in the event of labor shortages or prevailing wage increases in one or more locations. For example, relatively full employment at certain of the Company's operating locations has contributed to higher labor costs at those locations. The Company attempts to control variable costs in part through capital expenditures that are intended to increase manufacturing efficiency. There can be no assurance that the Company's capital expenditure program will successfully reduce or limit operating costs, or that the Company's other variable costs will not experience material increases.

#### COMPETITION AND MODERATE BARRIERS TO ENTRY

The aluminum extrusion industry is fragmented and highly competitive. The Company faces competition from other independent aluminum extruders as well as certain vertically integrated aluminum companies (i.e., those with primary aluminum ingot production capacity) that participate in the extrusion market. Some of the Company's competitors, particularly those that are vertically integrated, have greater financial resources than the Company, and certain competitors have merged in recent years (including Alumax Aluminum and Cressona Aluminum in 1995, and Alumax and Alcoa in 1998). The impact of competition can be particularly acute in market segments where there are a limited number of customers (e.g., cable sheathing). The aluminum extrusion industry has not experienced significant growth in recent years, and market share expansion may require price competition that can adversely affect profitability. There can be no assurance that the Company will be able to compete successfully or that competition will not have a material adverse effect on the Company's business or financial condition.

Other building materials (such as vinyl) may be substituted for aluminum in certain applications (particularly replacement window frames) and competition from manufacturers of these materials could adversely affect the Company's business.

Management believes that the extrusion industry offers only moderate barriers to entry, and extrusion presses and other capital equipment are readily available on the open market. Although management is aware of no significant recent entrants, there can be no assurance that new entrants will not increase competition in the aluminum extrusion industry, which could adversely affect the Company.

#### ENVIRONMENTAL RISKS

See "Environmental Matters" in this Annual Report on Form 10-K.

#### ACQUIRED ASSETS

The Company may acquire companies or assets that would enable the Company to offer complementary products or expand geographic coverage, and that management considers likely to enhance the Company's operations and profitability. There can be no assurance that any business or assets acquired by the Company will be integrated successfully into the Company's operations or be able to operate profitably. For example, the Company's acquisitions of Dolton in 1995 and certain extrusion assets in Kokomo, Indiana in 1994 were not profitable until a second restructuring in 1997. This resulted in a special pre-tax charge of approximately \$23.3 million to write down the carrying value of certain related assets in the year ended December 31, 1996.

#### SEASONALITY AND QUARTERLY FLUCTUATIONS

The Company's business is subject to seasonal and quarterly fluctuations. Historically, demand for extrusions and therefore capacity utilization has generally been highest in the summer months, resulting in a higher portion of the Company's net sales and profits in the second and third quarters relative to the first and fourth quarters of each year. The Company's quarterly earnings may also be affected by the timing of acquisitions (if any) or the integration or commencement of new press operations which may affect the availability and extent of utilization of additional press capacity.

14

15

#### MANAGEMENT REALIGNMENT; DEPENDENCE ON KEY MANAGEMENT

In November 1996, the Company appointed a new group of senior executive officers, including its President and Chief Executive Officer, its Executive Vice President and Chief Financial Officer, its Vice President-Sales and Marketing, its Vice President-Operations and its Vice President-Raw Materials. The success of the Company depends to a large extent on this management team, particularly the Company's President and Chief Executive Officer, Norman E. Wells, Jr. The Company does not maintain key-man life insurance on any of its executive officers.

#### LIMITATION ON DIVIDENDS

The declaration and payment of dividends by the Company are subject to the discretion of the Board of Directors of the Company. Any future determination to pay dividends will depend on the Company's results of operations, financial condition, capital requirements, contractual restrictions and other factors deemed relevant by the Board of Directors. Presently, the Senior Note Indenture and the Credit Agreement contain certain covenants which effectively limit the Company's ability to pay dividends. The Company uses retained earnings to retire indebtedness and support the growth of the Company's business. Although the Company presently intends to continue its practice of paying a regular quarterly dividend of \$.01 per share, there can be no assurance that the Board of Directors of the Company will declare or pay dividends on the Common Stock in the future.

#### CONTROL BY PRINCIPAL STOCKHOLDER

American Industrial Partners Capital Fund, L.P. ("AIP") is the beneficial owner of 44.9% of the Company's outstanding Common Stock. Accordingly, AIP has substantial voting power in the election of the Company's Board of Directors and, in general, the determination of any corporate transaction or other matter submitted to the stockholders for approval, including mergers, consolidations and the sale of all or substantially all of the assets of the Company, and in preventing or causing a change in control of the Company. American Industrial

Partners Management Company ("AIPM"), an affiliate of AIP, provides advisory services to the Company on an ongoing basis pursuant to a Services Agreement.

#### ANTI-TAKEOVER PROVISIONS

Certain provisions of the Company's Amended and Restated Certificate of Incorporation (the "Certificate") may be deemed to have anti-takeover effects and may delay, defer or prevent a takeover attempt that a stockholder might consider to be in its best interest. These provisions (i) classify the Company's Board of Directors into three classes, each of which serves for different three-year periods, (ii) authorize the issuance of up to 1,000,000 shares of preferred stock, the rights, preferences, privileges, qualifications, limitations and restrictions of which the Board of Directors is authorized to fix without any further vote or action by the stockholders, (iii) generally prohibit stockholder action by written consent and stockholder-called special meetings unless approved by the Board of Directors, (iv) prohibit removal of the Company's directors except upon the vote of a majority of the Board or upon a vote of the holders of at least 80% of the Common Stock and (v) require a vote of the holders of 80% of the Common Stock to amend the classified board and director removal provisions of the Certificate. The Company is also subject to Section 203 of the Delaware General Corporation Law, which prohibits certain business combinations between the Company and certain stockholders.

#### SHARES ELIGIBLE FOR FUTURE SALE

No prediction can be made as to the effect, if any, that future sales of shares of Common Stock or availability of such shares for future sale will have on the market price of the Common Stock prevailing from time to time. Sales of substantial amounts of Common Stock (including shares issued upon the exercise of stock options), or the perception that such sales could occur, could adversely affect prevailing market prices

15

16

for the Common Stock. The Company has approximately 9.4 million shares of Common Stock outstanding (net of treasury shares), excluding approximately 1.1 million issuable upon the exercise of stock options held by Citicorp Venture Capital, Ltd. and management, and stock options eligible for future grants. Such shares are generally freely tradeable subject to the volume and other limitations of Rule 144 under the Securities Act of 1933. Pursuant to a registration rights agreement, certain existing stockholders have "piggy-back" registration rights with respect to their shares in any future registration of Common Stock by the Company.

16

17

#### ITEM 2. PROPERTIES

The Company operates three casting facilities, nine extrusion facilities, one drawn tube facility, one fabrication facility, a total of 21 aluminum extrusion presses and four paint lines. The Company's facilities, which are located in five states, are listed below:

<TABLE>  
<CAPTION>

LOCATION (1)	OPERATIONS	BLDG. SQ. FT.	NO. OF ACTIVE ALUMINUM EXTRUSION PRESSES
-----	-----	-----	-----
<S>	<C>	<C>	<C>
Connecticut:			
Berlin	Extrusion/Paint	100,000	2
Illinois:			
Dolton	Extrusion/Casting	348,000	2
Indiana:			
Elkhart	Extrusion	80,000	2
Kokomo	Extrusion	234,000	2
North Carolina:			
Ahoskie	Casting	33,000	--

Burlington	Extrusion	180,000	4
Winton	Extrusion/Fabrication	370,000	3
	Drawn Tube/Paint		
Ohio:			
Fostoria	Extrusion	33,000	1
Girard	Extrusion/Paint	343,000	3
Niles	Extrusion	31,000	2
Niles	Casting	78,000	--
		-----	--
Totals		1,993,000	21
		=====	==

</TABLE>

[FN]

1/ The Kokomo facilities are leased. All other facilities are owned by the Company.

</FN>

None of the Company's owned facilities are mortgaged.

#### ITEM 3. LEGAL PROCEEDINGS

The Company is a party to various lawsuits arising in the ordinary course of business. The Company does not believe that the outcome of any of these lawsuits will have a material adverse effect on the Company's business or financial condition. Certain other lawsuits involving the Company relate to environmental matters. See "Business --Environmental Matters."

#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of fiscal year 1998 through a solicitation of proxies or otherwise.

17

18

### PART II

#### ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED SHAREHOLDER MATTERS

The information regarding market price and dividends on the Company's Common Stock and related stockholder matters as required by this Item is incorporated by reference to the inside back cover of the Company's 1998 Annual Report to Stockholders.

#### ITEM 6. SELECTED FINANCIAL DATA

The information required by this item is incorporated by reference to page 5 of the Company's 1998 Annual Report to Stockholders.

#### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by this Item is incorporated by reference to pages 7 through 11 of the Company's 1998 Annual Report to Stockholders.

#### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is incorporated by reference to pages 5 and 6 and pages 12 through 23 of the Company's 1998 Annual Report to Stockholders.

#### ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

18

19

### PART III

ITEM 10. EXECUTIVE OFFICERS AND DIRECTORS OF THE COMPANY

The information concerning the Company's directors required by this Item is incorporated by reference to the Company's 1998 Proxy Statement under the caption "Proposal I -- Election of Directors."

The information concerning the Company's executive officers required by this Item is incorporated by reference herein to the section in Part I, Item I under the caption "Executive Officers."

The information regarding compliance with Section 16 of the Securities Exchange Act of 1934 is incorporated by reference to the Company's 1998 Proxy Statement under the caption "Section 16(a) Beneficial Ownership Reporting Compliance."

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to the Company's 1998 Proxy Statement under the caption "Executive Compensation."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated by reference to the Company's 1998 Proxy Statement under the caption "Ownership of the Company's Common Stock."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated by reference to the Company's 1998 Proxy Statement under the caption "Executive Compensation -- Compensation Committee Interlocks and Insider Participation."

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

1. Financial Statements:

(a) The following documents are filed as a part of this report:

Independent Auditors' Report

Consolidated Balance Sheets as of December 31, 1998 and 1997

Consolidated Statements of Operations and Stockholders' Equity for the years ended December 31, 1998, 1997 and 1996

Consolidated Statements of Cash Flows for the years ended December 31, 1998, 1997 and 1996

Notes to Consolidated Financial Statements

2. Financial Statement Schedules:

None Required

19

20

3. Exhibits:

<TABLE>

<CAPTION>

Exhibit

Number

Description

-----

-----

<S>

<C>

3.1(a)\* Amended and Restated Certificate of Incorporation

3.1(b)\*\*\* Certificate of Correction dated June 2, 1995

3.2\* By-Laws of Easco, Inc.



4.1*	Form of Common Stock Certificate
4.2(a)*	Indenture dated March 18, 1994 between Easco and United States Trust Company, as Trustee, with respect to 10% Senior Notes due 2001
4.2(b)	Indenture dated November 1, 1998 between The Hertford County Industrial Facilities and Pollution Control Financing Authority and PNC Bank, National Association, as Trustee, with respect to \$6,000,000 Hertford County Industrial Facilities and Pollution Control Financing Authority Industrial Development Revenue Bonds (Easco Corporation Project), Series 1998 (filed herewith)
4.2(c)	Loan Agreement dated November 1, 1998 between The Hertford County Industrial Facilities and Pollution Control Financing Authority and Easco relating to \$6,000,000 Hertford County Industrial Facilities and Pollution Control Financing Authority Industrial Development Revenue Bonds (Easco Corporation Project), Series 1998 (filed herewith)
4.3(a)*	Credit Agreement dated March 18, 1994 between Easco and Bank of America (formerly Continental Bank) ("Credit Agreement")
4.3(b)*	First Amendment to Credit Agreement dated January 31, 1995
4.3(c)****	Second Amendment to Credit Agreement dated February 18, 1997
4.3(d)	Third Amendment to Credit Agreement dated October 30, 1998 (filed herewith)
4.3(e)	Fourth Amendment to Credit Agreement dated December 31, 1998 (filed herewith)
4.4*	Information and Registration Rights Agreement dated as of May 15, 1992
10.1**	Amended and Restated Services Agreement for general management, financial and other services between Easco and American Industrial Partners Management Company, Inc.
10.3(a)*	Option Agreement for the right to purchase stock of Easco, Inc. between Easco, Inc. and Citicorp Venture Capital
10.3(b)*	Amendment to Option Agreement dated as of April 12, 1995
10.5(a)****	Easco, Inc. Stock Option Plan dated December 17, 1993, as amended effective

</TABLE>

<TABLE>  
<CAPTION>

November 24, 1996+

<S>	<C>
10.5(b)(i)****	Form of Stock Option Agreement between Easco, Inc. and each of Norman E. Wells, Jr., Terry D. Smith, Joseph M. Byers, Lawrence J. Sax and James R. McKeithan+ (\$3.00 exercise price)
****(ii)	Form of Stock Option Agreement between Easco, Inc. and each of Norman E. Wells, Jr., Terry D. Smith, Joseph M. Byers, Lawrence J. Sax and James R. McKeithan+ (\$6.00 exercise price)
****(iii)	Form of Stock Option Agreement between Easco, Inc. and each of Terry D. Smith, Joseph M. Byers, James R. McKeithan and Lawrence J. Sax+ (\$5.75 exercise price except for Lawrence J. Sax - \$7.25 exercise price)
10.5(c)****	Employment Agreement between Easco Corporation and Norman E. Wells, Jr. dated as of December 20, 1996+
10.5(d)****	Employment Agreement between Easco Corporation and Terry D. Smith dated as of December 20, 1996+

10.5(e)****	Employment Agreement between Easco Corporation and Joseph M. Byers dated as of December 20, 1996+
10.5(f)****	Employment Agreement between Easco Corporation and James R. McKeithan dated as of December 20, 1996+
10.5(g)****	Employment Agreement between Easco Corporation and Lawrence J. Sax dated as of December 30, 1996+
10.8*	Easco Corporation Supplemental Executive Welfare Benefit Plan+
10.9****	Easco Corporation Supplemental Executive Retirement Plan, as amended effective 1996+
11.1	Diluted Net Income (Loss) per Common Share (filed herewith)
12.1	Statement Regarding Computation of Ratio of Earnings to Fixed Charges (filed herewith)
13.1	1998 Annual Report to Stockholders (filed herewith) Only those portions of such Annual Report which are expressly incorporated by reference in this Annual Report on Form 10-K are deemed "filed" as part of this Annual Report on Form 10-K.
15.1	Consent of Deloitte & Touche LLP (filed herewith)
21.1*	Subsidiaries of Easco, Inc.
27	Financial Data Schedule

</TABLE>

<TABLE>  
<CAPTION>

<S>	<C>
*	Incorporated by reference to corresponding exhibit filed as an exhibit to the Company's Registration Statement on Form S-1 dated February 15, 1995, as amended by Amendment No. 1 thereto filed March 22, 1995, Amendment No. 2 filed March 28, 1995, and Amendment No. 3 filed April 12, 1995 (Registration Statement Number 33-89556).
**	Incorporated by reference to corresponding exhibit filed as an exhibit to Form 10-Q filed May 15, 1995.
***	Incorporated by reference to corresponding exhibit filed as an exhibit to Form 10-Q filed November 13, 1995.
****	Incorporated by reference to corresponding exhibit filed as an exhibit to Form 10-K filed March 31, 1997.
+	Executive compensation plan or arrangement
(b)	Reports on Form 8-K
	None

</TABLE>

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on the 26th day of March 1999.

EASCO, INC.

By: /s/ NORMAN E. WELLS, JR.

Norman E. Wells, Jr., President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the 26th day of March 1999.

<TABLE>

<CAPTION>

PRINCIPAL EXECUTIVE OFFICER (AND DIRECTOR)

DIRECTORS

<S>

<C>

/s/ NORMAN E. WELLS, JR.

/s/ THEODORE C. ROGERS

Norman E. Wells, Jr., President and Chief Executive Officer

Theodore C. Rogers

/s/ RAYMOND E. ROSS

PRINCIPAL ACCOUNTING OFFICER AND PRINCIPAL FINANCIAL OFFICER

Raymond E. Ross

/s/ TERRY D. SMITH

/s/ ROBERT J. KLEIN

Terry D. Smith, Executive Vice President And Chief Financial Officer

Robert J. Klein

/s/ KENNETH J. DIEKROEGER

Kenneth J. Diekroeger

/s/ GENE E. LITTLE

Gene E. Little

/s/ KIM A. MARVIN

Kim A. Marvin

/s/ SAMUEL H. SMITH, JR.

Samuel H. Smith, Jr.

</TABLE>

INDEX TO EXHIBITS

Description

<TABLE>

<CAPTION>

Exhibit

Description

Number

<S>

<C>

3.1(a)\* Amended and Restated Certificate of Incorporation

3.1(b)\*\*\* Certificate of Correction dated June 2, 1995

3.2\* By-Laws of Easco, Inc.

4.1\* Form of Common Stock Certificate

4.2(a)\* Indenture dated March 18, 1994 between Easco and United States Trust Company, as Trustee, with respect to 10% Senior Notes due 2001

4.2(b) Indenture dated November 1, 1998 between The Hertford County Industrial Facilities and Pollution Control Financing Authority and PNC Bank, National Association, as Trustee, with respect to \$6,000,000 Hertford County Industrial Facilities and Pollution Control Financing Authority Industrial Development Revenue Bonds (Easco Corporation Project), Series 1998 (filed herewith)

4.2(c) Loan Agreement dated November 1, 1998 between The Hertford County Industrial Facilities and Pollution Control Financing Authority and Easco relating to \$6,000,000 Hertford County Industrial Facilities and Pollution Control Financing Authority Industrial Development Revenue Bonds (Easco Corporation Project), Series 1998 (filed herewith)

4.3(a)\* Credit Agreement dated March 18, 1994 between Easco and Bank of America (formerly Continental Bank) ("Credit Agreement")

4.3(b)\* First Amendment to Credit Agreement dated January 31, 1995

4.3(c)\*\*\*\* Second Amendment to Credit Agreement dated February 18, 1997

4.3(d) Third Amendment to Credit Agreement dated October 30, 1998

4.3(e) Fourth Amendment to Credit Agreement dated December 31, 1998

4.4\* Information and Registration Rights Agreement dated as of May 15, 1992

10.1\*\* Amended and Restated Services Agreement for general management, financial and other services between Easco and American Industrial Partners Management Company, Inc.

10.3(a)\* Option Agreement for the right to purchase stock of Easco, Inc. between Easco, Inc. and Citicorp Venture Capital

10.3(b)\* Amendment to Option Agreement dated as of April 12, 1995

</TABLE>

24

25

<TABLE>  
<CAPTION>

<S> <C>

10.5(a)\*\*\*\* Easco, Inc. Stock Option Plan dated December 17, 1993, as amended effective November 24, 1996+

10.5(b)(i)\*\*\*\* Form of Stock Option Agreement between Easco, Inc. and each of Norman E. Wells, Jr., Terry D. Smith, Joseph M. Byers, Lawrence J. Sax and James R. McKeithan+ (\$3.00 exercise price)

\*\*\*\*(ii) Form of Stock Option Agreement between Easco, Inc. and each of Norman E. Wells, Jr., Terry D. Smith, Joseph M. Byers, Lawrence J. Sax and James R. McKeithan+ (\$6.00 exercise price)

\*\*\*\*(iii) Form of Stock Option Agreement between Easco, Inc. and each of Terry D. Smith, Joseph M. Byers, James R. McKeithan and Lawrence J. Sax+ (\$8.75 exercise price except for Lawrence J. Sax - \$7.25 exercise price)

10.5(c)\*\*\*\* Employment Agreement between Easco Corporation and Norman E. Wells, Jr. dated as of December 20, 1996+

10.5(d)\*\*\*\* Employment Agreement between Easco Corporation and Terry D. Smith dated as of December 20, 1996+

10.5(e)\*\*\*\* Employment Agreement between Easco Corporation and Joseph M. Byers dated as of December 20, 1996+

10.5(f)\*\*\*\* Employment Agreement between Easco Corporation and James R. McKeithan dated as of December 20, 1996+

10.5(g)\*\*\*\* Employment Agreement between Easco Corporation and Lawrence J. Sax dated as of December 30, 1996+

10.8\* Easco Corporation Supplemental Executive Welfare Benefit Plan+

10.9\*\*\*\* Easco Corporation Supplemental Executive Retirement Plan as amended effective 1996+

11.1 Diluted Net Income (Loss) per Common Share (filed herewith)

12.1 Statement Regarding Computation of Ratio of Earnings to Fixed Charges (filed herewith) page

13.1 1998 Annual Report to Stockholders (filed herewith) follows page  
Only those portions of such Annual Report which are expressly incorporated by reference in this Annual Report on Form 10-K are deemed "filed" as part of this Annual Report on Form 10-K.

15.1 Consent of Deloitte & Touche LLP (filed herewith)

21.1\* Subsidiaries of Easco, Inc.

27 Financial Data Schedule  
</TABLE>

25

26

<TABLE>  
<CAPTION>

<S> <C>  
\* Incorporated by reference to corresponding exhibit filed as an exhibit to the Company's Registration Statement on Form S-1 dated February 15, 1995, as amended by Amendment No. 1 thereto filed March 22, 1995, Amendment No. 2 filed March 28, 1995, and Amendment No. 3 filed April 12, 1995 (Registration Statement Number 33-89556).

\*\* Incorporated by reference to corresponding exhibit filed as an exhibit to Form 10-Q filed May 15, 1995.

\*\*\* Incorporated by reference to corresponding exhibit filed as an exhibit to Form 10-Q filed November 13, 1995.

\*\*\*\* Incorporated by reference to corresponding exhibit filed as an exhibit to Form 10-K filed March 31, 1997.

+ Executive compensation plan or arrangement  
</TABLE>

26

THE HERTFORD COUNTY INDUSTRIAL FACILITIES  
AND POLLUTION CONTROL FINANCING AUTHORITY

as the Issuer

and

PNC BANK, NATIONAL ASSOCIATION,

as the Trustee

-----

TRUST INDENTURE

-----

Securing

\$6,000,000

The Hertford County Industrial Facilities and  
Pollution Control Financing Authority  
Industrial Development Revenue Bonds  
(Easco Corporation Project), Series 1998

-----

Dated as of November 1, 1998

-----

This Instrument prepared by:

Hunton & Williams (MNKR)  
One Hannover Square, Suite 1400  
Raleigh, North Carolina 27601

TABLE OF CONTENTS

ARTICLE 1

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.1	Definitions.....	3
Section 1.2	Rules of Construction; Time of Day.....	12

ARTICLE 2

THE BONDS

Section 2.1	Amount, Form and Issuance of Bonds.....	12
Section 2.2	Designation, Denominations, Maturity, Dates, Interest Accrual and Tender.....	13
Section 2.3	Execution.....	13
Section 2.4	Authentication.....	13
Section 2.5	Registration, Transfer and Exchange.....	14
Section 2.6	Persons Deemed Owners.....	14

Section 2.7	Payment of Principal and Interest; Record Dates.....	15
Section 2.8	Mutilated, Destroyed, Lost or Stolen Bonds.....	15
Section 2.9	Temporary Bonds.....	16
Section 2.10	Cancellation and Destruction of Surrendered Bonds.....	16
Section 2.11	Disposition of Proceeds of Bonds.....	16
Section 2.12	Book Entry Form for Bonds.....	17

ARTICLE 3

INTEREST RATES ON BONDS

Section 3.1	Initial Interest Rate.....	17
Section 3.2	Variable Weekly Rate.....	17
Section 3.3	Fixed Rate Conversion at Option of Company.....	18

ARTICLE 4

TENDER AND PURCHASE OF BONDS

Section 4.1	Optional Tender of Variable Weekly Rate Bonds.....	19
Section 4.2	Mandatory Tender Upon Fixed Rate Conversion.....	23
Section 4.3	Mandatory Tender Upon Letter of Credit Replacement or Expiration.....	27
Section 4.4	Bonds Purchased with Proceeds of Letter of Credit.....	30
Section 4.5	Company Bonds.....	31
Section 4.6	No Purchases or Sales After Certain Defaults.....	31
Section 4.7	Inadequate Funds for Tenders.....	31
Section 4.8	No Remarketing Unless Certain Conditions Satisfied.....	32

ARTICLE 5

REVENUES AND APPLICATION THEREOF

Section 5.1	Revenues to Be Paid Over to Trustee.....	32
Section 5.2	Bond Fund.....	32
Section 5.3	Revenues to Be Held for All Bondholders; Certain Exceptions.....	34
Section 5.4	Establishment of Construction Fund.....	34

(i)

3

Section 5.5	Payments from Construction Fund.....	34
Section 5.6	Excess Bond Proceeds.....	34
Section 5.7	Damage to or Condemnation of the Project.....	35
Section 5.8	Arbitrage Rebate Fund.....	35

ARTICLE 6

LETTER OF CREDIT

Section 6.1	Letter of Credit.....	36
Section 6.2	Drawings on Letter of Credit.....	37
Section 6.3	Reduction.....	37
Section 6.4	Expiration.....	37
Section 6.5	Substitution by Bank.....	37
Section 6.6	Extension.....	37
Section 6.7	Replacement.....	38
Section 6.8	Notices of Substitution; Extension or Replacement.....	39
Section 6.9	Fixed Rate Letter of Credit.....	39
Section 6.10	Other Credit Enhancement.....	39
Section 6.11	Amendment of or Substitution for Initial Fixed Rate Letter of Credit.....	40

ARTICLE 7

INVESTMENT OR DEPOSIT OF FUNDS

Section 7.1	Deposits and Security Therefor.....	40
Section 7.2	Investment or Deposit of Funds.....	40

ARTICLE 8

REDEMPTION OF BONDS

Section 8.1	Bonds Subject to Redemption; Selection of Bonds to be Called for Redemption.....	41
Section 8.2	Notice of Redemption.....	42
Section 8.3	Payment of Redemption Price.....	43
Section 8.4	Bonds Redeemed in Part.....	43
Section 8.5	Optional Redemption.....	44
Section 8.6	Mandatory Sinking Fund Redemption.....	44
Section 8.7	Special Mandatory Redemption.....	44
Section 8.8	Extraordinary Mandatory Redemption.....	44
Section 8.9	Optional Redemption After Fixed Rate Conversion Date.....	45
Section 8.10	Extraordinary Optional Redemption.....	45
Section 8.11	Special Optional Redemption Provisions.....	45

ARTICLE 9

COVENANTS OF THE ISSUER

Section 9.1	Payment of Principal of and Interest on Bonds.....	46
Section 9.2	Corporate Existence; Compliance with Laws.....	46
Section 9.3	Enforcement of Agreement; Prohibition Against Amendments; Notice of Default.....	46
Section 9.4	Further Assurances.....	46
Section 9.5	Bonds Not to Become Arbitrage Bonds.....	46

(ii)

4

Section 9.6	Financing Statements.....	46
-------------	---------------------------	----

ARTICLE 10

EVENTS OF DEFAULT AND REMEDIES

Section 10.1	Events of Default.....	47
Section 10.2	Acceleration and Annulment Thereof.....	47
Section 10.3	Legal Proceedings by Trustee.....	48
Section 10.4	Discontinuance of Proceedings by Trustee.....	49
Section 10.5	Bondholders May Direct Proceedings.....	49
Section 10.6	Limitations on Actions by Bondholders.....	49
Section 10.7	Trustee May Enforce Rights Without Possession of Bonds.....	50
Section 10.8	Remedies Not Exclusive.....	50
Section 10.9	Delays and Omissions Not to Impair Rights.....	50
Section 10.10	Application of Moneys in Event of Default.....	50
Section 10.11	Trustee's Right to Appoint Receiver; Compliance With Act.....	50
Section 10.12	Trustee and Bondholders Entitled to All Remedies Under Act.....	50
Section 10.13	Trustee's Obligation Upon Payment of All Amounts Due Bondholders.....	50

ARTICLE 11

THE TRUSTEE

Section 11.1	Acceptance of Trust.....	51
Section 11.2	No Responsibility for Recitals, etc.....	51
Section 11.3	Trustee May Act Through Agents; Answerable Only for Willful Misconduct or Gross Negligence.....	51
Section 11.4	Compensation and Indemnity.....	51
Section 11.5	Notice of Default; Right to Investigate.....	51
Section 11.6	Obligation to Act on Defaults.....	52
Section 11.7	Reliance.....	52
Section 11.8	Trustee May Deal in Bonds.....	52



Section 11.9	Construction of Ambiguous Provisions.....	52
Section 11.10	Resignation of Trustee.....	52
Section 11.11	Removal of Trustee.....	52
Section 11.12	Appointment of Successor Trustee.....	53
Section 11.13	Qualification of Successor Trustee.....	53
Section 11.14	Instruments of Succession.....	53
Section 11.15	Merger or Sale of Trustee.....	53
Section 11.16	Right of Trustee to Pay Taxes and Other Charges.....	53
Section 11.17	Intervention by Trustee.....	53
Section 11.18	Appointment of Co-Trustee.....	54
Section 11.19	Bank to Direct Trustee.....	54
Section 11.20	Interpleader.....	54
Section 11.21	Survival of Certain Provisions.....	54

ARTICLE 12

THE PAYING AGENT

Section 12.1	Appointment, Capacities and Duties.....	55
--------------	---	----

(iii)

5

Section 12.2	Paying Agent May Act Through Agents; Answerable Only for Willful Misconduct or Gross Negligence.....	55
Section 12.3	Compensation and Indemnity.....	55
Section 12.4	Reliance.....	56
Section 12.5	Paying Agent May Deal in Bonds.....	56
Section 12.6	Removal or Resignation of Paying Agent.....	56
Section 12.7	Successor Paying Agents.....	56
Section 12.8	Notice to Trustee.....	57

ARTICLE 13

THE REMARKETING ADVISOR

Section 13.1	Appointment.....	57
Section 13.2	Duties.....	57
Section 13.3	Qualification.....	57
Section 13.4	Resignation; Removal.....	57
Section 13.5	Notices.....	58

ARTICLE 14

ACTS OF BONDHOLDERS; EVIDENCE OF OWNERSHIP OF BONDS

ARTICLE 15

AMENDMENTS AND SUPPLEMENTS

Section 15.1	Amendments and Supplements Without Bondholders' Consent.....	58
Section 15.2	Amendments and Supplements With Bondholders' Consent.....	59
Section 15.3	Amendment of Agreement or Note.....	59
Section 15.4	Amendment of Letter of Credit.....	59
Section 15.5	Trustee Authorized to Join in Amendments and Supplements; Reliance on Counsel.....	60
Section 15.6	Bank Consent.....	60
Section 15.7	Notice of Amendment to Rating Agency.....	60
Section 15.8	Certain Amendments Requiring LGC Approval.....	60

ARTICLE 16

DEFEASANCE

Section 16.1	Defeasance.....	60
Section 16.2	Provision for Payment.....	61
Section 16.3	Deposit of Funds for Payment of Bonds.....	61

ARTICLE 17

MISCELLANEOUS PROVISIONS

Section 17.1 No Personal Recourse.....63  
 Section 17.2 No Rights Conferred on Others.....63  
 Section 17.3 Illegal, etc. Provisions Disregarded.....63  
 Section 17.4 Notices.....63

(iv)

6

Section 17.5 Reserved.....64  
 Section 17.6 Successors and Assigns.....64  
 Section 17.7 Headings for Convenience Only.....64  
 Section 17.8 Counterparts.....64  
 Section 17.9 Applicable Law.....64  
 Section 17.10 Bank's Rights.....64  
 Section 17.11 Limited Obligation.....64

EXHIBIT A - FORM OF BOND.....A-1  
 EXHIBIT B - FORM OF COMPLETION CERTIFICATE.....B-1

(v)

7

THIS TRUST INDENTURE dated as of November 1, 1998 is made by and between THE HERTFORD COUNTY INDUSTRIAL FACILITIES AND POLLUTION CONTROL FINANCING AUTHORITY (the "Issuer"), a political subdivision duly created, organized and existing under the laws of the State of North Carolina, and PNC BANK, NATIONAL ASSOCIATION, as Trustee (the "Trustee"), a national banking association having its principal corporate trust office in Pittsburgh, Pennsylvania.

RECITALS

WHEREAS, the Industrial and Pollution Control Facilities Financing Act, Chapter 159C of the General Statutes of North Carolina, as amended (the "Act"), authorizes the creation of industrial facilities and pollution control financing authorities by the several counties in North Carolina and empowers such authorities to acquire, construct, own, repair, maintain, extend, improve, rehabilitate, renovate, furnish, equip and sell, lease, exchange, transfer or otherwise dispose of industrial or manufacturing facilities to the end that such authorities may be able to promote the right to gainful employment opportunity and private industry and thereby promote the general welfare of the inhabitants of North Carolina by exercising such powers to aid in financing industrial or manufacturing facilities for the purpose of alleviating unemployment or raising below average manufacturing wages, and further authorizes such authorities to loan to others the proceeds of bonds issued for the purpose of paying for all or any part of an industrial or manufacturing facility, to mortgage and pledge any or all of such facilities, whether then owned or thereafter acquired, as security for the payment of the principal of, premium, if any, and interest on any such bonds and any agreements made in connection therewith and to pledge or assign the revenues and receipts from such facilities or loan or from any other source to the payment of such bonds; and

WHEREAS, the Issuer has been duly organized pursuant to the Act; and

WHEREAS, in order to further the purposes of the Act, the Issuer proposes to undertake the financing of the acquisition, installation and equipping a facility for the manufacture of aluminum billets (the "Project") in Hertford County, North Carolina, which constitutes an industrial project under

the Act, and to obtain the funds therefor by the issuance of its Bonds (as hereinafter defined) under this Indenture; and

WHEREAS, the Issuer proposes to loan the proceeds from the sale of the Bonds to the Company to acquire and install the Project upon the terms and conditions hereinafter set forth; and

WHEREAS, the Company and Bank of America National Trust and Savings Association (the "Bank"), will enter into a Letter of Credit Agreement (the "Credit Agreement") dated as of the date hereof pursuant to which the Bank will issue an irrevocable direct-pay letter of credit in an amount not to exceed \$6,098,631 (calculated as the initial principal amount of the Bonds plus 60 days' interest computed at an assumed rate of 10% per annum based on a 365 day year, rounded up to the nearest dollar) to the Paying Agent at the request and for the account of the Company upon the terms set forth in the Credit Agreement for payment of the principal of and interest on, when due, the Bonds, for so long as the Bonds bear interest at the Variable Rate; and

WHEREAS, it has been determined that the financing of the Project will require the issuance, sale and delivery by the Issuer of a series of bonds in the aggregate principal amount of Six Million and No/100 Dollars (\$6,000,000) (the "Bonds"); and

WHEREAS, all acts and conditions required to happen, exist and be performed precedent to and in the issuance of the Bonds and the execution and delivery of this Indenture have happened, exist and have been performed, or at the delivery of the Bonds will exist, will have happened and will have been performed

8

(i) to make the Bonds, when issued, delivered and authenticated, valid obligations of the Issuer in accordance with the terms hereof and (ii) to make this Indenture a valid, binding and legal trust agreement for the security of the Bonds in accordance with its terms; and

WHEREAS, the principal, redemption price or purchase price of the Bonds and the interest thereon are to be secured by the funds and accounts established under this Indenture, and by the Company's obligations under the Loan Agreement and under the promissory note (the "Note") issued by the Company to the Issuer to evidence the indebtedness of the Company under the Loan Agreement.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

That the Issuer, in consideration of the premises contained herein and of the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the owners thereof, and of the sum of One Dollar, lawful money of the United States of America, to it duly paid by the Trustee at or before the execution and delivery of these presents, and for other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, in order to secure in the following order of priority, FIRST, the payment of the principal of, premium, if any, on and interest on the 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, and, SECOND, the payment to the Bank and performance by the Company of its reimbursement and other obligations under the Credit Agreement, does hereby assign, transfer, pledge and grant a security interest unto PNC Bank, National Association, as Trustee and unto its successors in trust and its assigns forever in:

(1) The Loan Agreement and the Note and all right, title and interest (but not the obligations) of the Issuer under and pursuant to the terms thereof, all payments, revenues and receipts receivable by the Issuer thereunder (except the Reserved Rights), including without limitation any payment or prepayment of the Note; and

(2) All of the right, title and interest of the Issuer in and to all funds (other than the Arbitrage Rebate Fund, as hereinafter defined) and accounts established under this Indenture and all moneys and investments now or hereafter held therein and all future and present Revenues (as hereinafter defined);

TO HAVE AND TO HOLD, the Loan Agreement, the Note, the funds and accounts held hereunder (other than the Arbitrage Rebate Fund), the Revenues and the other right, title and interest hereby conveyed and assigned or agreed or

intended so to be (collectively the "Trust Estate"), to the Trustee and its successors in said trust and to it and said assigns forever;

IN TRUST NEVERTHELESS, upon the terms herein set forth, first, for the equal and proportionate benefit, security and protection of all present and future owners of the Bonds issued under and secured by this Indenture without privilege, priority or distinction, as to the lien or otherwise, of any of the Bonds over any other of the Bonds except as provided herein, and second, for the benefit and security of the Bank with respect to the Company's obligations under the Credit Agreement;

PROVIDED, HOWEVER, that if the Issuer, its successors or assigns, shall well and truly pay, or cause to be paid, the principal or redemption price of the Bonds and the interest due or to become due thereon, at the times and in the manner mentioned in the Bonds according to the true intent and meaning thereof, or shall provide, as permitted hereby, for the payment thereof by depositing with the Trustee the entire 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 money due or to become due to it in accordance

2

9

with the terms and provisions hereof, and if the Company shall pay and perform or cause to be paid and performed all of its reimbursement and other obligations under the Credit Agreement, then, upon such final payments and subject to the provisions of Article 16 hereof, this Indenture and the rights hereby granted shall cease, terminate and be void, and the Trustee shall forthwith release, surrender and otherwise cancel any interest it may have in the Trust Estate; 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 the Trust Estate, including all said payments, revenues and receipts hereby pledged, is 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 owners, from time to time, of the Bonds, or any part hereof, as follows:

#### ARTICLE 1

##### DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.1 DEFINITIONS. The terms defined in this Article 1 shall for all purposes of this Indenture have the meanings herein specified, unless the context clearly otherwise requires:

"Act" means the Industrial and Pollution Control Facilities Financing Act, Chapter 159C of the North Carolina General Statutes, as now in effect and as it may from time to time be amended or supplemented.

"Agreement" means the Loan Agreement of even date herewith between the Issuer, as lender, and the Company, as borrower, as the same may be amended in accordance with its terms and the terms of this Indenture.

"Affiliate" means any Person directly or indirectly controlling, controlled by or under common control with the Company as certified to the Trustee, the Paying Agent and the Remarketing Advisor.

"Arbitrage Rebate Fund" means the fund so designated and established pursuant to Section 5.8 of this Indenture.

"Authorized Denominations" means, with respect to Bonds bearing interest at the Variable Weekly Rate, integral multiples of \$100,000 or any integral multiple of \$5,000 for amounts in excess of \$100,000; provided that no Bond may be issued, transferred, registered, tendered for purchase pursuant to

Article 4 hereof, or sold if, as a result of any such issuance, transfer, registration, tender or sale, any Bond shall be Outstanding in a denomination less than \$100,000 prior to conversion to a Fixed Rate. After the Fixed Rate Conversion Date, "Authorized Denominations" means \$5,000 or any integral multiple thereof.

"Authorized Representative" means any Person designated by the Company, by duly executed certificate delivered to the Trustee, to act on behalf of the Company.

"Available Moneys" means proceeds of the drawing under the Letter of Credit; provided that (i) when used with respect to payment of amounts due in respect of any Custody Bonds or Company Bonds, Available Moneys means any moneys held by the Paying Agent or the Trustee and available for such payment pursuant to the terms of this Indenture, but shall not include moneys drawn under the Letter of

3

10

Credit; (ii) after the Bonds have been converted to bear interest at a Fixed Rate and a Fixed Rate Letter of Credit is in effect, when used as the part of the optional redemption price of Bonds constituting premium in excess of par thereof, Available Moneys also includes moneys paid to the General Account for at least one hundred twenty-three (123) days prior to the expiration of which no case under the United States Bankruptcy Code (Title 11 of the United States Code) shall have been commenced by or against the Company without having been dismissed subject to no further appeal (and proceeds from the investment thereof); and (iii) after the Bonds have been converted to a Fixed Rate, so long as a Fixed Rate Letter of Credit is not in effect, any moneys on deposit in the Bond Fund.

"Bank" means Bank of America National Trust and Savings Association, Chicago, Illinois, as issuer of the Original Letter of Credit, and the bank or other financial institution issuing any replacement Letter of Credit.

"Bond" or "Bonds" means any of The Hertford County Industrial Facilities and Pollution Control Financing Authority Industrial Development Revenue Bonds (Easco Corporation Project), Series 1998, authenticated and delivered under this Indenture.

"Bond Counsel" means initially, Hunton & Williams, Raleigh, North Carolina, and any counsel named in the list of "Municipal Bond Attorneys" published in the then current edition of The Bond Buyer's DIRECTORY OF MUNICIPAL BOND DEALERS or counsel determined by the Trustee to be qualified to pass upon legal questions related to municipal bonds.

"Bond Fund" means the fund so designated and established pursuant to Section 5.2 of this Indenture.

"Bond Resolution" means the resolution adopted by the Issuer on October 20, 1998, authorizing, INTER ALIA, the issuance, sale and delivery of the Bonds.

"Bond Register" shall have the meaning specified in Section 2.5 of this Indenture.

"Bond Year" means the one-year period from the Issue Date to, but not including, the first anniversary of such date, and the one-year period beginning on the first and each successive anniversary of the Issue Date until the Bonds are retired.

"Bondholder" or "Owner" means the registered owner of any Bond.

"Book Entry Form" or "Book Entry System" means a form or system under which (i) the beneficial right to payment of principal of and interest on the Bonds may be transferred only through a book entry and (ii) physical Bonds in fully registered form are issued only to a Depository or its nominee as registered owner, with the Bonds "immobilized" in the custody of the Depository, and the book entry is the record that identifies the owners of beneficial interests in the Bonds.

"Business Day" means any day other than (i) a Saturday or Sunday, or (ii) a day on which banking institutions in Pittsburgh, Pennsylvania, Chicago, Illinois, or any other city in which the Principal Office of any of the Trustee, the Paying Agent, the Remarketing Advisor or the Bank, is located, are required or authorized by law (including executive order) to close or on which the Principal Office of any of the Trustee, the Paying Agent, the Remarketing Advisor or the Bank is closed for reasons not related to financial conditions.

"Cessation of Operation" means that the Project shall have ceased to be operated as a "project" within the meaning of the Act, PROVIDED HOWEVER, that a Cessation of Operation shall not be deemed to have

4

11

occurred until 90 days shall have elapsed after written notice has been given to the Company by the Issuer or the Trustee that operation of the Project has ceased and the Company shall not have demonstrated to the satisfaction of the Issuer and the Trustee that the Company (or an assignee or lessee permitted hereunder) is operating the Project as a "project."

"Closing" means the concurrent initial delivery of the Bonds against initial payment therefor.

"Closing Date" means the date of the Closing.

"Code" means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated or in effect thereunder.

"Company" means Easco Corporation, a corporation duly organized and existing under the laws of the State of Maryland.

"Company Bonds" means any Bonds of which ownership is registered in the name of the Company or any Affiliate, other than Custody Bonds.

"Company Purchase Account" means the account so designated and established pursuant to Section 4.1.H of this Indenture.

"Condemnation Award" means any award or payment (less any expenses, including attorneys fees, incurred by the Issuer, the Trustee, the Bank or the Company in connection therewith) which may be made with respect to the Project as a result of (i) the taking of all or any portion of the Project by the exercise of the right of eminent domain by any governmental body, or by any person, firm or corporation acting under a governmental body, or by any person, firm or corporation acting under governmental authority (or a bona fide sale in lieu of such taking) or (ii) the alteration of the grade of any street.

"Construction Fund" means the fund so designated and established pursuant to Section 5.4 of this Indenture.

"Construction Fund Surplus Account" means the account so designated pursuant to Section 5.6 of this Indenture.

"Costs of the Project" means the costs of the Project, within the limitations set forth in the Code, including without limitation the following:

(1) all costs and expenses incurred by or for the account of the Company in connection with the planning, development and design of the Project, including the cost of preliminary investigations, surveys, estimates, environmental assessments, plans and specifications;

(2) all costs of acquiring the Project Site and acquiring, constructing and installing the Project Facilities, including any modifications or improvements to the Project Site, the cost to the Company of supervising construction, payments to contractors, workmen, and materialmen and fees for professional or other specialized services;

(3) all costs of acquiring and installing machinery and equipment which will constitute part of the Project Facilities;

(4) the cost of contract bonds and insurance of all kinds that may be necessary or desirable in connection with the construction of the Project Facilities which are not paid for by any contractor or otherwise provided for;

(5) all expenses incurred in connection with the issuance and sale of the Bonds, including, without limitation, all legal, accounting, financial, printing, recording and filing fees and expenses;

(6) all amounts necessary to pay in part or in full temporary loans and advances made to the Company if the funds provided by such loans or advances were used by the Company to pay a portion or all of the cost of constructing or acquiring the Project;

(7) interest on the Bonds during the construction of the Project (to the extent permitted under the Code); and

(8) all amounts necessary to reimburse the Company for moneys paid or advanced by the Company for any of the aforesaid costs and expenses.

"Counsel" means an attorney-at-law or law firm (who may be counsel for the Issuer or the Company) satisfactory to the Trustee.

"County" means the County of Hertford, North Carolina.

"Credit Agreement" means the Credit Agreement dated March 18, 1994, as amended by First Amendment to Credit Agreement dated January 31, 1995, Second Amendment to Credit Agreement dated February 18, 1997, and Third Amendment to Credit Agreement dated as of October 30, 1998, between the Company and the Bank, as the same may be amended, supplemented, or otherwise modified from time to time and filed with the Paying Agent, and any agreement of the Company with the Person issuing a replacement Letter of Credit setting forth the obligations of the Company to such Person arising out of any payments under the replacement Letter of Credit and which provides that it shall be deemed to be a Credit Agreement for the purpose of this Indenture.

"Custody Bonds" shall have the meaning specified in Section 4.4.A of this Indenture.

"Depository" means any securities depository that is a clearing agency under federal law operating and maintaining, together with its participants, a Book Entry System to record beneficial ownership of the Bonds, and to effect transfers of the Bonds, in Book Entry Form, and includes The Depository Trust Company (a limited purpose trust company), New York, New York.

"Determination of Taxability" means the determination that interest on the Bonds is includable in the gross income of the Owners thereof (other than an Owner who is a "substantial user" of the Project or a "Related Person", within the meaning of Section 147(a) the Code or rules and regulations, or a Related Person) which determination is deemed to be made upon the occurrence of either of the following: (1) a final determination, decision or decree by the Commissioner or any District Director of the Internal Revenue Service, or by any court of competent jurisdiction, for which all appeal or challenge periods have expired without challenge or appeal having been instituted and which is not subject to further review, in a proceeding in which the Company was afforded opportunity to contest the issues involving federal income tax treatment of interest on the Bonds, either directly or in the name of the Owner of the Bonds; or (2) an opinion of Bond Counsel, received by the Trustee, to the effect that interest on the Bonds is includable in the gross income of any Owner thereof who is neither a "substantial user" of the Project, within the meaning of the Code, or a Related Person; provided that if in the opinion of Bond Counsel a "Determination of Taxability" does not render interest on all of the Bonds includable in gross income for federal income tax

purposes, a Determination of Taxability shall not be deemed to have occurred as to those Bonds the interest on which remains excludable in the opinion of such

Bond Counsel, from the gross income of the Owners thereof for federal income tax purposes.

"Event of Default" means any of the events specified in Section 10.1 of this Indenture to be an Event of Default.

"Event of Taxability" means any event, act or omission that may cause the interest on the Bonds to be includable in the gross income of the Owners thereof (other than an Owner who is a "substantial user" within the meaning of Section 147(a) of the Code or a Related Person thereof).

"Expiration Tender Date" means the Interest Payment Date immediately preceding the stated expiration date of the Letter of Credit.

"Facilities" means the Project and all improvements thereto.

"Favorable Opinion" means an opinion of Bond Counsel addressed to the Issuer and the Trustee to the effect that the action proposed to be taken is authorized or permitted by the Act and this Indenture and will not adversely affect any exclusion from gross income of interest on the Bonds for purposes of federal income taxation.

"Fixed Rate" means the fixed rate of interest on the Bonds determined pursuant to Section 3.3.E of this Indenture.

"Fixed Rate Conversion Date" means the date on which the Bonds begin to bear interest at a Fixed Rate.

"Fixed Rate Letter of Credit" means any Letter of Credit delivered to the Paying Agent pursuant to Section 6.9 of this Indenture.

"General Account" means the account so designated and established pursuant to Section 5.2 of this Indenture.

"General Debt Service Account" means the account so designated and established pursuant to Section 5.2 of this Indenture.

"Governing Body" means the Board of Commissioners of the County of Hertford, North Carolina, as duly constituted from time to time.

"Indenture" means this Trust Indenture as amended or supplemented as of the time in question.

"Interest Payment Date" means (i) for Bonds bearing interest at the Variable Weekly Rate, the first Business Day of each month, commencing December 1, 1998, and (ii) for Bonds bearing interest at the Fixed Rate, the first day of each November and May.

"Investment Grade Rating" means a rating assigned to the Bonds within the top four (4) rating categories of Moody's or S&P or a comparable rating from another nationally recognized rating agency.

"Issuance Costs" means all reasonable costs incurred in connection with the issuance of the Bonds, including without limitation, all financial, legal, accounting and appraisal costs; the Issuer's actual out-of-pocket expenses; the costs of printing and reproduction; the initial fees of the Trustee (including the first

year's annual fee), the Remarketing Advisor and any Paying Agent; all costs, fees and expenses related to the Original Letter of Credit; any filing or recording costs; and all other reasonable costs incident to the issuance, sale and delivery of the Bonds.

"Issue" means all Bonds (i) issued at substantially the same time and (ii) sold pursuant to a common plan of financing, as determined in accordance with Temporary Federal Income Tax Regulation Section 1.150-1T(c), unless otherwise provided in an opinion of Bond Counsel.

"Issue Date" shall have the meaning specified in Section 2.2.D of this



Indenture.

"Letter of Credit" means the Original Letter of Credit or any letter of credit substituted therefor or any replacement letter of credit delivered to the Paying Agent pursuant to Section 6.5 or 6.7 of this Indenture or any Fixed Rate Letter of Credit.

"Letter of Credit Debt Service Account" means the account so designated and established pursuant to Section 5.2 of this Indenture.

"Letter of Credit Purchase Account" means the account so designated and established pursuant to Section 4.1.G of this Indenture.

"LGC" means the Local Government Commission of North Carolina, a division of the Department of State Treasurer, and any successor or successors thereto.

"Loan Repayments" shall have the meaning set forth in the Agreement.

"Minimum Fixed Rate" means the minimum fixed rate of interest on the Bonds determined pursuant to Section 3.3.E of this Indenture.

"Moody's" means Moody's Investors' Services, Inc., a Delaware corporation, and its successors and assigns, and if it shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Moody's shall be deemed to refer to any other nationally recognized securities rating agency designated by the Remarketing Advisor, with the consent of the Company and the Issuer.

"Note" means the promissory note of the Company dated the Closing Date and otherwise in substantially the same form as is set forth in Exhibit A to the Agreement.

"Original Letter of Credit" means the Bank's Irrevocable Letter of Credit No. 7400586, dated the Closing Date, issued in favor of the Paying Agent, for the account of the Company.

"Outstanding" in connection with the Bonds means, as of the time in question, all Bonds authenticated and delivered under the Indenture, except:

A. Bonds theretofore canceled or required to be canceled under Section 2.10 of this Indenture;

B. On or after any purchase date for Bonds to be purchased pursuant to Article 4, all Undelivered Bonds (or portions of Bonds) which are purchased on such date, provided that funds sufficient for such purchase are on deposit with the Paying Agent;

C. Bonds which are deemed paid in accordance with Article 16; and

8

15

D. Bonds in substitution for which other Bonds have been authenticated and delivered pursuant to Article 2;

Provided that in determining whether the Owners 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 or of the Agreement, the Note, or the Credit Agreement, Company Bonds, Custody Bonds and any other Bonds which the Trustee knows to be owned by the Company or an Affiliate (unless all of the Outstanding Bonds are then Company Bonds) shall be disregarded for the purpose of any such determination; provided that Custody Bonds and other Bonds so owned which have been pledged in good faith shall not be disregarded as aforesaid if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Company or an Affiliate.

"Paying Agent" means any national banking association, bank and trust company or trust company appointed as such by the Issuer and accepting such appointment for the time being pursuant to Article 12 of this Indenture. The initial Paying Agent is PNC Bank, National Association.

"Person" means any natural person, partnership, corporation, trust, limited liability corporation or other entity.

"Placement Agreement" means the Placement Agreement dated as of November 1, 1998 among the Issuer, the Company and PNC Capital Markets, Inc., providing for the initial placement and the delivery of the Bonds.

"Prevailing Market Conditions" means, to the extent relevant (in the best professional judgment of the Remarketing Advisor) at the time of the establishment of an interest rate for the Bonds in accordance with this Indenture,

A. any past sales of, or efforts to sell, the Bonds at a purchase price equal to the principal amount thereof, plus accrued interest thereon;

B. interest rates for comparable securities (1) with interest rate periods and demand purchase options substantially the same as the Bonds and bearing interest at a variable rate intended to maintain their secondary market price at the principal amount thereof, plus accrued interest thereon, and (2) rated by a national credit rating agency in the same category as the Bonds;

C. other financial market rates and indices that may have a bearing on the rate of interest (which may include, without limitation, rates and rate periods borne by comparable securities, commercial paper, urban renewal project notes and United States Treasury Bills; commercial bank prime rates, certificate of deposit rates and federal fund rates; the London Interbank Offered Rate);

D. general financial market conditions (including current forward supply) that may have a bearing on the rate of interest;

E. the financial condition, results of operations and credit standing of the Bank and/or the Company to the extent such standing has a bearing on the rate of interest of the Bonds; and

F. any other relevant factor affecting the marketability of the Bonds.

"Principal Office" of an entity means its principal office (in the case of the Trustee and the Paying Agent its principal corporate trust office) at the address set forth in Section 17.4 of this Indenture, or any

other office so designated in writing by such entity to the Issuer, the Trustee, the Paying Agent, the Company and the Bank.

"Project" means the Project Site and the Project Facilities. Any reference to construction and installation of the Project includes all work necessary to plan and design the Project and all work necessary to prepare the Project Site or any part thereof for the construction and installation of any part of the Project Facilities, including any necessary excavation and site preparation work, the design and construction of such foundation and structures as shall be necessary or desirable in connection with the Project and the modification of existing parts of the Project to such extent as shall be necessary to complete the Project.

"Project Facilities" or "Facilities" means the manufacturing facility on the Project Site and all fixtures, machinery and equipment and other items of tangible personal property located or installed at the Project Site, the costs of which, in whole or in part, are paid by the Company, or reimbursed to the Company as Costs of the Project, from the proceeds of the Bonds, including all accessions thereto, modifications thereof, and replacements therefor, as such real estate, improvements, fixtures, machinery and equipment are more specifically described in Exhibit C to the Agreement.

"Project Site" means the land described in Exhibit B to the Agreement.

"Rebate Amount" means, with respect to each issue of tax-exempt bonds, the amount required to be paid to the United States of America pursuant to Section 148(f) of the Code and the regulations in effect thereunder, as determined by the Rebate Consultant.

"Rebate Consultant" means Bond Counsel, or any nationally recognized firm of certified public accountants or any other Person reasonably acceptable to the Trustee which is expert in making the determinations required by Section 148(f) of the Code.

"Rebate Year" means, as to each Issue of Bonds which are "tax-exempt" within the meaning of Section 150(a) of the Code, (i) for the first Rebate Year, the period ending five (5) years after the date of issuance of such Issue, (ii) for the last Rebate Year, the period beginning on the date after the expiration of the preceding Rebate Year and ending on the Retirement Date, and (iii) for all other Rebate Years, the five year period beginning on the date after the expiration of the preceding Rebate Year.

"Record Date" means, as the case may be, the applicable Regular Record Date or Special Record Date.

"Regular Record Date" means the Business Day immediately preceding each Interest Payment Date or, if such day is not a Business Day, the Business Day next preceding such day; provided that if the Bonds bear interest at a Fixed Rate, then the Regular Record Date shall be the 15th day of the month immediately preceding the month in which the Interest Payment Date occurs.

"Related Person" means a "related person" as defined in Section 144(a)(3) of the Code.

"Remarketing Advisor" means PNC Capital Markets, Inc. and its successors in such capacity, as provided in Article 13 of this Indenture.

"Remarketing Agreement" means the Remarketing Agreement dated as of November 1, 1998, between the Company and the Remarketing Advisor or any agreement executed by the Company and any subsequent Remarketing Advisor appointed pursuant hereto.

10

17

"Remarketing Proceeds Purchase Account" means the account so designated and established pursuant to Section 4.1.F of this Indenture.

"Replacement Tender Date" means the Interest Payment Date immediately preceding a replacement date of the Letter of Credit.

"Reserved Rights" shall have the meaning assigned to such term in the Agreement.

"Retirement Date" means, as to each Issue of Bonds which are "tax-exempt" within the meaning of Section 150(a) of the Code, the date on which the last Bond of such Issue is retired.

"Revenues" means (i) all amounts paid or payable by the Company under the Agreement and the Note and assigned to the Trustee hereunder; (ii) any proceeds of Bonds originally deposited with the Trustee for the payment of interest accrued on the Bonds or otherwise paid to the Trustee by or on behalf of the Company or the Issuer for deposit in the Bond Fund or moneys remaining in the Construction Fund following completion of the Project; (iii) any insurance proceeds or condemnation awards in respect of the Project receivable by the Trustee; (iv) investment income with respect to any moneys held by the Trustee under this Indenture, except for investment income on moneys held in the Arbitrage Rebate Fund; and (v) any moneys paid to the Paying Agent by drawing under the Letter of Credit.

"S&P" means Standard & Poor's Corporation, a New York corporation, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, S&P shall be deemed to refer to any other nationally recognized securities rating agency designated by the Remarketing Advisor, with the consent of the Company and the Issuer.

"Special Record Date" means such date as may be fixed for the payment of defaulted interest in accordance with Section 2.7 of this Indenture.

"State" means the State of North Carolina.

"Trust Estate" shall have the meaning set forth in the Granting Clauses of this Indenture.

"Trustee" means PNC Bank, National Association, Pittsburgh, Pennsylvania, and its successor for the time being in the trust hereunder.

"Trustee's Extraordinary Fees and Expenses" refers to all reasonable fees, expenses and costs incurred by the Trustee in connection with the performance of extraordinary services hereunder, including, but not limited to, its reasonable fees and attorneys' fees, expenses, advances and costs resulting from (i) a default of the Bonds; (ii) any litigation relating to the Bonds; or (iii) any change of law which, in the opinion of the Trustee's counsel, is a material change affecting the Bonds.

"Undelivered Bonds" means any Bonds subject to purchase pursuant to Section 4.1 or 4.2 of this Indenture which the Owner has failed to deliver as described in Section 4.1.K or 4.2.K of this Indenture.

"Variable Weekly Rate" means the variable rate of interest borne by the Bonds from the date of original issuance until the Fixed Rate Conversion Date.

"Weekly Rate" means the rate of interest borne by the Bonds for a Weekly Rate Period determined pursuant to Section 3.2 of this Indenture.

11

18

"Weekly Rate Period" means, while the Bonds bear interest at a Variable Weekly Rate, the weekly period which begins on Thursday of each calendar week and ends at the close of business on Wednesday of the immediately following calendar week; except that in the case of conversion to a Fixed Rate, the last Weekly Rate Period prior to such conversion shall end on the day immediately preceding the Fixed Rate Conversion Date. The Weekly Rate for each Weekly Rate Period shall be effective from and including the commencement date of such period (Thursday) and shall remain in effect through and including the last day thereof (Wednesday).

Section 1.2 RULES OF CONSTRUCTION; TIME OF DAY. In this Indenture, unless otherwise indicated, (i) defined terms may be used in the singular or the plural and the use of any gender includes all genders; (ii) the words hereof, herein, hereto, hereby and hereunder (except in the form of Bonds) refer to this entire Indenture; and (iii) all references to particular Articles or Sections are references to the Articles or Sections of this Indenture. References to any time of the day in this Indenture shall refer to Eastern standard time or Eastern daylight saving time, as in effect in Pittsburgh, Pennsylvania on such day.

## ARTICLE 2

### THE BONDS

#### Section 2.1 AMOUNT, FORM AND ISSUANCE OF BONDS.

A. The Bonds shall, except as provided in Section 2.8 of this Indenture, be limited to \$6,000,000 in aggregate principal amount and shall contain substantially the terms recited in the form of Bond set forth in EXHIBIT A hereto. No additional series of Bonds may be issued under this Indenture. All Bonds shall provide that principal (or redemption price) and interest in respect thereof shall be payable only out of the Revenues. The Issuer may cause a copy of the text of the opinion of Bond Counsel delivered in connection with the issuance of the Bonds to be printed on such Bonds, and, upon request of the Issuer, and upon deposit with the Trustee and the Paying Agent of executed counterparts of such opinion, the Paying Agent shall certify to the correctness of the copy appearing on the Bonds by manual or facsimile signature. Pursuant to recommendations promulgated by the Committee on Uniform Security Identification Procedures, CUSIP numbers may be printed on the Bonds. The Bonds may bear such endorsement or legend satisfactory to the Paying Agent as may be required to conform to usage or law with respect thereto.

B. Bonds authenticated and delivered prior to the Fixed Rate Conversion Date shall set forth, in the place provided for designating the interest rate, the words "Variable Weekly Rate."

C. Bonds authenticated and delivered on or after the Fixed Conversion Date (1) shall set forth, in the place provided for designating the interest rate, the appropriate rate of interest per annum and (2) may have deleted therefrom, or appropriately modified, any provisions or references in the form of Bond set forth in EXHIBIT A hereto which are no longer applicable.

D. Upon the execution and delivery hereof, the Issuer shall execute or cause the execution of the Bonds in the principal amount of \$6,000,000 and deliver them to the Paying Agent for authentication. At the direction of the Issuer, the Paying Agent shall authenticate the Bonds and deliver them to the purchasers thereof.

12

19

Section 2.2 DESIGNATION, DENOMINATIONS, MATURITY, DATES, INTEREST ACCRUAL AND TENDER.

A. The Bonds shall be designated "The Hertford County Industrial Facilities and Pollution Control Financing Authority Industrial Development Revenue Bonds (Easco Corporation Project), Series 1998".

B. The Bonds shall be issued in Authorized Denominations.

C. The Bonds shall mature, subject to prior redemption as provided in the form thereof set forth in EXHIBIT A hereto, on November 1, 2013.

D. The Bonds shall have an "Issue Date" which shall be November 5, 1998, the date of original issuance and first authentication and delivery against payment, which shall be set forth on all Bonds authenticated by the Paying Agent. Bonds issued prior to the first Business Day of December, 1998, shall be dated the Issue Date. Bonds issued on or subsequent to the first Business Day of December, 1998, shall be dated as of the Interest Payment Date next preceding the date of authentication thereof, unless such date of authentication shall be an Interest Payment Date to which interest on the Bonds has been paid in full or duly provided for, in which case they shall be dated as of such date of authentication; provided that if, as shown by the records of the Paying Agent, interest on the Bonds shall be in default, Bonds issued in exchange for Bonds surrendered for transfer or exchange shall be dated as of the date to which interest has been paid in full on the Bonds or, if no interest has been paid on the Bonds, the Issue Date of the Bond.

E. The Bonds shall bear interest from and including the Issue Date thereof until payment of the principal or redemption price thereof shall have been made or provided for in accordance with the provisions hereof, whether at maturity, upon redemption or otherwise. Interest on the Bonds shall be determined as provided in Article 3 of this Indenture. Interest on the Bonds shall be paid on each Interest Payment Date. Each Bond shall bear interest on overdue principal at the rates borne by the Bonds during such time. Interest accrued on the Bonds at the Variable Weekly Rate shall be computed on the basis of an actual year of 365 days or 366 days, as applicable, and the number of days actually elapsed. Interest accruing on the Bonds at the Fixed Rate shall be computed on the basis of an assumed year of 360 days containing twelve (12) 30-day months.

F. So long as the Bonds bear interest at a Variable Weekly Rate, the Bonds shall be subject to optional and mandatory tender as provided in Article 4 of this Indenture.

G. Any Bond authenticated and delivered after the last Interest Payment Date preceding the termination of the Letter of Credit supporting such Bond shall have noted on the face thereof that the Letter of Credit has expired and no longer supports payment of such Bond and any other information which the Issuer deems appropriate, unless a replacement Letter of Credit meeting the requirements of Section 6.7 of this Indenture has been delivered in respect of such Bond.

Section 2.3 EXECUTION. The Bonds shall be executed by the manual or

facsimile signature of the Chairman and attested and sealed by the Secretary of the Issuer. In case any officer whose signature or facsimile of whose signature shall appear on any 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 as if he had remained in office until delivery.

Section 2.4 AUTHENTICATION. No Bond shall be valid for any purpose until the certificate of authentication thereon shall have been duly executed by the Trustee or the Paying Agent, and such authentication shall be conclusive proof that such Bond has been duly authenticated and delivered under this Indenture and that the Owner thereof is entitled to the benefit of the trust hereby created.

13

20

Section 2.5 REGISTRATION, TRANSFER AND EXCHANGE.

A. All Bonds shall be issued in fully-registered form. The Bonds shall be registered upon original issuance and upon subsequent transfer or exchange as provided in this Indenture. The Paying Agent shall act as registrar and transfer agent for the Bonds. The Paying Agent shall keep at its Principal Office a register (the "Bond Register") in which, subject to such reasonable regulations as it, the Trustee or the Issuer may prescribe, the Issuer shall provide for the registration of the Bonds and for the registration of transfers of the Bonds. The Paying Agent shall, at any time as reasonably requested by the Trustee, certify and furnish to the Trustee, the names, addresses and holdings of Bondholders and any other relevant information reflected in the Bond Register, and the Trustee shall for all purposes be fully entitled to rely upon the information so furnished to it and shall have no liability or responsibility in connection with the preparation thereof.

B. Bonds may be transferred only on the Bond Register. Upon surrender for transfer of any Bond at the Principal Office of the Paying Agent, the Issuer shall execute and the Paying Agent shall authenticate and deliver in the name of the transferee or transferees, one or more new fully registered Bonds of Authorized Denomination in the aggregate principal amount which the Owner is entitled to receive.

C. At the option of the Owner, Bonds may be exchanged for other Bonds of any other Authorized Denomination, of a like aggregate principal amount, upon surrender of the Bonds to be exchanged at the Principal Office of the Paying Agent. Whenever any Bonds are so surrendered for exchange, the Issuer shall execute, and the Paying Agent shall authenticate and deliver, the Bonds which the Bondholder making the exchange is entitled to receive.

D. All Bonds presented for transfer or exchange, redemption or payment (if so required by the Issuer, the Paying Agent or the Trustee), shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the Paying Agent, duly executed by the Owner or by an attorney duly authorized in writing.

E. No service charge shall be made for any transfer or exchange of Bonds, but the Issuer or the Paying Agent may require payment by a Bondholder of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto.

F. Except as provided in Article 4 of this Indenture, the Issuer shall not be required to transfer or exchange any Bonds after the date any Bond or Bonds are selected, called or are being called for redemption.

G. Bonds delivered to Owners upon any transfer or exchange shall be valid obligations of the Issuer secured by this Indenture and shall be entitled to all of the security and benefit hereof to the same extent as the Bonds surrendered.

Section 2.6 PERSONS DEEMED OWNERS. The Issuer, the Trustee and the Paying Agent may deem and treat the Person in whose name ownership of any Bond is registered as the absolute owner thereof (whether or not such Bond shall be overdue and notwithstanding any notation of ownership or other writing thereon made by anyone other than the Trustee or the Paying Agent) for the purpose of receiving payment of or on account of the principal of, and premium, if any, and

interest on, such Bond, and for all other purposes, and neither the Issuer, the Trustee nor the Paying Agent shall be affected by any notice to the contrary. All such payments so made to any such Owner, or upon order, shall be valid and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable upon any such Bond.

14

21

#### Section 2.7 PAYMENT OF PRINCIPAL AND INTEREST; RECORD DATES.

A. The principal and redemption price of any Bond shall be payable, upon presentation and surrender of such Bond, at the Principal Office of the Trustee or Paying Agent. Interest on any Bond shall be payable on each Interest Payment Date by check mailed to the address of the Person or Owner entitled thereto as such address shall appear in the Bond Register; provided that at the written request of any Owner of at least One Million Dollars (\$1,000,000) in aggregate principal amount of Bonds, received by the Paying Agent at least one (1) Business Day before the corresponding Record Date, or in the case of Bonds registered to the Depository or its nominee, interest accrued on the Bonds at a Variable Weekly Rate will be paid to such Owner by wire transfer within the continental United States in immediately available funds to the bank account number of such Owner specified in such request and entered by the Paying Agent on the Bond Register; and, provided further that interest payable at maturity or upon redemption shall be paid only upon presentation and surrender of such Bonds. The principal or redemption price and purchase price becoming due with respect to Bonds bearing interest at a Variable Weekly Rate shall, at the written request of any Owner of at least \$1,000,000 in aggregate principal amount of such Bonds received by the Paying Agent at least 15 days before the maturity date, redemption date or payment date, as the case may be, or in the case of Bonds registered to the Depository or its nominee, be paid by wire transfer within the continental United States in immediately available funds to the bank account number of such Owner appearing on the Bond Register, but only upon presentation and surrender of such Bonds. The principal, redemption price or purchase price of and interest on the Bonds shall be paid in any coin or currency of the United States of America which, at the time of payment, is legal tender for the payment of public and private debts.

B. Interest on any Bond which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person or Owner in whose name that Bond is registered at the close of business on the Regular Record Date for such interest.

C. Any interest on any Bond which is payable on any Interest Payment Date but is not paid or provided for on such date or within three (3) Business Days thereafter (herein called "Defaulted Interest") shall forthwith cease to be payable to the Owner on the relevant Regular Record Date by virtue of having been such Owner, and such Defaulted Interest shall be paid, pursuant to Section 10.10 of this Indenture, to the Owner in whose name the Bond is registered at the close of business on a Special Record Date to be fixed by the Trustee, such Special Record Date to be not more than fifteen (15) nor less than five (5) days prior to the date of proposed payment. The Paying Agent shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each Bondholder, at the Bondholder's address as it appears in the Bond Register, not less than ten (10) days prior to such Special Record Date.

D. Subject to the foregoing provision of this Section, each Bond delivered under this Indenture upon transfer of or exchange for or in lieu of any other Bond shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond.

#### Section 2.8 MUTILATED, DESTROYED, LOST OR STOLEN BONDS.

A. If any Bond shall become mutilated, lost, stolen or destroyed, the affected Bondholder shall be entitled to the issuance of a substitute Bond only as follows:

(1) in the case of a lost, stolen or destroyed Bond, the Bondholder shall (i) provide written notice of the loss, theft or destruction to the Paying Agent within a reasonable time after the Bondholder receives notice of the loss,

theft or destruction, (ii) request in writing the issuance of a substitute

15

22

Bond, and (iii) provide evidence, satisfactory to the Paying Agent, of the ownership and the loss, theft or destruction of the affected Bond;

(2) in the case of a mutilated Bond, the Bondholder shall surrender the Bond to the Paying Agent for cancellation; and

(3) in all cases, the Bondholder shall provide in writing indemnity against any and all claims arising out of or otherwise related to the issuance of substitute Bonds pursuant to this Section satisfactory to the Issuer, the Paying Agent, the Trustee, the Company and the Bank.

Upon compliance with the foregoing, a new Bond of like tenor and denomination, executed by the Issuer, shall be authenticated by the Paying Agent and delivered to the Bondholder, all at the expense of the Bondholder to whom the substitute Bond is delivered. Notwithstanding the foregoing, the Paying Agent shall not be required to authenticate and deliver any substitute Bond for a Bond which has been called for redemption or which has matured or is about to mature and, in any such case, the principal or redemption price and interest then due or becoming due shall be paid by the Paying Agent in accordance with the terms of the mutilated, lost, stolen or destroyed Bond without substitution therefor.

B. Every substituted Bond issued pursuant to this Section 2.8 shall constitute an additional contractual obligation of the Issuer and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Bonds duly issued hereunder unless the Bond alleged to have been destroyed, lost or stolen shall be at any time enforceable by a bona fide purchaser for value without notice. In the event the Bond alleged to have been destroyed, lost or stolen shall be enforceable by anyone, the Issuer may recover the substitute Bond from the Bondholder to whom it was issued or from anyone taking under the Bondholder except a bona fide purchaser for value without notice.

C. All Bonds shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Bonds, and shall preclude any and all other rights or remedies, notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or investment or other securities without their surrender.

Section 2.9 TEMPORARY BONDS. Pending preparation of definitive Bonds, or by agreement with the purchasers of all the Bonds, the Issuer may issue, and, upon its request, the Paying Agent shall authenticate, in lieu of definitive Bonds one or more temporary printed or typewritten Bonds in denominations of \$100,000 and integral multiples of \$5,000 for amounts in excess of \$100,000 of substantially the tenor set forth in EXHIBIT A hereto. Upon request of the Issuer, the Paying Agent shall authenticate definitive Bonds in exchange for and upon surrender of an equal principal amount of temporary Bonds. Until so exchanged, temporary Bonds shall have the same rights, remedies and security hereunder as definitive Bonds.

Section 2.10 CANCELLATION AND DESTRUCTION OF SURRENDERED BONDS. Bonds surrendered for payment, redemption, transfer, defeasance or exchange and Bonds surrendered to the Paying Agent by the Issuer or by the Company for cancellation shall be canceled and destroyed by the Paying Agent and a certificate of such cancellation and destruction shall be promptly delivered to the Issuer. Bonds purchased pursuant to Article 4 of this Indenture shall not be surrendered but shall remain Outstanding Bonds, unless otherwise specifically provided in this Indenture.

Section 2.11 DISPOSITION OF PROCEEDS OF BONDS. Upon the issuance and sale of the Bonds, the Issuer shall order the proceeds thereof to be delivered to the Trustee and the Trustee shall forthwith deposit such



proceeds in the Construction Fund, except that any such proceeds constituting accrued interest on the Bonds shall be deposited in the Bond Fund.

Section 2.12 BOOK ENTRY FORM FOR BONDS. The Bonds shall be initially issued to a Depository for use in a Book Entry System, and the following provisions of this Section 2.12 shall apply notwithstanding any other provision of this Indenture: (i) there shall be a single Bond of each maturity; (ii) those Bonds shall be registered in the name of the Depository or its nominee, as registered owner, and immobilized in the custody of the Depository; (iii) the beneficial owners in Book Entry Form shall have no right to receive Bonds in the form of physical securities or certificates; (iv) ownership of beneficial interests in any Bonds in Book Entry form shall be shown by book entry on the Book Entry System maintained and operated by the Depository, and transfers of the ownership of beneficial interests shall be made only by the Depository and by book entry; and (v) the Bonds as such shall not be transferable or exchangeable, except for transfer to another Depository or to another nominee of a Depository, without further action by the Issuer. The principal of and interest and redemption premium, if any, on the Bonds in Book Entry Form registered in the name of a Depository or its nominee shall be payable in same day funds delivered to the Depository or its authorized representative (i) in the case of interest, on each Interest Payment Date, and (ii) in all other cases, as provided in the form of Bond set forth in EXHIBIT A hereto.

The Issuer shall deliver a Blanket Issuer Letter of Representations to The Depository Trust Company, as Depository, and the provisions of such letters shall be incorporated herein by reference.

If any Depository determines not to continue to act as a depository for the Bonds for use in a Book Entry System, the Company, on behalf of the Issuer, and the Trustee may attempt to have established a securities depository/book entry relationship with another qualified Depository. If the Company, on behalf of the Issuer, and the Trustee do not or are unable to do so, the Company, on behalf of the Issuer, and the Trustee, after the Trustee has made provision for notification of the beneficial owners by the then Depository, shall permit withdrawal of the Bonds from the Depository, and authenticate and deliver Bond certificates in fully registered form to the assigns of the Depository or its nominee, all at the cost and expense (including costs of printing definitive Bonds) of the Company.

### ARTICLE 3

#### INTEREST RATES ON BONDS

Section 3.1 INITIAL INTEREST RATE. All Bonds shall bear interest at a Variable Weekly Rate from the Closing Date until the interest rate on the Bonds shall be, if ever, converted to a Fixed Rate as provided in Section 3.3 of this Indenture.

Section 3.2 VARIABLE WEEKLY RATE. So long as the Bonds bear interest at the Variable Weekly Rate, a Weekly Rate shall be determined for each Weekly Rate Period as follows. The Weekly Rate for each Weekly Rate Period shall be effective from and including the commencement date of such period (Thursday) and shall remain in effect through and including the last day thereof (the following Wednesday). Each such Weekly Rate shall be determined by the Remarketing Advisor on the Wednesday, or if such Wednesday is not a Business Day, on the Business Day next preceding the commencement date of the Weekly Rate Period to which it relates, and shall be provided by the Remarketing Advisor to the Paying Agent by the close of business on such day by telephone, promptly confirmed in writing. The Weekly Rate so to be determined shall be the lowest rate of interest which, in the judgment of the Remarketing Advisor, would cause the Bonds to have a market value equal to the principal amount thereof, plus accrued interest, taking into account Prevailing Market Conditions as of the date of determination; provided that (i) if the

Remarketing Advisor fails for any reason to determine and notify the Paying Agent of the Weekly Rate for any Weekly Rate Period, the Weekly Rate shall be the same as the Weekly Rate in effect for the immediately preceding Weekly Rate Period, except that if such failure continues for more than one consecutive Weekly Rate Period, the Weekly Rate shall be equal to eighty percent (80%) of the average of the annual bond-equivalent yield evaluations at par of 13-week United States Treasury obligations at the most recent Treasury auction and (ii) in no event shall the Weekly Rate for any Weekly Rate Period exceed ten percent (10%) per annum. No notice of Weekly Rates will be given to the Company or the Owners of the Bonds; however, the Company and the Owners may obtain Weekly Rates from the Remarketing Advisor. All determinations of Weekly Rates pursuant hereto shall be conclusive and binding upon the Issuer, the Company, the Bank, the Trustee, the Paying Agent and the Owners of the Bonds to which such rates are applicable. The Issuer, the Company, the Bank, the Trustee, the Paying Agent and the Remarketing Advisor shall not be liable to any Owner for failure to give any notice required with respect to Weekly Rates or for failure of any Person to receive any such notice.

Section 3.3 FIXED RATE CONVERSION AT OPTION OF COMPANY. At the option of the Company, the Bonds may be converted to bear interest at a Fixed Rate to maturity. Any such conversion to a Fixed Rate shall be made in conformity with the following requirements:

A. The Fixed Rate Conversion Date shall be an Interest Payment Date.

B. The Company shall give written notice of any such conversion and specify the proposed Fixed Rate Conversion Date to the Issuer, the Trustee, the Paying Agent, the Remarketing Advisor, the Bank and to Moody's (if the Bonds are then rated by Moody's) and S&P (if the Bonds are then rated by S&P) not less than forty-five (45) days prior to the proposed Fixed Rate Conversion Date.

C. The Company shall have furnished to the Trustee a Favorable Opinion with respect to such conversion.

D. The Company shall have furnished to the Trustee the written consent of the Bank with respect to such conversion not less than forty (40) days prior to the Fixed Rate Conversion Date.

E. A Minimum Fixed Rate shall be determined no later than the 31st day preceding the Fixed Rate Conversion Date (or the immediately preceding Business Day, if such 31st day is not a Business Day) by the Remarketing Advisor. The Minimum Fixed Rate shall be the minimum rate of interest to be borne by the Bonds to maturity, and shall be equal to ninety percent (90%) of the lowest rate of interest which, in the judgment of the Remarketing Advisor as of the date of determination and under Prevailing Market Conditions, would cause the Bonds to have a market value equal to the principal amount thereof as of the Fixed Rate Conversion Date. The Remarketing Advisor shall notify the Paying Agent and the Paying Agent shall notify the Trustee and the Company by telephone (promptly confirmed in writing), telegram, teletype, telex or other similar means of communication of the Minimum Fixed Rate so determined.

F. Within three (3) Business Days after the Minimum Fixed Rate is determined, notice of the conversion and the Minimum Fixed Rate shall be given by United States first-class mail, postage prepaid, by the Paying Agent to the Owners of all Bonds. Such notice shall inform the Owners of:

(1) the proposed Fixed Rate Conversion Date;

(2) the Minimum Fixed Rate;

(3) the dates by which the Remarketing Advisor will determine and the Paying Agent will notify the Owners of the Fixed Rate pursuant to Section 3.3.G of this Indenture;

18

25

(4) the condition to the conversion set forth in Section 3.3.H of this Indenture; and

(5) the matters required to be stated pursuant to Section 4.2.B of this Indenture.

G. Not later than 12:00 noon on the Business Day immediately preceding the Fixed Rate Conversion Date, the Remarketing Advisor shall determine the Fixed Rate for the Bonds and make the Fixed Rate available to the Paying Agent by telephone promptly confirmed in writing. The Fixed Rate shall be equal to the lowest rate of interest which, in the judgment of the Remarketing Advisor as of the date of determination of the Fixed Rate and under Prevailing Market Conditions, would cause the Bonds to have a market value equal to the principal amount thereof as of the Fixed Rate Conversion Date. Promptly after the date of such determination, the Paying Agent shall give notice of the Fixed Rate by United States first-class mail, postage prepaid, to the Company, the Trustee and the Owners as of the Fixed Rate Conversion Date.

H. It shall be a condition to the effectiveness of any conversion to a Fixed Rate that as of the proposed Fixed Rate Conversion Date, sufficient funds from the remarketing of the Bonds shall be available to purchase all Bonds then Outstanding (including Custody Bonds and Company Bonds and excluding Bonds as to which the Paying Agent has received complete and duly executed written notices pursuant to Section 4.2.C of this Indenture) which are then required to be purchased pursuant to Section 4.2 of this Indenture. If this condition is not met for any reason, the conversion to a Fixed Rate shall not be effective, the Bonds shall continue to bear interest at the Variable Weekly Rate, and the Paying Agent shall promptly notify the Owners of such fact and shall give all additional notices and take all further actions required pursuant to Section 4.6 of this Indenture.

I. The determination of the Minimum Fixed Rate and the Fixed Rate pursuant to this Section 3.3 shall be conclusive and binding upon the Issuer, the Company, the Trustee, the Paying Agent and the Owners. The Issuer, the Company, the Trustee, the Paying Agent and the Remarketing Advisor shall not be liable to any Owners for failure to give any notice required above or for failure of any Owners to receive any such notice.

#### ARTICLE 4

##### TENDER AND PURCHASE OF BONDS

###### Section 4.1 OPTIONAL TENDER OF VARIABLE WEEKLY RATE BONDS.

A. OPTIONAL TENDER RIGHTS; PURCHASE DATES. The Owners of Bonds bearing interest at a Variable Weekly Rate shall have the right to tender their Bonds (or portions thereof in Authorized Denominations) for purchase, at a price equal to the principal amount thereof (or of such portions) plus accrued interest, on any Business Day, upon written irrevocable notice from such Owner to the Paying Agent and the Remarketing Advisor on any Business Day at least seven (7) days prior to the Business Day on which such purchase is to be made. Notwithstanding anything in this Section 4.1 to the contrary, any Owner who has elected to retain any Bond (or portion thereof) upon a conversion to a Fixed Rate may no longer elect to have such Bond purchased as provided in this Section. Furthermore, the tender right granted in this Section 4.1 is subject to the additional conditions that any Bond (or the applicable portion thereof) tendered under this Section 4.1 will not be purchased if (i) such Bond (or the applicable portion thereof) has been called for redemption on or prior to the applicable purchase date or (ii) as of the applicable purchase date, an Event of Default exists and the Bonds have been declared to be and are due and payable pursuant to Section 10.2 hereof.

19

26

B. NOTICE BY OWNER OF TENDER. Each notice of tender pursuant to Section 4.1.A shall:

(1) be delivered to the Paying Agent at its Principal Office and to the Remarketing Advisor at its Principal Office and in form satisfactory to the Paying Agent;

(2) state (i) the principal amount of the Bond to which the notice relates, (ii) that the Owner irrevocably demands purchase of such Bond (or a specified portion thereof) in an Authorized Denomination, (iii) the date on which such Bond (or specified portion thereof) is to be purchased, and

(iv) payment instructions with respect to the purchase price; and

(3) automatically constitute (i) an irrevocable offer to sell the Bond (or portion thereof) to which such notice relates on the purchase date at a price equal to the principal amount of such Bond (or portion thereof) plus any interest thereon accrued and unpaid as of the purchase date, (ii) an irrevocable authorization and instruction to the Paying Agent to effect transfer of such Bond (or portion thereof) upon payment of such price to the Paying Agent on the purchase date, (iii) an irrevocable authorization and instruction to the Paying Agent to effect the exchange of such Bond in whole or in part for other Bonds in an equal aggregate principal amount so as to facilitate the sale of such Bond (or portion thereof), and (iv) an acknowledgment that such Owner will have no further rights with respect to such Bond (or portion thereof) upon payment of the purchase price thereof to the Paying Agent on the purchase date, except for the right of such Owner to receive such purchase price upon surrender of such Bond to the Paying Agent endorsed for transfer in blank and with guaranty of signature satisfactory to the Paying Agent, and that after the purchase date such Owner will hold such Bond as agent for the Paying Agent. The determination of the Paying Agent as to whether a notice of tender has been properly delivered pursuant to the foregoing shall be conclusive and binding upon the Owner.

No such notice of tender shall be effective if, following the purchase of Bonds effected pursuant to such notice, the Owner tendering such notice would (i) continue to hold Bonds and (ii) the aggregate principal amount of Bonds so held by such Owner is less than \$100,000.

C. NOTICE BY PAYING AGENT OF BONDS TO BE REMARKETED. Not later than 12:00 noon on the Business Day immediately following the date of receipt of any notice of tender, the Paying Agent shall notify by telephone (promptly confirmed in writing) the Remarketing Advisor of the principal amount of Bonds (or portions thereof) to be purchased and the date of purchase.

D. REMARKETING OF TENDERED BONDS. The Remarketing Advisor shall use its best efforts to find purchasers for and arrange for the sale of all Bonds or portions thereof in respect of which notice of tender has been received pursuant to Section 4.1.A, at a price equal to one hundred percent (100%) of the principal amount thereof plus accrued interest thereon at the purchase date; provided that no Bonds shall be remarketed by the Remarketing Advisor to the Issuer, the Company or an Affiliate. The terms of any such sale shall provide for the payment of the purchase price for tendered Bonds to the Paying Agent (in exchange for new registered Bonds) in immediately available funds at or before 3:00 p.m. on the purchase date. Notwithstanding the foregoing, the Remarketing Advisor shall not arrange for the sale of any Bond as to which a notice of conversion to a Fixed Rate has been given by the Paying Agent unless the Remarketing Advisor has advised the Person to whom the sale is made of such conversion.

E. CERTAIN NOTICES BY REMARKETING ADVISOR AND PAYING AGENT.

(1) NOTICE BY REMARKETING ADVISOR OF REMARKETED BONDS. At or before 3:00 p.m. on the Business Day immediately preceding the date fixed for purchase of tendered Bonds, the Remarketing Advisor shall give notice by telephone (promptly confirmed in writing), telegram, teletype, telex or

other similar communication to the Paying Agent of (i) the principal amount of tendered Bonds which have been remarketed and (ii) the principal amount of tendered Bonds, if any, which have not been remarketed.

(2) NOTICE BY PAYING AGENT OF BONDS NOT REMARKETED. Not later than 5:00 p.m. on the date of receipt of any notice pursuant to paragraph (1) above informing the Paying Agent that tendered Bonds have not been remarketed, the Paying Agent shall give notice by telephone (promptly confirmed in writing), telegram, teletype, telex or other similar communication to the Company and the Bank, specifying the principal amount of tendered Bonds as to which the Remarketing Advisor has not found a purchaser at that time.

(3) REMARKETING ADVISOR NOTICE OF AMOUNTS TO BE DRAWN UNDER LETTER OF CREDIT. Prior to 9:00 a.m. on the date fixed for purchase of tendered Bonds, the Remarketing Advisor shall give telephonic notice (promptly confirmed in

writing) to the Paying Agent, the Company and the Bank specifying the amounts of principal and interest, if any, representing the portion of the purchase price of the tendered Bonds which the Remarketing Advisor does not hold, for the benefit of the Persons entitled to receive such purchase price, at the time such notice is given, which amounts (except to the extent any such amounts are then held by the Paying Agent) the Paying Agent shall draw under the Letter of Credit immediately or in no event later than 10:00 a.m. and deposit in the Letter of Credit Purchase Account for use to the extent necessary to effect such purchase of such Bonds. In the absence of such notice, by 9:30 a.m., the Paying Agent shall be deemed to have received notice from the Remarketing Advisor specifying that no portion of the purchase price of such Bonds is held by the Remarketing Advisor, in which case the Paying Agent shall draw under the Letter of Credit an amount equal to the principal amount of such Bonds plus interest accrued thereon.

(4) NOTICE BY REMARKETING ADVISOR IDENTIFYING PURCHASERS OF REMARKETED BONDS. At or before 12:00 noon one day prior to the date fixed for purchase of tendered Bonds, the Remarketing Advisor shall give notice to the Paying Agent by telephone (promptly confirmed in writing) of the names, addresses and taxpayer identification numbers of the purchasers, the denominations of Bonds to be delivered to each purchaser and, if available, the payment instructions for regularly scheduled interest payments.

F. PAYMENT OF REMARKETING PROCEEDS. The Remarketing Advisor shall cause to be paid to the Paying Agent immediately upon receipt but no later than by 3:00 p.m. on the date fixed for purchase of tendered Bonds, all amounts then held by the Remarketing Advisor representing proceeds of the remarketing of such Bonds, such payments to be made in immediately available funds. All moneys received by the Paying Agent as remarketing proceeds shall be deposited by the Paying Agent in a special trust account designated as the Remarketing Proceeds Purchase Account which the Paying Agent shall establish and use as provided in this Article 4 and shall not be commingled with other funds held by the Paying Agent. All moneys in the Remarketing Proceeds Purchase Account shall be held in trust, uninvested and without liability for interest thereon, pending application of such moneys by the Paying Agent pursuant to this Article.

G. DRAWINGS ON LETTER OF CREDIT FOR PURCHASE PRICE. As provided by Section 4.1.E.(3), the Remarketing Advisor shall advise the Paying Agent of the amounts not held by the Remarketing Advisor which shall be drawn under the Letter of Credit in order for the Paying Agent to make timely payments of purchase price of tendered Bonds from remarketing proceeds or moneys drawn under the Letter of Credit. In the absence of such notice, the Paying Agent shall be deemed to have received notice from the Remarketing Advisor specifying that no portion of the purchase price of such Bonds is held by the Remarketing Advisor, in which case the Paying Agent shall draw the entire amount of such Bonds under the Letter of Credit. By 10:00 a.m. on the purchase date, the Paying Agent shall take all action necessary to draw on the Letter of Credit the amounts specified to insure timely payment of the purchase price (or

deemed specified) for receipt by the Paying Agent on the purchase date. The Paying Agent shall establish a special trust account designated as the Letter of Credit Purchase Account into which the Paying Agent shall deposit and hold in trust, uninvested and without liability for interest thereon, all such amounts received by the Paying Agent from drawings on the Letter of Credit for purchases of tendered Bonds pending application of such amounts by the Paying Agent pursuant to this Article 4. Any remaining amounts in the Letter of Credit Purchase Account after any application required by Section 4.1.I shall be paid over by the Paying Agent to the Bank for the account of the Company as reimbursement for the drawing on the Letter of Credit from which such amounts were derived; provided that the Letter of Credit shall be reinstated to the extent of such reimbursement and the Paying Agent shall take all necessary action on its part pursuant to the Letter of Credit to effect such reinstatement. Anything herein to the contrary notwithstanding, no amounts drawn on the Letter of Credit shall be applied to the purchase of Custody Bonds or Company Bonds.

H. PAYMENTS BY COMPANY. Any moneys paid by the Company under Section 3.1 and 3.3 of the Agreement and under the Note which are furnished by the Trustee to the Paying Agent for purchase of tendered Bonds shall be

deposited by the Paying Agent in a special trust account designated as the Company Purchase Account which the Paying Agent shall establish and use (i) to reimburse the Bank for drawings under the Letter of Credit for such purpose or (ii) if no Letter of Credit is then held by the Paying Agent, to pay the purchase price of tendered Bonds to the selling Owners thereof.

I. PAYMENTS OF PURCHASE PRICE BY PAYING AGENT. On the date set for purchase of tendered Bonds and upon receipt by the Paying Agent of one hundred percent (100%) of the aggregate purchase price of the tendered Bonds, the Paying Agent shall pay the purchase price of such Bonds to the selling Owners thereof at its Principal Office on or before 5:00 p.m. and to those not tendered on the date set for purchase on the day of surrender to the Paying Agent of such Bonds properly endorsed for transfer in blank and with all signatures guaranteed to the satisfaction of the Paying Agent. Such payments shall be made in immediately available funds, but solely from the following sources in the order of priority indicated, neither the Issuer, the Trustee, the Paying Agent nor the Remarketing Advisor having an obligation to use funds from any other source:

(1) moneys held in the Remarketing Proceeds Purchase Account representing proceeds of the remarketing of such Bonds pursuant to Section 4.1.D, to any Person other than the Issuer, the Company, or an Affiliate of the Company or Issuer;

(2) moneys held in the Letter of Credit Purchase Account representing proceeds of a drawing by the Paying Agent under the Letter of Credit for such purpose; and

(3) moneys held in the Company Purchase Account paid by the Company under Section 3.1 of the Agreement and the Note which are furnished by the Trustee to the Paying Agent; provided, however, that if sufficient funds are not available for the purchase of all tendered Bonds, no purchase shall be consummated.

J. REGISTRATION AND DELIVERY OF TENDERED OR PURCHASED BONDS. On the date of purchase of tendered Bonds, the Paying Agent shall register and deliver (or hold) all Bonds purchased on such date as follows:

(1) Bonds remarketed by the Remarketing Advisor shall be registered and made available to the Remarketing Advisor or the purchasers thereof in accordance with the instructions of the Remarketing Advisor;

22

29

(2) Bonds purchased with proceeds of a drawing on the Letter of Credit shall be held by the Paying Agent as Custody Bonds pursuant to Section 4.4 of this Indenture; and

(3) Bonds purchased with amounts provided by the Company shall be registered in the name of the Company and shall be held in trust by the Paying Agent on behalf of the Company and shall not be released from such trust unless the Paying Agent shall have received written instructions from the Company; provided that so long as a Letter of Credit is in effect such Bonds shall not be remarketed or delivered to the Company unless the Letter of Credit supports the payment of such Bonds in accordance with the terms of this Indenture and the Letter of Credit.

K. DELIVERY OF BONDS; EFFECT OF FAILURE TO SURRENDER BONDS. All Bonds to be purchased on any date shall be delivered to the Principal Office of the Paying Agent for receipt at or before 12:00 noon on the purchase date. If the Owner of any Bond (or portion thereof) that is subject to purchase pursuant to this Section 4.1 fails to deliver such Bond to the Paying Agent for purchase on the purchase date, and if the Paying Agent is in receipt of the purchase price therefor, such Bond (or portion thereof) plus any interest thereon accrued and unpaid as of the date fixed for purchase thereof and registration of the ownership of such Bond (or portion thereof) shall be transferred to the purchaser thereof as provided in Section 4.1.J. Any Owner who so fails to deliver such Bond for purchase on (or before) the purchase date (1) shall have no further rights thereunder, except the right to receive the purchase price thereof (an amount equal to the purchase price of such Bond (or portion thereof) plus any interest thereon accrued and unpaid as of the purchase date) upon presentation and surrender of such Bond to the Paying Agent properly endorsed

for transfer in blank and with all signatures guaranteed to the satisfaction of the Paying Agent, and (2) shall thereafter hold such Bond as agent for the Paying Agent. The Paying Agent shall, as to any tendered Bonds which have not been delivered to it ("Undelivered Bonds"), (i) promptly notify the Remarketing Advisor of such nondelivery and (ii) place a stop transfer order against an appropriate amount of Bonds registered in the name of the Owner(s) on the Bond Register. The Paying Agent shall place such stop transfer order(s) commencing with the lowest serial number Bond registered in the name of such Owner(s) until the appropriate tendered Bonds are delivered to the Paying Agent. Upon such delivery, the Registrar and Paying Agent shall make any necessary adjustments to the Bond Register. The Paying Agent shall hold moneys representing the purchase price of Undelivered Bonds in one or more separate uninvested accounts or uninvested subaccounts for the sole benefit of the former Owner(s) of such Undelivered Bonds.

Any moneys deposited with the Paying Agent or then held by the Paying Agent in trust for the payment of the purchase price of Undelivered Bonds and remaining unclaimed for five years after such principal and premium, if any, or interest has become due shall be treated as abandoned property pursuant to the provisions of Section 116B-18 of the North Carolina General Statutes and the Paying Agent shall report and remit this property to the Escheat Fund according to the requirements of Article 3 of Chapter 116B of the North Carolina General Statutes, and thereafter the Owners shall look only to the Escheat Fund, or to any successor fund, as the case may be, for payment and then only to the extent of the amounts so received, without any interest thereon, and the Issuer, the Remarketing Advisor, the Trustee, the Paying Agent and the Company shall have no responsibility with respect to such moneys.

#### Section 4.2 MANDATORY TENDER UPON FIXED RATE CONVERSION.

A. MANDATORY TENDER UPON CONVERSION. The Bonds shall be subject to mandatory tender for purchase on the Fixed Rate Conversion Date, at a price equal to the principal amount thereof plus any accrued but unpaid interest; provided that the Owners of any such Bonds may elect to retain their Bonds by complying with the provisions of Section 4.2.C.

23

30

B. NOTICE TO REGISTERED OWNERS. Any notice of conversion given to Owners pursuant to Section 3.3.F of this Indenture shall, in addition to the requirements of such Section, specify:

(1) the Interest Payment Dates for the payment of interest on the Bonds after the Fixed Rate Conversion Date;

(2) that the Letter of Credit then held by the Paying Agent will expire on the Fixed Rate Conversion Date and whether there will be a Fixed Rate Letter of Credit and if so, the name and place of business of the issuer of such Fixed Rate Letter of Credit and the stated expiration date of such Fixed Rate Letter of Credit;

(3) that any ratings of the Bonds by Moody's and S&P may be withdrawn or reduced from such ratings then prevailing;

(4) that subsequent to the Fixed Rate Conversion Date the Owners will no longer have the right to require purchase of Bonds;

(5) that all Outstanding Bonds are subject to mandatory tender pursuant to the provisions thereof and of this Indenture and will be purchased on the Fixed Rate Conversion Date by payment of a purchase price equal to the principal amount thereof, except Bonds which the Owner shall have elected to retain in accordance with Section 4.2.C;

(6) that the Owner shall have the right to elect to retain such Owner's Bonds by complying with the provisions of Section 4.2.C (a copy of which Section or a summary thereof shall be included in such notice); and

(7) the date and time by which any notice of election to retain Bonds pursuant to Section 4.2.C must be received.

C. OWNER ELECTION TO RETAIN BONDS. The Owners of Bonds subject to be

converted to bear interest at a Fixed Rate may elect to retain their Bonds by delivering to the Paying Agent at its Principal Office, for receipt not later than 5:00 p.m., on a Business Day which is not fewer than fifteen (15) days prior to the Fixed Rate Conversion Date, a written notice of such election. Such notice shall be effective upon receipt and:

(1) state that the Person delivering the same is an Owner (specifying the principal amount of Bonds such Owner is electing to retain);

(2) acknowledge receipt of the notice of conversion and mandatory tender and the contents thereof delivered pursuant to Sections 3.3.F and 4.2.B; and

(3) direct the Paying Agent not to purchase the specified principal amount of Bonds of such Owner. Any such notice delivered to the Paying Agent shall be irrevocable and binding upon the Owner delivering the same and all subsequent Owners of the Bonds to be retained, including any Bonds issued in exchange therefor or upon transfer thereof.

D. REMARKETING. At or before 4:00 p.m. on the Business Day immediately following the last day on which notices of elections to retain Bonds may be delivered to the Paying Agent pursuant to Section 4.2.C, the Paying Agent shall notify the Company, the Bank and the Remarketing Advisor by telephone (promptly confirmed in writing), telegraph, telecopy, telex or other similar communication, of the principal amount of Bonds to be tendered for purchase on the Fixed Rate Conversion Date. The Remarketing Advisor

24

31

shall use its best efforts to find purchasers for and arrange for the sale of such Bonds; provided that (i) no Bonds shall be remarketed by the Remarketing Advisor to the Issuer, the Company or an Affiliate and (ii) in no event shall the Remarketing Advisor arrange for the sale of any such Bond to any Person unless, prior to the sale, the Remarketing Advisor (x) has advised such Person of the fact that, after the Fixed Rate Conversion Date, the Bonds will no longer be subject to tender at the option of the Owners and (y) has received written acknowledgment from such Person that he has received the notice required by Section 4.2.B. The terms of any sale arranged by the Remarketing Advisor shall provide for the payment of the purchase price to the Paying Agent of the tendered Bonds in immediately available funds at or before 2:00 p.m. on the purchase date. Thereupon, the Paying Agent shall use such funds as it receives from the Remarketing Advisor in the manner as provided in Section 4.2.F hereof. Anything in this Indenture to the contrary notwithstanding, the Remarketing Advisor shall have no obligation to find purchasers for and arrange for the sale of Bonds on the Fixed Rate Conversion Date or to make any effort to such end, unless and to the extent the Remarketing Advisor shall have expressly and specifically agreed in writing with the Company to perform such duties.

E. CERTAIN NOTICES BY REMARKETING ADVISOR. Subject to the provisions of Section 4.2.D, the Remarketing Advisor shall give the following notices:

(1) at or before 3:00 p.m. on the Business Day immediately preceding the Fixed Rate Conversion Date, the Remarketing Advisor shall give notice by telephone (promptly confirmed in writing), telegram, telecopy, telex or other similar communication to the Paying Agent, the Company and the Bank of (i) the principal amount of Bonds which have been remarketed and (ii) the principal amount of Bonds, if any, which have not been remarketed; and

(2) at or before 12:00 noon on the Fixed Rate Conversion Date, the Remarketing Advisor shall give notice to the Paying Agent by telephone (promptly confirmed in writing) of the names, addresses and taxpayer identification numbers of the purchasers and the denominations of Bonds to be delivered to each purchaser.

F. PAYMENT OF REMARKETING PROCEEDS. The Remarketing Advisor shall cause to be paid to the Paying Agent by 2:00 p.m. on the Fixed Rate Conversion Date all amounts then held by the Remarketing Advisor representing proceeds of the remarketing of such Bonds, such payment to be made in immediately available funds. All such remarketing proceeds received by the Paying Agent shall be deposited in the Remarketing Proceeds Purchase Account and applied by the Paying Agent: FIRST, to reimburse the Bank for the drawing(s) on the Letter of Credit



to purchase such Bonds; SECOND, if no Letter of Credit is then held by the Paying Agent, to pay the purchase price of tendered Bonds which have been remarketed; and, THIRD, to pay any purchase price owing to the Company for any tendered Company Bonds which have been remarketed, provided that if the Bank or the Trustee has notified the Paying Agent of any other obligations then due and owing to the Bank under the Credit Agreement or the Trustee under this Indenture, then such remarketing proceeds otherwise payable to the Company shall be paid to the Bank or the Trustee, as the case may be, for the account of the Company.

G. DRAWINGS ON LETTER OF CREDIT FOR PURCHASE PRICE. The Paying Agent shall draw on the Letter of Credit, for receipt by the Paying Agent by 2:00 p.m. on the Fixed Rate Conversion Date, an amount equal to the aggregate principal amount plus accrued and unpaid interest of all Outstanding Bonds (other than any Custody Bonds or Company Bonds or Bonds retained by the Owner thereof pursuant to Section 4.2.C) constituting the mandatory tender purchase price of such Bonds. The proceeds of such drawing shall be deposited into the Letter of Credit Purchase Account for application pursuant to Section 4.2.I.

25

32

H. PAYMENTS BY COMPANY. Any moneys paid by the Company pursuant to Section 3.1 of the Agreement and furnished by the Trustee to the Paying Agent for purchase of tendered Bonds shall be deposited by the Paying Agent in the Company Purchase Account which the Paying Agent shall use (i) to reimburse the Bank for drawings under the Letter of Credit for such purpose or (ii) if no Letter of Credit is then held by the Paying Agent, to pay the purchase price of tendered Bonds to the selling Owners thereof.

I. PAYMENTS OF PURCHASE PRICE BY PAYING AGENT. On the Fixed Rate Conversion Date the Paying Agent shall pay the purchase price of the Bonds to the selling Owners thereof at its Principal Office on or before 2:00 p.m. on the day of surrender of such Bonds to the Paying Agent properly endorsed for transfer in blank and with all signatures guaranteed to the satisfaction of the Paying Agent. Such payments shall be made in immediately available funds, but solely from the following sources in the order of priority indicated, neither the Issuer, the Trustee, the Paying Agent nor the Remarketing Advisor having an obligation to use funds from any other source:

(1) the purchase price of Bonds (other than Custody Bonds or Company Bonds) shall be paid from moneys in the Letter of Credit Purchase Account representing proceeds of a drawing by the Paying Agent under the Letter of Credit for such purpose;

(2) moneys in the Remarketing Proceeds Purchase Account representing proceeds of the remarketing of the Bonds pursuant to Section 4.2.D shall be applied as provided in Section 4.2.F; and

(3) moneys in the Company Purchase Account shall be applied pursuant to Section 4.2.H.

J. REGISTRATION AND DELIVERY OF TENDERED OR PURCHASED BONDS. On the date of purchase of tendered Bonds, the Paying Agent shall register and deliver (or hold) all Bonds purchased on such date as follows:

(1) Bonds remarketed by the Remarketing Advisor shall be registered and made available to the Remarketing Advisor or the purchasers thereof in accordance with the instructions of the Remarketing Advisor;

(2) Bonds purchased with proceeds of a drawing on the Letter of Credit for which the Bank has not been reimbursed shall be held by the Paying Agent as Custody Bonds for the benefit of the Bank pursuant to Section 4.4; and

(3) Bonds purchased with proceeds of a drawing on the Letter of Credit for which the Bank has been reimbursed with amounts provided by the Company shall be registered in the name of the Company and shall be held in trust by the Paying Agent on behalf of the Company and shall not be released from such trust unless the Paying Agent shall have received written instructions from the Company; provided that if a Fixed Rate Letter of Credit is in effect such Bonds shall not be remarketed or delivered to the Company unless such Fixed Rate Letter of Credit supports the payment of such Bonds in accordance with the

terms of this Indenture and such Fixed Rate Letter of Credit.

K. DELIVERY OF BONDS; EFFECT OF FAILURE TO SURRENDER BONDS. All Bonds to be purchased on the Fixed Rate Conversion Date shall be delivered to the Principal Office of the Paying Agent for receipt at or before 12:00 noon on such date. If the Owner of any Bond (or portion thereof) that is subject to purchase pursuant to this Section 4.2 fails to deliver such Bond to the Paying Agent for purchase on the purchase date, and if the Paying Agent is in receipt of the purchase price, such Bond (or portion thereof) shall nevertheless be deemed tendered and purchased on the Fixed Rate Conversion Date and registration of the ownership of such Bond (or portion thereof) shall be transferred to the purchaser thereof as provided in

26

33

Section 4.2.J. Any Owner who so fails to deliver such Bond for purchase on (or before) the Fixed Rate Conversion Date (1) shall have no further rights thereunder, except the right to receive the purchase price thereof upon presentation and surrender of such Bond to the Paying Agent properly endorsed for transfer in blank and with all signatures guaranteed to the satisfaction of the Paying Agent and (2) shall thereafter hold such Bond as agent for the Paying Agent. The Paying Agent shall, as to any tendered Bonds which have not been delivered to it ("Undelivered Bonds"), (i) promptly notify the Remarketing Advisor of such nondelivery and (ii) place a stop transfer order against an appropriate amount of Bonds registered in the name of the Owner(s) on the Bond Register. The Paying Agent shall place such stop transfer order(s) commencing with the lowest serial number Bond registered in the name of such Owner(s) (until stop transfer orders have been placed against an appropriate amount of Bonds) until the appropriate tendered Bonds are delivered to the Paying Agent. Upon such delivery, the Paying Agent shall make any necessary adjustments to the Bond Register. The Paying Agent shall hold moneys representing the purchase price of Undelivered Bonds in one or more separate accounts or subaccounts uninvested for the sole benefit of the former Owner(s) of such Undelivered Bonds.

Any moneys deposited with the Paying Agent or then held by the Paying Agent in trust for the payment of the purchase price of Undelivered Bonds and remaining unclaimed for five years after such principal and premium, if any, or interest has become due shall be treated as abandoned property pursuant to the provisions of Section 116B-18 of the North Carolina General Statutes and the Paying Agent shall report and remit this property to the Escheat Fund according to the requirements of Article 3 of Chapter 116B of the North Carolina General Statutes, and thereafter the Owners shall look only to the Escheat Fund, or to any successor fund, as the case may be, for payment and then only to the extent of the amounts so received, without any interest thereon, and the Issuer, the Remarketing Advisor, the Trustee, the Paying Agent and the Company shall have no responsibility with respect to such moneys.

Section 4.3 MANDATORY TENDER UPON LETTER OF CREDIT REPLACEMENT OR EXPIRATION.

A. MANDATORY TENDER UPON REPLACEMENT OR EXPIRATION. Bonds bearing interest at a Variable Weekly Rate shall be subject to mandatory tender for purchase on the Replacement Tender Date in the event such Letter of Credit is replaced in accordance with Section 6.7, and on the Expiration Tender Date in the event such Letter of Credit shall not have been extended effective on or before such Expiration Tender Date in accordance with Section 6.6, in either case at a price equal to the principal amount thereof plus accrued but unpaid interest; provided that (i) the Owners of any such Bonds may elect to retain their Bonds by complying with the provisions of Section 4.3.C and (ii) if the Bonds are subject to mandatory tender pursuant to Section 4.2.A on a Fixed Rate Conversion Date coinciding with an Interest Payment Date on which the Bonds would otherwise be subject to mandatory tender pursuant to this Section 4.3.A, then mandatory tender shall be made pursuant to Section 4.2.A for purposes of this Indenture and the Bonds.

B. NOTICE TO REGISTERED OWNERS. The Paying Agent shall give notice of mandatory tender pursuant to this Section 4.3 by United States first class mail, postage prepaid, to the Owners of all Bonds; in the event of a replacement of the Letter of Credit, (a) on or before the 35th day prior to the Replacement Tender Date; or (b) in the event of the expiration of the Letter of Credit,

within three (3) Business Days of the 35th day prior to the Expiration Tender Date if by such 35th day the Letter of Credit shall not have been extended in compliance with the conditions of Section 6.6. Such notice shall state:

(1) the replacement date or expiration date of the Letter of Credit then held by the Paying Agent;

(2) that any ratings of the Bonds by Moody's and S&P may be withdrawn or reduced from such ratings then prevailing;

27

34

(3) that all Outstanding Bonds are subject to mandatory tender pursuant to the provisions thereof and of this Indenture and will be purchased on the Replacement Tender Date or Expiration Tender Date (which date shall be set forth in such notice) by payment of a purchase price equal to the principal amount thereof, except Bonds which the Owner shall have elected to retain in accordance with Section 4.3.C;

(4) that the Owner shall have the right to elect to retain such Owner's Bonds by complying with the provisions of Section 4.3.C (a copy of which Section shall be included in such notice);

(5) the date and time by which any notice of election to retain Bonds pursuant to Section 4.3.C must be received; and

(6) in the case of the expiration of the Letter of Credit, that the Owner may not require purchase of the Bonds after the Letter of Credit has expired.

C. OWNER ELECTION TO RETAIN BONDS. Notwithstanding a mandatory tender pursuant to this Section, the Owners of any Bonds in respect of which the Letter of Credit will be replaced or expire may elect to retain their Bonds by delivering to the Paying Agent at its Principal Office, for receipt not later than 5:00 p.m., on a Business Day which is not fewer than fifteen (15) days prior to the Replacement Tender Date or the Expiration Tender Date, a written notice of such election. Such notice shall be effective upon receipt and:

(1) state that the Person delivering the same is an Owner (specifying the Principal amount of Bonds such Owner is electing to retain);

(2) acknowledge receipt of the notice of mandatory tender and contents thereof delivered pursuant to Section 4.3.B; and

(3) direct the Paying Agent not to purchase the specified principal amount of Bonds of such Owner.

Any such notice delivered to the Paying Agent shall be irrevocable and binding upon the Owner delivering the same and all subsequent Owners of the Bonds to be retained, including any Bonds issued in exchange therefore or upon transfer thereof.

D. NOTICE BY PAYING AGENT; NO REMARKETING. At or before 4:00 p.m. on the Business Day immediately following the last day on which notices of elections to retain Bonds may be delivered to the Paying Agent pursuant to Section 4.3.C, the Paying Agent shall notify the Issuer, the Company, the Bank and the Remarketing Advisor by telephone, telegraph, telecopy, tested telex or other similar communication, of the principal amount of Bonds to be tendered for purchase on the Replacement Tender Date or Expiration Tender Date. Anything in this Indenture to the contrary notwithstanding, the Remarketing Advisor shall have no obligation to remarket Bonds for purchase after notice of mandatory tender has been given pursuant to Section 4.3.B.

E. DRAWINGS ON LETTER OF CREDIT FOR PURCHASE PRICE. The Paying Agent shall draw on the Letter of Credit, for receipt by the Paying Agent by 3:00 p.m. on the Replacement Tender Date or Expiration Tender Date, an amount equal to the aggregate principal amount of all Bonds Outstanding, plus accrued but unpaid interest (other than Custody Bonds and Company Bonds) to the Replacement Tender Date or Expiration Tender Date, constituting the mandatory tender purchase price of such Bonds. The proceeds of such drawing shall be deposited into the Letter of Credit Purchase Account for application pursuant to Section 4.3.G.

F. PAYMENTS BY COMPANY. Any moneys paid by the Company pursuant to Section 3.1 of the Agreement and the Note which are furnished by the Trustee to the Paying Agent for purchase of tendered Bonds shall be deposited by the Paying Agent in the Company Purchase Account which the Paying Agent shall use to reimburse the Bank for drawings under the Letter of Credit for such purpose.

G. PAYMENTS OF PURCHASE PRICE BY PAYING AGENT. On the Replacement Tender Date or Expiration Tender Date the Paying Agent shall pay the purchase price of the Bonds to the selling Owners thereof at its Principal Office upon surrender to the Paying Agent of such Bonds properly endorsed for transfer in blank and with all signatures guaranteed to the satisfaction of the Paying Agent. Such payments shall be made in immediately available funds, but solely from the following sources in the order of priority indicated, neither the Issuer, the Trustee nor the Paying Agent having an obligation to use funds from any other source:

(1) moneys representing the proceeds of the Remarketing of the Bonds pursuant to Section 4.2(d) shall be applied as provided in such Section.

(2) the purchase price of Bonds (other than Custody Bonds and Company Bonds) shall be paid from moneys in the Letter of Credit Purchase Account representing proceeds of a drawing by the Paying Agent under the Letter of Credit for such purpose; and

(3) moneys in the Company Purchase Account shall be applied pursuant to Section 4.3.F.

H. REGISTRATION AND DELIVERY OF TENDERED OR PURCHASED BONDS. On the Replacement Tender Date or Expiration Tender Date, the Paying Agent shall register and deliver (or hold) all Bonds purchased on such date as follows:

(1) Bonds purchased with proceeds of a drawing on the Letter of Credit for which the Bank has not been reimbursed shall be held by the Paying Agent for the benefit of the Bank as Custody Bonds pursuant to Section 4.4; and

(2) Bonds purchased with proceeds of a drawing on the Letter of Credit for which the Bank has been reimbursed with amounts provided by the Company shall be registered in the name of the Company and shall be held in trust by the Paying Agent on behalf of the Company and shall not be released from such trust unless the Paying Agent shall have received written instructions from the Company.

I. DELIVERY OF BONDS; EFFECT OF FAILURE TO SURRENDER BONDS. All Bonds to be purchased on the Replacement Tender Date or Expiration Tender Date shall be delivered to the Principal Office of the Paying Agent for receipt at or before 12:00 noon on such Replacement Tender Date or Expiration Tender Date. If the Owner of any Bond (or portion thereof) that is subject to purchase pursuant to this Section 4.3 fails to deliver such Bond to the Paying Agent for purchase on the Replacement Tender Date or Expiration Tender Date, and if the Paying Agent is in receipt of the purchase price therefor, such Bond (or portion thereof) shall nevertheless be deemed tendered and purchased on the mandatory purchase date and ownership of such Bond (or portion thereof) shall be transferred to the purchaser thereof as provided in Section 4.3.H. Any Owner who so fails to deliver such Bond for purchase on (or before) the mandatory purchase date (1) shall have no further rights thereunder, except the right to receive the purchase price thereof upon presentation and surrender of such bond to the Paying Agent properly endorsed for transfer in blank and with all signatures guaranteed to the satisfaction of the Paying Agent and (2) shall thereafter hold such Bond as agent for the Paying Agent. The Paying Agent shall, as to any tendered Bonds which have not been delivered to it, place a stop transfer order against an appropriate amount of Bonds registered in the name of

the Owner(s) on the Bond Register. The Paying Agent shall place such stop

transfer(s) commencing with the lowest serial number Bond registered in the name of such Owner(s) (until stop transfers have been placed against an appropriate amount of Bonds) until the appropriate tendered Bonds are delivered to the Paying Agent. Upon such delivery, the Paying Agent shall make any necessary adjustments to the Bond Register. The Paying Agent shall hold moneys representing the purchase price of Undelivered Bonds in one or more separate uninvested accounts or uninvested subaccounts for the sole benefit of the former Owner(s) of such Undelivered Bonds.

Any moneys deposited with the Paying Agent or then held by the Paying Agent in trust for the payment of the purchase price of Undelivered Bonds and remaining unclaimed for five years after such principal and premium, if any, or interest has become due shall be treated as abandoned property pursuant to the provisions of Section 116B-18 of the North Carolina General Statutes and the Paying Agent shall report and remit this property to the Escheat Fund according to the requirements of Article 3 of Chapter 116B of the North Carolina General Statutes, and thereafter the Owners shall look only to the Escheat Fund, or to any successor fund, as the case may be, for payment and then only to the extent of the amounts so received, without any interest thereon, and the Issuer, the Remarketing Advisor, the Trustee, the Paying Agent and the Company shall have no responsibility with respect to such moneys.

#### Section 4.4 BONDS PURCHASED WITH PROCEEDS OF LETTER OF CREDIT.

A. CUSTODY BONDS. The Paying Agent shall hold in its custody and control for the benefit of the Bank any Bonds purchased with proceeds of a drawing on the Letter of Credit pursuant to this Article, unless and until (1) with respect to Bonds purchased pursuant to Section 4.1, the Paying Agent has written confirmation from the Bank to the extent contemplated by the terms of the Letter of Credit that the Letter of Credit has been reinstated with respect to such drawing, or (2) with respect to Bonds purchased pursuant to Section 4.2 and Section 4.3, the Paying Agent holds in trust for prompt delivery to the Bank remarketing proceeds equal to the amount(s) drawn under the Letter of Credit to pay the purchase price of such Bonds and the Paying Agent has written confirmation from the Bank to the extent contemplated by the terms of the Letter of Credit that the Letter of Credit has been reinstated with respect to such drawing, or (3) the Bank has notified the Paying Agent in writing that the Bank is releasing such Bonds and the Paying Agent has written confirmation from the Bank to the extent contemplated by the terms of the Letter of Credit that the Letter of Credit has been reinstated with respect to such drawing. Such Bonds so held by the Paying Agent for the benefit of the Bank are herein called "Custody Bonds." Pending reinstatement of the Letter of Credit or release of such pledge as aforesaid, the Bank shall be entitled to receive all payments of principal of and interest on Custody Bonds and such Bonds shall not be transferable or deliverable to any party (including the Company) except the Bank.

B. REMARKETING OF CUSTODY BONDS. Subject to the limitations of Section 4.2.D and Section 4.3(D), the Remarketing Advisor shall continue to use its best efforts to arrange for the sale of any Custody Bonds bearing interest at a Variable Weekly Rate, subject to the reinstatement of the Letter of Credit with respect to the drawing with which such Bonds were purchased, at a price equal to the principal amount thereof, plus accrued interest to the date of purchase.

C. NOTICE OF REMARKETING. On or prior to each Business Day on which any Custody Bonds that are successfully remarketed by the Remarketing Advisor are to be purchased, the Remarketing Advisor shall give telephonic notice, promptly confirmed in writing, specifying:

(1) to the Paying Agent, the Company and the Bank, the Business Day on which such purchase will take place and the principal amount of Custody Bonds successfully remarketed by the Remarketing Advisor; and

30

37

(2) to the Paying Agent, the names, addresses and tax identification numbers of the proposed purchasers thereof, the denominations of Bonds to be delivered to each purchaser and, if available, the payment instructions for regularly scheduled interest payments.

D. DELIVERY OF REMARKETED CUSTODY BONDS AND PROCEEDS THEREOF. Upon reinstatement of the Letter of Credit as described in Section 4.4.B and the sale

of Custody Bonds arranged by the Remarketing Advisor, the Paying Agent shall contemporaneously deliver (i) such Bonds to the Remarketing Advisor for redelivery to the purchasers thereof and (ii) the proceeds of such sale to the Bank to the extent of any unpaid reimbursement obligation under the Credit Agreement for the prior drawing made by the Paying Agent on the Letter of Credit in respect of the purchase of such Bonds.

#### Section 4.5 COMPANY BONDS.

A. REMARKETING OF COMPANY BONDS. Subject to the provisions and limitations of the Remarketing Agreement and Sections 4.1.J(3), 4.2.D, 4.2.J(3), 4.3.D and 4.4.D, the Remarketing Agent shall, if so directed by the Company, use its best efforts to arrange for the sale of any Company Bonds at a price equal to the principal amount thereof, plus accrued interest.

B. NOTICE OF REMARKETING. On or prior to each Business Day on which any Company Bonds that are successfully remarketed by the Remarketing Agent pursuant to Section 4.5.A are to be purchased, the Remarketing Agent shall give telephonic notice, promptly confirmed in writing, to the Paying Agent, the Company and the Bank specifying:

(1) the Business Day on which such purchase will take place and the principal amount of Company Bonds successfully remarketed by the Remarketing Agent; and

(2) to the Paying Agent only, the names, addresses and tax identification numbers of the proposed purchasers thereof, the denominations of Bonds to be delivered to each purchaser and, if available, the payment instructions for regularly scheduled interest payments.

C. DELIVERY OF REMARKETED COMPANY BONDS AND PROCEEDS THEREOF. Upon the sale of Company Bonds arranged by the Remarketing Agent pursuant to Section 4.5.A, the Paying Agent shall contemporaneously deliver (i) such Bonds to the Remarketing Agent for redelivery to the purchasers thereof and (ii) the proceeds of such sale to the Company.

Section 4.6 NO PURCHASES OR SALES AFTER CERTAIN DEFAULTS. Anything in this Indenture to the contrary notwithstanding, there shall be no purchases of Bonds pursuant to this Article 4 if there shall have occurred any Event of Default in respect of which the principal of all Bonds Outstanding shall have been declared immediately due and payable pursuant to Section 10.2 of this Indenture and such declaration shall not have been annulled, and there shall be no purchase of Bonds pursuant to Section 4.1 of this Indenture if there shall have occurred and be continuing an Event of Default described in Section 10.1.A, 10.1.B or 10.1.C of this Indenture.

Section 4.7 INADEQUATE FUNDS FOR TENDERS. If the funds available for purchases of Bonds pursuant to this Article 4 are inadequate for the purchase of all Bonds tendered on any purchase date pursuant to this Article, the Paying Agent shall, after any applicable grace period: (a) return all tendered Bonds to the Owners thereof; (b) return all moneys received for the purchase of such Bonds (other than moneys provided by the Company and other than Letter of Credit proceeds, unless the Letter of Credit is reinstated with respect thereto) to the Persons providing such moneys; and (c) notify the Trustee of the return of such Bonds and moneys and the failure to make payment for tendered Bonds; provided that the Owners shall retain all rights to tender the Bonds pursuant to this Article 4.

Section 4.8 NO REMARKETING UNLESS CERTAIN CONDITIONS SATISFIED. Notwithstanding anything herein to the contrary, the Bonds shall not be remarketed unless (i) a Letter of Credit will be in effect following the remarketing of such Bonds, or (ii) no such Letter of Credit will be in effect, but at the time of such remarketing, the Bonds are rated by Moody's or S&P, such long-term rating is satisfactory to the Remarketing Advisor in its sole discretion, and such rating is at least an Investment Grade Rating.

Section 5.1 REVENUES TO BE PAID OVER TO TRUSTEE. The Issuer has caused the Revenues to be paid directly to the Trustee. Notwithstanding these arrangements, if the Issuer receives any payments pursuant to the Agreement (other than payments to the Issuer in accordance with Sections 4.3 and 4.4 thereof), the Issuer shall immediately pay over the same to the Trustee to be held as Revenues or otherwise applied pursuant to this Indenture. Any moneys received by the Trustee with the written stipulation that they constitute payments by the Company under Section 3.3 of the Agreement corresponding to payments of purchase price of Bonds shall be identified as such and promptly paid to the Paying Agent for application pursuant to Article 4. Except as provided in the immediately preceding sentence and as otherwise specifically directed under the terms of this Indenture, all Revenues received by the Trustee shall be deposited into the General Account of the Bond Fund.

Section 5.2 BOND FUND.

A. ESTABLISHMENT OF BOND FUND AND ACCOUNTS. There is hereby established with the Trustee and the Paying Agent, a Bond Fund, within which there shall be established (i) the General Account with the Trustee, (ii) the General Debt Service Account with the Paying Agent, and (iii) the Letter of Credit Debt Service Account with the Paying Agent. All moneys held by the Trustee in the General Account shall be made available to the Paying Agent for deposit into the General Debt Service Account and applied in accordance with this Indenture (x) to pay the principal or redemption price of Bonds as they mature or become due, upon surrender thereof, and the interest on Bonds as it becomes payable and (y) to reimburse the Bank for drawings on the Letter of Credit to make such payments. Any moneys paid to the Trustee by the Company for the designated purpose of paying the portion representing premium over par of the optional redemption price of Bonds after they have been converted to bear interest at a Fixed Rate shall be maintained in a segregated subaccount in the General Account until they constitute Available Moneys for such purpose, at which time they shall be transferred to the Paying Agent for deposit in a segregated subaccount in the General Debt Service Account until used for such purpose or otherwise applied pursuant to this Indenture; provided that if, at the time such moneys are paid to the Trustee by the Company, no Letter of Credit is held by the Paying Agent, then they shall be transferred immediately to the Paying Agent for deposit in the General Debt Service Account until used for such purpose or otherwise applied pursuant to this Indenture. All moneys received by the Paying Agent from drawings under the Letter of Credit to pay principal of, premium, if any, on (to the extent the Letter of Credit permits application to such premium) and interest on the Bonds shall be deposited in the Letter of Credit Debt Service Account and applied to such purpose. Any moneys paid to the Trustee in connection with the Bond Fund shall be deposited in the appropriate accounts for which they are designated and not commingled with any other funds.

B. APPLICATION OF BOND FUND. Except as otherwise provided in Section 10.10 of this Indenture, moneys in the Bond Fund shall be applied as follows:

(1) Moneys in the Letter of Credit Debt Service Account shall be applied to the payment when due of principal of, premium, if any, on (but only to the extent the Letter of Credit permits application to such premium) and interest on the Bonds (other than Custody Bonds or Company Bonds, for which such moneys shall not be Available Moneys).

(2) Moneys in the General Debt Service Account (including moneys transferred from the General Account) shall be applied to the following in the order of priority indicated:

(a) the reimbursement of the Bank when due for moneys drawn under the Letter of Credit and deposited in the Letter of Credit Debt Service Account for payment of principal of, premium, if any, on and interest on the Bonds;

(b) the payment of the portion representing premium over par of the optional redemption price of Bonds after conversion of the interest rate thereon to a Fixed Rate, to the extent they have been designated and constitute

Available Moneys for such purpose;

(c) when no Letter of Credit is held by the Paying Agent or when a Letter of Credit is held by the Paying Agent but insufficient funds have been received thereunder for application pursuant to Section 5.2.B(1) or when there are insufficient Available Moneys to pay the portion representing premium over par of the optional redemption price of Bonds after conversion of the interest rate thereon to a Fixed Rate, the payment when due of principal of, premium, if any, on and interest on the Bonds or Custody Bonds;

(d) the payment when due of principal of, premium, if any, on and interest on Custody Bonds; and

(e) the payment when due of principal of, premium, if any, on and interest on Company Bonds, provided that if the Paying Agent shall have received written notice from the Bank or the Trustee that any amounts are due and owing to the Bank under the Credit Agreement or the Trustee under this Indenture, such payments shall be made to the Bank or the Trustee, as the case may be, for the account of the Company.

C. PAYMENT IN FULL. Whenever the amount in the Bond Fund available for the payment of principal or redemption price and interest in accordance with Section 5.2.B is sufficient to redeem all of the Outstanding Bonds and to pay interest accrued to the redemption date, the Issuer will, upon request of the Company, cause the Trustee and the Paying Agent to redeem all such Bonds on the redemption date specified by the Company pursuant to the Bonds and the Indenture. Any amounts remaining in the Bond Fund after payment in full of the principal or redemption price of and interest on the Bonds (or provisions for payment thereof) and the fees, charges and expenses of the Issuer, the Trustee, the Bank, the Paying Agent and the Remarketing Advisor shall be paid to the Person entitled thereto in accordance with Section 6.9 of the Agreement.

D. CREDITS. If at any time the Trustee or the Paying Agent has funds, including funds received pursuant to the Letter of Credit, which under the provisions of this Indenture are to be applied to pay the principal or redemption price of or interest on the Bonds, the Company, to the extent that such funds are to be so applied, shall be entitled to a reduction, equal to the amount of such funds, of payments due from the Company under the Agreement; provided that, in the case of funds received pursuant to the Letter of Credit, the Bank is reimbursed therefor by or on behalf of the Company.

33

40

Section 5.3 REVENUES TO BE HELD FOR ALL BONDHOLDERS; CERTAIN EXCEPTIONS. Revenues and investments thereof in the Bond Fund by the Trustee or the Paying Agent are for the benefit of the Owners of all Outstanding Bonds, except that any portion of the Revenues representing principal or redemption price of, and interest on, any Bonds previously matured or called for redemption in accordance with Article 8 of this Indenture shall be held for the benefit of the Owners of such Bonds only.

Section 5.4 ESTABLISHMENT OF CONSTRUCTION FUND. The Trustee shall establish a Construction Fund for the payment of the Costs of the Project. The Construction Fund shall consist of the amounts deposited therein pursuant to Section 2.2 of the Agreement and any other amounts the Issuer may deposit therein. The amounts in the Construction Fund, until applied as hereinafter provided, shall be held for the security of all Bonds Outstanding hereunder. The Trustee shall maintain a record of the income on investments and interest earned on deposit of amounts held in the Construction Fund and on proceeds of Bonds in respect of accrued or capitalized interest held by the Trustee as Revenues. Subject to the provisions of Section 5.5 of this Indenture, such income or interest may be expended at any time or from time to time to pay Costs of the Project in the same manner as the proceeds of Bonds deposited in the Construction Fund are expended.

Section 5.5 PAYMENTS FROM CONSTRUCTION FUND. Subject to the limitations of the Agreement, the Trustee is authorized to pay from the Construction Fund in connection with the issuance of the Bonds, the Issuance Costs and all reasonable fees and expenses incurred in connection with the issuance of the Letter of Credit (including reasonable fees and expenses of counsel) in amounts set forth in a requisition executed by an Authorized Representative and approved in



writing by the Bank; provided that "issuance costs" (within the meaning of Section 147(g) of the Code) paid with the proceeds of the Bonds shall not exceed \$120,000. In addition, the Trustee shall make payments from the Construction Fund upon receipt of a requisition from the Company executed by an Authorized Representative in accordance with Section 2.2 of the Agreement with a description of the Costs of the Project to which the property, work, material or equipment relates.

Each requisition will be accompanied by a statement in reasonable detail listing the Costs of the Project to be paid to any contractors, materialmen or suppliers or the Costs of the Project incurred or advanced by the Company for which it is to be reimbursed. The Trustee shall retain copies or records of each requisition for the Issuer and the Bank and shall not destroy such records without the prior consent of the Company, the Issuer or the Bank, which consent will not be unreasonably withheld.

The establishment of the Construction Fund shall be for the benefit of the Company, and, except during the continuance of an Event of Default hereunder, the Company may enforce payments therefrom upon compliance with the procedures set forth in this Section 5.5.

Section 5.6 EXCESS BOND PROCEEDS. Upon the completion of the Project, as evidenced by a certificate of the Company in the form attached hereto as EXHIBIT B delivered to the Trustee signed by the Authorized Representative, any amounts remaining in the Construction Fund (including the earnings from investments thereof) following completion of the Project shall, after establishment by the Trustee of an account designated the "Construction Fund Surplus Account," be deposited by the Trustee in the Construction Fund Surplus Account. After such moneys have been held by the Trustee in the Construction Fund Surplus Account for 213 days prior to the expiration of which no case under the U.S. Bankruptcy Code shall have been commenced by or against the Company without having been dismissed subject to no further appeal, such moneys in the Construction Fund Surplus Account (including the earnings from investments thereon) shall be applied by the Trustee in the following order: FIRST: to the purchase of Bonds pursuant to Article 4, and SECOND, provided that the Trustee shall have received an opinion of Bond Counsel that such application shall not cause interest on the Bonds to be includable in the gross income of the holders thereof under the Code, for payment of principal or redemption price of or interest on the Bonds as provided in Section 5.2. Notwithstanding the foregoing, upon receipt of an opinion of Bond Counsel that such payment

34

41

shall not cause interest on the Bonds to be includable in the gross income of the holders thereof under the Code, the Trustee shall upon the request of the Company use excess Bond proceeds at any time to reimburse the Bank for drawings under the Letter of Credit which were used (1) to pay the purchase price of Bonds pursuant to Article 4, or (ii) for payment of principal or redemption price or interest on the Bonds as provided in Section 5.2. Unless there shall be delivered to the Trustee an opinion of Bond Counsel, amounts held in the Construction Fund Surplus Account for application under this Section 5.6 shall not be invested at a yield that would cause the Bonds to be Arbitrage Bonds or be subject to Rebate requirements under the Code.

Section 5.7 DAMAGE TO OR CONDEMNATION OF THE PROJECT. Subject to the provisions of the Agreement, all proceeds of insurance on or condemnation awards respecting the Project in the event of damage to or destruction or condemnation of the Project from any cause whatsoever received by the Trustee (a) if no Event of Default hereunder has occurred and is continuing shall, at the election of the Company pursuant to Section 4.5 of the Agreement and with the Bank's consent if (the Letter of Credit is outstanding), be applied to repair or restoration of the portion of the Project which is the subject of such damage, destruction or condemnation, and (b) if any Event of Default hereunder has occurred and is continuing, may at the option of the Bank (or if the Letter of Credit is not outstanding, with the consent of the Trustee), be applied to repair or restoration of the Project as aforesaid, or to the payment of the principal or redemption price of, and interest on, the Bonds then Outstanding.

Section 5.8 ARBITRAGE REBATE FUND.

A. A special trust fund is hereby established with the Trustee and

designated as the "Arbitrage Rebate Fund".

B. The Company has covenanted and agreed in Section 4.10 of the Agreement that it will (i) appoint a Rebate Consultant to determine and report to the Trustee, within forty-five (45) days after the end of each Rebate Year, and to the Issuer upon reasonable request, the Rebate Amount determined as of the end of such Rebate Year and (ii) deposit into the Arbitrage Rebate Fund, within fifty (50) days after the end of each Rebate Year, an amount which, when added to the amount then on deposit in the Arbitrage Rebate Fund and the amount, if any, previously paid to the United States pursuant to Subsection D of this Section, is equal to the Rebate Amount, if any, determined as of the end of such Rebate Year.

C. The Trustee covenants and agrees that, in order to provide the Rebate Consultant with the information as requested by the Rebate Consultant to determine the Rebate Amount as provided in Subsection B above, the Trustee will, within ten (10) days after the end of each Rebate Year, prepare and submit to the Company, and to the Rebate Consultant appointed by the Company, account statements with respect to the amounts deposited in and disbursed from each Trust Fund and the Arbitrage Rebate Fund during such Rebate Year, the investments made with the moneys in each such Fund, and the investment earnings (and losses) resulting from the investments in each such Fund, together with such additional information concerning such Funds and the activity therein as the Company (or the Rebate Consultant on its behalf) shall reasonably request.

D. The Trustee shall pay to the United States, not later than sixty (60) days after each Rebate Year, the Rebate Amount as most recently determined by the Rebate Consultant. Within 60 days after each Retirement Date, the Trustee will pay to the United States the Rebate Amount, as finally determined by the Rebate Consultant, not previously paid to the United States. The Trustee shall make such payments to the United States, and shall include with such payments such statements and information, as shall be provided in Section 148(f) of the Code and the regulations in effect thereunder. Notwithstanding any other provision of this Section, however, the obligation of the Trustee to pay the Rebate Amount to the United States shall

35

42

be payable only from, and only to the extent that there are, amounts on deposit in the Arbitrage Rebate Fund. The obligation to pay the Rebate Amount pursuant to this Section shall survive the payment in full of the Bonds and the satisfaction and discharge of this Indenture in accordance with Article 16 hereof.

E. The Trustee will, to the extent practicable, keep all moneys in the Arbitrage Rebate Fund fully invested in Government Obligations maturing or subject to redemption in the amounts and on the dates necessary to make the payments to the United States required under Subsection D of this Section.

F. If the Company has failed to engage a Rebate Consultant to determine on a timely basis the Rebate Amount as provided in Subsection B of this Section, the Trustee is hereby authorized, but not required, to engage such Rebate Consultant as the Trustee reasonably deems necessary to act on behalf of the Company in making such determinations, the cost of which shall be deemed an expense of the Trustee hereunder reimbursable to the Trustee by the Company pursuant to Section 3.4 of the Agreement.

G. In the event the Company fails to make a timely deposit into the Arbitrage Rebate Fund of the amount required to be deposited therein as provided in Subsection B of this Section, the Trustee is hereby authorized to transfer the required amount into the Arbitrage Rebate Fund from any amounts available therefor on deposit in any Fund held hereunder by the Trustee, other than the Letter of Credit Debt Service Account.

H. If the amount on deposit in the Arbitrage Rebate Fund is determined to exceed the amount required to be paid to the United States pursuant to Subsection D of this Section, the Trustee shall transfer the excess moneys in the Arbitrage Rebate Fund (i) to the Trust Fund from which such transfer into the Arbitrage Rebate Fund was made, to the extent such excess is attributable to a transfer from any Trust Fund pursuant to Subsection G of this Section and to the extent any resulting deficiency in such Trust Fund has not been restored,

and (ii) to the Company, to the extent any excess moneys remain in the Arbitrage Rebate Fund after any such required transfer to a Trust Fund.

I. Moneys in the Arbitrage Rebate Fund, including investment earnings thereon, if any, shall not be subject to the pledge of this Indenture and shall not constitute part of the Trust Estate held for the benefit of the Bondholders.

J. The Trustee shall retain records of all determinations and rebate payments made pursuant to this Section for a period ending six (6) years after each Retirement Date.

K. The requirements of this Section shall not apply to any Issue of Bonds which upon the issuance thereof were "tax-exempt" within the meaning of Section 150(a) of the Code if the Trustee is furnished with an opinion of Bond Counsel that noncompliance with such requirements will not cause interest on such Issue to become includable in gross income for federal income tax purposes.

## ARTICLE 6

### LETTER OF CREDIT

Section 6.1 LETTER OF CREDIT. The Original Letter of Credit and each replacement thereof shall be an irrevocable obligation to pay to the Paying Agent, upon request made with respect to the Bonds and in accordance with the terms thereof, up to (a) an amount equal to the aggregate principal amount of the Outstanding Bonds sufficient (i) to pay the principal of the Bonds when due at maturity or upon redemption or acceleration or (ii) to pay the principal portion of the purchase price of Bonds tendered for purchase pursuant to this Indenture to the extent remarketing proceeds are not available for such purpose, plus (b) an

36

43

amount equal to sixty (60) days' interest accrued on the Bonds at a maximum rate of ten percent (10%) per annum (i) to pay interest on the Bonds when due or (ii) to pay the accrued interest portion of the purchase price of the Bonds tendered for purchase pursuant to the Indenture to the extent remarketing proceeds are not available for such purpose. In no event will the Paying Agent be entitled to draw on the Letter of Credit with respect to Custody Bonds or Company Bonds, unless such Letter of Credit so provides.

### Section 6.2 DRAWINGS ON LETTER OF CREDIT.

A. DEBT SERVICE. By 12:00 noon on the Business Day immediately preceding each Interest Payment Date, each redemption date and the maturity date of the Bonds, the Paying Agent shall present the requisite draft and certificate for a drawing on the Letter of Credit, if any, then held by the Paying Agent so as to receive the proceeds of such drawing at or before 12:00 noon on such Interest Payment Date, redemption date or maturity date, as the case may be, to pay principal, premium, if any, on and interest on the Bonds due on such date. In addition, the Paying Agent shall draw on the Letter of Credit pursuant to its terms in accordance with and in order to satisfy the requirements of this Indenture. Proceeds of all such drawings shall be deposited in the Letter of Credit Debt Service Account.

B. PURCHASE PRICE. In addition, the Paying Agent shall draw moneys under the Letter of Credit in accordance with the terms thereof to the extent necessary to make timely payments of the purchase price required to be made pursuant to, and in accordance with, Article 4 of this Indenture. The proceeds of such drawings shall be deposited in the Letter of Credit Purchase Account.

Section 6.3 REDUCTION. In each case that Bonds are redeemed or deemed to have been paid pursuant to Section 16.1 of this Indenture, the Paying Agent shall take such action as may be permitted under the Letter of Credit to reduce the amount available thereunder (a) prior to the Fixed Rate Conversion Date, to an amount equal to the principal amount of the Bonds Outstanding, plus sixty (60) days' interest on such principal amount computed at a maximum rate of ten percent (10%) per annum based on a 365-day year, and (b) on or after the Fixed Rate Conversion Date, to an amount equal to the principal amount of the Bonds Outstanding, plus two hundred ten (210) days' interest thereon at the Fixed

Rate, based on a year of 360 days.

Section 6.4 EXPIRATION. Unless all of the conditions of Section 6.6 or Section 6.7 have been met by the times specified therein prior to the expiration of a Letter of Credit, the Paying Agent shall take all action necessary to call the Bonds for special mandatory redemption pursuant to either Section 4.3 or Section 8.8 on the Interest Payment Date preceding such expiration date. Notice of the expiration of the Letter of Credit shall be given by the Paying Agent to Moody's (if the Bonds are rated by Moody's) and to S&P (if the Bonds are rated by S&P).

Section 6.5 SUBSTITUTION BY BANK. Upon reduction of the amount available under the Letter of Credit pursuant to the terms of the Letter of Credit and Section 6.3 hereof as a result of redemption of Bonds, the Bank shall have the right, at its option, to require the Paying Agent to promptly surrender the outstanding Letter of Credit to the Bank and to accept in substitution therefor a substitute Letter of Credit in the same form, dated the date of such substitution, for an amount equal to the amount available under the Letter of Credit as so reduced, but otherwise having terms identical to the then outstanding Letter of Credit; provided, however, such substitution may not result in the then existing ratings on the Bonds to be reduced or withdrawn.

Section 6.6 EXTENSION. The Original Letter of Credit will automatically renew for successive periods of not less than one year unless 90 days prior to the scheduled expiration date for the initial term or any renewal term, the Bank notifies the Trustee in writing that the Letter of Credit will not be renewed by

37

44

delivering to the Trustee a certificate in the form attached to the Letter of Credit. The Letter of Credit will not be renewed beyond the close of business on January 31, 2000. Nothing herein shall imply that the Bank is under any obligation to grant any such extension.

Section 6.7 REPLACEMENT.

A. Upon satisfaction of the conditions set forth below in paragraph C and provided that (i) no Event of Default has occurred and is continuing hereunder and (ii) either (x) the Bank has consented to the replacement of its Letter of Credit with a new Letter of Credit (which consent shall not be unreasonably withheld) or (y) as a result of any reduction of the credit rating of the Bank or any deterioration in the Bank's financial condition, rating(s) on long-term senior non-credit enhanced debt of the Bank has been reduced below an investment grade level, the Company may, at the close of business on any Interest Payment Date prior to the expiration of a Letter of Credit, replace such Letter of Credit with a new Letter of Credit meeting the requirements set forth below in paragraph B.

B. Each Letter of Credit must:

(1) Be an irrevocable, unconditional obligation of a financial institution having capital and surplus of not less than One Hundred Million Dollars (\$100,000,000);

(2) Subject to the conditions thereof, entitle the Paying Agent to draw upon or demand payment and receive in immediately available funds (A) prior to the Fixed Rate Conversion Date, up to an amount equal to the principal amount of the Bonds outstanding, plus up to sixty (60) days' accrued interest on such principal amount at a maximum rate of ten percent (10%) per annum, to pay such principal of or interest on the Bonds or the purchase price of Bonds tendered for purchase, or (B) on or after the Fixed Rate Conversion Date, up to an amount equal to the principal amount of the Bonds outstanding, plus up to two hundred ten (210) days accrued interest thereon at the Fixed Rate, to pay such principal, premium and interest; and

(3) Otherwise have terms substantially identical to the Letter of Credit being replaced.

C. Prior to the replacement of any Letter of Credit, the following conditions shall have been met:

(1) The Trustee and the Paying Agent shall have received from the Company written notice of such replacement and the effective date thereof no later than sixty (60) days preceding such replacement date;

(2) The Trustee and the Paying Agent shall have received the following no later than thirty-five (35) days preceding the effective date of such replacement:

(a) Written confirmation from Moody's (if the Bank is then rated by Moody's) and S&P (if the Bank is then rated by S&P) that the ratings (as of the date of such confirmation) on long-term senior non-credit enhanced debt of the new Letter of Credit Bank will be no lower than the rating(s) on long-term senior non-credit enhanced debt of the existing Letter of Credit; provided, however, the Trustee and Paying Agent shall receive a reconfirmation of such confirmation on the effective date of the new Letter of Credit;

(b) An opinion of Counsel for the issuer of the replacement Letter of Credit (which opinion is to be delivered upon the issuance of the replacement Letter of Credit) that such Letter of

38

45

Credit constitutes a legal, valid and binding obligation of the issuer enforceable in accordance with its terms; and

(c) A Favorable Opinion with respect to such replacement; and

(3) The Paying Agent shall have received the original replacement Letter of Credit no later than thirty-five (35) days preceding the effective date of such replacement.

D. Upon receipt by the Paying Agent of the new Letter of Credit and satisfaction of all other conditions set forth above in paragraph C(2), the Paying Agent shall immediately notify the issuer of the Letter of Credit being replaced that such Letter of Credit is being replaced by a new Letter of Credit, and on the effective date of the replacement Letter of Credit the replaced Letter of Credit shall be promptly surrendered to the issuer thereof for cancellation.

#### Section 6.8 NOTICES OF SUBSTITUTION; EXTENSION OR REPLACEMENT.

A. The Paying Agent shall give notice of the replacement of a Letter of Credit with a new Letter of Credit in the manner provided in Section 4.3.

B. The Paying Agent shall, within thirty (30) days after the extension of the term of a Fixed Rate Letter of Credit pursuant to Section 6.6 or the substitution of a Letter of Credit pursuant to Section 6.5, give notice thereof by mailing written notice to the Owners of the Bonds.

C. The Paying Agent shall promptly give notice of any proposed substitution, extension or replacement of a Letter of Credit to the Issuer, the Trustee, the Bank (for substitution or replacement) and the Remarketing Advisor and to Moody's (if the Bonds are then rated by Moody's) and S&P (if the Bonds are then rated by S&P).

Section 6.9 FIXED RATE LETTER OF CREDIT. Not later than thirty-five (35) days prior to the effective date of conversion of the interest on the Bonds to a Fixed Rate, the Company may, at its option, cause to be delivered to the Paying Agent a Fixed Rate Letter of Credit which shall be effective on the Fixed Rate Conversion Date and may terminate not less than five (5) years (or such shorter period as may then remain to the final maturity of the Bonds) and fifteen (15) days thereafter. The Fixed Rate Letter of Credit shall be an irrevocable letter of credit of a bank to pay the Paying Agent, upon request and in accordance with the terms thereof, up to (a) an amount sufficient to pay the principal of the Outstanding Bonds when due whether at stated maturity or upon redemption or acceleration, plus (b) an amount equal to two hundred ten (210) days' interest on the Outstanding Bonds at an assumed rate of interest at least equal to one hundred twenty percent (120%) of the Minimum Fixed Rate until the Fixed Rate Conversion Date, and thereon and thereafter, at the Fixed Rate, to pay interest accrued on the Bonds at the Fixed Rate on or prior to the

expiration date of such Fixed Rate Letter of Credit. Upon the determination of a Fixed Rate, the Bank issuing the Fixed Rate Letter of Credit shall substitute a new Fixed Rate Letter of Credit conforming to the requirements of this Section. On or prior to the date of the delivery of the Fixed Rate Letter of Credit to the Paying Agent, the Company shall furnish to the Trustee and the Paying Agent a Favorable Opinion stating that the delivery of such Fixed Rate Letter of Credit is authorized under this Indenture and complies with the terms hereof and an opinion of Counsel for the issuer of the replacement Letter of Credit that such Letter of Credit constitutes a legal, valid and binding obligation of the issuer enforceable in accordance with its terms. On the Fixed Rate Conversion Date, the replaced Letter of Credit shall be returned to the Bank.

Section 6.10 OTHER CREDIT ENHANCEMENT. After a mandatory purchase of Bonds on the Expiration Tender Date, nothing in this Indenture shall limit the Company's right, but not the obligation, to provide other credit enhancement (such as a letter of credit not meeting the requirements of Section 6.7, bond

39

46

insurance or a standby bond purchase agreement); provided that any such credit enhancement shall have administrative provisions reasonably satisfactory to the Trustee, the Issuer, the LGC and the Paying Agent.

Section 6.11 AMENDMENT OF OR SUBSTITUTION FOR INITIAL FIXED RATE LETTER OF CREDIT. Upon the determination of a Fixed Rate by the Remarketing Advisor pursuant to Section 3.3.G, the Bank issuing the Fixed Rate Letter of Credit shall have the right, at its option, to require the Paying Agent (i) to promptly agree to an amendment of the initial Fixed Rate Letter of Credit to adjust the amount available thereunder with respect to interest on the Bonds to two hundred ten (210) days' interest at the Fixed Rate or (ii) to promptly surrender the initial Fixed Rate Letter of Credit to the Bank in exchange for a substitute Fixed Rate Letter of Credit in the same form, dated the date of such substitution, for an amount sufficient to pay Principal and up to two hundred ten (210) days' interest on the Outstanding Bonds at the Fixed Rate.

## ARTICLE 7

### INVESTMENT OR DEPOSIT OF FUNDS

Section 7.1 DEPOSITS AND SECURITY THEREFOR. All moneys received by the Trustee or the Paying Agent under this Indenture shall be deposited with the Trustee or the Paying Agent, until or unless invested or deposited as provided in Section 7.2. All deposits with the Trustee or the Paying Agent (whether original deposits under this Section 7.1 or deposits or redeposits in time accounts under Section 7.2) shall be secured as required by applicable law for such trust deposits.

#### Section 7.2 INVESTMENT OR DEPOSIT OF FUNDS.

A. INVESTMENT OF CONSTRUCTION FUNDS. The Trustee shall, at the request and direction (which may be telephonic, promptly confirmed in writing) of the Company, invest moneys held in any fund created hereunder in obligations of the type described below, or deposit such moneys in time accounts (including accounts evidenced by time certificates of deposit) maintained with the commercial department of the Trustee, secured as provided in Section 7.1 and under the terms permitted by applicable law; provided that all investments shall mature, or be subject to redemption by the holder, at not less than the principal amount thereof or the cost of acquisition, whichever is lower, and all deposits in time accounts shall be subject to withdrawal, not later than the date when the amounts will foreseeably be needed for purposes of this Indenture. The investments of the Construction Fund permitted under this Section 7.2, in addition to the time accounts described above, are as follows: (i) obligations issued or guaranteed by the United States of America; (ii) obligations issued or guaranteed by any Person controlled or supervised by and acting as an instrumentality and backed by the full faith and credit of the United States of America pursuant to authority granted by the Congress of the United States; (iii) obligations issued or guaranteed by any state of the United States or the District of Columbia rated within one of the two highest rating categories by any nationally recognized rating service; (iv) commercial or finance company paper receiving the highest rating of any nationally recognized rating service;

(v) certificates of deposit of, and bankers' acceptances drawn on and accepted by, any bank organized and doing business under the laws of the United States of America or any state of the United States of America having a rating of its unsecured, senior debt obligations within one of the two highest rating categories by any nationally recognized rating service; and (vi) obligations evidencing indebtedness described in Section 103(a)(1) of the Code rated within one of the two highest rating categories by any nationally recognized rating service. The Trustee, in purchasing securities of the type described in clauses (i) and (ii) in the preceding sentence, (a) may make any such purchase subject to agreement with the seller for repurchase by the seller at a later date, but only if the seller has a minimum rating by Moody's of AA, and in such connection may accept the seller's agreement for the payment of interest in lieu of the right to receive the interest payable by the issuer of the securities purchased, provided

40

47

that title to the securities so purchased by the Trustee shall vest in the Trustee, that the Trustee shall have actual or constructive possession of such securities, and that the current market value of such securities (or of cash or additional securities of the type described in said clauses pledged with the Trustee as collateral for the purpose) is at all times at least equal to the total amount thereafter to become payable by the seller under said agreement, or (b) may purchase shares of a fund whose sole assets are of a type described in clauses (i) and (ii) of the immediately preceding sentence and such repurchase agreements thereto. The Trustee, in purchasing securities of the type described in clause (vi) of the second sentence of this paragraph A, may purchase shares of a fund, at least ninety-eight percent (98%) of the weighted average value of the assets of which are of the type described in such clause or which derives at least ninety-eight percent (98%) of its gross income from such assets.

B. BOND FUND AND ARBITRAGE REBATE FUND. At the direction of the Company (which may be telephonic, confirmed in writing), the Trustee shall invest moneys held by the Trustee in the Bond Fund and the Arbitrage Rebate Fund in obligations of the type described in clauses (i) and (ii) of the second sentence of Section 7.2.A maturing, or subject to redemption by the holder at not less than the principal amount thereof or the cost of acquisition, whichever is lower, on or before the date or dates when the payments for which such moneys are held are to become due. Moneys held by the Paying Agent in the Bond Fund or any other account shall not be invested and the Paying Agent shall not be liable for the payment of interest thereon.

C. INCOME. The interest and income received upon such investments of the Construction Fund or Bond Fund or the Arbitrage Rebate Fund and any profit or loss resulting from the sale of any such investments shall be added or charged to the respective Fund. In the case of the Bond Fund, such interest or income received or paid shall be held in the Bond Fund with a corresponding credit against the Company's obligation to make loan repayments under the Agreement and the Note.

D. ABSENCE OF DIRECTION. If the Company shall not give directions as to investment of monies held by the Trustee in the Bond Fund, or if an Event of Default has occurred and is continuing hereunder, the Trustee may, but shall not be required to, make such investments in obligations of the type described in this Section 7.2 as permitted under applicable law as it deems advisable, and any such investments may be purchased by the Trustee from itself or any affiliated financial institution. Any investment of moneys in any Fund established under this Indenture may be purchased from or through, or sold to, the Trustee or any affiliate of the Trustee; purchased from or through, or sold to, the Trustee or any affiliate of the Trustee; and any such investment made through the purchase of shares in a fund described in clause (i), (ii) or (v) of Section 7.2 may be in a fund which is advised or administered by the Trustee or any affiliate of the Trustee (for which services the Trustee or such affiliate, as the case may be, may receive a fee).

E. LETTER OF CREDIT. Monies drawn on the Letter of Credit and held by the Paying Agent shall be held in trust, uninvested and without liability for interest thereon, pending application of such moneys by the Paying Agent pursuant to this Indenture.

## REDEMPTION OF BONDS

Section 8.1 BONDS SUBJECT TO REDEMPTION; SELECTION OF BONDS TO BE CALLED FOR REDEMPTION. The Bonds are subject to redemption prior to maturity as provided in the form of Bonds attached hereto as EXHIBIT A and as herein described. Except as otherwise provided herein or in the Bonds, if less than all the Bonds are to be redeemed, the particular Bonds to be called for redemption shall be selected by lot or by

41

48

such other method as the Paying Agent deems fair and appropriate; provided that any Custody Bonds shall be redeemed first and any Company Bonds shall be redeemed second to the extent redemption moneys are available therefor. On or prior to the Fixed Rate Conversion Date, the Paying Agent shall treat any Bond of a denomination greater than \$100,000 as representing that number of separate Bonds each of the denomination of \$100,000 as can be obtained by dividing the actual principal amount of such Bond by \$100,000. After the Fixed Rate Conversion Date, the Paying Agent shall treat any Bond of a denomination greater than \$5,000 as representing that number of separate Bonds each of the denomination of \$5,000 as can be obtained by dividing the actual principal amount of such Bond by \$5,000. At the option of the Issuer exercised by the Company, the Paying Agent shall call Bonds for optional redemption, provided that (a) the Company has notified the Trustee and the Paying Agent of a corresponding prepayment made or proposed to be made under the Agreement, or (b) there are otherwise sufficient moneys in the Bond Fund to redeem the Bonds pursuant to this Article 8. So long as a Letter of Credit is held by the Paying Agent, the Paying Agent shall only call Bonds for optional redemption if (i) it holds money in the Bond Fund available for payment of the Bonds to be redeemed pursuant to Section 5.2.B or (ii) the Bank has consented to such optional redemption. Notice of any optional redemption shall specify the principal amount of Bonds to be redeemed and the redemption date. The Company shall furnish the Issuer with a copy of the direction to the Paying Agent.

## Section 8.2 NOTICE OF REDEMPTION.

A. When required to redeem Bonds under any provision of this Indenture, or when directed to do so by the Company, the Paying Agent shall cause notice of the redemption to be given not more than sixty (60) days and not less than thirty (30) days prior to the redemption date by mailing copies of such notice of redemption by first class mail, postage prepaid, to all Owners of Bonds to be redeemed at their respective addresses as shown in the Bond Register and also to S&P (if the Bonds are then rated by S&P) and Moody's (if the Bonds are then rated by Moody's) or their respective successors, if any, the Issuer, and the LGC, but failure to mail any such notice or defect in the mailing thereof in respect of any Bond shall not affect the validity of the redemption of any other Bond with respect to which notice was properly given. Each such notice shall be dated and shall be given in the name of the Issuer and shall state the following information:

(1) the identification numbers, as established under the Indenture, and the CUSIP numbers, if any, of the Bonds being redeemed, provided that any such notice shall state that no representation is made as to the correctness of CUSIP numbers either as printed on such Bonds or as contained in the notice of redemption and that reliance may be placed only on the identification numbers contained in the notice or printed on such Bonds;

(2) any other descriptive information needed to identify accurately the Bonds being redeemed, including, but not limited to, the original issuance date and maturity date of, and interest rate on, such Bonds;

(3) in the case of partial redemption of any Bonds, the respective principal amounts thereof to be redeemed;

(4) the redemption date;

(5) the redemption price;



(6) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date; and

(7) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal corporate trust office of the Paying Agent. In addition, the Paying Agent shall at all reasonable times make available to any interested party complete information as to Bonds which have been redeemed or called for redemption.

B. In addition to the foregoing notice, further notice of any redemption of Bonds hereunder shall be given by the Paying Agent, at least two (2) Business Days in advance of the mailed notice to Bondholders, by registered or certified mail or overnight delivery service to: (1) Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; (2) Kenny Information Services "Called Bond Service," 60 Bond Street, 28th Floor, New York, New York 10004; (3) Moody's "Municipal and Government," 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Report; and (4) Standard and Poor's "Called Bond Record," 26 Broadway, 3rd Floor, New York, New York 10004; or, in accordance with then current guidelines of the Securities and Exchange Commission, to such other addresses and/or such other services, as the Issuer may designate with respect to the Bonds, or no such services, as the Issuer may designate in a certificate of the Issuer delivered to the Paying Agent and the Trustee. Such further notice shall contain the information required in paragraph A above. Failure to give all or any portion of such further notice shall not in any manner defeat the effectiveness of a call for redemption if notice thereof is given to the Bondholders as prescribed in paragraph A above.

C. If at the time of mailing of notice of any optional redemption the Company shall not have deposited moneys in the Bond Fund available for payment pursuant to Section 5.2.B hereof sufficient to redeem all the Bonds called for redemption, such notice shall state that it is conditional in that it is subject to the deposit of the redemption moneys in the Bond Fund available for payment pursuant to such Section 5.2.B not later than the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

Section 8.3 PAYMENT OF REDEMPTION PRICE. If (a) unconditional notice of redemption has been duly given or duly waived by the Owners of all Bonds called for redemption or (b) conditional notice of redemption has been so given or waived and the redemption moneys have been duly deposited with the Paying Agent, then in either such case the Bonds called for redemption shall be payable on the redemption date at the applicable redemption price. Payment of the redemption price together with accrued interest shall be made by the Paying Agent, out of Revenues but only from Available Moneys or other funds, as long as such funds constitute Available Moneys, deposited for such purpose, to or upon the order of the Owners of the Bonds called for redemption upon surrender of such Bonds. So long as a Letter of Credit is held by the Paying Agent, upon redemption of less than all of the Bonds pursuant to this Indenture, the Paying Agent shall furnish to the Bank a notice in the form required by the terms of the Letter of Credit for reducing the amount available thereunder with respect to the Bonds which have been redeemed as required by Section 6.3 hereof, and, upon a redemption of all of the Bonds pursuant to this Indenture, shall surrender the Letter of Credit to the Bank for cancellation.

Section 8.4 BONDS REDEEMED IN PART. Any Bond which is to be redeemed only in part shall be (i) redeemed such that the unredeemed portion of such Bond is in a denomination not less than One Hundred Thousand Dollars (\$100,000) (provided that this condition shall apply only so long as the Bonds bear interest at the Variable Weekly Rate) and (ii) surrendered at a place stated for the surrender of Bonds called for redemption in the notice provided for in Section 8.2 (with due endorsement by, or a written instrument

of transfer in form satisfactory to the Paying Agent duly executed by, the Owner thereof or his attorney duly authorized in writing and with guaranty of

signatures satisfactory to the Paying Agent) and the Issuer shall execute and the Paying Agent shall authenticate and deliver to the Owner of such Bond without service charge, a new Bond or Bonds, of any Authorized Denomination as requested by such Owner in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered. So long as the Bonds are issued in Book Entry Form, the Depository shall not be required to deliver Bonds to the Trustee.

Section 8.5 OPTIONAL REDEMPTION. So long as the Bonds bear interest at the Variable Weekly Rate, the Bonds shall be subject to redemption prior to maturity at the option of the Issuer exercised by the Company, in whole or in part by lot or by such other method as the Paying Agent deems fair and appropriate, on any Interest Payment Date, at a price equal to one hundred percent (100%) of the principal amount thereof plus interest accrued to the redemption date.

Section 8.6 MANDATORY SINKING FUND REDEMPTION. The Bonds are not subject to mandatory sinking fund redemption.

Section 8.7 SPECIAL MANDATORY REDEMPTION. (a) The Bonds are subject to special mandatory redemption, prior to maturity, in whole upon the occurrence of a Determination of Taxability, such mandatory redemption to be made on a Business Day as soon as practicable after the date on which the Trustee first receives written notice of the Determination of Taxability, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date. The Company shall be deemed to have been given the "opportunity to contest" for purposes of a special mandatory redemption of the Bonds if it has been given (a) written notice by any Owner or former Owner of a Bond or the Trustee of the receipt by any such Owner from the Internal Revenue Service of a statutory notice of deficiency or similar notice (a copy of which shall be delivered to the Company with such written notice) which claims in effect that interest on such Bond is includable in such Owner's gross income for federal income tax purposes and (b) one hundred twenty (120) days after receipt of such notice the Company has failed to notify such Owner in writing of the Company's election to contest, which, if exercised, shall be accompanied by (i) an opinion of Bond Counsel to the effect that there is a reasonable basis for such contest and (ii) a written agreement of the Company to pay on demand all costs and expenses (including reasonable attorneys fees) which such Owner may incur in such contest. If such election is not so made within one hundred twenty (120) days as aforesaid, the Company's right to contest shall terminate. If the Trustee receives written notice from any source that a Determination of Taxability has occurred or that circumstances exist which might reasonably be expected to result in a Determination of Taxability, the Trustee shall forthwith consult with the Issuer and the Company and thereafter (in the case of an occurrence of a Determination of Taxability) proceed to enforce payments under the Agreement and the Note in respect of the necessary redemption price and to redeem the Bonds as soon as practicable after the date the Trustee first receives written notice of the Determination of Taxability. In making any determination in respect of the occurrence of a Determination of Taxability or a redemption relating thereto, the Trustee may rely on an opinion of Counsel.

(b) The Bonds are subject to special mandatory redemption, prior to maturity, in whole upon the occurrence of a Cessation of Operation, such mandatory redemption to be made on a Business Day as soon as practicable after the date on which the Trustee first receives written notice of occurrence of Cessation of Operation, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date.

Section 8.8 EXTRAORDINARY MANDATORY REDEMPTION. If the rate of interest on the Bonds has been converted to a Fixed Rate and in connection with such conversion a Fixed Rate Letter of Credit has been delivered to the Paying Agent, then the Bonds shall be redeemed, at a price equal to the principal amount

thereof plus accrued interest to the redemption date, on the Interest Payment Date immediately preceding the expiration date of the Fixed Rate Letter of Credit then in effect, if such Letter of Credit shall not have been extended or replaced in accordance with Section 6.6 or Section 6.7 of this Indenture.

Section 8.9 OPTIONAL REDEMPTION AFTER FIXED RATE CONVERSION DATE. After

the conversion to a Fixed Rate, the Bonds shall be subject to redemption prior to maturity at the option of the Issuer, upon the direction of the Company, in whole or in part, on and after the dates and at the redemption prices set forth below:

<TABLE>  
<CAPTION>

YEARS REMAINING UNTIL FINAL MATURITY	COMMENCEMENT OF REDEMPTION PERIOD	REDEMPTION PRICE AS PERCENTAGE OF PRINCIPAL (PLUS ACCRUED INTEREST)
<S> More than 9 years	<C> Fifth anniversary of Fixed Rate Conversion Date	<C> 102%, declining by 1/2% on each succeeding anniversary of the first day of the redemption period until reaching 100% and thereafter at 100%
More than 6 but not more than 9 years	Fourth anniversary of Fixed Rate Conversion Date	101%, declining by 1/2% on each succeeding anniversary of the first day of the redemption period until reaching 100%, and thereafter at 100%
More than 2 but not more than 6 years	Commencement of next to last year of term of the Bonds	101%, declining to 100-1/2% on the commencement of the last year of the term of the Bonds
2 years or less	Bonds not subject to optional redemption	

</TABLE>

Provided, however, with the opinion of Bond Counsel, the Remarketing Advisor can, with the consent of the Company, set the premium for redemption different from above.

Section 8.10 EXTRAORDINARY OPTIONAL REDEMPTION. The Bonds are subject to extraordinary optional redemption prior to maturity by the Issuer exercised by the Company, in whole on any date, at a redemption price equal to 100% of the principal amount thereof plus interest accrued to the redemption date, following the occurrence of any of the following events: (i) a substantial portion of the Project Facilities (or the facilities of which they are a part) shall have been damaged, destroyed, condemned or taken by eminent domain (or a bona fide sale in lieu of such taking shall have occurred); (ii) the Company determines that the continued operation of the Project Facilities (or the facilities of which they are a part) for their original purpose is impracticable, uneconomical or undesirable for any reason or the Company is enjoined or prevented or is otherwise prohibited from continued operation or the Company determines to discontinue operations of the Project Facilities (or the facilities of which they are a part) for a period of at least six months; or (iii) the construction or operation of the Project Facilities (or the facilities of which they are a part) is enjoined or prevented or is otherwise prohibited, or the Company determines to discontinue operation of the Project Facilities (or the facilities of which they are a part), for a period of at least six months as a result of any order, decree, rule or regulation of any court or federal, state or local regulatory body, administrative agency or other governmental body.

Section 8.11 SPECIAL OPTIONAL REDEMPTION PROVISIONS. Notwithstanding Sections 8.5 and 8.8 above, at the option of the Issuer exercised by the Company, the Paying Agent shall call Bonds for optional redemption, provided that (a) the Company has notified the Trustee and the Paying Agent of a

corresponding prepayment made or proposed to be made under the Agreement, or (b) there are otherwise sufficient moneys in the Bond Fund to redeem the Bonds pursuant to this Article VIII. So long as a Letter of Credit is held by the Paying Agent, the Paying Agent shall only call Bonds for optional redemption if (i) it holds money in the Bond Fund available for payment of the Bonds to be redeemed pursuant to Section 5.2.B or (ii) the Bank has consented to such optional redemption. Notice of any optional redemption shall specify the principal amount of Bonds to be redeemed and the redemption date. The Company shall furnish the Issuer with a copy of the direction to the Paying Agent.

ARTICLE 9

COVENANTS OF THE ISSUER

Section 9.1 PAYMENT OF PRINCIPAL OF AND INTEREST ON BONDS. The Issuer shall promptly pay or cause to be paid, as its special and limited revenue obligation, the principal or redemption price of, and the interest on, every Bond issued hereunder according to the terms thereof, but the Issuer shall be required to make such payment or cause such payment to be made solely from Revenues provided herein.

Section 9.2 CORPORATE EXISTENCE; COMPLIANCE WITH LAWS. The Issuer shall use its best efforts to maintain and renew all its rights, powers, privileges and franchises, and shall comply with all valid and applicable laws, acts, rules, regulations, permits, orders, requirements and directions of any legislative, executive, administrative or judicial body relating to the Issuer's participation in the Project or the issuance of the Bonds.

Section 9.3 ENFORCEMENT OF AGREEMENT; PROHIBITION AGAINST AMENDMENTS; NOTICE OF DEFAULT. The Issuer shall require the Company to perform its obligations under the Agreement and the Note. So long as no Event of Default hereunder shall have occurred and be continuing, the Issuer may exercise all its rights under the Agreement and the Note, including the right to amend the same pursuant to Section 15.3 of this Indenture. The Issuer shall give prompt notice to the Trustee of any default known to the Issuer under the Agreement or the Note.

Section 9.4 FURTHER ASSURANCES. Except to the extent otherwise provided in this Indenture, the Issuer shall not enter into any contract or take any action by which the rights of the Trustee, the Bank or the Bondholders may be impaired and shall, from time to time, execute and deliver such further instruments and take such further action as may be required to carry out the purposes of this Indenture.

Section 9.5 BONDS NOT TO BECOME ARBITRAGE BONDS. The Issuer covenants to the holders of the Bonds that, notwithstanding any other provision of this Indenture or any other instrument, it will neither make nor permit to be made any investment or other use of the proceeds of the Bonds which, if such investment or use had been reasonably expected on the date of issue of the Bonds, would have caused the Bonds to be arbitrage bonds under Section 148 of the Code and the rules and regulations thereunder, and it further covenants that it will comply with the requirements of such Section, rules and regulations. The foregoing covenants shall extend throughout the term of the Bonds, to all funds created under this Indenture and all moneys on deposit to the credit of any such fund, and to any other amounts which are Bond proceeds for purposes of Section 148 of the Code and the rules and regulations thereunder.

Section 9.6 FINANCING STATEMENTS. The Issuer shall cause this Indenture or financing statements relating hereto to be filed, at the expense of the Company, in such manner and at such places as may be required by law fully to protect the security of the holders of the Bonds and the right, title and interest of the Trustee in and to the Trust Estate or any part thereof. From time to time, the Trustee may, but shall not be

required to, obtain an opinion of Counsel setting forth what, if any, actions by the Issuer or Trustee should be taken to preserve such security. The Issuer shall execute or cause to be executed any and all further instruments as may be required by law or as shall reasonably be requested by the Trustee for such protection of the interests of the Bondholders, and shall furnish satisfactory evidence to the Trustee of filing and refiling of such instruments and of every additional instrument which shall be necessary to preserve the lien of the Indenture upon the Trust Estate or any part thereof until the principal of and interest on the Bonds issued hereunder shall have been paid. The Trustee shall execute or join in the execution of any such further or additional instrument and file or join in the filing thereof at such time or times and in such place or places as it may be advised by an opinion of Counsel will preserve the lien of this Indenture upon the Trust Estate or any part thereof until the aforesaid principal and interest shall have been paid.

ARTICLE 10

EVENTS OF DEFAULT AND REMEDIES

Section 10.1 EVENTS OF DEFAULT. Each of the following shall be an "Event of Default" hereunder:

A. If payment of the principal or redemption price of any Bond is not made when it becomes due and payable at maturity or upon call for redemption; or

B. If payment of any interest on any Bond is not made within three (3) Business Days of the date when it becomes due and payable; or

C. If payment of the purchase price of any Bond tendered pursuant to Article 4 hereof is not made within three (3) Business Days of the date when it becomes due and payable; or

D. If the Issuer shall fail or refuse to comply with the provisions of the Act relating to the Bonds or the Project or with any of its covenants hereunder and such failure or refusal shall continue for a period of ninety (90) days after notice thereof has been given to the Issuer and the Company by the Trustee; or

E. If (i) an Event of Default as defined in the Agreement occurs and (ii) so long as the Bank is not in default of its obligations under the Letter of Credit, the Bank consents in writing to the Trustee to the treatment of such Event of Default as an Event of Default hereunder; or

F. If the Trustee and the Paying Agent receive notice from the Bank (i) that an Event of Default as defined in the Credit Agreement has occurred and is continuing and (ii) requesting the Trustee to declare the principal of the Outstanding Bonds immediately due and payable; or

G. If the Trustee and the Paying Agent receive notice from the Bank prior to the 15th day following a drawing under the Letter of Credit for payment of interest on Bonds which remain Outstanding after the application of the proceeds of such drawing that the Letter of Credit will not be reinstated with respect to such interest.

Section 10.2 ACCELERATION AND ANNULMENT THEREOF.

A. If any Event of Default occurs, the Trustee may, and shall upon the request of the Owners of a majority of the principal amount of the Bonds Outstanding or upon the occurrence of an Event of Default described in Section 10.1.F or G by notice in writing to the Issuer, the Company, the LGC and the Bank, declare the principal of all Bonds then Outstanding and the payments under the Agreement to be

immediately due and payable; provided that the Trustee shall not declare the principal of Bonds or the payments under the Agreement or the Note immediately due and payable as a result of an Event of Default described in Section 10.1.D or E without the prior written consent of the Bank. Upon such declaration the said principal, together with interest accrued thereon, shall become due and payable immediately at the place of payment provided therein, anything in the Indenture or in the Bonds to the contrary notwithstanding. Upon any declaration of acceleration hereunder, the Trustee shall immediately exercise such rights as it may have under the Agreement and the Note to declare all payments thereunder to be due and payable immediately, and direct the Paying Agent to draw immediately upon the Letter of Credit to the extent permitted by the terms thereof (such drawing to include amounts in respect of interest accruing on the Bonds through the date payment of such drawing by the Bank is declared due). Upon receipt by the Paying Agent of payment of the full amount drawn on the Letter of Credit and provided sufficient moneys are available in the Bond Fund to pay pursuant to Section 5.2.B hereof all sums due on the Bonds, (i) interest on the Bonds shall cease to accrue immediately as of the declaration date and (ii) the Bank shall be subrogated to the right, title and interest of the Trustee and the Paying Agent and the Bondholders in and to the Agreement and the

Note, all funds held under this Indenture (except any funds held in the Bond Fund or any account with respect to Undelivered Bonds which are identified for the payment of the Bonds or of the purchase price of Undelivered Bonds and any funds held in the Rebate Fund) and any other security held for the payment of the Bonds, all of which, upon payment of any fees and expenses due and payable to the Trustee, the Paying Agent and the Remarketing Advisor pursuant to the Agreement and the Note or this Indenture, shall be assigned by the Trustee to the Bank for the account of the Company.

B. If, after the principal of the Bonds has been so declared to be due and payable, all arrears of principal of and interest on the Bonds Outstanding are paid by the Issuer, and the Issuer also performs all other things in respect of which it may have been in default hereunder and pays the reasonable charges of the Trustee, the Paying Agent, the Bondholders and any trustee appointed under the Act, including reasonable attorney's fees, then, and in every such case, the Owners of a majority in principal amount of the Bonds then Outstanding, by notice to the Issuer and to the Trustee, may annul such declaration and its consequences, and such annulment shall be binding upon the Trustee and the Paying Agent and upon all Owners of the Bonds; provided that the Trustee shall not annul any declaration resulting from any Event of Default without the prior written consent of the Bank and written confirmation from the Bank to the Paying Agent that the amount available under the Letter of Credit has been reinstated (i) prior to the Fixed Rate Conversion Date, to an amount equal to the principal of the Bonds Outstanding, plus sixty (60) days' interest thereon at ten percent (10%) per annum, and (ii) after the Fixed Rate Conversion Date, to an amount equal to the principal of the Bonds Outstanding, plus two hundred ten (210) days' interest thereon at the Fixed Rate. No such annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon. The Trustee shall forward a copy of any notice from Bondholders received by it pursuant to this paragraph to the Company.

Section 10.3 LEGAL PROCEEDINGS BY TRUSTEE. If any Event of Default has occurred and is continuing, the Trustee in its discretion may, and upon the written request of Owners of a majority in principal amount of all Bonds then Outstanding and the Bank's consent if an Event of Default under Sections 10.1.D or 10.1.E and receipt of indemnity to its satisfaction shall, in its own name:

A. By mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, including the right to require the Issuer to carry out any other provisions of this Indenture for the benefit of the Bondholders and to perform its duties under the Act;

B. Bring suit upon the Bonds;

48

55

C. By action or suit in equity require the Issuer to account as if it were the trustee of an express trust for the Bondholders; and

D. By action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

If an Event of Default under Section 10.1.E occurs and is continuing, the Trustee in its discretion may, and upon the written request of Owners of a majority in principal amount of all Bonds Outstanding shall, enforce each and every right granted to it under the Agreement and the Note.

Section 10.4 DISCONTINUANCE OF PROCEEDINGS BY TRUSTEE. If any proceeding commenced by the Trustee on account of any Event of Default is discontinued or is determined adversely to the Trustee, then the Issuer, the Trustee, the Paying Agent, the Bondholders, the Company and the Bank shall be restored to their former positions and rights hereunder as though no such proceedings had been commenced.

Section 10.5 BONDHOLDERS MAY DIRECT PROCEEDINGS. The Owners of a majority in principal amount of the Bonds Outstanding hereunder shall have the right, after furnishing indemnity satisfactory to the Trustee, to direct the method and place of conducting all remedial proceedings by the Trustee hereunder, provided that such direction shall not be in conflict with any rule of law or with this Indenture or unduly prejudice the rights of minority Bondholders. So long as no Event of Default under Sections 10.1.A, 10.1.B,

10.1.C, 10.1.F or 10.1.G has occurred and is continuing, the Bank shall have the exclusive right to give directions to the Trustee.

Section 10.6 LIMITATIONS ON ACTIONS BY BONDHOLDERS. No Bondholder shall have any right to pursue any remedy hereunder, or under the Agreement and the Note, unless:

A. The Trustee shall have been given written notice of an Event of Default; and

B. The Owners of at least a majority in principal amount of all Bonds then Outstanding shall have requested the Trustee, in writing, to exercise the powers hereinabove granted or to pursue such remedy in its or their name or names; and

C. The Trustee shall have been offered indemnity satisfactory to it against costs, expenses and liabilities; and

D. The Trustee shall have failed to comply with such request within a reasonable time.

Notwithstanding the foregoing provisions of this Section or any other provision of this Indenture, the obligation of the Issuer shall be absolute and unconditional to pay hereunder, but solely from the Revenues and other funds pledged under this Indenture, the principal or redemption price of, and interest on, the Bonds to the respective Owners thereof on the respective due dates thereof, and nothing herein shall affect or impair the right of action, which is absolute and unconditional, of such Owners to enforce such payment. Notwithstanding the foregoing, no Bondholder shall have rights hereunder unless an Event of Default under Sections 10.1.A, 10.1.B, 10.1.C, 10.1.F, or 10.1.G has occurred.

Section 10.7 TRUSTEE MAY ENFORCE RIGHTS WITHOUT POSSESSION OF BONDS. All rights under the Indenture and the Bonds may be enforced by the Trustee without the possession of any Bonds or the production thereof at the trial or other proceedings relative thereto, and any proceeding instituted by the Trustee shall be brought in its name for the ratable benefit of the Owners of the Bonds.

49

56

Section 10.8 REMEDIES NOT EXCLUSIVE. No remedy herein conferred is intended to be exclusive of any other remedy or remedies, and each remedy is in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 10.9 DELAYS AND OMISSIONS NOT TO IMPAIR RIGHTS. No delays or omission in respect of exercising any right or power accruing upon any Event of Default shall impair such right or power or be a waiver of such Event of Default, and every remedy given by this Article 10 may be exercised from time to time and as often as may be deemed expedient.

Section 10.10 APPLICATION OF MONEYS IN EVENT OF DEFAULT. Any moneys received by the Trustee under this Article shall be applied in the following order (provided that any moneys received by the Trustee from a drawing on the Letter of Credit shall be applied to the extent permitted by the terms thereof only as provided in paragraph C below with respect to Bonds other than Custody Bonds or Company Bonds):

A. To the payment of any amount required pursuant to Section 5.8 of this Indenture;

B. To the payment of the reasonable costs and expenses of the Trustee and the Paying Agent, including the Trustee's Extraordinary Fees and Expenses and other counsel fees, any disbursements of the Trustee and the Paying Agent with interest thereon and their reasonable compensation;

C. To the payment of principal or redemption price (as the case may be) and interest then owing on the Bonds, and in case such moneys shall be insufficient to pay the same in full, then to the payment of principal or redemption price and interest ratably, without preference or priority of one over another or of any installment of interest over any other installment of

interest; and

D. To the payment of costs and expenses of the Issuer, including counsel fees, incurred in connection with the Event of Default.

The surplus, if any, remaining after the application of the moneys as set forth above shall, to the extent of any unreimbursed drawing under the Letter of Credit, or other obligations owing by the Company to the Bank under the Credit Agreement, be paid to the Bank. Any remaining moneys shall be paid to the Company or the Person lawfully entitled to receive the same as a court of competent jurisdiction may direct.

Section 10.11 TRUSTEE'S RIGHT TO APPOINT RECEIVER; COMPLIANCE WITH ACT. The Trustee shall be entitled as of right to the appointment of a receiver; and the Trustee, the Bondholders and any receiver so appointed shall have such rights and powers and be subject to such limitations and restrictions as are contained in the Act.

Section 10.12 TRUSTEE AND BONDHOLDERS ENTITLED TO ALL REMEDIES UNDER ACT. It is the purpose of this Article to provide such remedies to the Trustee and the Bondholders as may be lawfully granted under the provisions of the Act, but should any remedy herein granted be held unlawful, the Trustee and the Bondholders shall nevertheless be entitled to every remedy provided by the Act. It is further intended that, insofar as lawfully possible, the provisions of this Article shall apply to and be binding upon any trustee or receiver appointed under the Act.

Section 10.13 TRUSTEE'S OBLIGATION UPON PAYMENT OF ALL AMOUNTS DUE BONDHOLDERS. Once the principal or redemption price (as the case may be) of, and interest on, all Bonds issued hereunder has been paid, or provision has been made pursuant to Article 3 hereof for payment of the same together with any tender purchase price payable pursuant to Article 4 hereof, the Trustee's sole obligation hereunder shall be to promptly assign and turn over to the Bank, as subrogee or otherwise, all of the Trustee's right, title and

50

57

interest under this Indenture, all balances held hereunder not required for the payment of the Bonds (except the Rebate Fund) and the Trustee's right, title and interest in, to and under the Agreement and the Note.

## ARTICLE 11

### THE TRUSTEE

Section 11.1 ACCEPTANCE OF TRUST. The Trustee accepts and agrees to execute the trusts hereby created, but only upon the additional terms set forth in this Article, to all of which the parties hereto and the Bondholders agree.

Section 11.2 NO RESPONSIBILITY FOR RECITALS, ETC. The recitals, statements and representations in the Indenture or in the Bonds, save only the Paying Agent's Certificate of Authentication upon the Bonds, have been made by the Issuer, and not by the Trustee, and the Trustee shall be under no responsibility for the correctness thereof. The Trustee shall not be responsible for the validity, priority, recording or filing of this Indenture, the Agreement, the Note or any financing statements, amendments thereto or continuation statements, or for insuring the Project or collecting any insurance moneys, or for the validity of the execution by the Issuer of this Indenture or of any supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby, or for the value or title of the Project or as to the maintenance of the security hereof, except as otherwise provided in Section 9.6 of this Indenture.

Section 11.3 TRUSTEE MAY ACT THROUGH AGENTS; ANSWERABLE ONLY FOR WILLFUL MISCONDUCT OR GROSS NEGLIGENCE. The Trustee may exercise any powers hereunder and perform any duties required of it through attorneys, agents, officers or employees, and shall be entitled to advice of Counsel concerning all questions hereunder. The Trustee shall not be responsible for any loss or damage resulting from any action or inaction taken in good faith in reliance upon an



opinion of Counsel. Except as otherwise provided herein, the Trustee shall not be answerable for the exercise of any discretion or power under this Indenture nor for anything whatever in connection with the trust hereunder, except only its own willful misconduct or gross negligence.

Section 11.4 COMPENSATION AND INDEMNITY. Pursuant to the Agreement, the Issuer shall cause the Company (i) to pay the Trustee reasonable compensation for its services hereunder, and also all its reasonable expenses and disbursements, including reasonable compensation for all attorneys and agents engaged by it and for the Trustee's Extraordinary Fees and Expenses, and (ii) to indemnify the Trustee, including its officers, directors, employees and agents, against liabilities which it may incur in the exercise and performance of its powers and duties hereunder, except with respect to its willful misconduct or gross negligence; provided, however, that notwithstanding the foregoing, the Trustee shall not seek indemnification prior to making a payment when due on the Bonds, causing an acceleration or drawing under the Letter of Credit. Moneys received by the Trustee from a drawing on the Letter of Credit shall not be used to pay compensation or to indemnify the Trustee pursuant to this Section.

Section 11.5 NOTICE OF DEFAULT; RIGHT TO INVESTIGATE. The Trustee shall, within five (5) days after the occurrence thereof, give written notice by first class mail to the registered Owners of the Bonds of all defaults known to the Trustee, unless such defaults have been remedied (the term "defaults" for purpose of this Section and Section 11.6 being defined to include the events specified in paragraphs A through G of Section 10.1, not including any notice or periods of grace provided for therein). The Trustee shall not be deemed to have notice of any default under paragraph D or E of Section 10.1 unless notified in writing of such default by Owners of at least a majority in principal amount of all Bonds then Outstanding. The

51

58

Trustee may, however, at any time require of the Issuer full information as to the performance of any covenant hereunder; and, if information satisfactory to it is not forthcoming, the Trustee may make or cause to be made, at the expense of the Company, an investigation into the affairs of the Issuer related to this Indenture. Nothing in this Section shall limit the Trustee's obligation under Section 10.2 to declare the principal of all Bonds, together with interest accrued thereon, immediately due and payable when required by the terms of such Section.

Section 11.6 OBLIGATION TO ACT ON DEFAULTS. If any default shall have occurred and be continuing, the Trustee shall exercise such of the rights and remedies vested in it by this Indenture and shall use the same degree of care in its exercise as a prudent man would exercise or use in the circumstances in the conduct of his own affairs; provided that if in the opinion of the Trustee such action may tend to involve expense or liability, it shall not be obligated to take such action unless it is furnished with indemnity satisfactory to it. Nothing in this Section shall limit the Trustee's or Paying Agent's obligation (i) to draw on the Letter of Credit when required by the terms of Section 10.2 hereof or to take any other action required to be taken under Section 10.2 hereof, or (ii) to make a payment to any Owner of a Bond when and as required by the terms of this Indenture.

Section 11.7 RELIANCE. The Trustee may act on any requisition, resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, opinion of Counsel or other paper or document which it in good faith believes to be genuine and to have been passed or signed by the proper Persons or to have been prepared and furnished pursuant to any of the provisions of this Indenture; and the Trustee shall be under no duty to make any investigation as to any statement contained in any such instrument, but may accept the same as conclusive evidence of the accuracy of such statement.

Section 11.8 TRUSTEE MAY DEAL IN BONDS. The Trustee may in good faith buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Bondholders may be entitled to take with like effect as if the Trustee were not a party to this Indenture. The Trustee may be, or be affiliated with, the Paying Agent, the Remarketing Advisor and the Bank. The Trustee may also engage in or be interested in any financial or other transaction with the Issuer, the Company or any related party; provided that if the Trustee determines that any such relation is in conflict with its duties under this

Indenture, it shall eliminate the conflict or resign as Trustee.

Section 11.9 CONSTRUCTION OF AMBIGUOUS PROVISIONS. The Trustee may construe any ambiguous or inconsistent provisions of the Indenture, and any construction by the Trustee shall be binding upon the Bondholders.

Section 11.10 RESIGNATION OF TRUSTEE. The Trustee may resign and be discharged of the trusts created by this Indenture by written resignation filed with the Issuer and the LGC (and a copy to the Company and the Bank) not less than sixty (60) days before the date when it is to take effect; provided notice of such resignation is mailed to the Owners of the Bonds and to Moody's (if the Bonds are then rated by Moody's) and S&P (if the Bonds are then rated by S&P). Any such resignation shall take effect only upon the appointment of a successor trustee.

Section 11.11 REMOVAL OF TRUSTEE. Any Trustee hereunder may be removed at any time by an instrument appointing a successor to the Trustee so removed, executed by Owners of a majority in principal amount of the Bonds then Outstanding and filed with the Trustee and the Issuer. Such removal shall take effect only upon the appointment of a successor trustee.

Section 11.12 APPOINTMENT OF SUCCESSOR TRUSTEE. If the Trustee or any successor trustee resigns or is removed or dissolved, or if its property or business is taken under the control of any state or federal court

52

59

or administrative body, a vacancy shall forthwith exist in the office of the Trustee, and the Issuer at the direction of the Company and with the prior approval of the LGC shall appoint a successor and shall mail notice of such appointment to the Owners of the Bonds. If the Issuer fails to make such appointment promptly, the Owners of a majority in principal amount of the Bonds then Outstanding may do so.

Section 11.13 QUALIFICATION OF SUCCESSOR TRUSTEE. Any successor trustee shall be a national banking association with trust powers or a bank and trust company or a trust company having capital and surplus of at least \$100,000,000, if there be one able and willing to accept the trust on reasonable and customary terms and have a minimum long term debt rating of Baa3 or short term debt rating of P3 by Moody's. No single entity shall serve simultaneously as both Trustee and Bank.

Section 11.14 INSTRUMENTS OF SUCCESSION. Any successor trustee shall execute, acknowledge and deliver to the Issuer an instrument accepting such appointment hereunder; and thereupon such successor trustee, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor in the trust hereunder, with like effect as if originally named Trustee herein. The Trustee ceasing to act hereunder shall pay over to the successor trustee all moneys held by it hereunder; and, upon request of the successor trustee, the Trustee ceasing to act and the Issuer shall execute and deliver an instrument transferring to the successor trustee all the estates, properties, rights, powers and trusts hereunder of the Trustee ceasing to act.

Section 11.15 MERGER OR SALE OF TRUSTEE. Any corporation or banking association into which any Trustee hereunder may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which any Trustee hereunder shall be a party, or any corporation or banking association to which the Trustee transfers its corporate trust business to as a whole, shall be the successor trustee under this Indenture, without the execution or filing of any paper or any further act on the part of the parties hereto, anything herein to the contrary notwithstanding; provided, however, that such successor trustee must satisfy the requirements of Section 11.13 hereof.

Section 11.16 RIGHT OF TRUSTEE TO PAY TAXES AND OTHER CHARGES. In case the Issuer or the Company fails to pay or cause to be paid any tax, assessment or governmental or other charge upon any part of the Project or any premium required for maintenance of the insurance thereon is not paid as required under the Agreement, the Trustee may pay such tax, assessment, governmental charge or premium. Any such payment by the Trustee shall not prejudice any rights of the Trustee or the Bondholders hereunder arising in consequence of a failure. Any

amount at any time so paid under this Section shall, with interest thereon from the date of payment at the variable rate of interest equal to the rate of interest announced by the Trustee as its prime rate, plus one percent (1%) per annum, become additional indebtedness secured by this Indenture. Such additional debt shall be paid out of the Revenues, the receipts, revenues, rents and other income, charges and moneys realized from the use, lease, sale or other disposition of the Project or other property comprising the Trust Estate (other than proceeds of the Letter of Credit), if not otherwise caused to be paid. The Trustee shall be under no obligation to make any such payment under this Section unless it shall have been requested to do so by Owners of at least a majority in aggregate principal amount of Bonds then Outstanding and shall have been provided with adequate funds for the purpose of such payment.

Section 11.17 INTERVENTION BY TRUSTEE. The Trustee may intervene, and upon the written request of Owners of at least a majority in aggregate principal amount of Bonds then Outstanding and receipt of indemnity satisfactory to the Trustee shall intervene, on behalf of Bondholders in any judicial proceeding to which the Issuer or the Company is a party and which in the opinion of the Trustee and its attorneys has a substantial bearing on the interests of holders of the Bonds. The rights and obligations of the Trustee under this Section are subject to the approval of a court of competent jurisdiction.

53

60

Section 11.18 APPOINTMENT OF CO-TRUSTEE. It is the purpose of this Indenture that there shall be no violation of the law of any jurisdiction 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, the Agreement, the Note, and the Letter of Credit, and in particular in case of the enforcement thereof on any default or Event of Default, or in the 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 properties, in trust, as herein granted, or take any 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 are adapted to these ends:

A. 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 vest 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. The Trustee shall be jointly liable for the actions taken by such separate or co-trustee.

B. Should any instrument in writing from the Issuer be required by the separate or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to him or it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Issuer. In case any separate 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 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 or co-trustee.

Section 11.19 BANK TO DIRECT TRUSTEE. Any provision herein to the contrary notwithstanding, unless the Bank has failed to honor any proper draw for payment under the Letter of Credit, the Trustee shall exercise the remedies provided for hereunder only if and as directed in writing by the Bank, and shall not waive any default hereunder or rescind any declaration of an acceleration of maturity of principal of the Bonds without the prior written consent of the Bank; provided that such direction shall not be otherwise than in accordance with the provisions of law or of this Indenture.

Section 11.20 INTERPLEADER. In the event of a dispute between any of the parties hereto with respect to the disposition of any funds held by the

Trustee hereunder, or if the Trustee receives conflicting demands made upon the Trustee with respect to the Trustee's duties hereunder or any other document related to the Bonds, the Trustee shall be entitled to file a suit in interpleader in a court of competent jurisdiction seeking to require the parties to interplead and litigate in such court their several claims and rights among themselves. Upon the filing of such a suit and the deposit of the applicable funds to such court, the Trustee will ipso facto be fully released and discharged from all obligations to further perform any and all duties imposed hereunder or any other document related to the Bonds regarding such matter and/or such funds that are the subject of such interpleader suit. In the event that the Trustee remains as Trustee under this interpleader suit, the Trustee shall be entitled to rely upon such instruction without incurring any obligation or liability, and the parties shall hereto release, hold harmless and indemnify the Trustee for any obligation or liability for so relying on such court instruction.

Section 11.21 SURVIVAL OF CERTAIN PROVISIONS. The provisions of Sections 11.01 through 11.21 of this Indenture shall survive the release, discharge and satisfaction of this Indenture.

54

61

## ARTICLE 12

### THE PAYING AGENT

Section 12.1 APPOINTMENT, CAPACITIES AND DUTIES. The Issuer shall appoint the Paying Agent for the purpose of acting as paying agent, Bond registrar, transfer agent, authenticating agent, tender agent and the beneficiary of the Letter of Credit as provided by this Indenture; provided that in its capacities as authenticating agent, tender agent and beneficiary of the Letter of Credit, the Paying Agent shall act as agent for the Trustee. The Paying Agent shall be a national banking association, a bank and trust company or a trust company. The Issuer hereby appoints PNC Bank, National Association, Pittsburgh, Pennsylvania, as Paying Agent, which appointment is hereby accepted. The Issuer designates the Principal Office of the Paying Agent as a place of payment, such appointment and designation to remain in effect until notice of change pursuant to Section 17.4 hereof is filed with the Trustee. The Paying Agent shall signify its acceptance of the duties and obligations imposed upon it hereunder by its written instrument of acceptance addressed to the Issuer, the Trustee and the Company and delivered to such Persons and to the Trustee, the Remarketing Advisor and the Bank, under which the Paying Agent shall agree to:

A. Hold all sums delivered to it by the Trustee (or the Bank under the Letter of Credit) for the payment of principal or redemption price of, premium, if any, and interest on the Bonds in trust for the benefit of the respective Owners until such sums shall be paid to such Owners or otherwise disposed of as herein provided;

B. Hold all Bonds tendered to it hereunder in trust for the benefit of the respective Owners until moneys representing the purchase price of such Bonds shall have been delivered to or for the account of or to the order of such Owners;

C. Hold all moneys delivered to it hereunder for the purchase of Bonds in trust for the benefit of the Person which shall have so delivered such moneys until the Bonds purchased with such moneys shall have been delivered to or for the account of such Person; and

D. Keep such books and records as shall be consistent with prudent industry practice and make such books and records available for inspection by the Trustee, the Remarketing Advisor, the Issuer, the Company and the Bank at all reasonable times.

Section 12.2 PAYING AGENT MAY ACT THROUGH AGENTS; ANSWERABLE ONLY FOR WILLFUL MISCONDUCT OR GROSS NEGLIGENCE. The Paying Agent may exercise any powers hereunder and perform any duties required of it through attorneys, agents, officers or employees, and shall be entitled to advice of Counsel concerning all questions hereunder. The Paying Agent shall not be responsible for any loss or damage resulting from any action or inaction taken in good faith in reliance upon an opinion of Counsel. The Paying Agent shall not be answerable for the

exercise of any discretion or power under this Indenture, except only its own willful misconduct or gross negligence.

Section 12.3 COMPENSATION AND INDEMNITY. Pursuant to Sections 4.4 and 5.2 of the Agreement, the Issuer shall cause the Company (i) to pay the Paying Agent reasonable compensation for its services hereunder, and also all its reasonable expenses and disbursements, including reasonable compensation for all attorneys and agents engaged by it, and (ii) to indemnify the Paying Agent, including its officers, directors, employees and agents, against liabilities which it may incur in the exercise and performance of its powers and duties hereunder, except with respect to its willful misconduct or gross negligence.

55

62

Section 12.4 RELIANCE. The Paying Agent may act on any requisition, resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, opinion of Counsel or other paper or document which it in good faith believes to be genuine and to have been passed or signed by the proper Persons or to have been prepared and furnished pursuant to any of the provisions of this Indenture; and the Paying Agent shall be under no duty to make any investigation as to any statement contained in any such instrument, but may accept the same as conclusive evidence of the accuracy of such statement.

Section 12.5 PAYING AGENT MAY DEAL IN BONDS. The Paying Agent may in good faith buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Bondholders may be entitled to take. The Paying Agent may be, or be affiliated with, the Trustee, the Remarketing Advisor and the Bank. The Paying Agent may also engage in or be interested in any financial or other transaction with the Issuer, the Company or any related party; provided that if the Paying Agent determines that any such relation is in conflict with its duties under this Indenture, it shall eliminate the conflict or resign as Paying Agent.

Section 12.6 REMOVAL OR RESIGNATION OF PAYING AGENT. If an Event of Default under the Agreement or the Note has occurred and is continuing, the Issuer may remove the Paying Agent and shall designate a successor if the Paying Agent resigns, becomes ineligible or is removed. If no Event of Default under the Agreement or the Note has occurred and is continuing, (i) the Company may, with the written consent of the Bank, remove the Paying Agent and appoint a successor by an instrument filed with the Trustee, the Remarketing Advisor, the Bank and the Issuer and (ii) the Company shall designate a successor if the Paying Agent resigns or becomes ineligible. The Paying Agent may resign by giving at least sixty (60) days written notice to the Trustee, the Remarketing Advisor, the Company and the Bank. Each successor Paying Agent shall be a bank or trust company having a capital and surplus of not less than \$100,000,000, shall be registered as a transfer agent with the Securities and Exchange Commission, and shall be capable of performing the duties prescribed for it herein. The Paying Agent may be, or be affiliated with, the Trustee or the Bank. The Issuer, at the request of the Company, shall direct the Trustee to give notice of the appointment of a successor Paying Agent in writing fifteen (15) days prior to such appointment taking effect to each Owner as well as to Moody's (if the Bonds are then rated by Moody's) and S&P (if the Bonds are then rated by S&P). The Trustee will promptly certify to the Issuer and the Company that it has mailed such notice to all Owners and such certificate will be conclusive evidence that such notice was given in the manner required hereby. In the event of the resignation or removal of the Paying Agent, the Paying Agent shall pay over, assign and deliver any moneys and Bonds, including unauthenticated Bonds, held by it and the Bond Register maintained by it in such capacity to its successor, and shall take all necessary action to cause the Letter of Credit to be transferred to its successor as of the effective date of such succession. Such resignation or removal shall take effect only upon the appointment of a successor Paying Agent.

Section 12.7 SUCCESSOR PAYING AGENTS. Any corporation, association, partnership or firm which succeeds to the corporate trust business of the Paying Agent as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the property, rights and powers of such Paying Agent under this Indenture; provided, however, that no such Paying Agent shall be qualified, unless it shall have a capital and surplus of not less than \$100,000,000 and shall qualify as a Paying Agent under Article 12 herein and, moreover, such successor Paying Agent must have a long

term debt rating with Moody's of at least Baa3 and a short term debt rating with Moody's of at least P-3 or receive confirmation in writing from Moody's that such rating is not necessary. In case any Bonds shall have been authenticated, but not delivered, by the Paying Agent then in office, any successor by merger, conversion or consolidation to such authenticating Paying Agent may adopt such authentication and deliver the Bonds so authenticated with the same effect as if such successor Paying Agent had itself authenticated such Bonds. In the event that the Paying Agent shall resign or be removed, or be dissolved, or if the property or affairs of the Paying Agent shall be taken under the control of any state or federal court

56

63

or administrative body because of bankruptcy or insolvency, or for any other reason, and the Issuer shall not have appointed its successor, the Trustee shall ipso facto be deemed to be the successor Paying Agent for all purposes until another successor is appointed.

Section 12.8 NOTICE TO TRUSTEE. The Paying Agent shall immediately notify the Trustee upon receiving notice from the Bank pursuant to Sections 10.1.F and 10.1.G of this Indenture.

#### ARTICLE 13

##### THE REMARKETING ADVISOR

Section 13.1 APPOINTMENT. The Issuer hereby appoints PNC Capital Markets, Inc. as Remarketing Advisor under this Indenture. The Remarketing Advisor and any successor Remarketing Advisor, by written instrument delivered to the Issuer, the Trustee, the Paying Agent and the Company, shall accept the duties and obligations imposed on it under this Indenture.

Section 13.2 DUTIES. In addition to the other obligations imposed on the Remarketing Advisor hereunder, the Remarketing Advisor shall agree to:

A. Hold all Bonds delivered to it by the Paying Agent hereunder for delivery to the Owners thereof;

B. Hold all moneys representing the purchase price of Bonds for delivery to the Paying Agent pursuant hereto for the benefit of the Persons entitled to receive the payment of such purchase price; and

C. Keep such books and records as shall be consistent with prudent industry practice and make such books and records available for inspection by the Issuer, the Trustee, the Paying Agent and the Company at all reasonable times.

Section 13.3 QUALIFICATION. The Remarketing Advisor shall at all times be registered as a Municipal Securities Dealer under the Securities Exchange Act of 1934, as amended, and authorized by law to perform its obligations hereunder; and the Remarketing Advisor or its parent corporation shall have net capital of at least \$50,000,000 and have a minimum long term debt rating of Baa3 or short term debt rating of P3 by Moody's.

Section 13.4 RESIGNATION; REMOVAL. If at any time the Remarketing Advisor is unable or unwilling to act as Remarketing Advisor, the Remarketing Advisor, upon thirty (30) days' prior written notice to the Issuer, the Trustee, the Paying Agent, the Bank and the Company, may resign but only upon appointment of a successor Remarketing Advisor. The Remarketing Advisor may be removed at any time and for any reason by the Issuer, upon thirty (30) days' written notice signed by the Issuer delivered to the Trustee, the Paying Agent, the Company, the Remarketing Advisor and the Bank; provided that, if the Issuer fails to deliver such notice within ten (10) days of the date the Company delivers to the Issuer a written direction to do so (with copies to the Remarketing Advisor, the Trustee, the Paying Agent and the Bank), then such written notice may be signed and delivered by the Company on its own behalf and as an agent for the Issuer. Upon resignation or removal of the Remarketing Advisor, the Issuer, in cooperation with the Company and the Bank, shall appoint a successor Remarketing Advisor meeting the qualifications of Section 13.3. Upon the resignation or removal of the Remarketing Advisor, the Remarketing Advisor shall pay over,

assign and deliver any moneys and Bonds held by it in trust pursuant to Section 13.2 or otherwise hereunder to its successor. Any removal shall take effect only upon the appointment of a successor Remarketing Advisor.

57

64

Section 13.5 NOTICES. The Trustee shall, within thirty (30) days of the resignation or removal of the Remarketing Advisor or the appointment of a successor Remarketing Advisor, give notice thereof by mail to each Owner and to Moody's (if the Bonds are then rated by Moody's) and to S&P (if the Bonds are then rated by S&P).

#### ARTICLE 14

##### ACTS OF BONDHOLDERS; EVIDENCE OF OWNERSHIP OF BONDS

Any action to be taken by Bondholders may be evidenced by one or more concurrent written instruments of similar tenor signed or executed by such Bondholders in person or by agent appointed in writing. The fact and date of the execution by any Person of any such instrument may be proved by acknowledgment before a notary public or other officer empowered to take acknowledgments or by an affidavit of a witness to such execution. Where such execution is by an officer of a corporation or a member of a partnership, on behalf of such corporation or partnership, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Trustee or the Paying Agent deems sufficient. The ownership of Bonds shall be proved by the Bond Register. Any action by the Owner of any Bond shall bind all future Owners of the same Bond in respect of anything done or suffered by the Issuer, the Trustee or the Paying Agent in pursuance thereof.

#### ARTICLE 15

##### AMENDMENTS AND SUPPLEMENTS

Section 15.1 AMENDMENTS AND SUPPLEMENTS WITHOUT BONDHOLDERS' CONSENT. This Indenture may be amended or supplemented at any time and from time to time, without the consent of the Bondholders, by a supplemental indenture authorized by a resolution of the Issuer filed with the Trustee for one or more of the following purposes:

- A. to cure any formal defect, omission, inconsistency or ambiguity in this Indenture;
- B. to add covenants and agreements of the Issuer in this Indenture, or to surrender any right or power reserved or conferred upon the Issuer, and which is not materially adverse to the interests of the Bondholders;
- C. to confirm, as further assurance, any pledge of or lien on the Revenues of the Issuer from the Agreement, the Note, or of any other moneys, securities or funds subject to the lien of this Indenture;
- D. to comply with the requirements of the Trust Indenture Act of 1939, as amended, if applicable;
- E. to achieve compliance of this Indenture with any applicable Federal securities or tax law;
- F. to modify, alter, amend or supplement this Indenture in any other respect which in the judgment of the Trustee is not materially adverse to the interests of the Bondholders;
- G. to amend Section 5.8 hereof, as stipulated in a Favorable Opinion delivered by the Company to the Issuer and the Trustee;

58

H. to implement the Fixed Rate or to evidence or give effect to the delivery of another replacement Letter of Credit;

I. To change the method for determining the Variable Weekly Rate or the Fixed Rate if in the opinion of Bond Counsel such change would not result in the interest on any of the Bonds Outstanding being included in gross income for Federal income tax purposes; provided that written notice of such change is provided to all Bondholders at least 60 days prior to such change; and

J. to make any other change required by Moody's or S&P as a condition of rating the Bonds, provided such change is not materially adverse to the interests of the Bondholders.

Before the Issuer and the Trustee shall enter into any supplemental indenture pursuant to this Section, there shall have been delivered to the Trustee, the Paying Agent, the Issuer, the Company and the Bank an opinion of Bond Counsel stating that such supplemental indenture is authorized or permitted by this Indenture and the Act, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Issuer enforceable in accordance with its terms and will not adversely affect the exemption from federal income taxation of interest on the Bonds.

Section 15.2 AMENDMENTS AND SUPPLEMENTS WITH BONDHOLDERS' CONSENT. This Indenture may be amended or supplemented from time to time, except with respect to (1) the principal or redemption price or interest payable upon any Bonds, (2) the Interest Payment Dates, the dates of maturity or the redemption or purchase provisions of any Bonds, and (3) this Article 15, by a supplemental Indenture consented to by the Company and approved by Owners of a majority in aggregate principal amount of the Bonds then Outstanding. This Indenture may be amended with respect to the matters enumerated in clauses (1) through (3) of the preceding sentence only with the unanimous consent of all Bondholders. Before the Issuer and the Trustee may enter into such supplemental indenture, there shall have first been delivered to the Trustee (i) the required consents, in writing, of Bondholders and (ii) an opinion of Bond Counsel stating that such supplemental indenture is authorized or permitted by this Indenture and the Act, complies with their respective terms and, upon the execution and delivery thereof, will be valid and binding upon the Issuer in accordance with its terms and will not adversely affect the exemption from federal income taxation of interest on the Bonds.

So long as the Letter of Credit is outstanding, no amendment of the Loan Agreement or Note may be made without the prior written consent of the Bank.

Section 15.3 AMENDMENT OF AGREEMENT OR NOTE. If the Issuer and the Company propose to amend the Agreement or the Note, the Trustee may consent thereto (such consent not to be unreasonably withheld); provided that if such proposal would amend the Agreement or the Note in such a way as would materially adversely affect the interests of the Bondholders, the Trustee shall notify the Bondholders of the proposed amendment and may consent thereto with the consent of Owners of a majority in aggregate principal amount of the Bonds then Outstanding; provided that no amendment shall be consented to by the Trustee without the unanimous consent of all Bondholders which would (1) decrease the amounts payable under the Agreement or the Note, (2) change the date of payment or prepayment provisions under the Agreement or the Note, or (3) change any provisions with respect to amendment. So long as the Letter of Credit is outstanding, no amendment of the Agreement or the Note may be made without the prior written consent of the Bank.

Section 15.4 AMENDMENT OF LETTER OF CREDIT. If the Bank proposes to amend the Letter of Credit, the Paying Agent may consent thereto (such consent not to be unreasonably withheld), provided that (i) if such proposal would amend the Letter of Credit in such a way as would materially adversely affect the

interests of the Bondholders, the Paying Agent shall notify the Bondholders of the proposed amendment and may consent thereto only with the prior written consent of Owners of a majority in aggregate principal amount of the Bonds then



Outstanding; and (ii) the Paying Agent shall not, without the unanimous consent of all Bondholders, consent to any amendment which would decrease the amounts payable under the Letter of Credit in respect of Outstanding Bonds on any Interest Payment Date or on the date of redemption, acceleration, payment at maturity or purchase of the Bonds, or advance the stated expiration date of the Letter of Credit to an earlier date. No consent of the Bondholders shall be required for amendments to the Letter of Credit which are provided for and contemplated by this Indenture.

Section 15.5 TRUSTEE AUTHORIZED TO JOIN IN AMENDMENTS AND SUPPLEMENTS; RELIANCE ON COUNSEL. The Trustee is authorized to join with the Issuer in the execution and delivery of any supplemental indenture or amendment permitted by this Article 15 and in so doing shall be fully protected by an opinion of Counsel that such supplemental indenture or amendment is so permitted and has been duly authorized by the Issuer and that all things necessary to make it a valid and binding agreement have been done.

Section 15.6 BANK CONSENT. Notwithstanding anything herein contained, so long as a Letter of Credit is held by the Paying Agent, no amendment or supplement shall be made to the Indenture, or the Agreement or the Note, without the prior written consent of the Bank.

Section 15.7 NOTICE OF AMENDMENT TO RATING AGENCY. The Trustee shall notify Moody's (if the Bonds are rated by Moody's) or S&P (if the Bonds are rated by S&P) if the terms of the Indenture, the Agreement, the Note, Letter of Credit and Credit Agreement are amended or supplemented. Additionally, copies of the amended or supplemented payments shall be provided to such rating agencies.

Section 15.8 CERTAIN AMENDMENTS REQUIRING LGC APPROVAL. Notwithstanding anything else contained herein or in the Agreement, the Issuer and the Trustee shall not execute or consent to any supplemental indenture or amendment to the Agreement that makes changes to the following without the express written consent of the Secretary of the LGC:

- (a) the definition of Authorized Denominations;
- (b) the maximum rate of interest established for the Weekly Rate in Section 3.2 hereof;
- (c) the maturity date for the Bonds;
- (d) the proscription against the same entity serving as Trustee and Credit Provider;
- (e) the requirement that the Bonds not be remarketed unless a Letter of Credit is in place or the Bonds bear an Investment Grade Rating; or
- (f) the requirements for any replacement Letter of Credit provided in Section 6.7 hereof.

## ARTICLE 16

### DEFEASANCE

Section 16.1 DEFEASANCE. When the principal or redemption price (as the case may be) of, and interest on, all Bonds issued hereunder have been paid, or provision has been made for payment of the same and any tender purchase price payable pursuant to Article 4 hereof (but no Bonds shall be remarketed by the Remarketing Advisor following provision for payment of Bonds having been made pursuant to this

Article 16), together with the compensation and expenses of the Trustee and the Paying Agent and all other sums payable hereunder by the Issuer, the right, title and interest of the Trustee in the Trust Estate shall thereupon cease and the Trustee, on demand of the Issuer or the Company, shall release this Indenture and shall execute such documents to evidence such release as may be reasonably required by the Issuer or the Company and shall turn over, and direct the Paying Agent to turn over, to the Company or to such Person, body or

authority as may be entitled to receive the same all balances then held by it or the Paying Agent hereunder not required for the payment of the Bonds and such other sums; provided that in the event there has been a drawing under the Letter of Credit for which the Bank has not been fully reimbursed pursuant to the Credit Agreement or any other obligations are then due and owing to the Bank under the Credit Agreement, the Trustee and the Paying Agent shall assign and turn over to the Bank, as subrogee or otherwise, all of the Trustee's right, title and interest under this Indenture, all balances held hereunder not required for the payment of the Bonds and such other sums and the Trustee's right, title and interest in, to and under the Agreement and the Note, and any other property comprising the Trust Estate. If payment or provision therefor is made with respect to less than all of the Bonds, the particular Bonds (or portion thereof) for which provision for payment shall have been considered made shall be selected by lot or by such other method as the Paying Agent deems fair and appropriate, and thereupon the Trustee shall take similar action for the release of this Indenture with respect to such Bonds.

Section 16.2 PROVISION FOR PAYMENT.

A. Provision for the payment of Bonds shall be deemed to have been made when the Trustee and the Paying Agent hold in the Bond Fund (1) Available Moneys in an amount sufficient to make all payments (including principal, premium, if any, interest and tender purchase price payments, if any) specified above with respect to such Bonds, or (2) noncallable and nonprepayable, direct obligations issued by the United States of America which are certified by an independent public accounting firm of national reputation to be of such maturities or redemption dates and interest payment dates, and to bear such interest, as will be, in the aggregate, sufficient without reinvestment to make all such payments, or (3) any combination of Available Moneys and obligations described in clause (2) above the amounts of which and interest thereon, when due, are or will be, in the aggregate, sufficient without reinvestment to make such payments; provided that (i) such amount on deposit shall be deemed sufficient only if (A) it provides for payment of interest on any Bonds, the interest rate on which may vary, at the maximum rate then applicable thereto and the Issuer shall have surrendered any power hereunder to thereafter change the maximum rate applicable to such Bonds, or (B) the Fixed Rate Conversion Date has occurred and the amount is sufficient for the payment of any Bonds at the Fixed Rate, (ii) the Trustee shall have received an opinion of Bond Counsel to the effect that a deposit of obligations described in clause (2) or (3) above will not affect the tax-exempt status of the interest on any of the Bonds or cause any of the Bonds to be classified as "arbitrage bonds" within the meaning of Section 148 of the Code, and (iii) so long as a Letter of Credit is held by the Paying Agent, provision for payment of Bonds shall be deemed to be made only if the Trustee and the Paying Agent hold in the Bond Fund cash constituting Available Moneys and/or such obligations purchased with Available Moneys for payment of such Bonds pursuant to Section 5.2.B hereof in amounts sufficient to make all payments specified above with respect to such Bonds. If provision is to be made for the payment of less than one hundred percent (100%) of the Bonds Outstanding, the Trustee shall have received written confirmation from Moody's (if the Bonds are then rated by Moody's) and S&P (if the Bonds are then rated by S&P) that any ratings on the Bonds for which such payment provision is not to be made will remain unaffected by such provision. The independent public accounting firm identified in clause (2) of the first sentence of this paragraph A must be acceptable to Moody's (if the Bonds are then rated by Moody's) and S&P (if the Bonds are then rated by S&P) and a copy of the verification report prepared by such firm shall be provided to Moody's and/or S&P, as appropriate, upon request.

B. Neither the moneys nor the obligations deposited with the Trustee or the Paying Agent pursuant to this Article 16 shall be withdrawn or used for any purpose other than, and such obligations and moneys shall be segregated and held in trust for, the payment of the principal or redemption price of, premium, if any, on and interest on, the Bonds (or portions thereof) to be no longer entitled to the lien of this Indenture, or for the payment of the purchase price of such Bonds in accordance with Article 4 hereof; provided that, prior to the Fixed Rate Conversion Date, such moneys, if not then needed for such purpose, shall, to the extent practicable, be invested and reinvested in direct obligations issued by the United States of America which are guaranteed as to full and timely payment, are not subject to prepayment or call, and maturing on or prior to the earlier of (i) the date moneys may be required for the purchase

of Bonds pursuant to Article 4 hereof and (ii) the Interest Payment Date next succeeding the date of investment or reinvestment.

C. Whenever moneys or obligations shall be deposited with the Trustee or the Paying Agent for the payment or redemption of Bonds more than sixty (60) days prior to the date that such Bonds are to mature or be redeemed, the Paying Agent shall mail a notice to the Owners of Bonds for the payment of which such moneys or obligations are being held at their registered addresses stating that such moneys or obligations have been deposited. Such notice shall also be sent by the Paying Agent to Moody's and S&P (if the Bonds are then rated by either of these entities). Notwithstanding the foregoing, no delivery to the Trustee under this Section 16.2 shall be deemed a payment of any Bonds which are to be redeemed prior to their stated maturity until such Bonds shall have been irrevocably called or designated for redemption on a date thereafter on which such Bonds may be redeemed in accordance with the provisions of this Indenture and proper notice of such redemption shall have been given in accordance with Article 8 hereof or the Issuer shall have given the Trustee and the Paying Agent, in form satisfactory to the Trustee and the Paying Agent, irrevocable instructions to give, in the manner and at the times prescribed by such Article 8, notice of redemption.

Section 16.3 DEPOSIT OF FUNDS FOR PAYMENT OF BONDS. If the principal or redemption price or tender purchase price of any Bonds becoming due, either at maturity or by call for redemption or mandatory tender or otherwise, together with all interest accruing thereon to the due date, has been paid or provision therefor made in accordance with Section 16.2, all interest on such Bonds shall cease to accrue on the due date and all liability of the Issuer with respect to such Bonds shall likewise cease, except as hereinafter provided. Thereafter, the Owners of such Bonds shall be restricted exclusively to the funds so deposited for any claim of whatsoever nature with respect to such Bonds, and the Trustee and the Paying Agent shall hold such funds in trust for such Owners uninvested and without liability for interest thereon. Moneys so deposited with the Trustee or the Paying Agent which remain unclaimed three years after the date payment thereof becomes due shall, at the request of the Company and if neither the Issuer nor the Company is at the time to the knowledge of the Trustee in default with respect to any covenant contained in the Indenture, the Bonds or the Agreement, be paid to the Company (unless at the time there are obligations owing by the Company to the Bank under the Credit Agreement, in which event such moneys shall be paid to the Bank to the extent of such obligations); and the Owners of the Bonds for which the deposit was made shall thereafter be limited to a claim against the Company; provided that the Trustee, before making payment to the Company, may, at the expense of the Company, cause a notice to be given to the Owners of the Bonds at their registered addresses, stating that the moneys remaining unclaimed will be returned to the Company after a specified date.

Section 16.4 OPINION OF COUNSEL. Prior to the Trustee releasing the lien of the Indenture or in any other way effectuating a defeasance of the Bonds pursuant to this Article 16, the Trustee, the Bank, Moody's (if the Bonds are then rated by Moody's) and S&P (if the Bonds are then rated by S&P) shall receive an opinion of Bond Counsel certifying that any monies or securities held for such payments do not constitute

an avoidable preference, and that such defeasance shall be accomplished with either moneys drawn under the Letter of Credit or Available Moneys.

## ARTICLE 17

### MISCELLANEOUS PROVISIONS

Section 17.1 NO PERSONAL RECOURSE. No recourse shall be had for any

claim based on the Agreement, this Indenture or the Bonds against the Issuer, the LGC or the Governing Body or any of their respective members, officers or employees, past, present or future, of any of them or any successor bodies as such, either directly or through the Issuer, the LGC or the Governing Body, or any such successor bodies, under any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise.

Section 17.2 NO RIGHTS CONFERRED ON OTHERS. Except as provided in Section 17.5 hereof, nothing herein contained shall confer any right upon any Person other than the parties hereto, the Paying Agent, the Bank and the Owners of the Bonds.

Section 17.3 ILLEGAL, ETC. PROVISIONS DISREGARDED. In case any provision in this Indenture or the Bonds shall for any reason be held invalid, illegal or unenforceable in any respect, this Indenture shall be construed as if such provision had never been contained herein.

Section 17.4 NOTICES. All notices and other communications provided for hereunder shall be in writing and sent by United States certified or registered mail, return receipt requested, or by telegraph, tested telex, telecopier or private delivery service or personal service, addressed as follows:

If to the Issuer:	The Hertford County Industrial Facilities and Pollution Control Financing Authority c/o J. Guy Revelle, Jr. 201 East Main Street Murfreesboro, North Carolina 27855
If to the Trustee or the Paying Agent	PNC Bank, National Association 2 PNC Plaza, 4th Floor Pittsburgh, Pennsylvania 15265 Attention: Corporate Trust Department
If to the Remarketing Advisor	PNC Capital Markets, Inc. One PNC Plaza, 3rd Floor 249 East Fifth Street Pittsburgh, Pennsylvania 15222-2707 Attention: Sales Manager
If to the Company:	Easco Corporation c/o Easco, Inc. 706 South State Street Girard, Ohio 44420 Attention: Chief Financial Officer with a copy to General Counsel

63

70

If to the Bank:	Bank of America 231 S. LaSalle Street, Suite 936 Chicago, Illinois 60692 Attention: International Department Operations Manager
If to the LGC:	Local Government Commission 325 N. Salisbury Street Raleigh, North Carolina 27603 Attn: Secretary

Either party hereto and the Paying Agent, the Remarketing Advisor, the Company and the Bank may change the address to which notices to it are to be sent by written notice given to the other Persons listed in this Section. All notices shall, when mailed as aforesaid, be effective on the date indicated on the return receipt, and all notices given by other means shall be effective when received.

Section 17.5 RESERVED.

Section 17.6 SUCCESSORS AND ASSIGNS. All the covenants, promises and agreements in this Indenture contained by or on behalf of the Issuer, or by or on behalf of the Trustee, shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

Section 17.7 HEADINGS FOR CONVENIENCE ONLY. The descriptive headings in this Indenture are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

Section 17.8 COUNTERPARTS. This Indenture may be executed in any number of counterparts, each of which when so executed and delivered shall be an original; but such counterparts shall together constitute but one and the same instrument.

Section 17.9 APPLICABLE LAW. This Indenture shall be governed by and construed in accordance with the laws of the State of North Carolina.

Section 17.10 BANK'S RIGHTS. The Bank is hereby explicitly recognized as a third party beneficiary to this Indenture and shall be entitled to enforce the obligations of the Trustee, the Paying Agent, and the Issuer hereunder. In the event the Letter of Credit shall have terminated without being replaced by another Letter of Credit and the Company shall have paid and performed all of its obligations under the Credit Agreement and the Letter of Credit shall have been returned to the Bank for cancellation, then no further action with respect to the Letter of Credit or notice to or consent of the Bank shall thereafter be required under the terms of this Indenture and the Bank shall cease to be a third party beneficiary of this Indenture.

Section 17.11 LIMITED OBLIGATION. The principal of, premium, if any, and interest on the Bonds shall be payable solely from the funds pledged for their payment in accordance with the Indenture and from payments made pursuant to the Letter of Credit.

THE BONDS AND THE INTEREST THEREON AND REDEMPTION PREMIUM, IF ANY, SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF NORTH CAROLINA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING, WITHOUT LIMITATION, THE ISSUER AND HERTFORD COUNTY, NORTH CAROLINA. NEITHER THE STATE OF NORTH CAROLINA NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING, WITHOUT LIMITATION, THE ISSUER AND

64

71

HERTFORD COUNTY, NORTH CAROLINA, SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR OTHER COSTS INCIDENT THERETO EXCEPT FROM THE REVENUES ASSIGNED AND PLEDGED THEREFOR, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NORTH CAROLINA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING, WITHOUT LIMITATION, THE ISSUER AND HERTFORD COUNTY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR OTHER COSTS INCIDENT THERETO. THE ISSUER HAS NO TAXING POWER.

65

72

IN WITNESS WHEREOF, The Hertford County Industrial Facilities and

Pollution Control Financing Authority has caused this Trust Indenture to be executed by its Chairman and PNC Bank, National Association, Trustee and Paying Agent, has caused this Trust Indenture to be executed by one of its duly authorized officers, all as of the day and year first above written.

THE HERTFORD COUNTY INDUSTRIAL  
FACILITIES AND POLLUTION CONTROL  
FINANCING AUTHORITY

By: /s/ O.S. Suiter, Jr.  
-----  
Chairman

(Signatures continue on following page.)

66

73

(Trustee's Signature Page for Trust Indenture)

PNC BANK, NATIONAL ASSOCIATION  
Trustee and Paying Agent

By: /s/ Douglas Wilson  
-----  
Authorized Officer

67

74

EXHIBIT A

(FORM OF BOND]

No. R-1

\$6,000,000

UNITED STATES OF AMERICA

STATE OF NORTH CAROLINA

THE HERTFORD COUNTY INDUSTRIAL FACILITIES AND  
POLLUTION CONTROL FINANCING AUTHORITY

INDUSTRIAL DEVELOPMENT REVENUE BONDS  
(EASCO CORPORATION PROJECT), SERIES 1998

INTEREST RATE	MATURITY DATE	ISSUE DATE	CUSIP
Variable	November 1, 2013	November 5, 1998	

Registered Owner: CEDE & Co.

Principal Amount: SIX MILLION DOLLARS

The Hertford County Industrial Facilities and Pollution Control Financing Authority (the "Issuer"), a political subdivision duly created, organized and existing in the State of North Carolina (the "State"), for value received, hereby promises to pay (but only out of the sources hereinafter mentioned) to the Registered Owner specified above, or registered assigns, at the maturity hereof on November 1, 2013 (unless earlier redeemed as hereinafter provided), upon surrender hereof, the Principal Amount specified above, and to pay (but only out of the sources hereinafter mentioned) interest on such Principal Amount on the first Business Day (as defined in the Indenture hereinafter mentioned) of each month, commencing December 1, 1998 (each such date being referred to as an "Interest Payment Date"), from the Issue Date specified above, until the Principal Amount hereof has been paid in full or provision therefor has been made in accordance with the terms of the Indenture hereinafter mentioned, at the rates of interest determined as provided in this Bond and such Indenture.

The Principal Amount or redemption price of this Bond shall be paid upon the presentation and surrender hereof at the principal corporate trust office of PNC Bank, National Association, Pittsburgh, Pennsylvania, (the "Paying Agent") as the paying agent or at the duly designated office of any duly appointed alternate or successor paying agent. The interest on this Bond shall be payable by check mailed to the Registered Owner of this Bond at such Registered Owner's address as it appears on the Bond Register maintained by the PNC Bank, National Association, Pittsburgh, Pennsylvania, as trustee (the "Trustee"), provided that at the request of any Registered Owner of at least \$1,000,000 in aggregate principal amount of the Bonds received by the Paying Agent at least one (1) Business Day before the applicable Record Date before such Interest Payment Date, or in the case of Bonds registered to the Depository or its nominee, interest accrued on such Bonds at a Variable Weekly Rate (as hereinafter defined) shall be paid by wire transfer within the continental United States of America, in immediately available funds, to the bank account number of such Registered Owner appearing on the Bond Register; and further provided that

75

interest payable at maturity or upon redemption of such Bonds shall be paid only upon presentation and surrender of such Bonds. The principal or redemption price and purchase price upon the tender of this Bond as hereinafter provided becoming due with respect to Bonds bearing interest at a Variable Weekly Rate shall, at the request of the Registered Owner of at least \$1,000,000 in aggregate principal amount of Bonds received by the Paying Agent at least 15 days before the maturity date, redemption date or payment date, as the case may be, or in the case of Bonds registered to the Depository or its nominee, be paid by wire transfer within the continental United States of America in immediately available funds to the bank account number of such Registered Owner appearing on the Bond Register, but only upon presentation and surrender of such Bonds. The principal, redemption price or purchase price of and interest on this Bond shall be paid in any coin or currency of the United States of America which, at the time of payment, is legal tender for the payment of public and private debts.

The interest payable as provided in this Bond on any Interest Payment Date, or duly provided for, will be paid to the person in whose name ownership of this Bond is registered at the close of business on the Regular Record Date for such Interest Payment Date, which shall be the date immediately preceding such Interest Payment Date or, if such day is not a Business Day, the Business Day next preceding such day. Any such interest not so paid or duly provided for

on such Interest Payment Date, or within three Business Days thereafter, shall forthwith cease to be payable to the person in whose name this Bond is registered on such Regular Record Date, and may be paid to the person in whose name this Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice of which shall be given to such person no less than ten days prior to such Special Record Date, or may be paid, at any time in any other lawful manner, all as more fully provided in the Indenture hereinafter mentioned.

This Bond is one of a duly authorized series designated "The Hertford County Industrial Facilities and Pollution Control Financing Authority Industrial Development Revenue Bonds (Easco Corporation Project), Series 1998" (the "Bonds") limited in aggregate principal amount of \$6,000,000, issued pursuant to the Industrial and Pollution Control Facilities Financing Act, Chapter 159C of the North Carolina General Statutes, as amended, (the "Act") and a resolution duly adopted by the Issuer, and under and secured by a Trust Indenture dated as of November 1, 1998 (the "Indenture") between the Issuer and the Trustee. The Bonds are issued for the purpose of financing the costs of a Project, as defined in the Indenture, and to use the proceeds to make a loan that will provide moneys for the acquisition, construction, equipping and installation of the Project. The Issuer has entered into a Loan Agreement dated as of November 1, 1998 (the "Agreement") with Easco Corporation (the "Company") providing for the use of the proceeds of the Bonds to finance the acquisition, construction, installation and equipping of the Project and for loan repayments by the Company in amounts sufficient to pay, when due, the principal of, premium, if any, and interest on the Bonds. The Issuer has assigned to the Trustee as security for the Bonds under and pursuant to the Indenture all of the Issuer's right, title and interest in and to the Agreement (except for Reserved Rights as defined in the Agreement) and all moneys and obligations held by the Trustee and the Paying Agent from time to time and certain of the funds and accounts created under the Indenture.

The principal of, premium, if any, and interest on the Bonds shall be payable solely from the funds pledged for their payment in accordance with the Indenture and from payments made pursuant to the Letter of Credit.

THE BONDS AND THE INTEREST THEREON AND REDEMPTION PREMIUM, IF ANY, SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF NORTH CAROLINA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING, WITHOUT LIMITATION, THE ISSUER AND HERTFORD COUNTY, NORTH CAROLINA. NEITHER THE STATE OF NORTH CAROLINA NOR ANY POLITICAL

SUBDIVISION THEREOF, INCLUDING, WITHOUT LIMITATION, THE ISSUER AND HERTFORD COUNTY, NORTH CAROLINA, SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR OTHER COSTS INCIDENT THERETO EXCEPT FROM THE REVENUES ASSIGNED AND PLEDGED THEREFOR, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NORTH CAROLINA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING, WITHOUT LIMITATION, THE ISSUER AND HERTFORD COUNTY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR OTHER COSTS INCIDENT THERETO. THE ISSUER HAS NO TAXING POWER.

The Bonds are payable solely from the loan repayments to be made by the Company to the Trustee pursuant to the Agreement and the promissory note of the Company evidencing the indebtedness of the Company thereunder, and from any other moneys pledged to or held by the Trustee or the Paying Agent under the Indenture for such purpose. Except as otherwise specified in the Indenture, this Bond is entitled to the benefits of the Indenture equally and ratably secured both to principal (and redemption price) and interest with all other Bonds issued under the Indenture. Reference is hereby made to the Indenture and the Agreement for a description of the rights of the Owners of the Bonds, the rights and obligations of the Issuer and the Company, the rights, duties and obligations of the Trustee and the Paying Agent, and the provisions relating to amendments and modifications thereof. The acceptance of the terms and conditions



of such documents and the Letter of Credit described below, copies of which are on file at the principal corporate trust office of the Trustee, is an explicit and material part of the consideration of the issuance hereof, and each Owner hereof by acceptance of this Bond accepts and assents to all such terms and conditions as if fully set forth here. The Owner of this Bond shall have no right to enforce the provisions of the Indenture, the Agreement, or the Letter of Credit, or the rights and remedies thereunder, except as provided in the Indenture. Capitalized terms used in this Bond which are not defined herein but which are defined in the Indenture shall have the respective meanings set forth in the Indenture.

The Company has caused an irrevocable letter of credit (the "Original Letter of Credit") to be issued by Bank of America National Trust and Savings Association, (the "Bank"), Chicago, Illinois, to be delivered to the Paying Agent. Such Original Letter of Credit or any replacement letter of credit delivered to the Paying Agent in accordance with the terms of the Indenture is herein referred to as the "Letter of Credit." As used herein, the term "Bank" shall mean the issuer of the Original Letter of Credit or the bank issuing any replacement Letter of Credit. The Paying Agent shall be authorized under the Letter of Credit, subject to the terms and conditions thereof, to draw up to (a) an amount equal to the principal of the Outstanding Bonds (i) to pay the principal of the Bonds when due at maturity or upon redemption or acceleration, or (ii) to pay the portion of the purchase price of Bonds corresponding to the principal amount of any Bonds tendered for purchase pursuant to the Indenture to the extent remarketing proceeds are not available for such purpose, plus (b) an amount equal to 60 days' accrued interest on the Outstanding Bonds at the maximum rate of interest of 10% per annum (i) to pay interest on the Bonds when due or (ii) to pay the portion of the purchase price of any Bonds tendered for purchase pursuant to the Indenture corresponding to the accrued interest, if any, on such Bonds to the extent remarketing proceeds are not available for such purpose. The Original Letter of Credit expires on January 31, 2000, unless terminated earlier pursuant to its terms. Subject to the provisions of the Indenture, the Company, may, but is not required to, cause the Letter of Credit to be replaced with another Letter of Credit having substantially similar terms. The Original Letter of Credit is being issued pursuant to a Credit Agreement dated March 18, 1994, as amended by First Amendment to Credit Agreement dated January 31, 1995, Second Amendment to Credit Agreement dated February 18, 1997, and Third Amendment to Credit Agreement dated as of October 30, 1998 (the "Credit Agreement") between the Company and the Bank, under which the Company is obligated, among other things, to reimburse the Bank, with interest, for any draws under the original Letter of Credit.

**INTEREST RATE.** The Bonds shall bear interest at a Variable Weekly Rate from the date of original issuance until the interest rate on the Bonds shall be, if ever, converted to a Fixed Rate as provided in the Indenture. So long as the Bonds bear interest at the Variable Weekly Rate, interest shall be computed on the basis of the actual days elapsed over a 365 or 366 day year and a Weekly Rate shall be determined for each Weekly Rate Period as follows: The Weekly Rate for each Weekly Rate Period shall be effective from and including the commencement date of such period (Thursday) and shall remain in effect through and including the last day thereof (the following Wednesday). Each such Weekly Rate shall be determined by the Remarketing Advisor on the Wednesday, or if such Wednesday is not a Business Day, on the Business Day next preceding the commencement date of the Weekly Rate Period to which it relates. The Weekly Rate so to be determined shall be the lowest rate of interest which, in the judgment of the Remarketing Advisor, would cause the Bonds to have a market value equal to the principal amount thereof plus accrued interest, taking into account Prevailing Market Conditions as of the date of determination; provided that: (i) if the Remarketing Advisor fails for any reason to determine and notify the Paying Agent of the Weekly Rate for any Weekly Rate Period, the Weekly Rate shall be the same as the Weekly Rate in effect for the immediately preceding Weekly Rate Period, except that if such failure continues for more than one consecutive Weekly Rate Period, the Weekly Rate shall be equal to eighty percent (80%) of the average of the annual bond-equivalent yield evaluations at par of 13-week United States Treasury obligations at the most recent Treasury auction; and (ii) in no event shall the Weekly Rate for any Weekly Rate Period exceed ten percent (10%) per annum. No notice of Weekly Rates will be given to the Owners

of the Bonds; however, the Owners may obtain Weekly Rates from the Remarketing Advisor. All determinations of Weekly Rates shall be conclusive and binding upon the Issuer, the Company, the Bank, the Trustee, the Paying Agent and the Owners of the Bonds to which such rates are applicable. The Issuer, the Company, the Bank, the Trustee, the Paying Agent and the Remarketing Advisor shall not be liable to any Owner for failure to give any notice required with respect to Weekly Rates or for failure of any Person to receive any such notice.

REMARKETING ADVISOR. The Issuer has appointed PNC Capital Markets, Inc. as remarketing advisor (such corporation and any successor thereto being referred to as the "Remarketing Advisor") under the Indenture. The Remarketing Advisor may be removed and replaced by the Issuer in accordance with the terms of the Indenture.

#### OPTIONAL AND MANDATORY TENDER OF BONDS

OPTIONAL TENDER. Bonds bearing interest at a Variable Weekly Rate (or portions thereof in Authorized Denominations) are subject to tender for purchase by the Owners thereof at a price equal to the principal amount thereof (or of such portions) plus accrued interest to the purchase date, on any Business Day, upon written irrevocable notice from such Owner to the Paying Agent and the Remarketing Advisor on any Business Day at least seven (7) days prior to the Business Day on which such purchase is to be made. Notwithstanding anything herein to the contrary, any Owner who has elected to retain any Bond (or portion thereof) upon a mandatory tender date may no longer elect to have such Bond purchased as provided herein and in the Indenture. Furthermore, such tender right is subject to the additional conditions that any tendered Bond (or portion thereof) will not be purchased if (i) such Bond (or portion thereof) has been called for redemption on or prior to the applicable purchase date or (ii) as of the applicable purchase date, an Event of Default under the Indenture exists and the Bonds have been declared to be and are due and payable. Each notice of tender shall: (a) be delivered to the Paying Agent at its Principal office and to the Remarketing Advisor at its Principal Office and be substantially in the form set forth in the Indenture or in other form satisfactory to the Paying Agent; (b) state (i) the principal amount of the Bond to which the notice relates, (ii) that the Owner irrevocably demands purchase of such Bond (or a specified portion thereof in an Authorized Denomination), (iii) the date on which such Bond (or specified portion thereof) is to be purchased, and (iv) payment instructions with respect to the purchase price; and (c) automatically constitute

4

78

(i) an irrevocable offer to sell the Bond (or specified portion thereof) to which such notice relates on the purchase date at a price equal to the principal amount of such Bond (or specified portion thereof) plus any interest thereon accrued and unpaid as of the purchase date, (ii) an irrevocable authorization and instruction to the Paying Agent to effect transfer of such Bond (or specified portion thereof) upon payment of such price to the Paying Agent on the purchase date, (iii) an irrevocable authorization and instruction to the Paying Agent to effect the exchange of such Bond in whole or in part for other Bonds in an equal aggregate principal amount so as to facilitate the sale of such Bond (or specified portion thereof), and (iv) an acknowledgment that such Owner will have no further rights with respect to such Bond (or specified portion thereof) upon payment of the purchase price thereof to the Paying Agent on the purchase date, except for the right of such Owner to receive such purchase price upon surrender of such Bond to the Paying Agent endorsed for transfer in blank and with guaranty of signature satisfactory to the Paying Agent, and that after the purchase date such Owner will hold such Bond as agent for the Paying Agent. The determination of the Paying Agent as to whether a notice of tender has been properly delivered pursuant to the foregoing shall be conclusive and binding upon the owner. No Owner may tender Bonds for purchase if, after the purchase, such Owner will hold Bonds in a denomination less than \$100,000.

MANDATORY TENDER. The Bonds shall be subject to mandatory tender for

purchase on (a) the Fixed Rate Conversion Date, relating to conversion of interest on the Bonds to a Fixed Rate, (b) the Expiration Tender Date, relating to the expiration of the Letter of Credit, and (c) the Replacement Tender Date, relating to the replacement of a Letter of Credit, at a price equal to the principal amount thereof plus interest; provided that the Owners of any such Bonds may elect to retain their Bonds as provided herein and in the Indenture.

OWNER ELECTION TO RETAIN BONDS. The Owners of Bonds subject to mandatory tender on the Fixed Rate Conversion Date may elect to retain their Bonds by delivering to the Paying Agent at its Principal Office, not later than 5:00 p.m., local time, on a Business Day which is not fewer than fifteen (15) days prior to the Fixed Rate Conversion Date, a written notice of such election. Such notice shall be effective upon receipt and: (a) state that the Person delivering the same is an Owner (specifying the principal amount of Bonds such Owner is electing to retain); (b) acknowledge receipt of the notice of conversion and mandatory tender and the contents thereof delivered pursuant to the Indenture; and (c) direct the Paying Agent not to purchase the specified principal amount of Bonds of such Owner. Any such notice delivered to the Paying Agent shall be irrevocable and binding upon the Owner delivering the same and all subsequent Owners of the Bonds to be retained, including any Bonds issued in exchange therefor or upon transfer thereof.

BY ACCEPTANCE OF THIS BOND, THE OWNER HEREOF AGREES THAT THIS BOND WILL BE PURCHASED, WHETHER OR NOT SURRENDERED, (A) ON ANY DATE SPECIFIED BY THE OWNER HEREOF AND THE EXERCISE OF THE OPTIONAL TENDER FOR PURCHASE DESCRIBED ABOVE, AND (B) ON THE MANDATORY TENDER DATE IN CONNECTION WITH THE CONVERSION TO A FIXED RATE. THE REGISTERED OWNER OF THIS BOND SHALL IN SUCH EVENT NOT BE ENTITLED TO RECEIVE FURTHER INTEREST HEREON, SHALL HAVE NO FURTHER RIGHTS UNDER THIS BOND OR THE INDENTURE EXCEPT TO THE PAYMENT OF THE PRICE HELD THEREFORE, AND SHALL THEREAFTER HOLD THIS BOND AS AGENT FOR THE PAYING AGENT.

#### REDEMPTION

NOTICE OF REDEMPTION. The Paying Agent shall cause notice of any redemption of any Bonds to be given not more than sixty (60) days and not less than thirty (30) days prior to the redemption date by mailing copies of such notice of redemption by first-class mail, postage prepaid, to all Owners of Bonds to be redeemed at their registered addresses, but failure to mail any such notice or defect in the mailing thereof

5

79

in respect of any Bond shall not affect the validity of the redemption of any other Bond with respect to which notice was properly given.

OPTIONAL REDEMPTION. While the Bonds bear interest at the Variable Weekly Rate, the Bonds are subject to redemption prior to maturity at the option of the Issuer, upon the direction of the Company, on any Interest Payment Date, in whole or in part, by lot or by such other method as the Paying Agent deems appropriate, at a redemption price equal to the principal amount thereof plus interest accrued to the redemption date.

SPECIAL MANDATORY REDEMPTION. The Bonds are subject to special mandatory redemption, prior to maturity, in whole upon the occurrence of a Determination of Taxability (as hereinafter defined), such mandatory redemption to be made on a Business Day as soon as practicable after the date on which the Trustee first receives written notice of the Determination of Taxability, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date. "Determination of Taxability" means the determination that interest on the Bonds is includable in the gross income of the Owners thereof, other than an Owner who is a substantial user of the Project or a Related Person, within the meaning of the Internal Revenue Code of 1986, as amended, and the rules and regulations in effect thereunder (the "Code"), which determination is deemed to be made upon the occurrence of either of the following: (a) a final

determination, decision or decree by the Commissioner or any district director of the Internal Revenue Service, or by any court of competent jurisdiction, which is not subject to further review, in a proceeding in which the Company was afforded opportunity to contest the issues involving federal income tax treatment of interest on the Bonds, either directly or in the name of the Owner of the Bonds, as described in the Indenture; or (b) an opinion of Bond Counsel, received by the Trustee, to the effect that interest on the Bonds is includable in the gross income of any owner thereof who is neither a substantial user of the Project or a Related Person, within the meaning of the Code; provided that if in the opinion of a Bond Counsel a "Determination of Taxability" does not render interest on all of the Bonds includable in gross income for federal income tax purposes, a Determination of Taxability shall not be deemed to have occurred as to those Bonds the interest on which remains excludable in the opinion of such Bond Counsel, from the gross income of the Owners thereof for federal income tax purposes.

The Bonds are subject to special mandatory redemption, prior to maturity, in whole upon the occurrence of a Cessation of Operation (as hereinafter defined), such mandatory redemption to be made on a Business Day as soon as practicable after the date on which the Trustee first receives written notice of the occurrence of a Cessation of Operation, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date. "Cessation of Operation" means that the Project shall have ceased to be operated as a "project" within the meaning of the Act, PROVIDED HOWEVER, that a Cessation of Operation shall not be deemed to have occurred until 90 days shall have elapsed after written notice has been given to the Company by the Issuer or the Trustee that operation of the Project has ceased and the Company shall not have demonstrated to the satisfaction of the Issuer and the Trustee that the Company (or an assignee or lessee permitted hereunder) is operating the Project as a "project."

EXTRAORDINARY OPTIONAL REDEMPTION. The Bonds are subject to extraordinary optional redemption prior to maturity by the Issuer, upon the direction of the Company, in whole on any date, at a redemption price equal to one hundred percent (100%) of the principal amount thereof plus interest accrued to the redemption date, following the occurrence of any of the following events: (i) a substantial portion of the Project Facilities (or the facilities of which they are a part) shall have been damaged, destroyed, condemned or taken by eminent domain (or a bona fide sale in lieu of such taking shall have occurred); (ii) the Company determines that the continued operation of the Project Facilities (or the facilities of which they are a part) for their original purpose is impracticable, uneconomical or undesirable for any reason or the company is enjoined or prevented or is otherwise prohibited from continued operation or the Company

6

80

determines to discontinue operation of the Project Facilities (or the facilities of which they are a part) for a period of at least six months; or (iii) the construction or operation of the Project Facilities (or the facilities of which they are a part) is enjoined or prevented or is otherwise prohibited, or the Company determines to discontinue operation of the Project Facilities (or the facilities of which they are a part), for a period of at least six months as a result of any order, decree, rule or regulation of any court or federal, state or local regulatory body, administrative agency or other governmental body.

SPECIAL OPTIONAL REDEMPTION. Notwithstanding the optional redemption as described above, the Bonds are subject to special optional redemptions at the option of the Issuer exercised by the Company. So long as a Letter of Credit is in effect, Bonds may be called for special optional redemption only with the consent of the Bank.

#### DEFAULT; ACCELERATION

If an Event of Default occurs, the principal of all Bonds issued under the Indenture may be declared due and payable upon the conditions and in the

manner and with the effect provided in the Indenture.

The Owner 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 other proceedings with respect thereto, unless certain circumstances described in the Indenture shall have occurred.

#### DEFEASANCE

If at any time the Trustee or the Paying Agent holds moneys or securities, as described in the Indenture, sufficient to pay at redemption or maturity the principal or redemption price of and interest on all Bonds at the time Outstanding under the Indenture and any purchase price payable pursuant to the Indenture in respect thereof, and if all other sums then payable by the Issuer under the Indenture have been paid, then, subject to the provisions of the Indenture, the lien of the Indenture and other security held by the Trustee will be discharged. After such discharge, Owners must look only to the deposited moneys and securities for payment.

#### DENOMINATIONS; TRANSFER; OWNERSHIP

Subject to the provisions of the Indenture, the Bonds are issuable as registered Bonds in the denomination of \$100,000 or any \$5,000 integral multiple for amounts in excess of \$100,000. Subject to the limitations provided in the Indenture and upon payment of any tax or governmental charge, Bonds may be exchanged for a like aggregate principal amount of Bonds of other Authorized Denominations.

This Bond is transferable by the Registered Owner hereof, or his or her duly authorized attorney, at the principal corporate trust office of PNC Bank, National Association, Pittsburgh, Pennsylvania, as Paying Agent, or the duly designated office of any duly appointed alternate or successor bond registrar, upon surrender of this Bond, accompanied by a duly executed instrument of transfer in a form and with a guaranty of signature satisfactory to the Paying Agent, subject to such reasonable regulations as the Issuer, the Trustee or the Paying Agent may prescribe, and upon payment of any tax or other governmental charge incident to such transfer. Upon any such transfer, a new Bond or Bonds in the same aggregate principal amount will be issued to the transferee. The Paying Agent is not required to transfer or exchange any Bonds selected, called or being called for redemption except as otherwise provided in the Indenture. Except as provided in the Indenture, the person in whose name this Bond is registered on the Bond Register shall be deemed the owner hereof for all purposes, and the Issuer, the Trustee, the Paying Agent and the Remarketing Advisor shall not be affected by any notice to the contrary.

The Bonds are issuable only as fully registered Bonds in typewritten form (except as hereinafter provided), initially registered in the name of CEDE & Co. as nominee of The Depository Trust Company ("DTC"), which shall be considered to be the owner of the Bonds for all purposes of the Indenture, including, without limitation, payment by the Issuer of principal, interest and premium, if any, and the delivery of notices. There shall be a single Bond for each Bond maturity, which shall be immobilized in the custody of DTC with the owners of book entry interests in the Bonds having no right to receive a Bond in the form of physical securities or certificates. Ownership of book entry interests in the Bonds shall be shown by book entry on the system maintained and operated by DTC and its participants (the "Participants"), and certain persons acting through those Participants. Transfers of ownership of book entry interests are to be made only by that book entry system, the Issuer and the Trustee having no responsibility therefor. DTC is to maintain records of the positions of Participants in the Bonds, and the Participants and persons acting

through Participants are to maintain records of the purchasers and owners of book entry interests. The Bonds as such shall not be transferable or exchangeable, except for transfer to another depository (as defined in the Indenture) or to another nominee of a depository, without further action by the Issuer.

If any Depository determines not to continue to act as a Depository for the Bonds for holding in a book entry system, the Company, on behalf of the Issuer, may attempt to have established a securities depository/book entry system relationship with another qualified Depository. If the Company, on behalf of the Issuer, does not or is unable to do so, the Company, on behalf of the Issuer, after the Trustee has made provision for notification of the owners of book entry interests by appropriate notice to the then Depository, shall permit withdrawal of the Bonds from the Depository, and the Trustee shall authenticate and deliver Bond certificates in fully registered form to the assigns of the Depository or its nominee (if the Bonds are held by a nominee), all at the cost and expense (including costs of printing or otherwise preparing and delivering replacement Bonds) of the Company.

If a Depository is the Owner of the Bonds then, notwithstanding anything to the contrary set forth in this Bond, the Indenture, the Agreement, or any other document, in the event of any redemption, acceleration or any similar transaction necessitating a reduction in the aggregate principal amount of the Bonds outstanding or an advance refunding of part of the Bonds outstanding, the then Depository in its discretion may (a) request that the Trustee issue and authenticate a new Bond certificate, or (b) make an appropriate notation on the Bond certificate indicating the date and amount of such reduction in principal, except in the case of final maturity, in which case such Bond certificate will be presented to the Trustee for payment as set forth in the Indenture. In the event of any such request, the Company, on behalf of the Issuer, shall permit withdrawal of the Bonds from the Depository, and the Trustee shall authenticate and deliver such new Bond certificates, all at the cost and expense (including costs of printing or otherwise preparing and delivering replacement Bonds) of the Company.

As long as the Bonds are registered in the name of a Depository, or its nominee, the Trustee shall comply with the terms and provisions of the Letter of Representations with the Depository relating to the Bonds, and the provisions of such Letter of Representations with respect to (i) any delivery of the Bonds, (ii) the solicitation of consents from and voting by the Owners of the Bonds, (iii) the provision of notices, (iv) the payment of principal of, premium, if any, on and interest on the Bonds and (v) the payment of the purchase price of the Bonds pursuant to any optional or mandatory tender hereof shall supersede the provisions hereof and of the Indenture with respect thereto to the extent the same are in conflict or inconsistent herewith or therewith.

It is certified and recited that there have been performed and have happened in regular and due form, as required by law, all acts and conditions necessary to be done or performed by the Issuer or to have happened (i) precedent to and in the issuing of the Bonds in order to make them legal, valid and binding

special obligations of the Issuer, and (ii) precedent to and in the execution and delivery of the Indenture and the Agreement; that payment in full for the Bonds has been received; and that the Bonds do not exceed or violate any constitutional or statutory limitation.

No recourse shall be had for the payment of the principal or redemption price, or interest on, this Bond, or for any claim based hereon or on the Indenture, against any member, officer, commissioner, agent or employee, past, present or future, of the Issuer or of any successor body or of the State, as such, either directly or through the Issuer or any such successor body or the State, or any constitutional provision, statute or rule of law, or by the

enforcement of any assessment or by any legal or equitable proceeding or otherwise.

Unless this certificate is presented by an authorized representative of DTC to the Issuer or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of CEDE & CO. or in such other name as is requested by an authorized representative of DTC (and any payment is made to CEDE & CO. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, CEDE & CO., has an interest herein.

This Bond shall not be valid unless the Certificate of Authentication below is executed by the Paying Agent.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be executed in its name by the manual or facsimile signatures of its Chairman and attested by its Secretary and the seal of the Issuer or a facsimile thereof to be reproduced hereon.

THE HERTFORD COUNTY INDUSTRIAL FACILITIES  
AND POLLUTION CONTROL FINANCING AUTHORITY

By \_\_\_\_\_  
Chairman

[SEAL]

Attest

\_\_\_\_\_  
Secretary

Certificate of Authentication  
-----

Date of Authentication and Registration:

This Bond is one of the Bonds described in the within mentioned Indenture.

PNC BANK, NATIONAL ASSOCIATION,  
Paying Agent

By \_\_\_\_\_  
Authorized Signature

The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM - As tenants in common

TEN ENT - As tenants by the entireties

JT TEN - As joint tenants with the right of survivorship and not as tenants in common

UNIFORM TRANS MIN ACT - \_\_\_\_\_ Custodian \_\_\_\_\_  
(Cust) (Minor)

Under Uniform Transfers to Minors Act \_\_\_\_\_  
(State)

Additional abbreviations may also be used, though not in the above list.

ASSIGNMENT FOR VALUE RECEIVED

The undersigned hereby sells, assigns and transfers unto

(EMPLOYER IDENTIFICATION OR SOCIAL SECURITY NO.)

-----  
(Please Print or Typewrite Name and Address of Assignee)

the within Bond and all rights thereunder and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney, to transfer said Bond on the Bond Register, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed:

-----  
NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

-----  
NOTICE: The assignor's signature to this Assignment must correspond with the name as it appears on the face of the within Bond in every particular, without alteration or any change whatsoever.



EXHIBIT B

FORM OF COMPLETION CERTIFICATE

To: PNC Bank, National Association, as Trustee  
Bank of America National Trust and Savings Association, as  
Bank

The undersigned \_\_\_\_\_, as Authorized Representative of Easco Corporation (the "Borrower"), hereby certifies that, pursuant to that certain Loan Agreement dated as of November 1, 1998 (the "Agreement"), Between The Hertford County Industrial Facilities and Pollution Control Financing Authority (the "Issuer") and the Company, that:

(a) the date of such completion of the Project was \_\_\_\_\_;

(b) all labor, services, materials and supplies used therefor and all costs and expenses in connection therewith have been paid;

(c) acquiring, constructing, reconstructing and equipping the Project has been completed in accordance with the plans and specifications with the exception of ordinary punch list items and work awaiting seasonal opportunity and

(d) the Project is ready for occupancy, use and operation for its intended purposes.

This certificate (1) it is given without prejudice to any rights of the Company against third parties which exist at the date hereof or which may subsequently come into being, (2) it is given only for the purposes of Section 2.4 of the Agreement, and (3) no person other than the Issuer, the Bank or the Trustee may benefit herefrom or rely hereon.

Easco Corporation

By: \_\_\_\_\_  
Authorized Representative

=====

THE HERTFORD COUNTY INDUSTRIAL FACILITIES AND  
 POLLUTION CONTROL FINANCING AUTHORITY

as the Issuer

and

EASCO CORPORATION

as the Company

-----

LOAN AGREEMENT

-----

Dated as of  
 November 1, 1998

Relating to  
 \$6,000,000  
 The Hertford County Industrial Facilities and  
 Pollution Control Financing Authority  
 Industrial Development Revenue Bonds  
 (Easco Corporation Project), Series 1998

=====

All right, title and interest, excluding Reserved Rights (as defined herein) of the Issuer in this Loan Agreement have been pledged and assigned to PNC Bank, National Association, as Trustee under a Trust Indenture dated as of November 1, 1998 between the Issuer and the Trustee, and are subject to the security interest of the Trustee thereunder.

TABLE OF CONTENTS

-----

<TABLE>  
<CAPTION>

Page  
----

ARTICLE 1

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

<S>	<C>
Section 1.1 Definitions.....	2
Section 1.2 Definitions Contained in the Indenture.....	5
Section 1.3 General Rules of Construction.....	5
Section 1.4 Representations, Warranties and Covenants of the Company.....	5
Section 1.5 Tax-Exempt Status of Bonds.....	6
Section 1.6 Representations, Warranties and Covenants of the Issuer.....	10
Section 1.7. No Representation or Warranty by Issuer as to Project.....	12

ARTICLE 2

FINANCING OF PROJECT

Section 2.1 Issuance of Bonds.....	12
Section 2.2 Construction Fund.....	13
Section 2.3 Fixed Rate.....	13
Section 2.4 Completion of Project; Excess Bond Proceeds.....	13
Section 2.5 Investment of Moneys.....	14

ARTICLE 3

LOAN OF PROCEEDS TO COMPANY; NOTE

Section 3.1 Loan of Bond Proceeds.....	14
Section 3.2 Credits to Company.....	14
Section 3.3 Note.....	14
Section 3.4 Additional Loan Repayments.....	15
Section 3.5 Letter of Credit.....	15
Section 3.6 Issuer and Company to Cooperate in Redemption of Bonds.....	16
Section 3.7 No Defense or Set-Off.....	16
Section 3.8 Assignment of Issuer's Rights.....	16
Section 3.9 Acceleration of Payment to Redeem Bonds.....	16
Section 3.10 Security.....	16

ARTICLE 4

COVENANTS OF COMPANY

Section 4.1 Maintenance and Operation of Project.....	17
Section 4.2 Maintenance of Existence; Merger; Asset Transfer.....	17
Section 4.3 Payment of Issuer's Fees and Expenses.....	18
Section 4.4 Indemnity Against Claims.....	18
Section 4.5 Damage to or Condemnation of Project.....	19
Section 4.6 Taxes, Other Governmental Charges and Utility Charges.....	20
Section 4.7 Insurance.....	20
Section 4.8 Company's Lease of Project Facilities.....	20

Section 4.9 Compliance with Laws.....	21
Section 4.10 Arbitrage Covenant.....	21
Section 4.11 Financing Statements.....	22

3

<TABLE>	
<S>	
Section 4.12 Notice and Certification With Respect to Bankruptcy Proceedings.....	22
Section 4.13 Annual Report of Outstanding Bonds.....	22
Section 4.14 Granting of Easements.....	22
Section 4.15 Limitation of Liens.....	23
Section 4.16 Access to the Project.....	23
Section 4.17 Control by Bank.....	23

</TABLE>  
 <TABLE>  
 <CAPTION>

ARTICLE 5

EVENTS OF DEFAULT AND REMEDIES

<S>	
<C>	
Section 5.1 Events of Default; Acceleration.....	23
Section 5.2 Payment on Default; Suit Therefor.....	25
Section 5.3 Other Remedies.....	25
Section 5.4 Cumulative Rights.....	25
Section 5.5 Waiver.....	26

ARTICLE 6

MISCELLANEOUS

Section 6.1 Limitation of Liability of Issuer.....	26
Section 6.2 Notices.....	26
Section 6.3 Severability.....	27
Section 6.4 Applicable Law.....	27
Section 6.5 Assignment; Successors and Assigns.....	27
Section 6.6 Enforcement of Certain Provisions by the Bank.....	28
Section 6.7 Amendments.....	28
Section 6.8 Term of Agreement.....	28
Section 6.9 Amounts Remaining in Bond Fund.....	28
Section 6.10 Compliance With Indenture.....	28
Section 6.11 Headings.....	28
Section 6.12 Counterparts.....	29
Section 6.13 No Third-Party Beneficiaries.....	29

Exhibit A - Form of Note.....	A-1
Exhibit B - Project Site.....	B-1
Exhibit C - Project Facilities.....	C-1
Exhibit D - Form of Requisition Certificate.....	D-1

</TABLE>

THIS LOAN AGREEMENT (the "Agreement") dated as of November 1, 1998 is made by and between THE HERTFORD COUNTY INDUSTRIAL FACILITIES AND POLLUTION CONTROL FINANCING AUTHORITY (the "Issuer"), a body politic and corporate and political subdivision duly created, organized and existing under the laws and Constitution of the State of North Carolina, and EASCO CORPORATION (the "Company"), a corporation duly organized and existing under the laws of the State of Maryland, under the following circumstances summarized in the following recitals (the capitalized terms not defined in the recitals being used therein as defined in Article I hereof):

RECITALS

-----

WHEREAS, the Industrial and Pollution Control Facilities Financing Act, Chapter 159C of the General Statutes of North Carolina, as amended (the "Act"), authorizes the creation of industrial facilities and pollution control financing authorities by the several counties in North Carolina and empowers such authorities to acquire, construct, own, repair, maintain, extend, improve, rehabilitate, renovate, furnish, equip and sell, lease, exchange, transfer or otherwise dispose of industrial or manufacturing facilities to the end that such authorities may be able to promote the right to gainful employment opportunity and private industry and thereby promote the general welfare of the inhabitants of North Carolina by exercising such powers to aid in financing industrial or manufacturing facilities for the purpose of alleviating unemployment or raising below average manufacturing wages, and further authorizes such authorities to loan to others the proceeds of bonds issued for the purpose of paying for all or any part of an industrial or manufacturing facility, to mortgage and pledge any or all of such facilities, whether then owned or thereafter acquired, as security for the payment of the principal of, premium, if any, and interest on any such bonds and any agreements made in connection therewith and to pledge or assign the revenues and receipts from such facilities or loan or from any other source to the payment of such bonds; and

WHEREAS, the Issuer has been duly organized pursuant to the Act; and

WHEREAS, in order to further the purposes of the Act, the Issuer proposes to undertake the financing of the acquisition, installation and equipping a facility for the manufacture of aluminum billets (the "Project") in Hertford County, North Carolina, which constitutes an industrial project under the Act, and to obtain the funds therefor by the issuance of its Bonds (as hereinafter defined) under a Trust Indenture securing such Bonds, between the Issuer and PNC Bank, National Association, Pittsburgh, Pennsylvania, as Trustee, dated as of the date hereof (the "Indenture"); and

WHEREAS, the Issuer proposes to loan the proceeds from the sale of the Bonds to the Company to acquire and install the Project upon the terms and conditions hereinafter set forth; and

WHEREAS, the Company and Bank of America National Trust and Savings Association (the "Bank"), will enter into a Letter of Credit Agreement (the "Credit Agreement") dated as of the date hereof pursuant to which the Bank will issue an irrevocable direct-pay letter of credit in an amount not to exceed \$6,098,631 (calculated as the initial principal amount of the Bonds plus 60 days' interest computed at an assumed rate of 10% per annum based on a 365 day

year, rounded up to the nearest dollar) to the Paying Agent at the request and for the account of the Company upon the terms set forth in the Credit Agreement for payment of the principal of and interest on, when due, the Bonds, for so long as the Bonds bear interest at the Variable Rate; and

WHEREAS, it has been determined that the financing of the Project will require the issuance, sale and delivery by the Issuer of a series of bonds in the aggregate principal amount of Six Million and No/100 Dollars (\$6,000,000) (the "Bonds");

5

NOW THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto covenant, agree and bind themselves as follows: provided, that any obligation of the Issuer created by or arising out of this Agreement shall never constitute a debt or a pledge of the faith and credit or the taxing power of the Issuer or any political subdivision or taxing district of the State of North Carolina but shall be payable solely out of the Trust Estate (as defined in the Indenture), anything herein contained to the contrary by implication or otherwise notwithstanding:

#### ARTICLE 1

-----

#### DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.1 DEFINITIONS. The terms defined in this Article 1 shall for all purposes of this Agreement have the meanings herein specified, unless the context clearly otherwise requires:

"Act" means the Industrial and Pollution Control Facilities Financing Act, Chapter 159C of the North Carolina General Statutes, as now in effect and as it may from time to time be amended or supplemented.

"Additional Loan Repayments" means those payments to be paid by the Company, in addition to the Loan Repayments, pursuant to Section 3.4 hereof.

"Agreement" means this Loan Agreement, as the same may be amended in accordance with its terms and the terms of the Indenture.

"Bank" means Bank of America National Trust and Savings Association, Chicago, Illinois, as issuer of the Original Letter of Credit, and the bank or financial institution issuing any subsequent replacement Letter of Credit.

"Bond" or "Bonds" means any of The Hertford County Industrial Facilities and Pollution Control Financing Authority Industrial Development Revenue Bonds (Easco Corporation Project), Series 1998, issued under the Indenture.

"Bond Counsel" means, initially, Hunton & Williams, Raleigh, North Carolina, and any counsel named in the list of "Municipal Bond Attorneys" published in the then current edition of The Bond Buyer's DIRECTORY OF MUNICIPAL BOND DEALERS or counsel determined by the Trustee to be qualified to pass upon legal questions related to municipal bonds.

"Bond Documents" means, collectively, the Placement Agreement, the Indenture, this Agreement, the Note and the Bonds.

"Bondholder" means the registered owner of any Bond.

"Bond Resolution" means the resolution adopted by the Issuer on October 20, 1998, authorizing, INTER ALIA, the issuance, sale and delivery of the Bonds.

"Closing" means the concurrent initial delivery of the Bonds against initial payment therefor.

"Closing Date" means the date of the Closing.

2

6

"Code" means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated or in effect thereunder.

"Company" means Easco Corporation, a corporation duly organized and existing under the laws of the State of Maryland.

"Condemnation Award" means any award or payment (less any expenses, including attorneys fees, incurred by the Issuer, the Trustee, the Bank and the Company in connection therewith) which may be made with respect to the Project as a result of (i) the taking of all or any portion of the Project by the exercise of the right of eminent domain by any governmental body, or by any person, firm or corporation acting under a governmental body, or by any person, firm or corporation acting under governmental authority (or a bona fide sale in lieu of such taking) or (ii) the alteration of the grade of any street.

"Event of Default" means any of the events described in Section 5.1 hereof.

"Event of Taxability" means any event, act or omission that may cause the interest on the Bonds to be includable in the gross income of the owners thereof (other than an owner holder who is a "substantial user" within the meaning of Section 147(a) of the Code or a Related Person thereof).

"Financing Documents" means, collectively, the Bond Documents, the Credit Agreement and the Remarketing Agreement, and the documents delivered in connection with any of the foregoing.

"Force Majeure" means any cause, circumstance or event not reasonably within the control of the Company, including, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States or of the State of North Carolina, or any of their departments, agencies, political subdivisions or officials; civil disturbances; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; storms; droughts; floods; washouts; arrests; restraint of government and people; explosions; breakage, malfunction or accident to facilities, machinery, transmission pipes or canals; partial or entire failure of utilities; and shortages of labor, materials, supplies or transportation.

"Indenture" means the Trust Indenture dated of even date herewith between the Issuer and the Trustee, as amended or supplemented at the time in question.

"Inducement Resolution" means the resolution adopted by the Issuer on October 14, 1997, respecting the Bonds and the Project.

"Issuance Costs" means all reasonable costs incurred in connection with the issuance of the Bonds, including without limitation, all financial, legal, accounting and appraisal costs; the Issuer's actual out-of-pocket expenses; the costs of printing and reproduction; the initial fees of the Trustee (including the first year's annual fee), the Remarketing Advisor and any Paying Agent; all costs, fees and expenses related to the Original Letter of Credit; the costs of filing or recording any Financing Documents; and all other reasonable costs incident to the issuance, sale and delivery of the Bonds.

"Letter of Credit" means the Original Letter of Credit or any letter of credit substituted therefor or any replacement letter of credit delivered to the Paying Agent pursuant to Article 6 of the Indenture or any Fixed Rate Letter of Credit (as defined in the Indenture).

3

7

"LGC" means the Local Government Commission, a division of the North Carolina Department of State Treasurer, and any successor or successors thereto.

"Loan Repayments" means the loan repayments to be paid by the Company pursuant to Section 3.1 hereof.

"Note" means the promissory note of the Company dated the Closing Date and otherwise in substantially the same form as is set forth in EXHIBIT A hereto.

"Original Letter of Credit" means the Bank's Irrevocable Letter of Credit No. \_\_\_\_\_, dated the Closing Date, issued in favor of the Paying Agent, for the account of the Company.

"Paying Agent" means the Person appointed as such by the Issuer and accepting such appointment for the time being pursuant to Article 12 of the Indenture.

"Placement Agreement" means the Placement Agreement dated as of November 1, 1998 among the Issuer, the Company, and PNC Capital Markets, Inc., providing for the initial placement and delivery of the Bonds.

"Principal User" means a "principal user" within the meaning of Section 144(a) of the Code.

"Project" means the Project Site and the Project Facilities. Any reference to construction and installation of the Project includes all work necessary to plan and design the Project and all work necessary to prepare the Project Site or any part thereof for the construction and installation of any part of the Project Facilities, including any necessary excavation and site



preparation work, the design and construction of such foundation and structures as shall be necessary or desirable in connection with the Project and the modification of existing parts of the Project to such extent as shall be necessary to complete the Project.

"Project Facilities" or "Facilities" means the manufacturing facility on the Project Site and all fixtures, machinery and equipment and other items of tangible personal property located or installed at the Project Site, the costs of which, in whole or in part, are paid by the Company, or reimbursed to the Company as Costs of the Project, from the proceeds of the Bonds, including all accessions thereto, modifications thereof, and replacements therefor, as such real estate improvements, fixtures, machinery and equipment are more specifically described in EXHIBIT C hereto.

"Project Site" means the land described in EXHIBIT B hereto.

"Related Person" means a "related person" as defined in Section 144(a)(3) of the Code.

"Remarketing Advisor" means PNC Capital Markets, Inc. and its successors in such capacity as provided in Article 13 of the Indenture.

"Remarketing Agreement" means the Remarketing Agreement dated as of November 1, 1998, between the Company and the Remarketing Advisor or any agreement executed by the Company and any subsequent Remarketing Advisor appointed pursuant to the Indenture.

4

8

"Reserved Rights" means the rights of the Issuer to receive payments under Sections 1.6(Q) and 3.4 and 4.3 hereof, the right of indemnification under Section 4.4 hereof, the right to give consent to amendments of this Agreement and approvals as provided in this Agreement, and the right to receive reports.

"State" means the State of North Carolina.

"Trustee" means PNC Bank, National Association, Pittsburgh, Pennsylvania, and its successors in trust under the Indenture.

Section 1.2 DEFINITIONS CONTAINED IN THE INDENTURE. Unless the context clearly indicates a different meaning, other words, terms or phrases which are not defined in this Agreement, but which are defined in the Indenture, shall have the meanings respectively given them in the Indenture.

Section 1.3 GENERAL RULES OF CONSTRUCTION.

A. Whenever in this Agreement the context requires:

(1) references to the singular number shall include the plural and vice versa; and

(2) words denoting gender shall be construed to

include the masculine, feminine and neuter.

B. The Table of Contents and the titles given to any Article or Section of this Agreement are for convenience of reference only and are not intended to modify, amend or limit such Article or Section.

C. "Herein," "hereby," "hereunder," "hereof," hereinafter" and other equivalent words refer to this Agreement in its entirety and not solely to the particular portion in which any such word is used.

Section 1.4 REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE COMPANY. The Company represents, warrants and covenants to the Issuer as follows:

A. The Company is a corporation duly organized and validly existing under the laws of the State of Maryland, authorized to do business in the State of North Carolina, and has full power and authority to carry on the business in which it is engaged and to execute, deliver and perform its obligations under the Financing Documents to which it is a party.

B. The Company has duly authorized the execution and delivery of the Financing Documents to which it is a party and all actions required to perform its obligations thereunder, and no approval or other action by any person is required in connection with the execution, delivery and performance thereof other than that which has been obtained as of the date of execution hereof.

C. The Financing Documents to which the Company is a party have been duly executed and delivered by the Company, constitute the legal, valid and binding obligations of the Company, and are enforceable in accordance with their respective terms, except as their enforceability may be subject to the exercise of judicial discretion in accordance with general equitable principles, and to any applicable

bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors, to the extent that such laws may be constitutionally applied.

D. Except as disclosed in writing to the Issuer, the Remarketing Advisor and any governmental entity required by law to be advised prior to the Closing, to the best knowledge of the Company, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, or before or by any court or public board or body, pending or, to the best knowledge of the Company, threatened, against the Company:

(1) challenging the validity of, or seeking to enjoin the performance by the Company of its obligations with respect to, the Financing Documents to which the Company is a party;  
or

(2) against or affecting the Company (nor to the best knowledge of the Company is there any basis therefor) wherein

an unfavorable decision, ruling or finding would materially and adversely affect any of the transactions contemplated by the Financing Documents to which the Company is a party or might result in any material adverse change in the business, properties, condition (financial or otherwise), or operations of the Company.

E. The Company has no present intention of abandoning the Project or of operating or using the Project in any manner other than as represented to the Issuer.

F. As of the Closing Date, the information provided by the Company to the Issuer contained in the documents delivered at the Closing is true and correct in all material respects, and such information does not and as of its date did not include any untrue statement of a material fact or omit to state any material fact necessary to make the statements made therein, under the circumstances in which they were made, not misleading.

#### Section 1.5 TAX-EXEMPT STATUS OF BONDS.

It is the intention of the parties hereto that the interest on the Bonds not be included in gross income for federal income tax purposes, and to that end the Company hereby represents, warrants and agrees, for the benefit of the Issuer and the Bondholders, as follows:

A. The Project constitutes and will constitute either land or property of a character subject to the allowance for depreciation under Section 167 of the Code.

B. At least ninety-five percent (95%) of the net proceeds of the Bonds will be used to pay for, or to reimburse the Company for payment of, the costs of the acquisition, construction and installation of the Project, and will not be used, directly or indirectly, to provide working capital to the Company or any Related Person to the Company. Except as permitted under the Code, none of such costs will be for or with respect to obligations paid or incurred prior to the adoption of the Inducement Resolution. All such costs will be chargeable to the capital account of the Company for federal income tax purposes or will be so chargeable either with a proper election by the Company (for example under Section 266 of the Code) or but for a proper election by the Company to deduct such amounts.

C. Neither the Company nor any other Principal User of the Project, nor any Related Person to any of them, has taken or permitted to be taken on its behalf any action which would adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes. The

Company will not take, or permit to be taken on its behalf or by or on behalf of any such Principal User or Related Person, any action which would adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes (including allowing any person to become a Principal User of the Project). The Company will take and cause each such Principal User to take

such action as may from time to time be required under applicable law or regulation, whether now in effect or hereafter enacted or promulgated, to continue the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

D. The sum of (i) the principal amount of the Bonds and (ii) the aggregate principal amount of all obligations issued, expenditures made and obligations incurred during the three-year period ending on the Closing Date with respect to the Project Facilities and any other facilities within Hertford County, North Carolina, (including, without limitation, the leasing of equipment) which constitute "Capital Expenditures" (within the meaning of Section 144(a)(4) of the Code), other than those mentioned in Section 144(a)(4)(C) of the Code, by the Company, any other Principal User of the Project, any Related Person of either, or otherwise with respect to the Project Facilities, is not in excess of \$10,000,000, and such sum, together with all such Capital Expenditures assumed, made or incurred during the three-year period beginning on the Closing Date, will not exceed \$10,000,000.

E. Except as permitted under the Code, prior to the adoption of the Inducement Resolution, neither the Company nor any Related Person to the Company had entered into any binding agreement in connection with the acquisition, construction or installation of the Project, no on-site work had been commenced in connection with the acquisition, construction or installation of the Project, and no off-site fabrication of any portion of the Project had been commenced. The Company will complete the acquisition, construction and installation of the Project on or before January 31, 1999.

F. Except for the Bonds, no bonds, notes or other obligations of any state, territorial possession or any political subdivision of the United States of America or any political subdivision of any of the foregoing or of the District of Columbia have been issued and are now outstanding, the proceeds of which have been or are to be used primarily with respect to the Facilities.

G. With respect to the Bonds, there are no other obligations that are in whole or in part either an obligation of, or guaranteed or otherwise secured by the credit of, the Company or are in whole or in part secured by the Trust Estate and that have been, are being, or will be sold (i) at substantially the same time, (ii) under a common plan of marketing, and (iii) at substantially the same rate of interest.

H. The Company intends to operate and maintain the Project at all times during the term of this Agreement, so long as Loan Repayments remain to be paid, and does not know of any reason why the Project will not be so operated and maintained by the Company in the absence of circumstances not now anticipated by the Company or beyond its control.

I. In compliance with Section 147(b) of the Code, the average weighted maturity of the Bonds does not exceed one hundred twenty percent (120%) of the average reasonably expected economic life of the facilities being financed by the Bonds.

J. Less than twenty-five percent (25%) of the net proceeds of the Bonds are to be or will be used (directly or indirectly) for the acquisition of land (or an interest therein). None of the net proceeds of the Bonds are to be or will be used to provide depreciable farm property, as defined in Section 144(a)(11)(B) of the Code, with respect to which the Principal User is or will be the same person or two or more Related Persons.

K. None of the net proceeds of the Bonds are to be or will be used for the acquisition of any property (or an interest therein) unless the first use of such property by the Company is pursuant to such acquisition or unless:

(i) With respect to the portion of the Project consisting of one or more buildings, rehabilitation expenditures have been, or will be made, on such building in an amount equal to fifteen percent (15%) of the cost of acquiring, constructing and installing such buildings (and equipment, if located within a building and to be used in a manner similar to its use prior to the acquisition, construction and installation in the buildings) financed with the net proceeds of the Bonds;

(ii) With respect to the portion of the Project consisting of facilities other than buildings, rehabilitation expenditures have been or will be made in an amount equal to one hundred percent (100%) of the cost of acquiring, constructing and installing such facilities (and equipment) financed with the Net Proceeds of the Bonds;

(iii) As used herein, rehabilitation expenditures means any amount properly chargeable to a capital account for the rehabilitation of the building or facility incurred, including amounts incurred by a successor to the Company, or by the seller of the property under and pursuant to a sales contract with the Company, within two years of the later of the date on which that portion of the Project financed by the net proceeds of the Bonds was acquired, constructed or installed or the Closing Date, which shall include, in the case of an integrated operation contained in a building before its acquisition, rehabilitating or replacing existing equipment, but excluding any expenditure described in Section 148(g)(2)(B) of the Code;

L. None of the proceeds of the Bonds are to be or will be used to provide any private or commercial golf course, country club, massage parlor, tennis club, skating facility (including roller skating, skateboarding and ice skating), racquet sports facility (including any handball or racquetball court), hot tub facility, suntan facility, racetrack, airplane, skybox or other private luxury box, health club facility, facility primarily used for gambling, or store the principal business of which is the sale of alcoholic beverages for consumption off premises.

M. None of the proceeds of the Bonds will be used to provide a facility the primary purpose of which is retail food and beverage services, automobile sales or services, or the provision of recreation or entertainment.

N. There are no other "qualified bonds" (within the meaning of

Section 141(e) of the Code) which, together with the Bonds, are to be used with respect to a single building, an enclosed shopping mall or a strip of offices, stores or warehouses using substantially common facilities.

O. None of the proceeds of the Bonds will be used directly or indirectly to provide residential real property for family units.

P. Ninety-five percent (95%) or more of the "net proceeds" (as such term is defined in Section 150(2)(3) of the Code) of the Bonds are to be used and will be used to provide a manufacturing facility (within the meaning of Section 144(a)(12)(C) of the Code). Any office space included within the Project will be located on the premises of the manufacturing facility and not more than a de minimis amount

8

12

of the functions to be performed at such office will not be directly related to the day-to-day operations at such facility.

Q. The Company is expected to be the only Principal User of the Project.

R. The Project Site is located on land more particularly described on Exhibit B hereto, commonly known as Route 1, Box 131, Mitchell Road, Ahoski, Hertford County, North Carolina. All of the Project Facilities will be located on the Project Site.

S. The information contained in the Information Return for Private Activity Bond Issues (IRS Form 8038) filed with respect to the Bonds (except information with respect to the Issuer and issue price, as to which the Company makes no warranty) or the Project Facilities is in all respects true, correct and complete.

T. Neither the obligations of the Company under this Agreement nor the Bonds are or will be "federally guaranteed," as defined in Section 149(b) of the Code.

U. The Company does not have on the date hereof and the Company shall not permit any other Person to become a Principal User of the Project prior to the date three (3) years after the Project is placed in service if it has on the date hereof "outstanding tax-exempt facility-related bonds" (as defined in Section 144(a)(10) of the Code) allocated to it, including its allocable portion of the Bonds, in excess of \$40,000,000 in the aggregate (such allocation being pursuant to Section 144(a)(10) of the Code).

V. The total of all Issuance Costs paid for, with, or for which the Company is reimbursed, from proceeds of the Bonds shall not exceed two percent (2%) of the proceeds of the Bonds.

W. The Company covenants that, notwithstanding any other provision of this Agreement, it will not knowingly take, or permit to be taken on its behalf, any action which would impair the exclusion of interest on the Bonds from gross income for purposes of federal income taxation, and that the

Company will take such reasonable actions as may be necessary from time to time to continue such exclusion, including, without limitation, the preparation and filing of any statements required to be filed by it in order to maintain such exclusion.

X. The Company agrees to file with the Trustee, and to cause any other Principal User of the Project to file with the Trustee, within ninety (90) days of the close of each of the three (3) twelve-month periods next succeeding the Closing Date, a certificate of an Authorized Representative that the \$10,000,000 limitation described above in Subsection D hereof has not been exceeded as of the close of such twelve-month period.

Y. Promptly after the Company first becomes aware of any Event of Taxability (as defined in the Indenture), the Company shall give written notice thereof to the Issuer and the Trustee.

Subsequent to the issuance of the Bonds and prior to their payment in full (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), neither this Agreement nor the Note may be amended, changed, modified, altered or terminated except as permitted herein and by the Indenture and with the written consent of the Company, the Trustee and the Bank. Subject to the provisions of the Indenture, the Issuer, the Trustee, and the Company hereby agree to amend this Agreement to the extent required or permitted, in the opinion of Bond Counsel, in order for interest on the Bonds to be excluded from gross income for federal income tax purposes under Section 103(a) of the Code.

The party requesting such amendment shall notify the other party to this Agreement and the Trustee of the proposed amendment, with a copy of such requested amendment to Bond Counsel. To effect any such proposed amendments, after review of such proposed amendment, there shall be rendered by Bond Counsel a Favorable Opinion.

Section 1.6 REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE ISSUER. The Issuer represents, warrants and covenants for the benefit of the Company and the Bondholders, as follows:

A. The Issuer is a body public and corporate and political subdivision, duly created, organized and existing under the Constitution and laws of the State.

B. The Issuer has all requisite power, authority and right, under the laws and Constitution of the State, including particularly the Act, to execute and deliver the Bond Documents and all other instruments and documents to be executed and delivered by the Issuer pursuant thereto, to perform and observe the provisions thereof and to carry out the transactions contemplated thereby. All official action on the part of the Issuer which is required for the execution, delivery, performance and observance by the Issuer of the Bond Documents has been duly authorized and effectively taken, and such execution, delivery, acceptance, performance and observance by the Issuer do not contravene applicable law or any contractual restriction binding on or affecting the

Issuer.

C. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution and delivery (or acceptance) by the Issuer of, and performance by the Issuer of its obligations under, the Bond Documents. The Issuer has obtained approval of the issuance of the Bonds by the Governing Body as required by Section 159C-4(d) of the Act, by the Secretary of the Department of Commerce of the State required by Section 159C-7 of the Act and by the LGC required by Sections 159C-6, -8 and -9 of the Act.

D. This Agreement is, and each other Bond Document when delivered will be, a legal, valid and binding limited obligation of the Issuer enforceable against the Issuer in accordance with its respective terms, except as the enforceability thereof may be subject to judicial decision or limited by applicable bankruptcy, insolvency, moratorium or other similar laws affecting the enforcement of creditors' rights generally.

E. There is no default of the Issuer in the payment of the principal of or interest on any of its indebtedness for borrowed money or under any instrument or instruments or agreements under and subject to which any indebtedness for borrowed money has been incurred which does or could affect the validity and enforceability of the Bond Documents or the ability of the Issuer to perform its obligations thereunder, and no event has occurred and is continuing under the provisions of any such instrument or agreement which constitutes or, with the lapse of time or the giving of notice, or both, would constitute such a default.

F. With respect to the Bonds, there are no other obligations of the Issuer that have been, are being or will be sold (i) at substantially the same time, (ii) under a common plan of marketing, and (iii) at substantially the same rate of interest.

G. There is pending or, to the knowledge of the undersigned officers of the Issuer, threatened no action or proceeding before any court, governmental agency or arbitrator (i) to restrain or enjoin the issuance or delivery of the Bonds or the collection of any revenues pledged under the Indenture,

10

14

(ii) in any way contesting or affecting the authority for the issuance of the Bonds or the validity of any of the Bond Documents or (iii) in any way contesting the existence or powers of the Issuer.

H. To the knowledge of the undersigned officers of the Issuer, except for the Bonds, no bonds, notes or other obligations of the Issuer have been issued and are now outstanding, the proceeds of which have been used or are to be used primarily with respect to the Facilities.

I. In connection with the authorization, issuance and sale of the Bonds, the Issuer has complied with all applicable provisions of the Constitution and laws of the State, including particularly the Act.



J. The Issuer has not assigned or pledged and will not assign or pledge its interest in this Agreement for any purpose other than to secure the Bonds under the Indenture. The Bonds constitute the only bonds or other obligations of the Issuer in any manner payable from the revenues to be derived from this Agreement, and except for the Bonds no bonds or other obligations have been or will be issued in connection with this Agreement.

K. The Issuer is not in default under any of the provisions of the laws of the State which default would affect its existence or its powers referred to above in Subsection B hereof.

L. Immediately prior to the adoption of the Bond Resolution, the Issuer held a public hearing with respect to the Bonds and the Project at which all interested individuals were afforded a reasonable opportunity to express their views, either orally or in writing, on the issuance of the Bonds and the location and nature of the Project. Notice of such public hearing was published in the Roanoke - Chowan News - Herald, a newspaper of general circulation in Hertford County, North Carolina at least fourteen (14) days in advance of the date of such hearing.

M. The Issuer has caused allocation of a portion of the State's volume cap under Section 146 of the Code equal to the aggregate principal amount of the Bonds.

N. No elected official, officer or employee of the Issuer, or any agency acting on its behalf, has any interest whatsoever in the Company or in the transactions contemplated by this Agreement.

O. The Issuer will not enter into any agreement or instrument which might in any way prevent or materially impair its ability to perform its obligations under the Bond Documents.

P. The Issuer will not consent or agree to any modification of this Agreement or waive compliance with any of the terms thereof, unless any such modification or waiver shall have been agreed to in writing by the Trustee and the Bank.

Q. So long as any Bonds shall remain unpaid, the Issuer will, upon request of the Trustee and provided that the Issuer shall be furnished with sufficient funds to pay all costs and expenses (including reasonable attorneys' fees) reasonably incurred by it as such costs and expenses accrue:

(1) take all action and do all things which it is authorized by law to take and do in order to perform and observe all covenants and agreements on its part to be performed and observed under the Bond Documents; and

11

15

(2) execute, acknowledge where appropriate, and deliver from time to time, promptly at the request of the Trustee, all such instruments and documents as in the reasonable opinions of the Trustee and the Counsel to the Issuer (which opinions shall not be unreasonably withheld or delayed) are necessary or desirable to carry

out the intent and purpose of the Bond Documents or any of them.

R. So long as any Bonds shall remain unpaid, the Issuer will not, without the written consent of the Trustee:

(1) take any action which, directly or indirectly, adversely affects its existence or powers under the laws of the State;

(2) take any action which would adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation; or

(3) pledge any interest in this Agreement, or the amounts to be derived from it, other than as contemplated by the Indenture.

S. Notwithstanding anything herein contained to the contrary, any obligation the Issuer may hereby incur for the payment of money shall not constitute an indebtedness of the County or of the State or of any political subdivision thereof within the meaning of any state constitutional provision or statutory limitation and shall not give rise to a pecuniary liability of the State or County or any political subdivision thereof, or constitute a charge against the general credit or taxing power of said State or County or any political subdivision thereof, but shall be limited obligations of the Issuer payable solely from (i) the pledged revenues, (ii) revenues derived from the sale of the Bonds, and (iii) amounts on deposit from time to time in the Bond Fund, subject to the provisions of this Agreement and the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein and therein.

Section 1.7. NO REPRESENTATION OR WARRANTY BY ISSUER AS TO PROJECT. THE ISSUER MAKES NO REPRESENTATION OR WARRANTY WHATSOEVER CONCERNING THE USE OF THE PROCEEDS OF THE SALE OF THE BONDS OR THE SUITABILITY OF THE PROJECT FOR THE PURPOSE FOR WHICH IT IS BEING UNDERTAKEN BY THE COMPANY. The Issuer has not made any independent investigation as to the feasibility or creditworthiness of the Company. Any bond purchaser, assignee of the Agreement or any other party with any interest in this transaction, shall make its own independent investigation as to the creditworthiness and feasibility of the Project, independent of any representation or warranties of the Issuer.

## ARTICLE 2

-----

### FINANCING OF PROJECT

Section 2.1 ISSUANCE OF BONDS. In order to finance the Project, the Issuer, upon request of the Company, will issue and sell the Bonds up to the maximum aggregate principal amount of \$6,000,000. The Bonds will be issued under and secured by the Indenture. The Bonds will be payable solely from payments made by the Company pursuant to the terms hereof, or from other moneys available for such purpose under the terms of the Indenture. The net proceeds of the Bonds shall be applied pursuant to the Indenture and Section 2.2 and 2.4 hereof.

Section 2.2 CONSTRUCTION FUND. The net proceeds of the Bonds (exclusive of accrued interest, if any, deposited in the Bond Fund) will be deposited by the Trustee in the Construction Fund established under the Indenture for payment of Costs of the Project. Moneys on deposit in the Construction Fund shall be disbursed by the Trustee to pay for, or reimburse the Company for its payment of, the Costs of the Project, upon receipt by the Trustee of the following:

A. A requisition certificate in the form of EXHIBIT D attached to this Agreement, properly completed and signed by an Authorized Representative and approved in writing by the Bank, dated not more than thirty (30) days prior to the date of receipt thereof by the Trustee, requesting the payment or reimbursement.

B. In the case of payments or reimbursements for Costs of the Project constituting costs of the Project Facilities, the following items are required:

(1) A certificate of the Authorized Representative stating that the Persons to be paid from the requested disbursement, or the Persons paid by the Company and for which reimbursement is sought, have satisfactorily completed the work or the portion thereof and/or furnished the materials or the portion thereof for which payment is requested;

(2) A certificate of the Company listing all work done or materials supplied since the last previous such certificate delivered by the Company under this Section 2.2 and all mechanics' and materialmen's lien waivers for such work and/or materials; and

(3) In case of payment or reimbursement for equipment comprising a portion of the Project Facilities, an itemized listing of all equipment, including exact nomenclature and serial number, if any, bought or to be bought with the requested disbursement.

The Company agrees that the sums so requisitioned from the Construction Fund will be used only for the Costs of the Project, and will not be used for any other purpose. The Company shall have the right to enforce payments from the Construction Fund upon compliance with the procedures set forth in this Section 2.2; provided that during the continuance of an Event of Default as defined in the Indenture, the Construction Fund shall be held for the benefit of Bondholders in accordance with the provisions of the Indenture.

The Company acknowledges that the receipt by the Trustee of a requisition signed by an Authorized Representative which appears to be properly complete on its face shall be sufficient authorization for the Trustee to disburse such amounts as may then be requested for disbursement.

Section 2.3 FIXED RATE. The Company shall not elect to establish a Fixed Rate for the Bonds, unless it shall have first delivered to the Trustee the Favorable Opinion required by the Indenture.

Section 2.4 COMPLETION OF PROJECT; EXCESS BOND PROCEEDS. When the Company certifies to the Trustee and the Issuer, in the manner provided in the Indenture, that the Project is complete, any amounts remaining in the

Construction Fund will be transferred to the Construction Fund Surplus Account in the Bond Fund and applied by the Trustee in accordance with the Indenture. Such application shall constitute payment of a portion of, and shall be credited against, the Loan Repayments due from the Company to the Issuer. If for any reason the amount in the Construction Fund is insufficient to pay all Costs of the Project, the Company, nonetheless, will complete the Project and shall pay all such additional costs

13

17

from its own funds. The Company shall not be entitled to any reimbursement for any such additional costs from the Issuer, the Trustee or any Bondholder; nor shall it be entitled to any abatement, diminution or postponement of the Loan Repayments.

Section 2.5 INVESTMENT OF MONEYS. Any moneys held as a part of the Bond Fund, the Construction Fund or any other fund shall be invested or reinvested by the Trustee, pursuant to the request and direction of the Company, to the extent permitted by law, as set forth in Section 7.2 of the Indenture.

### ARTICLE 3

-----

#### LOAN OF PROCEEDS TO COMPANY; NOTE

Section 3.1 LOAN OF BOND PROCEEDS. The Issuer agrees to lend the proceeds of the Bonds to the Company, upon the terms and conditions set forth herein in order to pay the Costs of the Project. The Company covenants and agrees, upon the terms and conditions and according to the provisions set forth herein and in the Note, to borrow the proceeds of the Bonds, to repay such loan, with interest thereon, by delivering, or causing to be delivered, the Loan Repayments on a timely basis (as more specifically described in Section 3.3 hereof), and to comply with all of its agreements and covenants herein set forth.

#### Section 3.2 CREDITS TO COMPANY.

A. The Company shall be entitled to receive a current credit against its Loan Repayments to the extent of the following amounts:

(1) The amount of any income arising from the investment of funds on deposit in the Bond Fund; and

(2) The amount of any draws under the Letter of Credit.

B. Should any amounts derived from the proceeds of the Bonds (to the extent not applied for the acquisition and construction of the Project or the purchase of machinery, equipment, and/or fixtures of like or greater value), or of any insurance in respect of the Project, or of any Condemnation Award, under this Agreement, be paid into the Bond Fund, such amounts shall be used to redeem the Bonds (or reimburse the Bank for draws under the Letter of Credit, the proceeds of which were used to effect such redemption) at the

earliest date permitted under the Indenture in the inverse order of maturities.

Section 3.3 NOTE.

A. Concurrently with the sale and delivery by the Issuer of the Bonds, to evidence the indebtedness hereunder, the Company shall execute and deliver to the Issuer the Note.

B. Payments by the Company to the Trustee in accordance with the provisions of the Note shall constitute Loan Repayments as required under Section 3.1 hereof. The Bonds shall be payable from moneys on deposit in the Bond Fund, including draws under the Letter of Credit and payments made by the Company to the Trustee of the principal of, premium, if any, and interest on the Note, as provided in the Indenture. Upon the redemption of the Bonds at any time upon the request of the Company, consistent with the terms and conditions of the Indenture, the Company shall make a Loan Repayment equal to the proposed principal payment, premium, if any, and interest due on the applicable date of such redemption of

14

18

the Bonds. Whenever payment, or provision therefor, has been made in respect of the principal of (whether at maturity, upon redemption, or otherwise) and interest on all or any portion of the Bonds in accordance with the Indenture, the Note shall be deemed paid to the extent that such payment or provision therefor has been made and is considered to be a payment of principal of, and/or interest on, such Bonds. If such Bonds are thereby deemed paid in full, the Note shall be canceled and returned to the Company. Subject to the foregoing or unless the Company is entitled to a credit under this Agreement or the Indenture, all payments shall be in the full amount required under the Note.

C. The payments required under Subsection B above shall be paid by the Company directly to the Trustee for the account of the Issuer for deposit in the General Account.

D. In any event, the payments required by Subsection B above shall always be sufficient (supplemented, whenever appropriate, by the credits hereinabove specified) to provide for the then current payment of principal of and interest on the Bonds.

E. The Issuer agrees that contemporaneously with the Closing, the Issuer shall establish with the Trustee the Bond Fund, and the Issuer agrees that the Company shall remit or cause to be remitted the required Loan Repayments under this Agreement directly to the Trustee by check or wire transfer payable to the order of the Trustee, for deposit in the General Account. The Issuer authorizes the payment of such required payments by the Company to the Trustee for deposit in the General Account.

F. The Company's obligation to pay the Loan Repayments hereunder shall commence on the Closing Date, with the first Loan Repayment being due on or before the first Interest Payment Date.

G. No Loan Repayments need be made to the Issuer or to the

Trustee whenever and so long as the amount on deposit in the General Account is sufficient, under the provisions of the Indenture, to retire the Bonds then Outstanding.

Section 3.4 ADDITIONAL LOAN REPAYMENTS. The Company shall pay as Additional Loan Repayments (a) all reasonable fees, charges, and expenses (including attorneys' fees) of the Trustee for services under the Indenture, including the Trustee's Extraordinary Fees and Expenses, (b) any amount required to be paid by the Company under Section 4.10 hereof, (c) all taxes, impositions, and other payments of whatever nature which the Company has agreed to pay or assume under the provisions of this Agreement or the Note, (d) all reasonable costs and expenses incident to the payment of the principal of and interest on the Bonds as the same becomes due and payable, including all costs and expenses, if any, in connection with the redemption and payment of the Bonds, and (e) all reasonable expenses (including attorneys' fees) incurred by the Issuer and the Trustee in connection with the enforcement of any rights under this Agreement, the Note, or the Indenture.

The Company shall pay such Additional Loan Repayments directly to the party entitled thereto, and such payment shall not be payable to any fund or account with the Trustee. The Issuer acknowledges that the Company may contest in good faith any Additional Loan Repayments.

Section 3.5 LETTER OF CREDIT. Concurrently with the issuance by the Issuer of the Bonds, the Company shall cause the Bank to deliver the Original Letter of Credit to the Trustee. The Company may also from time to time cause the Letter of Credit to be extended or cause the delivery of another Letter of Credit in replacement therefor, to the extent permitted by the terms of the Indenture. It is anticipated that so long as any Letter of Credit is held by the Paying Agent, all payments of principal of and

interest on the Bonds will be funded from draws on the Letter of Credit and that moneys representing Loan Repayments will be applied to reimburse the Bank for such draws.

Section 3.6 ISSUER AND COMPANY TO COOPERATE IN REDEMPTION OF BONDS. Whenever the Bonds are subject to optional redemption pursuant to the Indenture, the Issuer will, but only upon the written request of the Company, direct the Trustee to call the same for redemption as provided in the Indenture. Whenever the Bonds are subject to mandatory redemption pursuant to the Indenture, the Company will cooperate with the Issuer and the Trustee in effecting such redemption and will deliver to the Trustee moneys sufficient to redeem the Bonds in accordance with mandatory redemption provisions relating thereto as may be set forth in Article 8 of the Indenture.

Section 3.7 NO DEFENSE OR SET-OFF. The obligations of the Company to make or cause to be made the Loan Repayments and the Additional Loan Repayments under this Agreement and the Note shall be absolute and unconditional, without defense or set-off by reason of any default by the Issuer under this Agreement or under any other agreement between the Company and the Issuer or for any other reason, including without limitation, any acts or

circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, or failure of the Issuer to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement, it being the intention of the parties that the Loan Repayments and the Additional Loan Repayments required of the Company hereunder will be paid in full when due without any delay or diminution whatsoever. Loan Repayments shall be received by the Issuer or the Trustee as net sums and the Company agrees to pay or cause to be paid all charges against or which might diminish such net sums.

Section 3.8 ASSIGNMENT OF ISSUER'S RIGHTS. As security for the payment of the Bonds, the Issuer, herein and in the Indenture, assigns to the Trustee all of the Issuer's rights under this Agreement (except Reserved Rights). The Company consents to such assignment and agrees to make the Loan Repayments or cause the Loan Repayments to be made directly to the Trustee, without defense or set-off by reason of any dispute between the Company and the Trustee. Whenever the Company is required to obtain the consent of the Issuer hereunder, the Company shall also obtain the consent of the Trustee.

Section 3.9 ACCELERATION OF PAYMENT TO REDEEM BONDS. In the event of any optional or mandatory redemption of the Bonds, the Company will pay or cause to be paid on or before the date of redemption an amount equal to the applicable redemption price as a prepayment of that portion of the amount then outstanding under this Agreement corresponding to the principal of the Bonds to be redeemed, together with applicable premium (if any) and interest accrued to the date of redemption.

Section 3.10 SECURITY. In order to secure its obligations hereunder, the Company agrees that the Issuer shall have a security interest in all the Company's right, title and interest in and to all funds and investments thereof now or hereafter held by the Trustee or the Paying Agent under the Indenture as security for the payment of the Bonds, including without limitation, any and all payment funds, debt service funds and other funds and securities and other instruments comprising investments thereof and interest and other income derived therefrom held as security for the payment of the Bonds. The terms of this Section 3.10 shall constitute a security agreement within the meaning of the State Uniform Commercial Code.

ARTICLE 4

-----

COVENANTS OF COMPANY

Section 4.1 MAINTENANCE AND OPERATION OF PROJECT.

A. During the term of this Agreement, the Company will, at its own cost and expense, keep and maintain, or cause to be kept and maintained, in good repair and condition (excepting reasonable wear and tear) the Project and all additions and improvements thereto, and pay, or cause to be paid, any utility charges and other costs and expenses arising out of its occupancy of the Project; provided that this covenant shall not prevent the Company from

assigning its interest in the Project pursuant to Section 6.5 hereof.

B. The Company agrees to timely pay for any improvements to the Project and to comply in all material respects, at its own cost and expense, with all lawful and enforceable notices received from public authorities from and after the date hereof which affect the Project and the use and operation thereof, other than those improvements to the Project, the validity or application of which is at the time being contested, in whole or in part, in good faith by appropriate proceedings.

C. The Company will maintain and use the Project Facilities as an "industrial project for industry" within the meaning of the Act and manufacturing facility or, subject to the provisions of Section 4.8 hereof, lease them to tenants for such use and will not use or permit the use of the Project Facilities in any manner which would result in a violation of Section 144(a) (8) or Section 147(e) of the Code.

D. The Company shall obtain or cause to be obtained all necessary permits and approvals for the acquisition, operation and maintenance of the Project and shall comply with all lawful requirements of any governmental body regarding the use or condition of the Project or any of its component parts. The Company may, however, contest any such requirement by an appropriate proceeding diligently prosecuted.

E. The Company shall maintain a set of plans and specifications at the Project Site which shall be available to the Issuer, the Trustee and the Bank for inspection and examination during the Company's regular business hours, and the Issuer and the Company agree that the Company may supplement, amend and add to such plans and specifications, and that the Company shall be authorized to omit or make substitutions for components of the Project, without approval of the Issuer, provided that no such change shall be made which shall cause the Project to be non-compliant with the Act or the Code, and provided further that if any such change would render materially incorrect or incomplete the description of the initial components of the Project or the description of the Project as set forth in Exhibit C to this Agreement, the Company and the Issuer shall amend such Exhibit C to reflect such change, upon receipt by the Issuer, the Trustee, and the Bank of an opinion of Bond Counsel that such change will not result in an Event of Taxability. No approval of the Issuer or the Trustee shall be required for the acquisition of the Project or for the solicitation, negotiation, award or execution of contracts relating thereto.

Section 4.2 MAINTENANCE OF EXISTENCE; MERGER; ASSET TRANSFER. So long as this Agreement is in effect, the Company agrees that it will maintain its existence, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it, except either with the consent of the Bank or as provided in the Credit Agreement; if a Credit Facility is not in effect, the Company agrees

that it will continue to be a corporation organized under the laws of the State



of Maryland, will maintain its corporate existence, will maintain its authority to do business in the State, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation or permit one or more corporations to consolidate with or merge into it; provided, that the Company may, without violating the foregoing, consolidate with or merge into another corporation, or permit one or more corporations to consolidate with or merge into it, or transfer all or substantially all of its assets to another such corporation (and thereafter dissolve or not dissolve, as the Company may elect) if the corporation surviving such merger or resulting from such consolidation, or the corporation to which all or substantially all of the assets of the Company are transferred, as the case may be: (i) is a corporation organized under the laws of the United States of America, or any state, district or territory thereof, and qualified to do business in the State; (ii) shall expressly in writing assume all of the obligations of the Company contained in this Agreement; (iii) has a consolidated tangible net worth (after giving effect to such consolidation, merger or transfer) of not less than the consolidated tangible net worth of the Company and its consolidated subsidiaries immediately prior to such consolidation, merger or transfer; (iv) shall notify each Person identified in Section 6.2 hereof of the name and address of such corporation surviving such merger or resulting from such consolidation, or the corporation to which all or substantially all of the assets of the Company are transferred; and (v) provided that no Event of Default has occurred and is continuing hereunder.

The term "consolidated tangible net worth," as used in this Section, shall mean the difference obtained by subtracting total consolidated liabilities (not including as a liability any capital or surplus item) from total consolidated tangible assets of the Company and all of its consolidated subsidiaries, computed in accordance with generally accepted accounting principles. Prior to any such consolidation, merger or transfer the Trustee shall be furnished a certificate from the chief financial officer of the Company or his/her deputy stating that in the opinion of such officer none of the covenants in this Agreement will be violated as a result of said consolidation, merger or transfer.

Section 4.3 PAYMENT OF ISSUER'S FEES AND EXPENSES. Except to the extent payment is provided from the Construction Fund, the Company will pay the Issuer's fees and all reasonable expenses, including legal and accounting fees, incurred by the Issuer in connection with the issuance of the Bonds and the performance by the Issuer of its functions and duties under this Agreement and the Indenture.

Section 4.4 INDEMNITY AGAINST CLAIMS. In the exercise of the powers of the Issuer, the Trustee or the Paying Agent under the Indenture or hereunder, including (without limiting the foregoing) the application of moneys, the investment of funds and the letting or other disposition of the Project upon the occurrence of an Event of Default, neither the Issuer, the Trustee, the Paying Agent, the LGC, the Governing Body, nor their respective members, directors, officers, employees or agents shall be accountable to the Company for any action taken or omitted by any of them in good faith and with the reasonable belief that it is authorized or within the discretion or rights or powers conferred. The Issuer, the Trustee, the Paying Agent, the LGC, the Governing Body and their respective members, directors, officers, employees and agents shall be protected in acting upon any document reasonably believed by them to be genuine, and any of them may conclusively rely upon the advice of counsel and may (but need not) require further evidence of any fact or matter before taking any action. No recourse shall be had by the Company for any claims based hereon

or on the Indenture against any member, director, officer, employee or agent of the Issuer, the Trustee, the Paying Agent, the LGC or the Governing Body alleging personal liability on the part of such person unless, in the case of the Trustee or the Paying Agent only, such claims are based upon the bad faith, fraud or deceit of such person. The Company will indemnify and hold harmless the Issuer, the Trustee, the Paying Agent, the LGC, the Governing Body and each member, director, officer, employee and agent of the Issuer, the Trustee, the Paying Agent, the LGC or the Governing Body against any and all

18

22

claims, losses, damages or liabilities, joint and several, to which the Issuer, the Trustee, the Paying Agent, the LGC, the Governing Body or any member, director, officer, employee or agent of the Issuer, the Trustee, the Paying Agent, the LGC or the Governing Body may become subject, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise directly or indirectly out of the Project or are based upon any other act or omission in connection with the Project by the Issuer, the Trustee, the Paying Agent, the LGC or the Governing Body, unless, in the case of the Trustee or the Paying Agent only, the losses, damages or liabilities arise from the gross negligence or willful misconduct of the person to be indemnified. The Company further releases the Issuer, the LGC and the Governing Body and agrees that the Issuer, the LGC and the Governing Body shall not be liable for, and indemnifies the Issuer, the LGC and the Governing Body against, all liabilities, claims, costs and expenses imposed upon or asserted against any of them on account of:

(a) any loss or damage to the property or injury to or death of or loss by any person that may be occasioned by any cause whatsoever pertaining to the construction, maintenance, operation and use of the Project;

(b) any breach or default on the part of the Company in the performance of any covenant or agreement of the Company under this Agreement, the Note or any related document, or arising from any act or failure to act by the Company, or any of its agents, contractors, servants, employees or licensees;

(c) the authorization, issuance and sale of the Bonds, and the provision of any information furnished in connection therewith and in connection with any remarketing thereof, including, without limitation, any information furnished by the Company for inclusion in any certifications made by the Issuer; and

(d) any such claim or action or proceeding brought with respect to the matters set forth in (a), (b) and (c) above.

In the event any claim is made or action brought against the Issuer, the Trustee, the Paying Agent, the LGC, the Governing Body or any member, director, officer, employee or agent of the Issuer, the Trustee, the Paying Agent the LGC or the Governing Body, except for claims or actions brought which are claimed to have arisen from the negligence or willful misconduct of such person, the Issuer, the Trustee, the Paying Agent, the LGC or the Governing Body may direct the Company to assume the defense of the claim and any action brought thereon and pay all reasonable expenses (including attorney's fees)

incurred therein; or the Issuer, the Trustee, the Paying Agent, the LGC or the Governing Body may assume the defense of any such claim or action, the reasonable cost (including attorney's fees) of which shall be paid by the Company upon written request of the Issuer, the Trustee, the Paying Agent, the LGC or the Governing Body to the Company. The Company may engage its own counsel to participate in the defense of any such action. The defense of any such claim shall include the taking of all actions necessary or appropriate thereto.

Section 4.5 DAMAGE TO OR CONDEMNATION OF PROJECT. In the event of damage, destruction or condemnation of part or all of the Project, the Company shall, as its sole option, either: (i) restore the Project, or (ii) if permitted by the terms of the Bonds, direct the Issuer to call the Bonds for redemption. Damage to, destruction of or condemnation of all or a portion of the Project shall not terminate this Agreement, or cause any abatement of or reduction in the payments to be made by the Company or otherwise affect the respective obligations of the Issuer or the Company, except as set forth in this Agreement. In the event of damage, destruction or condemnation of the Project or any part thereof, the net proceeds of any insurance policies required to be maintained under Section 4.7 hereof or the proceeds of any

Condemnation Award shall be paid to the Trustee, and if no Event of Default hereunder or under the Indenture has occurred and is continuing, shall be, at the election of the Company, applied to the repair or restoration of the portion of the Project which is the subject of such damage or destruction, or which remains after such condemnation, or, if Extraordinary Optional Redemption of the Bonds is permitted by the terms of the Bonds, deposited in the General Debt Service Account and applied pursuant to Section 5.2.B of the Indenture upon the redemption of the Bonds and credited against the Loan Repayments. If the Issuer or the Company is the payee, or one of the payees, of any check or other instrument representing payment of any insurance proceeds or Condemnation Award referred to in this Section, the Issuer or Company will endorse the same to the order of the Trustee and deliver the same to the Trustee; and if the Issuer or the Company fails to do so, the Issuer and the Company hereby irrevocably authorize any officer or employee of the Trustee to endorse and deliver the same as the Issuer's or Company's attorney-in-fact.

Section 4.6 TAXES, OTHER GOVERNMENTAL CHARGES AND UTILITY CHARGES. The Company shall pay, or cause to be paid before the same shall become delinquent, all taxes, assessments, whether general or special, and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Project, including any equipment or related property installed or brought by the Company therein or thereon and all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project. With respect to special assessments or other governmental charges that lawfully may be paid in installments over a period of years, the Company shall be obligated to pay only such installments as are required to be paid during the term hereof. The Company may, at its expense, in good faith contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom, unless the Issuer or the Trustee shall notify the Company that, in

the opinion of counsel, by nonpayment of any such items the lien of the Indenture will be materially endangered or the Project, or any part thereof, will be subject to material loss or forfeiture, in which event such taxes, assessments or charges shall be paid promptly by the Company. The Company also agrees to comply at its own cost and expense with all notices received from public authorities from and after the date hereof. If the Company shall fail to pay any of the foregoing items required by this Section to be paid by it, the Issuer or the Trustee may (but shall be under no obligation to) pay the same and any amounts so advanced therefor by the Issuer or the Trustee shall become an additional obligation of the Company to the Issuer or the Trustee, as the case may be, making the advancement, which amounts, together with interest thereon from the date thereof at a variable rate equal to the rate of interest announced by the Trustee from time to time to be the prime rate designated by PNC Bank, National Association, Pittsburgh, Pennsylvania, plus one percent (1%) per annum, the Company hereby agrees and covenants to pay; provided however, such rate of interest shall not exceed the maximum rate permitted under State law. Such interest shall be considered to be additional indebtedness secured hereby.

#### Section 4.7 INSURANCE.

The Company shall maintain, or cause to be maintained, with respect to the Project policies of insurance with insurers subject to regulation by the State, of such type and in such amounts as are customary for entities of like size and engaged in like business, provided that so long as the Bonds shall be supported by a Letter of Credit the Company shall maintain such policies of insurance (and in such amounts) as are specified in the Credit Agreement.

Section 4.8 COMPANY'S LEASE OF PROJECT FACILITIES. The Company may lease any portion of the Project Facilities, but only subject to the following conditions:

20

24

A. The Company shall have obtained the written consent to such lease of (i) the Bank; either of the Issuer or the LGC and (ii) if an Event of Default has occurred and is continuing, the Trustee following consent of the Bondholders to the giving of such consent by the Trustee;

B. No such lease shall relieve the Company of its obligation to make the payments required under Sections 4.3 and 4.4 or to perform all other covenants hereunder, for which the Company shall remain primarily liable;

C. The Company shall deliver to the Issuer and the Trustee a copy of such lease within 30 days of the delivery thereof to the Company;

D. The Company shall have obtained and submitted to the Issuer and the Trustee a Favorable Opinion respecting such lease;

E. Not more than an aggregate of 25% of the Project Facilities shall be leased to provide facilities the primary purpose of which is provisions of retail food and beverage service, automobile sales or service, recreation or entertainment, nor shall such facilities furnish more than 25% of the rental revenues produced by the Project Facilities; and

F. Such lease shall contain covenants (i) forbidding any use

of the leased premises which would constitute a violation of Section 144(a)(8) or Section 147(e) of the Code; and (ii) if and as appropriate in the opinion of nationally recognized bond counsel, with respect to the \$10,000,000 limit of Section 144(a)(4)(A) of the Code and the \$40,000,000 limit of Section 144(a)(10) of the Code.

Section 4.9 COMPLIANCE WITH LAWS. With respect to the Project, the Company will at all times materially comply with all applicable requirements of federal, State and local laws and with all applicable lawful requirements of any agency, board or commission created under the laws of the State or of any other duly constituted public authority, and will use, and permit the use of, the Project only for such purposes as are lawful under the Act; provided that the Company shall be deemed in compliance with this Section so long as it is contesting in good faith any such requirement by appropriate legal proceedings.

#### Section 4.10 ARBITRAGE COVENANT.

A. The Company and the Issuer hereby covenant for the benefit of the Bondholders that the Company and the Issuer will make no use of the proceeds of the Bonds, or of any other funds which may be deemed to be proceeds of the Bonds pursuant to Section 148 of the Code, which, if such use had been reasonably expected on the date of issuance of the Bonds, would have caused the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and that they will comply with the requirements of Section 148 of the Code with respect to the Bonds.

B. The Company shall appoint a Rebate Consultant to determine the Rebate Amount as of the end of a Rebate Year, as provided in Section 5.8 of the Indenture, and shall notify the Trustee of such appointment. Following the determination of the Rebate Amount as of the end of the Rebate Year, the Company shall deposit into the Arbitrage Rebate Fund the amount, if any, required to be deposited therein pursuant to Section 5.8 of the Indenture. The requirements of the preceding sentence shall not apply, however, to the Bonds in the event the Company obtains and submits to the Trustee an opinion of Bond Counsel that such compliance is not required under Section 148 of the Code, and the regulations in effect thereunder, in order for the interest on the Bonds to be and remain excluded from gross income for federal

income tax purposes; provided, however, that such exemption from compliance with the requirements of this Subsection B shall apply only to the extent provided in such opinion of Bond Counsel.

Section 4.11 FINANCING STATEMENTS. The Company shall execute such financing statements, continuation statements and other documents under the North Carolina Uniform Commercial Code or other applicable law as the Issuer or the Trustee may specify in order to perfect the security interest of the Trustee in this Agreement, and the Company will pay the cost of filing the same in such public offices as the Issuer or the Trustee shall designate. From time to time, as reasonably requested by the Trustee, the Company shall furnish to the Trustee an opinion of Counsel setting forth what actions, if any, should be taken by the Company or the Trustee to preserve such security interest in favor of the

Trustee, and the right, title and interest of the Trustee in and to the Trust Estate created under the Indenture. The Company shall execute and file or cause to be executed and filed all further instruments as shall be required by law to preserve such security interest, and shall furnish satisfactory evidence to the Bank of the filing and refiling of such instruments.

Section 4.12 NOTICE AND CERTIFICATION WITH RESPECT TO BANKRUPTCY PROCEEDINGS. The Company shall promptly notify the Trustee of the occurrence of any of the following events and shall keep the Trustee informed of the status of any petition in bankruptcy filed (or bankruptcy or similar proceeding otherwise commenced) against the Company: (i) application by the Company for or consent by the Company to the appointment of a receiver, trustee, liquidator or custodian or the like for itself or of its property, or (ii) admission by the Company in writing of its inability to pay its debts generally as they become due, or (iii) general assignment by the Company for the benefit of creditors, or (iv) adjudication of the Company as a bankrupt or insolvent, or (v) commencement by the Company of a voluntary case under the United States Bankruptcy Code or filing by the Company of a voluntary petition or answer seeking reorganization of the Company, an arrangement with creditors of the Company, or an order for relief or seeking to take advantage of any insolvency law or filing by the Company, or an answer admitting the material allegations of an insolvency proceeding, or action by the Company, for the purpose of effecting any of the foregoing, or (vi) if without the application, approval or consent of the Company a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking in respect of the Company an order for relief or an adjudication in bankruptcy, reorganization, dissolution, winding up, liquidation, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator or custodian or the like of the Company or of all or any substantial part of its assets, or other relief in respect thereof under any bankruptcy or insolvency law.

Section 4.13 ANNUAL REPORT OF OUTSTANDING BONDS. Promptly after each June 30 for so long as any Bonds remain Outstanding, the Company shall notify the LGC and the Issuer, by first-class mail, of the aggregate principal amount of such Bonds Outstanding at the close of business on such June 30.

Section 4.14 GRANTING OF EASEMENTS. If no Event of Default under this Agreement has occurred and is continuing, the Company may, with the prior written consent of the Bank and notwithstanding anything contained in this Agreement to the contrary, at any time or times, grant easements, licenses, rights of way and other rights or privileges in the nature of easements with respect to any property included in the Project Facilities, or release existing easements, licenses, rights of way and other rights or privileges, all with or without consideration and upon such terms and conditions as the Company shall determine. The Issuer agrees that it will execute and deliver or will cause the execution and delivery of, and will cause and direct the Trustee to execute and deliver, any instrument necessary or appropriate to confirm and grant or release any such easement, license, right of way or other right or privilege, upon receipt by the Issuer and the Trustee of:

A. A copy of the instrument of grant or release;

B. A written application signed by the Company requesting such instrument; and

C. A certificate executed by the Company, and such other persons as the Issuer may reasonably require, stating that such grant or release is not detrimental to the proper conduct of the business of the Company, and that such grant or release will not impair the effective use or interfere with the efficient and economical operation of the Project Facilities.

Section 4.15 LIMITATION OF LIENS. The Company shall not create or suffer to be created by any other person any lien or charge upon the Construction Fund or the Project Facilities or any part thereof or upon the rents, contributions, charges, receipts or revenues therefrom, other than liens thereon in favor of the Issuer, the Trustee or the Bank and, with the prior approval of the Bank, liens on the Project Facilities; provided that nothing in this Agreement shall limit the right of the Company to enforce payments from the Construction Fund pursuant to Section 5.5 of the Indenture. The Company further agrees to pay or cause to be discharged or make adequate provision to satisfy and discharge, within ninety (90) days after the same shall become due, any such lien or charge and also all lawful claims or demands for labor, materials, supplies or other charges which, if unpaid, might be or become a lien upon the revenues or income therefrom. Nothing in this Section shall require the Company to pay or cause to be discharged or make provision for any such lien or charge so long as the validity thereof shall be contested in good faith and so long as the Construction Fund and the Project Facilities are not subject to loss or forfeiture in whole or part. The Issuer shall cooperate with the Company in any such contest and shall cooperate with the Company with respect to obtaining any necessary releases of liens or other encumbrances on the Project Facilities.

Section 4.16 ACCESS TO THE PROJECT. The Company agrees that the Issuer, the Bank, the Trustee and their duly authorized agents, attorneys, experts, engineers, accountants and representatives shall have the right to inspect the Project at all reasonable times and on reasonable notice. The Issuer, the Bank, the Trustee and their duly authorized agents shall also be permitted, at all reasonable times and upon reasonable notice, to examine the books and records of the Company with respect to the Project.

Section 4.17 CONTROL BY BANK. The Company hereby covenants to provide written notice to the Trustee, the Remarketing Advisor and the Bondholders thirty (30) days prior to the consummation of any transaction that would result in the Company being controlled by the Bank (as the term "control" is defined in Section 2(a)(9) of the Investment Company Act of 1940). This notification covenant supersedes any exemptions from the continuing disclosure requirement pursuant to Rule 15c2-12(b)(5) of the Securities and Exchange Act of 1934.

## ARTICLE 5

-----

### EVENTS OF DEFAULT AND REMEDIES

Section 5.1 EVENTS OF DEFAULT; ACCELERATION. Each of the following events is hereby defined as, and is declared to be and to constitute,

an "Event of Default" hereunder:

A. Failure by the Company to make or cause to be made any Loan Repayment or Additional Loan Repayment required to be made hereunder and under the Note on or before the date the same is due; or

23

27

B. Failure or refusal by the Company to comply with any of its other covenants hereunder and such failure or refusal shall continue for a period of sixty (60) days after written notice thereof has been given to the Company and the Bank by the Issuer or the Trustee; provided that if such failure is of such nature that it can be corrected but not within sixty (60) days, it will not be an Event of Default so long as prompt corrective action is instituted and is diligently pursued; or

C. The Company shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of itself or of its property, or (ii) admit in writing its inability to pay its debts generally as they become due, or (iii) make a general assignment for the benefit of creditors, or (iv) be adjudicated a bankrupt or insolvent, or (v) commence a voluntary case under the United States Bankruptcy Code, or file a voluntary petition or answer seeking reorganization, an arrangement with creditors or an order for relief, or seek to take advantage of any insolvency law or file an answer admitting the material allegations of a petition filed against it in any bankruptcy, reorganization, or insolvency proceeding, or action shall be taken by it for the purpose of effecting any of the foregoing, or (iv) if without the application, approval or consent of the Company, a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking in respect of the Company an order for relief or an adjudication in bankruptcy, reorganization, dissolution, winding up, liquidation, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator or custodian or the like of the Company or of all or any substantial part of its assets, or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such proceeding is being contested by the Company in good faith, the same shall (A) result in the entry of an order for relief or any such adjudication or appointment or (B) remain unvacated, undismissed and undischarged for a period of sixty (60) days; or

D. For any reason the Bonds are declared due and payable by acceleration in accordance with Section 10.2 of the Indenture; or

E. Receipt by the Trustee, the Paying Agent and the Company of a written notice from the Bank (i) stating that an Event of Default (as defined in the Credit Agreement) has occurred and is continuing and (ii) requesting the Trustee to declare the principal of the Outstanding Bonds immediately due and payable; or

F. If the Trustee and the Paying Agent receive notice from the Bank prior to the 15th day following a drawing under the Letter of Credit for payment of interest on those Bonds Outstanding after the application of the proceeds of such drawing, that the Letter of Credit will not be reinstated with respect to such interest;



Then and in each and every such case the Trustee, by prompt notice in writing to the Company, the Issuer, the LGC and the Bank, shall in the case of an Event of Default under 5.1.A hereof and in all other cases may, if such Event of Default has not been cured, declare all sums which the Company is obligated to pay under this Agreement to be due and payable immediately, and upon such declaration the same shall become and shall be immediately due and payable, anything in this Agreement contained to the contrary notwithstanding. In case the Trustee shall have proceeded to enforce any right under this Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, then and in every such case the Company, the Issuer and the Trustee shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Company the Issuer and its assignee or the Trustee shall continue as though no proceeding had been taken.

Section 5.2 PAYMENT ON DEFAULT; SUIT THEREFOR.

A. The Company covenants that, in case it shall fail to pay or cause to be paid any Loan Repayment or Additional Loan Repayment payable by or on behalf of the Company hereunder and under the Note as and when the same shall become due and payable, whether at maturity, or by acceleration or otherwise, then, upon demand of the Trustee, the Company will pay to the Trustee the entire principal of and all interest on the Note that then shall have become due and payable and all Additional Loan Repayments that then shall become due and payable; and, in addition thereto, such further amounts as shall be sufficient to cover the reasonable costs and expenses of collection, including reasonable attorneys' fees and a reasonable compensation to the Trustee and the Paying Agent, their agents and counsel, and any expenses or liabilities incurred by the Issuer, the Trustee or the Paying Agent. In case the Company shall fail forthwith to pay such amounts upon such demand, the Trustee shall be entitled and empowered to institute any actions or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Company and collect in the manner provided by law out of the property of the Company the moneys adjudged or decreed to be payable.

B. In case there shall be pending proceedings for the bankruptcy or for the reorganization of the Company under the federal bankruptcy laws or any other applicable law, or in case a receiver or trustee shall have been appointed for the benefit of the creditors or the property of the Company, the Trustee shall be entitled and empowered by intervention in such proceedings or otherwise to file and prove a claim or claims for the whole amount of the outstanding balance on the Note, including interest owing and unpaid in respect thereof, and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee allowed in such judicial proceedings relative to the Company, its creditors, or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses. Any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized to make such payments to the Issuer or the Trustee, and to pay to the Issuer or the Trustee

any amount due it for reasonable compensation and expenses, including counsel fees incurred by it up to the date of such distribution.

Section 5.3 OTHER REMEDIES. Whenever all sums which the Company is obligated to pay under this Agreement shall have been declared to be immediately due and payable, the Trustee may take whatever action may be available at law or in equity as may appear necessary or desirable to collect the Loan Repayments, the Additional Loan Repayments and any other amounts payable by the Company hereunder, or to enforce performance and observance of any obligation, agreement or covenant of the Company under this Agreement or the Note.

If any statute or rule of law shall validly limit the amount of damages to be paid under this Section to less than the amount provided in this Section, the Trustee shall be entitled to the maximum amount allowable under such statute or rule of law.

Section 5.4 CUMULATIVE RIGHTS. No remedy conferred upon the Issuer or the Trustee by this Agreement is intended to be exclusive of any other available remedy, 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 waiver by the Issuer or the Trustee of any breach by the Company of any of its obligations, agreements or covenants hereunder shall be a waiver of any subsequent breach, and no delay or omission to exercise any right or power 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.

Section 5.5 WAIVER. The Company hereby waives and relinquishes the benefits of any present or future law exempting the Project from attachment, levy or sale on execution, or any part of the proceeds arising from the sale thereof, and all benefit of stay of execution or other process.

ARTICLE 6

-----

MISCELLANEOUS

Section 6.1 LIMITATION OF LIABILITY OF ISSUER. In the event of any default by the Issuer hereunder, the liability of the Issuer to the Company shall be enforceable only out of its interest in the Project and under this Agreement and there shall be no other recourse for damages by the Company against the Issuer, its officers, members, agents and employees, or any of the property now or hereafter owned by it or them. No covenant, obligation or agreement of the Issuer contained in this Agreement or the Indenture shall be deemed to be a covenant, obligation or agreement of any present or future member, officer, agent or employee of the Issuer in other than its official capacity, and neither the Issuer nor any official executing the Bond or any related documents shall be liable personally on the Bond or be subject to any



If to the Remarketing  
Advisor:

PNC Capital Markets, Inc.  
One PNC Plaza, 3rd Floor  
249 Fifth Avenue  
Pittsburgh, Pennsylvania 15222-2707  
Attention: Sales Manager

If to the LGC:

Local Government Commission  
325 N. Salisbury  
Raleigh, North Carolina 27603  
Attention: Secretary

</TABLE>

Either party hereto and the Paying Agent, the Remarketing Advisor and the Bank may change the address to which notices to it are to be sent by written notice given to the other Persons listed in this Section. All notices shall, when mailed as aforesaid, be effective on the date indicated on the return receipt, and all notices given by other means shall be effective when received.

Section 6.3 SEVERABILITY. If any provision hereof is found by a court of competent jurisdiction to be prohibited or unenforceable, it shall be ineffective only to the extent of such prohibition or unenforceability, and such prohibition or unenforceability shall not invalidate the balance of such provision to the extent it is not prohibited or unenforceable nor invalidate the other provisions hereof, all of which shall be liberally construed in favor of the Issuer or the Trustee in order to effect the provisions of this Agreement.

Section 6.4 APPLICABLE LAW. This Agreement shall be deemed to be a contract made in the State and governed by and construed under the laws of the State.

Section 6.5 ASSIGNMENT; SUCCESSORS AND ASSIGNS. The Company shall not assign this Agreement or any interest of the Company herein, either in whole or in part, without the prior written consent of the Trustee, which consent shall be given if the following conditions are fulfilled: (i) the assignee assumes in writing all of the obligations of the Company hereunder; (ii) neither the validity nor the

enforceability of this Agreement shall be adversely affected by such assignment; (iii) such assignment shall not, in the opinion of Bond Counsel, have an adverse effect on the exclusion of interest on the Bonds from gross income for federal income tax purposes; and (iv) if a Letter of Credit is held by the Paying Agent, the consent of the Bank. For purposes of this Section 6.5, no assignment shall be deemed to have occurred (a) upon foreclosure by the Bank, or a conveyance in lieu thereof, or any other transfer to the Bank or to a nominee of the Bank which is an affiliate of Bank, or (b) by reason of a change in the composition of the ownership or identity of the officers of the Company. Subject to the foregoing, this Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors and assigns, and the terms "Issuer" and "Company" shall, where the context requires, include the respective successors and assigns of such persons. No assignment pursuant to this Section shall release the Company from its obligations under this Agreement

unless the Issuer, the LGC, the Trustee and, if a Letter of Credit is held by the Paying Agent, the Bank shall consent thereto.

Section 6.6 ENFORCEMENT OF CERTAIN PROVISIONS BY THE BANK. The Bank is hereby explicitly recognized as a third party beneficiary of this Agreement, but only so long as there shall be a Letter of Credit of such Bank in effect with respect to the Bonds.

Section 6.7 AMENDMENTS. This Agreement may not be amended except by an instrument in writing signed by the parties and, if such amendment occurs after the issuance of any of the Bonds, consented to by the Trustee.

Section 6.8 TERM OF AGREEMENT. This Agreement and the respective obligations of the parties hereto shall be in full force and effect from the date hereof until (i) the principal or redemption price of, premium, if any, on and all interest on the Bonds shall have been paid, or provision for such payment shall have been made pursuant to the terms of the Indenture, (ii) the Indenture shall have been released pursuant to Section 16.1 thereof, (iii) the Company shall have satisfied all its obligations under the Credit Agreement, and (iv) the Company and the Issuer shall have satisfied their respective obligations hereunder.

Section 6.9 AMOUNTS REMAINING IN BOND FUND. It is agreed by the parties that any amounts remaining in the Bond Fund after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and of the fees, charges and expenses of the Trustee and the Issuer in accordance with the Indenture, shall, upon release of the Indenture pursuant to Section 16.1 thereof, be paid by the Trustee to the Bank to the extent of any unreimbursed drawing under the Letter of Credit, or any other obligations owing by the Company to the Bank under the Credit Agreement, the balance of such amounts being the property of and paid to the Company by the Trustee.

Section 6.10 COMPLIANCE WITH INDENTURE. The Company hereby acknowledges that it has received an executed copy of the Indenture and is familiar with its provisions, and agrees that it will take all such actions as are required or contemplated of it under the Indenture to preserve and protect the rights of the Trustee and of the Bondholders thereunder and that it will not take any action which would cause a default thereunder. Any redemption of Bonds prior to maturity shall be effected as provided in the Indenture. The Company agrees that the Trustee shall be entitled to enforce and to benefit from the terms and conditions of this Agreement notwithstanding the fact that it is not a signatory hereto.

Section 6.11 HEADINGS. The captions or headings in this Agreement are for convenience of reference only and shall not control or affect the meaning or construction of any provision hereof.

Section 6.12 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original; but such counterparts shall together constitute but one and the same instrument.

Section 6.13 NO THIRD PARTY BENEFICIARIES. It is specifically agreed between the parties executing this Agreement that neither this Agreement nor any of the provisions hereof are intended to establish in favor of the public or any member thereof, other than as expressly provided herein (which includes assignment of the Issuer's rights under this Agreement to the Trustee pursuant to the Indenture), the rights of a third party beneficiary hereunder, as to authorize any one not a party of this Agreement to maintain a suit for personal injuries or property damage pursuant to the terms or provisions of this Agreement. The duties, obligations and responsibilities of the parties to this Agreement with respect to third parties shall remain as imposed by law.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the parties hereto have caused this Loan Agreement to be executed and delivered as of the date first written above.

THE HERTFORD COUNTY INDUSTRIAL  
FACILITIES AND POLLUTION CONTROL  
FINANCING AUTHORITY

By /s/ O.S. Suiter, Jr.

-----

Chairman

[Signatures Continue on Following Page]

[Company Signature Page to Loan Agreement]

EASCO CORPORATION

By /s/ Terry D. Smith

-----

Title: Vice President

EXHIBIT A  
FORM OF  
PROMISSORY NOTE  
-----

\$6,000,000

November \_\_, 1998

For value received, the undersigned, EASCO CORPORATION (the "Company"), a Maryland corporation, hereby promises to pay to the order of THE HERTFORD COUNTY INDUSTRIAL FACILITIES AND POLLUTION CONTROL FINANCING AUTHORITY (the "Issuer"), a political subdivision duly created, organized and existing under the laws of the State of North Carolina (the "State"), the principal sum of SIX MILLION DOLLARS (\$6,000,000), on November 1, 2013 unless earlier prepaid, plus interest on the unpaid principal balance hereof at the rates hereinafter described, payable on each Interest Payment Date (as such term is defined in the Trust Indenture dated as of November 1, 1998, (the "Indenture") between the Issuer and PNC Bank, National Association, Pittsburgh, Pennsylvania). Both principal and interest shall be payable, without deduction for exchange or collection charges, in lawful money of the United States of America, at the principal office of PNC Bank, National Association, Pittsburgh, Pennsylvania, the trustee and paying agent (the "Trustee").

This Note shall initially bear interest from the date hereof at an interest rate of \_\_\_\_% per annum (the "Rate"), and thereafter this Note shall bear interest at the Variable Weekly Rate or the Fixed Rate as each is defined in the Indenture in amounts sufficient to pay the interest on the Bonds as it comes due as provided in the Indenture.

This Note is subject to mandatory and optional prepayment under the terms of the Loan Agreement dated as of November 1, 1998, (the "Agreement") between the Issuer and the Company, which is hereby made a part hereof and incorporated by reference herein. There are no mandatory sinking fund payments on the Bonds.

Notwithstanding anything to the contrary contained herein, payments of principal and interest under this Note shall be sufficient to provide for payment of principal of and interest on the Bonds as and when they become due.

The obligations of the Company to make or cause to be made payments under the Agreement and this Note shall be absolute and unconditional without defense or set-off by reason of any default by the Issuer under the Agreement or under any other agreement between the Company and the Issuer or for any other reason, including without limitation, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project (as defined in the Agreement), commercial frustration of purpose, or failure of the Issuer to perform and observe any agreement, whether express or implied, or any duty, liability or obligation, it being the intention of the parties that the payments required of the Company hereunder will be paid in full when due without any delay or diminution whatsoever.

This Note is issued to evidence the indebtedness of the Company under the Agreement.

In the event of default of the terms herein and/or the terms of the Agreement, the Company shall be liable to the Issuer and the Trustee for the Bonds for reasonable attorney fees incurred by the Issuer or the Trustee for the Bonds, or their successors or assigns, as a result of said default.

A-1

36

IN TESTIMONY WHEREOF, witness the duly authorized signature of the Company the date first above written, duly authorized by appropriate action of the Company.

EASCO CORPORATION

By \_\_\_\_\_  
Title: Vice President

A-2

37

ENDORSEMENT

-----

Pay to the order of PNC Bank, National Association, Pittsburgh, Pennsylvania, as Trustee under the Trust Indenture dated as of November 1, 1998, from the undersigned, without recourse.

THE HERTFORD COUNTY INDUSTRIAL  
FACILITIES AND POLLUTION CONTROL  
FINANCING AUTHORITY

By \_\_\_\_\_  
Chairman

A-3

38



EXHIBIT B

PROJECT SITE  
-----

B-1

39

EXHIBIT C

PROJECT FACILITIES  
-----

The Project consists of the acquisition and construction of a 3,500 square foot expansion to an existing 35,000 square foot facility and the installation of new equipment therein for the manufacture of aluminum billets on a 57 acre site located in Ahoskie, County, North Carolina, owned by the Company and includes the following:

Building (including HVAC, electrical and plumbing)

New Equipment

C-1

40

EXHIBIT D

FORM OF

REQUISITION CERTIFICATE  
-----

PNC Bank, National Association

Date: \_\_\_\_\_

Two PNC Plaza, 4th Floor

Pittsburgh, Pennsylvania 15265

Attention: Corporate Trust Department

Requisition Number \_\_\_ submitted under Trust Indenture dated as of November 1, 1998, between The Hertford County Industrial Facilities and Pollution Control Financing Authority (the "Issuer") and PNC Bank, National Association, as Trustee (the "Indenture") with respect to the Issuer's Industrial Development Revenue Bonds (Easco Corporation

This requisition is submitted by EASCO CORPORATION (the "Company") to PNC BANK, NATIONAL ASSOCIATION (the "Trustee"), pursuant to Section 5.5 of the Indenture, for payment from the Construction Fund established under the Indenture to the persons, in the amounts and for the costs set forth below. Reference is made to the Indenture for definitions of the capitalized terms used herein. The undersigned hereby certifies:

(a) The payment requisitioned hereby relates to the Costs of the issuance of the Bonds or work, material, equipment and/or other Costs set forth in subparagraph (c) below, and such work, material and equipment have been incorporated into the Project Facilities substantially in accordance with the plans and specifications therefor.

(b) The payment requisitioned hereby is to be made to the following person or persons at the address or addresses indicated (any payments to be made to the Company being for work done by Company personnel or for reimbursement for payments heretofore made by the Company for the Issuer's account, other than any payments made by way of mutual set-off between the Company and the payee, and any payments to be made to the Trustee being for interest on the Bonds during construction of the Project Facilities):

[List Payees and addresses] \$ \_\_\_\_\_

\$ \_\_\_\_\_

(c) The amount of the payment requisitioned hereby, and the work, material, equipment and/or other Costs of the Project to which it relates, are as follows:

\$ \_\_\_\_\_

\$ \_\_\_\_\_

D-1

41

(d) The payment requisitioned hereby is due, is a proper charge against the Construction Fund, and has not been the subject of any previous withdrawal therefrom or of any other funds representing proceeds of bonds issued by the Issuer on the Company's behalf.

(e) The payment of the Costs of the Project requisitioned hereby will not violate the restrictions contained in the Loan Agreement dated as of November 1, 1998 between the Issuer and the Company.

Accompanying this Requisition is a detailed statement listing the Costs of the Project to be paid with the payment requisitioned hereby.

IN WITNESS WHEREOF, the Company has caused this Requisition to be executed as of the date first above written.

EASCO CORPORATION

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Attachments: Detailed Statement of Costs.  
Supporting Invoices.  
Approval (with Disclaimer).

D-2

42

[FORM OF APPROVAL]

In reliance on the representations of the Company set forth herein, the undersigned authorized representative of Bank of America National Trust and Savings Association (the "Bank") approves payment of the foregoing Requisition No. \_\_\_\_\_ pursuant to Section 5.2 of the Indenture referred to therein. This approval shall not relieve the Company of any of its liabilities under the Agreement or the Credit Agreement (as such terms are defined in the Indenture) nor shall the Bank be deemed to make any representation as to the accuracy of the Company's certifications contained herein or the propriety under the terms of the Indenture or otherwise of the payments requested by the Company to be made pursuant hereto.

BANK OF AMERICA,  
NATIONAL TRUST AND SAVINGS ASSOCIATION

By \_\_\_\_\_  
Authorized Officer

D-3

## THIRD AMENDMENT TO CREDIT AGREEMENT

THIS THIRD AMENDMENT TO CREDIT AGREEMENT (this "AMENDMENT"), dated as of October 30, 1998, is entered into among EASCO CORPORATION ("BORROWER"), the various financial institutions which are parties hereto ("LENDERS") and BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION (as successor by merger to BANK OF AMERICA ILLINOIS), as agent ("AGENT").

W I T N E S S E T H :

-----

WHEREAS, Borrower, Lenders and Agent are parties to a Credit Agreement dated as of March 18, 1994 as amended and modified by a First Amendment to Credit Agreement and Security Agreement dated as of January 31, 1995 and a Second Amendment to Credit Agreement dated as of February 18, 1997 (as amended, modified or supplemented at any time, the "CREDIT AGREEMENT"); and

WHEREAS, the parties hereto desire to amend the Credit Agreement in certain respects as hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and mutual agreements herein contained, the parties hereto agree as follows:

SECTION 1. DEFINED TERMS. Terms defined in the Credit Agreement and not otherwise defined herein are used herein as therein defined.

SECTION 2. AMENDMENTS TO CREDIT AGREEMENT.

The Credit Agreement is amended as follows:

SECTION 2.1. AMENDMENT OF RECITALS. The Recital in the fourth WHEREAS clause to the Credit Agreement is amended by inserting the following clause (c) following clause (b) thereof:

"(c) in the case of the IRB Letter of Credit, for support of the Borrower's obligations in connection with The Hertford County Industrial Facilities and Pollution Control Financing Authority Industrial Development Revenue Bonds (Easco Corporation Project), Series 1998; and".

SECTION 2.2. AMENDMENT OF SCHEDULE I. Schedule I to Section 1.1 of the Credit Agreement is amended by adding the following definitions in proper

alphabetical order:

2

"`Bonds' means the \$6,000,000 aggregate principal amount Industrial Development Revenue Bonds (Easco Corporation Project), Series 1998, issued by the Financing Authority under the Hertford Indenture.

`Financing Authority' means The Hertford County Industrial Facilities and Pollution Control Financing Authority.

`Hertford Indenture" means the Trust Indenture dated as of November 1, 1998 between The Hertford County Industrial Facilities and Pollution Control Financing Authority as Issuer and PNC Bank, National Association, as Trustee.

`IRB Letter of Credit' means an irrevocable letter of credit in the form of Exhibit K to support the obligations of the Borrower in connection with The Hertford County Industrial Facilities and Pollution Control Financing Authority Industrial Development Revenue Bonds (Easco Corporation Project), Series 1998, and otherwise satisfactory to the LC Issuer.

`Loan Agreement' means the Loan Agreement dated as of November 1, 1998 between the Borrower and the Financing Authority."

SECTION 2.3. AMENDMENT OF SECTION 5.1. Section 5.1 is amended by adding the following sentence after the first sentence in the first paragraph thereof:

"The IRB Letter of Credit shall be in the form of Exhibit K hereto and otherwise as approved by the LC Issuer."

SECTION 2.4. ADDITION OF NEW SECTION 9.1.11. A new Section 9.1.11 is added to the Credit Agreement as follows:

"SECTION 9.1.11. DEFAULT UNDER THE LOAN AGREEMENT, ETC.. Any "Event of Default" (as defined therein) shall occur under the Loan Agreement or the Hertford Indenture, after giving effect to the applicable grace period, if any."

SECTION 2.5. AMENDMENT OF SECTION 11.3. Section 11.3 is amended by inserting the words "and the IRB Letter of Credit" following the words "the Credit Documents" in the first sentence of Section 11.3 of the Credit Agreement.

SECTION 2.6. EXHIBIT K. A new Exhibit K shall be added to the Credit Agreement in the form of Annex I to this Amendment.

SECTION 2.7. AMENDMENT TO DEFINITIONS. The definition of "LC Issuer" in Schedule I to the Credit Agreement is hereby amended by deleting "Continental Bank" and substituting "Bank of America National Trust and Savings Association" in place thereof.

SECTION 3. REPRESENTATIONS AND WARRANTIES. Borrower hereby represents and warrants to Agent and Lenders, as of the date of the actual execution of this Amendment, that:

-2-

3

3.1. DUE AUTHORIZATION, ETC. The execution and delivery by it of this Amendment and the performance by it of its obligations under the Credit Agreement are duly authorized by all necessary corporate action, do not require any filing or registration with or approval or consent of any governmental agency or authority, do not and will not conflict with, result in any violation of or constitute any default under any provision of its Organic Documents or the Organic Documents of any of its Subsidiaries or any material agreement or other document binding upon or applicable to it or any of its Subsidiaries (or any of their respective properties) or any material law or governmental regulation or court decree or order applicable to it or any of its Subsidiaries, and will not result in or require the creation or imposition of any Lien on any of its properties or the properties of any of its Subsidiaries pursuant to the provisions of any agreement binding upon or applicable to it or any of its Subsidiaries.

3.2. VALIDITY. This Amendment has been duly executed and delivered by Borrower, and this Amendment and the Credit Agreement (as amended hereby) are legal, valid and binding obligations of Borrower, enforceable against Borrower in accordance with their respective terms subject, as to enforcement only, to bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforceability of the rights of creditors generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding at equity or law).

3.3 NO DEFAULT; REPRESENTATIONS AND WARRANTIES. After giving effect to the Amendment as set forth herein, (A) no Event of Default or Default has occurred and is continuing and (B) the representations and warranties contained in Article VII of the Credit Agreement are true and correct, except to the extent that such representations and warranties (a) solely relate to an earlier date or (b) are changed by circumstances permitted by the Credit Agreement.

SECTION 4. CONDITIONS PRECEDENT. The amendments to the Credit Agreement set forth in Section 2 of this Amendment shall become effective as follows:

4.1. CONDITIONS. The amendments contained in this Amendment shall become effective on such date when all of the following conditions precedent shall have been satisfied:

(a) RECEIPT OF DOCUMENTS. Agent shall have received all of the following, each in form and substance satisfactory to Agent and Lenders:

(i) AMENDMENT. A counterpart original of this Amendment duly executed by Borrower;

(ii) RESOLUTIONS, ETC. A certificate of the secretary or an assistant secretary of Borrower dated the date of the execution of this Amendment or such other date as shall be acceptable to Agent;

(iii) AMENDMENT FEE. Evidence of payment from the Borrower to the Agent of the amendment fee for the account of each Lender, such fee to be equal to 0.05% of the amount of such Lender's Commitment (as of the date of this Amendment, after giving effect hereto) and to be distributed by the Agent to each Lender upon the effectiveness of this Amendment; and

-3-

4

(iv) OTHER. Such other documents as Agent or Lenders may reasonably request.

(b) NO DEFAULT. No Event of Default or Default shall have occurred and be continuing, after giving effect to this Amendment.

#### SECTION 5. MISCELLANEOUS.

5.1. DOCUMENTS REMAIN IN EFFECT. Except as amended and modified by this Amendment, the Credit Agreement and the other Credit Documents, including but not limited to the Security Agreement, remain in full force and effect and Borrower hereby ratifies, adopts and confirms its representations, warranties, agreements and covenants contained in, and obligations and liabilities under, the Credit Agreement and the other Credit Documents, including but not limited to the Security Agreement.

5.2. REFERENCE TO CREDIT AGREEMENT. On and after the Effective Date, each reference in the Credit Agreement to "this Agreement," "hereunder," "herein" or words of like import, and each reference to the "Credit Agreement" in any Credit Document, or other agreements, documents or other instruments executed and delivered pursuant to the Credit Agreement, shall mean and be a reference to the Credit Agreement, as amended herein.

5.3. HEADINGS. Headings used in this Amendment are for convenience of reference only, and shall not affect the construction of this Amendment.

5.4. COUNTERPARTS. This Amendment may be executed in any number of counterparts, and by the parties hereto on the same or separate counterparts, and each such counterpart, when executed and delivered, shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Amendment. One or more executed counterparts of this Amendment or any document or instrument related hereto may be delivered by telecopier, with the intention that they shall have the same effect as an original executed counterpart hereof or thereof. Any party hereto delivering an executed counterpart of this Amendment or any related document or instrument by telecopier shall promptly provide an original of such counterpart to Agent.

5.5. EXPENSES. Borrower agrees to pay on demand all costs and expenses of Agent (including reasonable fees, charges and disbursements of Agent's attorneys) in connection with the preparation, negotiation, execution, delivery and administration of this Amendment and the IRB Letter of Credit and all other instruments or documents provided for herein or delivered or to be delivered hereunder or in connection herewith. In addition, Borrower agrees to pay, and save Agent and Lenders harmless from all liability for, any stamp or other taxes which may be payable in connection with the execution or delivery of this Amendment, the borrowings under the Credit Agreement, and the execution and delivery of any instruments or documents provided for herein or delivered or to be delivered hereunder or in connection herewith. All obligations provided in this Section 5.5 shall survive any termination of this Amendment or the Credit Agreement.

5.6. GOVERNING LAW. THIS AMENDMENT SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF ILLINOIS

-4-

5

WITHOUT REGARD TO ITS PRINCIPLES OF CONFLICTS OF LAW. Wherever possible each provision of this Amendment shall be interpreted in such manner as to be effective and valid under applicable laws, but if any provision of this Amendment shall be prohibited by or invalid under such laws, such provisions shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Amendment.

5.7. SUCCESSORS. This Amendment shall be binding upon Borrower, Lenders, Agent and their respective permitted successors and assigns, and shall inure to the benefit of Borrower, Lenders, Agent and their respective permitted successors and assigns.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the date first above written.



EASCO CORPORATION

By: \_\_\_\_\_

Title: \_\_\_\_\_

BANK OF AMERICA NATIONAL  
TRUST AND SAVINGS ASSOCIATION,  
AS AGENT

By: \_\_\_\_\_

Title: \_\_\_\_\_

BANK OF AMERICA NATIONAL TRUST AND SAVINGS  
ASSOCIATION, AS LENDER

By: \_\_\_\_\_

Title: \_\_\_\_\_

PNC BANK, NATIONAL  
ASSOCIATION

By: \_\_\_\_\_

Title: \_\_\_\_\_

NATIONAL CITY BANK

By: \_\_\_\_\_

Title: \_\_\_\_\_

FOURTH AMENDMENT TO CREDIT AGREEMENT

THIS FOURTH AMENDMENT TO CREDIT AGREEMENT (this "AMENDMENT"), dated as of December 31, 1998, is entered into among EASCO CORPORATION ("BORROWER"), the various financial institutions which are parties hereto ("Lenders") and BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION), as agent ("AGENT").

W I T N E S S E T H :  
-----

WHEREAS, Borrower, Lenders and Agent are parties to a Credit Agreement dated as of March 18, 1994 as amended and modified by a First Amendment to Credit Agreement and Security Agreement dated as of January 31, 1995, a Second Amendment to Credit Agreement dated as of February 18, 1997, and a Third Amendment to Credit Agreement dated as of October 30, 1998, (as amended, modified or supplemented at any time, the "CREDIT AGREEMENT"); and

WHEREAS, the parties hereto desire to amend the Credit Agreement in certain respects as hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and mutual agreements herein contained, the parties hereto agree as follows:

SECTION 1. DEFINED TERMS. Terms defined in the Credit Agreement and not otherwise defined herein are used herein as therein defined.

SECTION 2. AMENDMENTS TO CREDIT AGREEMENT.  
-----

The Credit Agreement is amended as follows:

SECTION 2.1. AMENDMENT OF SECTION 8.2.4(A). Section 8.2.4(a) of the Credit Agreement is amended by adding the following proviso after the chart:

"Notwithstanding the foregoing, for each Fiscal Quarter ending December 31, 1998, March 31, 1999, and June 30, 1999 the Consolidated Fixed Charge Coverage Ratio on the last day of such Fiscal Quarter for the four Fiscal Quarter periods then ended shall not exceed 1.25 to 1.00."

SECTION 2.2 AMENDMENT OF SECTION 8.2.4(b). Section 8.2.4(b) of the Credit Agreement is amended by deleting the first sentence and substituting the following in place thereof:

"Permit the Consolidated Leverage Ratio on the last day of any Fiscal Quarter, for the Quarter then ended to exceed the ratio set forth opposite such Fiscal Quarter:

<TABLE>  
<CAPTION>

FISCAL QUARTER ENDED	LEVERAGE RATIO
December 31, 1998	7.50:1.0
March 31, 1999	7.50:1.0
June 30, 1999	6.50:1.0
September 30, 1999 and thereafter	5.75:1.0"

</TABLE>

SECTION 2.3 AMENDMENT TO DEFINITION OF "APPLICABLE MARGIN". The definition of "Applicable Margin" in Schedule I of the Credit Agreement is amended by deleting the chart in its entirety and substituting the following in place thereof:

<TABLE>  
<CAPTION>

Average Daily Used Total Commitment Amount	Consolidated Leverage Ratio			Applicable Margin		
	Level	Greater than	Less than or equal to	Base Rate Loans	Eurodollar Loans	Letter of Credit Face Amount Fee
<S> Less than 50%	<C>	<C>	<C>	<C>	<C>	<C>
	I	6.75 to 1.0		0.125%	1.500%	1.500%
	II	5.0 to 1.0	6.75 to 1.0	0.125%	1.375%	1.375%
	III	4.0 to 1.0	5.0 to 1.0	0.000%	1.125%	1.125%
	IV	3.0 to 1.0	4.0 to 1.0	0.000%	0.875%	0.875%
	V	2.0 to 1.0	3.0 to 1.0	0.000%	0.625%	0.625%
	VI	-	2.0 to 1.0	0.000%	0.375%	0.375%
Equal to or Between 50% and 75%	VII	6.75 to 1.0		0.375%	1.750%	1.750%
	VIII	5.0 to 1.0	6.75 to 1.0	0.125%	1.625%	1.625%
	IX	4.0 to 1.0	5.0 to 1.0	0.000%	1.375%	1.375%
	X	3.0 to 1.0	4.0 to 1.0	0.000%	1.125%	1.125%
	XI	2.0 to 1.0	3.0 to 1.0	0.000%	0.875%	0.875%
	XII	-	2.0 to 1.0	0.000%	0.625%	0.625%
More Than 75%	XIII	6.75 to 1.0		0.625%	2.000%	2.000%
	XIV	5.0 to 1.0	6.75 to 1.0	0.375%	1.875%	1.875%
	XV	4.0 to 1.0	5.0 to 1.0	0.125%	1.625%	1.625%
	XVI	3.0 to 1.0	4.0 to 1.0	0.000%	1.375%	1.375%
	XVII	2.0 to 1.0	3.0 to 1.0	0.000%	1.125%	1.125%
	XVIII	-	2.0 to 1.0	0.000%	0.875%	0.875%

</TABLE>

-2-

3

SECTION 2.4 AMENDMENT TO DEFINITION OF "NON-USE FEE PERCENTAGE". The definition of "Non-Use Fee Percentage" in Schedule I of the Credit Agreement is amended by deleting the chart in its entirety and substituting the following in place thereof:

<TABLE>  
<CAPTION>

Consolidated Leverage Ratio		
Greater than	Less than or equal to	Non-Use Fee Percentage
<S>	<C>	<C>
6.75 to 1.0		0.675%
5.0 to 1.0	6.75 to 1.0	0.500%
4.0 to 1.0	5.0 to 1.0	0.500%
3.0 to 1.0	4.0 to 1.0	0.375%
2.0 to 1.0	3.0 to 1.0	0.250%
-	2.0 to 1.0	0.250%

</TABLE>

SECTION 3. REPRESENTATIONS AND WARRANTIES. Borrower hereby represents and warrants to Agent and Lenders, as of the date of the actual execution of this Amendment, that:

3.1. DUE AUTHORIZATION, ETC. The execution and delivery by it of this Amendment and the performance by it of its obligations under the Credit Agreement are duly authorized by all necessary corporate action, do not require any filing or registration with or approval or consent of any governmental agency or authority, do not and will not conflict with, result in any violation of or constitute any default under any provision of its Organic Documents or the Organic Documents of any of its Subsidiaries or any material agreement or other document binding upon or applicable to it or any of its Subsidiaries (or any of

their respective properties) or any material law or governmental regulation or court decree or order applicable to it or any of its Subsidiaries, and will not result in or require the creation or imposition of any Lien on any of its properties or the properties of any of its Subsidiaries pursuant to the provisions of any agreement binding upon or applicable to it or any of its Subsidiaries.

3.2. VALIDITY. This Amendment has been duly executed and delivered by Borrower, and this Amendment and the Credit Agreement (as amended hereby) are legal, valid and binding obligations of Borrower, enforceable against Borrower in accordance with their respective terms subject, as to enforcement only, to bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforceability of the rights of creditors generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding at equity or law).

3.3 NO DEFAULT; REPRESENTATIONS AND WARRANTIES. After giving effect to the Amendment as set forth herein, (A) no Event of Default or Default has occurred and is continuing and (B) the representations and warranties contained in Article VII of the Credit Agreement are true and correct, except to the extent that such representations and warranties (a) solely relate to an earlier date or (b) changed by circumstances permitted by the Credit Agreement.

SECTION 4. CONDITIONS PRECEDENT. The amendments to the Credit Agreement set forth in Section 2 of this Amendment shall become effective as follows:

-3-

4

4.1. CONDITIONS. The amendments contained in this Amendment shall become effective on such date when all of the following conditions precedent shall have been satisfied:

(a) RECEIPT OF DOCUMENTS. Agent shall have received all of the following, each in form and substance satisfactory to Agent and Lenders:

(i) AMENDMENT. A counterpart original of this Amendment duly executed by Borrower;

(ii) RESOLUTIONS, ETC. A certificate of the secretary or an assistant secretary of Borrower dated the date of the execution of this Amendment or such other date as shall be acceptable to Agent;

(iii) AMENDMENT FEE. Evidence of payment from the Borrower to the Agent of the amendment fee for the account of each Lender, such fee to be equal to 0.125% of the amount of such Lender's Commitment (as of the date of this Amendment, after giving effect hereto) and to be distributed by the Agent to each Lender upon the effectiveness of this Amendment; and

(iv) OTHER. Such other documents as Agent or Lenders may reasonably request.

(b) NO DEFAULT. No Event of Default or Default shall have occurred and be continuing, after giving effect to this Amendment.

SECTION 5. MISCELLANEOUS.

5.1. DOCUMENTS REMAIN IN EFFECT. Except as amended and modified by this Amendment, the Credit Agreement and the other Credit Documents, including but not limited to the Security Agreement, remain in full force and effect and Borrower hereby ratifies, adopts and confirms its representations, warranties, agreements and covenants contained in, and obligations and liabilities under, the Credit Agreement and the other Credit Documents, including but not limited to the Security Agreement.

5.2. REFERENCE TO CREDIT AGREEMENT. On and after the Effective Date, each reference in the Credit Agreement to "this Agreement," "hereunder," "herein" or words of like import, and each reference to the "Credit Agreement" in any Credit Document, or other agreements, documents or other instruments executed and delivered pursuant to the Credit Agreement, shall mean and be a reference to the Credit Agreement, as amended herein.

5.3. HEADINGS. Headings used in this Amendment are for convenience of reference only, and shall not affect the construction of this Amendment.

5.4. COUNTERPARTS. This Amendment may be executed in any number of counterparts, and by the parties hereto on the same or separate counterparts, and each such counterpart, when executed and delivered, shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Amendment. One or more executed counterparts of this Amendment or any document or instrument related hereto may be delivered by telecopier, with

-4-

5

the intention that they shall have the same effect as an original executed counterpart hereof or thereof. Any party hereto delivering an executed counterpart of this Amendment or any related document or instrument by telecopier shall promptly provide an original of such counterpart to Agent.

5.5. EXPENSES. Borrower agrees to pay on demand all costs and expenses of Agent (including reasonable fees, charges and disbursements of Agent's attorneys) in connection with the preparation, negotiation, execution, delivery and administration of this Amendment and all other instruments or documents provided for herein or delivered or to be delivered hereunder or in connection herewith. In addition, Borrower agrees to pay, and save Agent and Lenders harmless from all liability for, any stamp or other taxes which may be payable in connection with the execution or delivery of this Amendment, the borrowings under the Credit Agreement, and the execution and delivery of any instruments or documents provided for herein or delivered or to be delivered hereunder or in connection herewith. All obligations provided in this Section 5.5 shall survive any termination of this Amendment or the Credit Agreement.

5.6. GOVERNING LAW. THIS AMENDMENT SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF ILLINOIS WITHOUT REGARD TO ITS PRINCIPLES OF CONFLICTS OF LAW. Wherever possible each provision of this Amendment shall be interpreted in such manner as to be effective and valid under applicable laws, but if any provision of this Amendment shall be prohibited by or invalid under such laws, such provisions shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Amendment.

5.7. SUCCESSORS. This Amendment shall be binding upon Borrower, Lenders, Agent and their respective permitted successors and assigns, and shall inure to the benefit of Borrower, Lenders, Agent and their respective permitted successors and assigns.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the date first above written.

EASCO CORPORATION

By: \_\_\_\_\_

Title: \_\_\_\_\_

BANK OF AMERICA NATIONAL  
TRUST AND SAVINGS ASSOCIATION,  
AS AGENT

By: \_\_\_\_\_

Title: \_\_\_\_\_

BANK OF AMERICA NATIONAL  
TRUST AND SAVINGS ASSOCIATION,  
AS LENDER

-5-

6

By: \_\_\_\_\_

Title: -----

PNC BANK, N.A.

By: -----

Title: -----

NATIONAL CITY

By: -----

Title: -----

Easco, Inc.  
 Calculation of Diluted Net Income (Loss) per Common Share  
 (numbers in thousands, except per share amounts)

	Years ended December 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
Weighted average shares of common stock issued and outstanding	12,481	12,421	12,267
Less: Weighted average treasury stock outstanding	2,376	2,005	2,005
Add: Weighted average shares of common stock equivalents (stock options)	293	255	-
Weighted average shares of common stock and common stock equivalents outstanding	10,398	10,671	10,262
Net income (loss)	\$ 7,717	\$ 5,392	\$ (22,318)
Net income (loss) per weighted average share of common stock and common stock equivalent outstanding	\$ 0.74	\$ 0.51	\$ (2.17)

## Exhibit 12.1

Easco, Inc. and Subsidiaries  
 Consolidated Statement Regarding Computation  
 of Ratio of Earnings to Fixed  
 Charges (all amounts except  
 ratios are shown in thousands)  
 Fixed Charge Coverage Ratio

&lt;TABLE&gt;

&lt;CAPTION&gt;

	Year ended December 31,				
	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Income (loss) before income taxes and extraordinary (loss)	13,305	10,375	(26,481)	20,051	14,319
Add: fixed charges	9,738	9,716	10,339	10,889	9,313
	-----	-----	-----	-----	-----
	23,043	20,091	(16,142)	30,940	23,632
 Fixed Charges					
Interest	8,043	8,017	8,449	9,044	7,531
Amortization of debt issuance costs	576	572	572	571	762
Interest factor in rents	1,119	1,127	1,319	1,275	1,021
	-----	-----	-----	-----	-----
	9,738	9,716	10,340	10,890	9,314
 Ratio of earnings to fixed charges	2.4	2.1	-	2.8	2.5
	=====	=====	=====	=====	=====
Deficiency of earnings to fixed charges	-	-	(26,482)	-	-
	=====	=====	=====	=====	=====
 Rent Expense					
Total	3,356	3,381	3,958	3,826	3,064
One-third interest factor	33.3%	33.3%	33.3%	33.3%	33.3%
	-----	-----	-----	-----	-----
	1,119	1,127	1,319	1,275	1,021
	=====	=====	=====	=====	=====

&lt;/TABLE&gt;



[EASCO LOGO]

1998 Annual Report

2

EASCO, INC.  
FINANCIAL HIGHLIGHTS<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
(Amounts in millions, except per share data and percentages)			
<S>	<C>	<C>	<C>
OPERATING DATA			
Net sales.....	\$313.8	\$334.5	\$321.0
Operating profit.....	21.9	19.0	(17.5)
Adjusted EBITDA(1).....	28.0	28.4	19.6
Income (loss) before income taxes.....	13.3	10.4	(26.5)
Net income (loss).....	7.7	5.4	(22.3)
Net income (loss) per share -- diluted.....	\$ 0.74	\$ 0.51	\$(2.17)
BALANCE SHEET DATA			
Working capital.....	\$ 44.0	\$ 41.1	\$ 38.9
Total assets.....	220.6	236.3	230.5
Total long-term debt.....	91.2	85.0	85.0
Stockholders' equity.....	64.1	68.5	63.0
OTHER DATA			
Pounds shipped.....	314.7	319.7	319.9
Net debt to total capital(2).....	49.6%	49.8%	48.5%

(1) Adjusted EBITDA represents operating profit (loss) plus reorganization expense and other non-cash charges including depreciation, amortization, impairment charges and unusual items.

(2) Net debt equals long-term debt (net of current maturities) less cash and equivalents.

## TABLE OF CONTENTS

<TABLE>	<S>	<C>
Financial Highlights.....	1	
Easco at a Glance.....	2	
Letter to Stockholders.....	3	
Selected Financial and Operating Data.....	5	

Unaudited Quarterly Financial Data.....	6
Management's Discussion and Analysis.....	7
Independent Auditor's Report.....	12
Consolidated Financial Statements.....	13
Notes to Consolidated Financial Statements.....	16
Directors and Officers.....	24

</TABLE>

EASCO AT A GLANCE

Easco is the largest independent extruder of soft alloy aluminum products in the United States. Easco's nearly 2,000 employees serve 2,600 customers from 11 facilities in 5 states -- Connecticut, Illinois, Indiana, Ohio and North Carolina. Easco's products include standard and custom profiles, conduit, drawn tubing, and are used in a wide array of applications. Total aluminum sales by weight in 1998 is shown in the percentages below.

<TABLE>

<S>	<C>	<C>
MARKET	PRIMARY CUSTOMERS	PRINCIPAL END PRODUCTS AND APPLICATIONS
BUILDING & CONSTRUCTION LOGO 27%	Manufacturers, assemblers and contractors	New and replacement windows and storm doors, wall partitions, structural beams, patio enclosures, bleacher seats, road signs, skylights, and curtain wall.
TRANSPORTATION LOGO 37%	Original equipment manufacturers	Components used in truck trailers, truck bodies, recreational vehicles, railcars, step vans, van conversions, automobiles, emergency vehicles, and livestock trailers.
DISTRIBUTION LOGO 16%	Distributors and service centers	Building and construction and transportation products and a variety of general industrial applications.
ELECTRICAL/OTHER LOGO 15%	Manufacturers, distributors and contractors	Coaxial cable for telecommunications and cable television applications, electrical conduit, heat sinks, and connectors.
CONSUMER DURABLES LOGO 5%	Manufacturers and assemblers	Components for boats, sport and exercise equipment, swimming pools, lawn and patio furniture, greenhouses, and health care equipment.

</TABLE>

TO OUR STOCKHOLDERS,

Easco continued to move forward in 1998 as earnings per share increased by approximately 45% to \$.74 per share. I am pleased to point out that our performance improved as we continued to build on the foundations laid during 1997. Those foundations encompassed widespread change within Easco, and while I mentioned this in some detail last year, two of those themes are worth repeating.... ADVANCING OUR TECHNOLOGY AND REDESIGNING OUR BUSINESS SYSTEMS. These initiatives are broad in scope, and we made substantial progress this year in both areas. Key accomplishments during 1998 included the expansion of our billet casting capacity at Ahoskie, North Carolina and steady, sustained improvement in the performance of the Dolton, Illinois facility. Overall at Easco, we established a new record for press productivity for the second consecutive year while continuing to make our workplace environment the safest it's ever been. Our accident and injury rates are now 50% lower than two years ago. The work, however, is not finished. While the Ahoskie expansion substantially completed our program to upgrade and enhance Easco's capability on the "supply side" of the business, we are now embarking on a similar technology upgrade initiative to modernize nearly all of our existing extrusion presses.

We remained internally focused throughout 1998, continuing to reinforce our commitment to the basics . . . . delivering high quality products to our customers when they need them, and doing it better than our competitors. While

we haven't yet accomplished all that is needed, we are more focused on the task before us than at any time during my tenure . . . and while a 45% growth in earnings per share is significant, our 1998 performance could have, and should have, been better. A protracted startup at Ahoskie, coupled with a period of unusually tight spreads between the prices for primary aluminum and for aluminum scrap, our principal raw material, caused performance in the second half of the year to fall short of our expectations.

As we look ahead, the stage is set for still more improvement. Over the last two years, we've taken a passive approach to increasing our shipment volume, focusing instead on improving our existing base of business. Our mix management efforts were aided by robust demand in most of our markets in 1998, and these markets are expected to remain strong into the new year. With an improved base to work from, we are now confident in our ability to add volume profitably, and expect to selectively begin doing so in 1999.

At the same time, we will work to improve our performance by further optimizing our products and facilities. This means making sure that extrusions are produced on the equipment that will yield the greatest overall return to Easco. The keys to our success in 1999 are:

FURTHER IMPROVEMENTS AT DOLTON . . . We believe that this facility will generate the largest single increment of our earnings improvement for 1999. We were pleased with the plant's progress during 1998, and several new customers and products were added that we believe will round out the Dolton story during 1999.

CAPITALIZING ON OUR STATE-OF-THE-ART PAINTING CAPABILITY . . . We have measurably improved our coating processes and upgraded our technology to produce higher quality painted products at a lower cost. We must take full advantage of Company-wide opportunities to improve results from this value-added operation.

CRISP EXECUTION OF INTERNAL BILLET SUPPLY STRATEGIES . . . With in-house capability to produce substantially all of our billet requirements, we have increased our precision in this area. This results in operating plans which are supported by lower levels of inventory than ever before as Easco becomes a just-in-time supplier to its own extrusion plants.

IMPROVED PROFITABILITY OF FABRICATED PRODUCTS . . . While fabrication currently represents a small percentage of our volume, it has the potential to yield attractive returns. During 1998, we enhanced our capability to provide a wider array of fabrication operations, but we were disappointed with the level of progress made. Accordingly, 1999 will be a transition year, of sorts, for fabricated products as we more completely develop our processes and products.

We have strategies in place to address each key element of the business as we look forward. However, even the best initiatives are just "ideas" without good people who are capable and committed to implementing them. We are striving to make Easco's progress a very personal endeavor with our employees, and they, in turn, are accepting the challenge to find new and better ways to do business. We will continue to empower them by placing accountability for results on the plant floor, providing resources to get the job done, and rewarding them for their accomplishments. In so doing, we believe that we foster a higher level of commitment to continuously improving all aspects of our company.

3

5

From the outset, I have insisted that we will not promote quick-fixes focused on the short-term. We are managing for sustainable growth over time and will continue to do so. We remain as committed and confident as ever in the prospects for the future. Our repurchase of 1.1 million shares of our stock last August underscores this confidence, and demonstrates not only our commitment to shareholder value, but our confidence that a longer term approach will overcome the short term volatility of the equity markets.

I would like to conclude by saying "THANK YOU" to all of our employees, to the customers who favor us with their business, and to our stockholders, for whom creation of value is our ultimate objective and our highest priority.

/s/ Norman E. Wells, Jr.  
Norman E. Wells, Jr.

The above statements concerning the Company's plans, opportunities, strategies and outlook for 1999 and future periods are forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially, as described under "Cautionary Statement under the Private Securities Litigation Reform Act," contained in 'Management's Discussion and Analysis of Financial Condition and Results of Operations' in this Annual Report and in the Company's Annual Report on Form 10-K.

EASCO, INC.  
 SELECTED FINANCIAL AND OPERATING DATA

<TABLE>  
 <CAPTION>

	YEAR ENDED DECEMBER 31,				
	1998	1997	1996	1995	1994
(Amounts in millions, except share and per share data)					
<S>	<C>	<C>	<C>	<C>	<C>
<b>OPERATING DATA</b>					
Net sales.....	\$ 313.8	\$ 334.5	\$ 321.0	\$ 329.4	\$ 257.8
Gross profit.....	38.5	37.3	31.6	45.8	39.2
Impairment of long-lived assets.....	--	--	23.3	--	--
Unusual items (1).....	(3.0)	0.4	3.5	--	1.2
Income (loss) before extraordinary					
loss.....	7.7	5.4	(22.3)	11.7	7.9
Net income (loss).....	7.7	5.4	(22.3)	11.7	4.9
Earnings per common share -- diluted					
Income (loss) before extraordinary					
loss.....	\$ 0.74	\$ 0.51	\$ (2.17)	\$ 1.19	\$ 0.94
Extraordinary loss(2).....	--	--	--	--	0.36
Net income (loss).....	\$ 0.74	\$ 0.51	\$ (2.17)	\$ 1.19	\$ 0.58
Weighted average number of common shares					
outstanding -- assuming dilution.....	10,397,634	10,671,246	10,261,774	9,816,127	8,380,405
<b>BALANCE SHEET DATA</b>					
Total assets.....	\$ 220.6	\$ 236.3	\$ 230.5	\$ 258.5	\$ 203.2
Total debt.....	91.2	85.0	85.0	85.0	85.0
Stockholders' equity.....	64.1	68.5	63.0	85.1	42.3
Cash dividends per share.....	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.02	\$ --
<b>OTHER DATA</b>					
Adjusted EBITDA (3).....	\$ 28.0	\$ 28.4	\$ 19.6	\$ 37.5	\$ 29.8
Cash flow from operations.....	\$12,168.0	\$ 5,163.0	\$ 12,685.0	\$ 8,033.0	\$ 13,555.0
Cash flow from investing.....	\$ (168.0)	\$ (9,814.0)	\$ (6,465.0)	\$ (40,104.0)	\$ (10,145.0)
Cash flow from financing.....	\$ (6,413.0)	\$ (124.0)	\$ (645.0)	\$ 31,127.0	\$ 3,941.0
Capital expenditures (net).....	\$ 13.4	\$ 9.8	\$ 6.5	\$ 13.7	\$ 10.1
Depreciation of fixed assets.....	\$ 7.4	\$ 7.3	\$ 7.6	\$ 6.2	\$ 4.5
Pounds shipped.....	314.7	319.7	319.9	303.3	268.1

</TABLE>

1) Unusual items include a gain on the sale of the Company's vinyl extrusion operation in 1998; a plant restructuring, retirement plan termination and revision of environmental contingency obligation estimates in 1997; an executive reorganization in 1996; and a plant closure and disposal of an extrusion press in 1994.

2) Extraordinary loss on early extinguishment of debt of \$3.1 million, net of federal income tax benefits of \$2.0 million in 1994. This loss relates to the write-off of unamortized debt issuance costs associated with Easco's previous credit agreement which was paid in full during the first quarter of 1994.

3) Management uses Adjusted EBITDA as an important measure of performance and

ability to service debt. Adjusted EBITDA represents operating profit plus reorganization expense and non-cash charges including depreciation, amortization and asset impairment as follows:

<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31,				
	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Operating profit (loss).....	\$ 21.9	\$19.0	\$(17.5)	\$29.3	\$22.6
Depreciation & amortization....	9.1	9.0	9.7	8.2	6.0
Impairment of long-lived assets (a).....	--	--	23.9	--	--
Unusual items.....	(3.0)	0.4	3.5	--	1.2
Adjusted EBITDA.....	\$ 28.0	\$28.4	\$ 19.6	\$37.5	\$29.8

</TABLE>

Adjusted EBITDA is not intended to represent cash flow from operations as defined by generally accepted accounting principles and should not be considered as an alternative to net income as an indicator of operating performance or to cash flow as a measure of liquidity.

(a) Includes \$0.6 million classified as operating expenses.

5

7

EASCO, INC.  
UNAUDITED QUARTERLY FINANCIAL DATA

<TABLE>  
<CAPTION>

	1998				
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER (2)	YEAR
(Amounts in millions, except per share data)					
<S>	<C>	<C>	<C>	<C>	<C>
Pounds shipped.....	79.9	80.1	79.6	75.1	314.7
Net sales.....	\$80.9	\$80.9	\$77.8	\$74.2	\$313.8
Gross profit.....	9.6	10.9	10.8	7.2	38.5
Net income.....	3.4	2.2	2.0	0.1	7.7
Earnings per share -- diluted(1).....	\$0.32	\$0.20	\$0.20	\$0.01	\$ 0.74

</TABLE>

<TABLE>  
<CAPTION>

	1997				
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	YEAR
(Amounts in millions, except per share data)					
<S>	<C>	<C>	<C>	<C>	<C>
Pounds shipped.....	77.7	85.7	84.0	72.3	319.7
Net sales.....	\$77.3	\$90.0	\$89.5	\$77.7	\$334.5
Gross profit.....	6.8	11.0	10.7	8.8	37.3
Net income.....	--	1.5	1.3	2.6	5.4
Earnings per share -- diluted(1).....	\$ --	\$0.14	\$0.12	\$0.24	\$ 0.51

</TABLE>

(1) Quarterly per share data may differ from full year results due to differences in the weighted number of shares used in the computations.

(2) The following significant pre-tax adjustments were recorded in the fourth quarter of 1998:

- (a) A \$1.7 million increase in cost of goods sold resulting from a reduction in LIFO inventory quantities.
- (b) A \$1.0 million increase in cost of goods sold resulting from a lower of cost or market adjustment to the Company's LIFO inventory cost.

6

8

EASCO, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

During 1998, the Company successfully completed a number of projects management believes will reduce manufacturing costs and increase productivity. The most significant project was the \$7.0 million expansion of the Company's billet casting operation in Ahoskie, North Carolina ("Ahoskie"). This project was completed during the third quarter of 1998 and doubled the capacity of the Company's lowest cost, most efficient casting operation. By the end of 1998, the expansion was fully operational, and the Company is now substantially self-sufficient for its billet requirements. By reducing outside purchases of billet, the Company anticipates significant raw material cost savings since purchased billet typically costs \$0.04 to \$0.05 more per pound than the Company's internally produced billet.

A significant upgrade of the painting operations at the Company's Girard, Ohio facility ("Girard") also was completed during 1998. Management believes this upgrade makes the Girard painting process one of the most technologically advanced and efficient in the industry. As a result of these improvements, the Company expects to reduce manufacturing costs and increase shipments of higher margin, value-added painted extrusions.

Also in 1998, facility upgrades were finished at the Company's Dolton, Illinois plant ("Dolton") in the casting and extrusion production processes. As a result of these upgrades, Dolton steadily increased its output in 1998 from the restructured operations of 1997. The Company anticipates increased volume and lower costs in 1999 as Dolton resumes full operations.

As a result of various strategic initiatives, the Company determined during the fourth quarter of 1998 that inventory quantities could be reduced from levels previously envisioned necessary to support the expanded operations at Ahoskie. As a result, LIFO inventory costs greater than current market prices were charged against revenues which, in turn, lowered gross profit in the fourth quarter by \$1.7 million. In addition to the inventory reduction, the Company adjusted the value of its LIFO inventory to current replacement costs in the fourth quarter. This adjustment reduced gross profit by \$1.0 million.

In January 1998, an agreement was reached for the sale of the Company's vinyl extrusion business for \$13.2 million in cash and the assumption of all liabilities relating to that business. The transaction was treated as a sale of assets resulting in a pre-tax gain of \$3.0 million.

The Company is continuing to focus on process improvements and equipment upgrades at all of its facilities. The majority of the Company's capital expenditures in 1999 will be allocated to modernizing extrusion presses. Management believes these improvements will reduce scrap, improve product quality and continue to increase efficiencies in the Company's production processes.

The following table sets forth, for the periods shown, certain operating results which management views as important measures of the Company's performance:

<TABLE>  
<CAPTION>

YEAR DECEMBER 31,

-----  
1998      1997      1996  
-----

(Amounts in millions, except per pound data)

<S>	<C>	<C>	<C>
Net sales.....	\$313.8	\$334.5	\$321.0
Gross profit.....	38.5	37.3	31.6
Selling and administrative expenses.....	17.1	15.3	19.3
Unusual items and impairment charges.....	(3.0)	0.4	26.8
Operating profit (loss).....	21.9	19.0	(17.5)
Net income (loss).....	\$ 7.7	\$ 5.4	\$(22.3)
	=====	=====	=====
Depreciation and amortization.....	\$ 9.1	\$ 9.0	\$ 9.6
	=====	=====	=====
Adjusted EBITDA.....	\$ 28.0	\$ 28.4	\$ 18.9
	=====	=====	=====
Pounds shipped:			
Product sales.....	208.7	216.7	202.7
Toll sales.....	106.0	103.0	117.2
	-----	-----	-----
Total.....	314.7	319.7	319.9
	=====	=====	=====
Gross profit per pound.....	\$0.122	\$0.117	\$0.099
Adjusted EBITDA per pound...	\$0.089	\$0.089	\$0.059

</TABLE>

#### CAUTIONARY STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT

The statements in the first, second, third and sixth paragraphs of this Management's Discussion and Analysis of Financial Condition concerning anticipated events are forward looking statements as such term is used under the Private Securities Litigation Reform Act of 1995. The Company's performance may be affected by many uncertainties that exist in the Company's operations and business environment that may cause actual performance to differ materially from performance suggested by any forward looking statements.

Demand for the Company's products is cyclical in nature and subject to changes in general market conditions that affect demand. The Company's customers operate primarily in industries (e.g.,

7

9

#### EASCO, INC. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

building and construction and transportation) that are affected by changes in economic conditions, which in turn can affect orders for extrusions. The Company and the extrusion industry generally operate without significant order backlogs. As a result, economic slowdowns and recessions could adversely affect the extrusion industry and the Company. The Company's performance may also be affected by other risks and uncertainties that may cause actual performance to differ materially from any forward-looking statements, including but not limited to the following: the Company's level of utilization of its extrusion capacity and the impact of capacity utilization on costs; the Company's ability to increase its market share, which may be necessary to maximize capacity utilization, and the costs associated with any such effects; the highly competitive nature of the extrusion industry and the relatively greater capitalization and lower levels of indebtedness of certain competitors, particularly integrated aluminum producers; developments with respect to contingencies such as environmental matters and litigation; the impact on variable costs of changes in labor market conditions and energy and raw materials costs (primarily aluminum); seasonal variations in the extrusion business which is generally stronger in the second and third quarters and weaker in the first and fourth quarters; whether and to what extent the Company's capital expenditures can achieve reductions in variable costs; whether the Company's computer systems will be successfully updated to address the "Year 2000" issue, and at what cost, and whether and to what extent the Company's customer and supplier relationships are adversely affected by this issue; and the Company's ability to integrate and operate acquired facilities on a profitable basis. For further information see the section titled "Cautionary Statement" in Part I, Item 1 of the Company's annual report on Form 10-K.

#### RESULTS OF OPERATIONS

Net sales decreased 6.2% to \$313.8 million in 1998 from \$334.5 million in 1997. The decrease was primarily attributable to the sale of the Company's vinyl operations in January 1998 and a decline in aluminum prices. These factors more than offset a 2% increase in the number of aluminum pounds shipped in 1998 when compared to 1997.

Gross profit increased 3.2% in 1998 to \$38.5 million compared to \$37.3 million in 1997. The increase was primarily due to improved operating results at Dolton as the facility returned to full operations by the end of 1998 from the reduced levels immediately following a restructuring of operations during 1997. The improvements at Dolton were partially offset by a 20% decrease in shipments of coaxial cable sheathing, one of the Company's key products. The Company also experienced a narrowing in the differential between the cost of aluminum scrap, its main raw material, and the price of primary aluminum during the middle months of 1998. This resulted in lower unit margins for those products whose selling price was indexed to the price of primary aluminum. In addition, the Company recorded \$2.7 million of inventory related charges in the fourth quarter of 1998 as a result of reduced quantities and aluminum prices which were at five year historic lows. Gross profit per pound shipped in 1998 was \$0.122 compared to \$0.117 in 1997. Excluding the inventory charges, gross profit per pound in 1998 was \$0.131 an improvement of \$.014 per pound or 12.0%.

Selling, general and administrative expenses increased 11.8% from \$15.3 million in 1997 to \$17.1 million in 1998. This increase primarily related to increased bad debt and pension expense which approached more normalized levels in 1998 compared with 1997 and increased salaries expense related to upgrading the Company's technical staff. On a per pound basis, selling, general and administrative expenses increased to \$0.054 per pound in 1998 from \$0.048 per pound in 1997.

In January 1998, the Company sold its vinyl extrusion operations for \$13.2 million in cash and the assumption of all liabilities relating to that business. The transaction was recorded as a sale of an asset and the Company recognized a \$3.0 million gain.

Operating profit increased 15.3% to \$21.9 million in 1998 from \$19.0 million in 1997. The results for 1998 include the \$3.0 gain on the sale of the vinyl operations and inventory charges of \$2.7 million. The results for 1997 include cash charges of \$1.7 million for the restructuring at Dolton. In addition, the Company recorded non-cash charges in 1997 of \$1.0 million for the termination of a supplemental executive retirement plan and settlement of litigation relating to the pension liability of a bankrupt member of a multi-employer plan in which the Company participated. Further, during 1997, the Company revised its estimate of environmental contingencies and reduced its environmental reserve by \$2.3 million. Excluding these one-time items, operating income was \$21.6 million and \$19.4 million in 1998 and 1997, respectively, an increase of 11.3% between the two periods.

Adjusted EBITDA for the year ended December 31, 1998 was \$28.0 million compared with \$28.4 million for the same period in 1997.

Net interest expense was \$8.6 million for 1998 and 1997. Increased interest expense related to an Industrial Revenue Bond financing of the Ahoskie expansion in November 1998 was offset by increased earnings on the Company's short-term cash investments.

Tax expense for 1998 was \$5.6 million compared to \$5.0 million in 1997. This increase was a result of higher pre-tax income in 1998, offset partially by a lower effective tax rate. The Company's effective tax rate differs from the federal statutory rate primarily as a result of non-deductible amortization of goodwill and state and local income taxes.

Net income increased to \$7.7 million in 1998 from \$5.4 million in 1997. The increase was primarily due to the increase in operating profits described above.

Net sales increased 4.2% to \$334.5 million in 1997 from \$321.0 million in 1996. The increase was largely due to a change in the mix between product and



toll sales. Product sales, the prices of which include the cost of Company supplied metal, were 67.8% of shipments in 1997 compared to 63.4% in 1996. Total pounds shipped of aluminum extrusions were nearly level from 1996 to 1997.

Gross profit increased 18.0% in 1997 to \$37.3 million compared to \$31.6 million in 1996. The improvement was primarily due to operating improvements at Dolton, particularly in the second half of the year. In addition, the spread between extrusion selling price and the Company's molten metal cost (metal margin) widened due to the use of a larger percentage of aluminum scrap in the mix of raw materials. As a result, gross profit per pound increased from \$0.099 per pound in 1996 to \$0.117 per pound in 1997.

Selling, general and administrative expenses decreased 20.7% from \$19.3 million in 1996 to \$15.3 million in 1997. This reduction was a result of management's focus on reducing administrative expenses, lower bad debt write-offs and reduced pension expense. On a per pound basis, selling and administrative expenses decreased to \$0.048 in 1997 from \$0.060 in 1996.

In August 1997, the Company announced a series of initiatives that included a strategic downsizing of Dolton. As a result of this downsizing, the Company recorded a \$1.7 million charge that included, among other items, a \$721,000 write-down of assets to net realizable value and employee severance costs.

During the fourth quarter of 1997, the Company recognized unusual charges for the cost of terminating a supplemental executive retirement plan and for the settlement of litigation relating to the pension liability of a bankrupt member of a multi-employer plan in which the Company participated. The total charge for these items was \$1.0 million. In addition, the Company revised its estimate of environmental contingencies and reduced its environmental reserve by \$2.3 million upon completing an evaluation of each operating facility and all other known environmental exposures.

Operating profit increased \$36.5 million in 1997 when compared to 1996. The results for 1996 include a \$23.3 million charge for impairment of assets at Dolton and a \$3.5 million reorganization charge relating to the realignment of the Company's executive management in November 1996. Excluding these charges, operating profit would have been \$9.3 million in 1996 compared to \$19.0 million in 1997. The increase was primarily due to the lower selling, general and administrative costs and higher gross profit as discussed above.

Adjusted EBITDA for the year ended December 31, 1997 was \$28.4 million, an increase of 50.3% over \$18.9 million for the same period in 1996.

Net interest expense was \$8.6 million in 1997 compared to \$9.0 million in 1996. The reduction was primarily a result of increased interest income from cash investments.

Tax expense for 1997 was \$5.0 million compared to a tax benefit of \$4.2 million in 1996. The increase in taxes was a result of the higher pre-tax income in 1997. The Company's effective tax rate differs from the federal statutory rate primarily as a result of state and local income taxes and non-deductible amortization of goodwill.

Net income increased to \$5.4 million in 1997 from a net loss of \$22.3 million in 1996. A majority of this increase was due to the special charges incurred in 1996. However, the improvements in operating profits discussed above were also a contributing factor.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of working capital are cash flows from operating activities and borrowings under the Company's revolving line of credit. Working capital amounted to \$44.0 million and \$41.1 million at December 31, 1998 and 1997, respectively. The Company's cash needs arise principally from working capital requirements, interest expense and capital investments. Working capital needs are generally higher during periods of increasing aluminum prices and in the second and third quarters due to seasonality in certain of the Company's markets.

Net capital expenditures for equipment and facility improvements were \$13.2 million, \$9.8 million and \$6.5 million for the years ended December 31, 1998, 1997 and 1996, respectively. The Company used these expenditures to expand capacity at Ahsokie, purchase, modernize or upgrade production equipment and to maintain facilities. Capital expenditures for 1999 are expected to be \$12.0 million, primarily for planned upgrades of the Company's existing extrusion presses. The Company expects to fund the costs of these capital projects out of operating cash flows, existing cash balances and borrowings under the revolving line of credit, if necessary.

As of December 31, 1998, the Company's long-term indebtedness was \$91.2 million. Of this amount, \$85.0 million consisted of Senior Notes that have no scheduled principal payments until maturity in 2001. The Company also has an Amended Credit Agreement ("the Credit Agreement") with a syndicate of banks which provides for borrowings on a revolving credit line of up to \$40.0 million dollars subject to available collateral (primarily inventory and accounts receivable). Indebtedness under the Credit Agreement is secured by inventory, accounts receivable and related assets, and the stock of Dolton Aluminum Company, Inc.. The maximum borrowing availability may be decreased to \$30.0 million if certain financial covenants are not met. As of December 31, 1998, there were no borrowings and \$9.5 million of letters of credit outstanding under the Credit Agreement and borrowing availability under the Credit Agreement was approximately \$30.5 million. The Credit Agreement expires on January 31, 2000.

In November 1998, the Hertford County Industrial Facilities and Pollution Control Financing Authority issued Industrial Development Revenue Bonds in the amount of \$6.0 million and loaned the proceeds to the Company to fund the expansion at Ahsokie. The bonds are tax-exempt and carry interest at a variable rate which reprices weekly. The bonds are secured by an irrevocable letter of credit in the amount of \$6.1 million between the Company and the bond paying agent. The bonds have no scheduled principal payments until maturity in 2013.

In August 1998, the Company completed the purchase of 1,022,798 shares of its Common Stock at a price of \$11.50 per share. The transaction was funded out of available cash at the date of purchase.

The Company believes that it will generate sufficient cash flow from operations, as supplemented by its available borrowings under the Credit Agreement, to meet debt service requirements and to meet its short-term and long-term working capital and capital expenditure requirements. However, no assurance can be given that it will be able to do so or that it will be able to refinance the Senior Notes or the Credit Agreement at maturity.

#### FINANCIAL INSTRUMENTS

In the normal course of business, the Company enters into forward sales contracts with certain customers for the sale of fixed quantities of finished products. The aluminum cost component of the forward sales contracts is typically fixed for the duration of the contracts. In order to hedge its exposure to aluminum price volatility under these forward sales contracts, the Company may enter into aluminum futures contracts based on the scheduled deliveries of product.

At December 31, 1998, the Company was a party to aluminum futures contracts with a nominal value of \$19.1 million through recognized brokerage firms. These aluminum futures contracts cover approximately 30.6 million pounds of aluminum at prices expected to settle financially in cash as they reach their respective settlement dates. As of December 31, 1998, the nominal value of the aluminum futures contracts exceeded market value by approximately \$1.7 million. At December 31, 1997 the Company was a party to aluminum futures contracts with a nominal value of \$2.0 million covering approximately 2.9 million pounds of aluminum and for which the market value approximated the nominal value.

#### YEAR 2000

The Company has been evaluating and adjusting all known date-sensitive systems and equipment for Year 2000 compliance. The majority of the Company's business processing applications operate on mainframe computer systems. The assessment phase on these systems was completed during the first quarter of 1998. Over 90% of the required coding conversions on the business processing applications have occurred to date. The Company anticipates completing all known remaining coding conversions during the first and second quarters of 1999. All of the compliance work was performed or is expected to be performed by Company employees.

The testing phase of the Company's Year 2000 efforts is scheduled to be completed by the third quarter of 1999. Testing will continue for all existing systems and ongoing new releases and enhancements to ensure readiness.

The total estimated cost of converting the Company's systems is less than \$500,000, which is being expensed as incurred. Substan-

10

12

tially all of the cost is related to reprogramming or replacement of software. The Company has recently upgraded or replaced substantially all of its hardware as part of an operational decision to improve its information system. These hardware upgrades or replacements have been tested for Year 2000 compliance. All of the Year 2000 costs are being funded through operating cash flow and are an immaterial part of the Company's information technology budget. The Company's information systems group has not deferred any information technology projects to address the Year 2000 issue.

In addition to internal Year 2000 compliance activities, the Company is communicating with others that interface with the Company's systems, or that support the uninterrupted operation of the systems, to determine the extent to which those companies are addressing their Year 2000 compliance. Where possible, the Company is testing such interfaces and intends to continue testing throughout 1999. There can be no assurance that there will not be an adverse effect on the Company if third parties, such as utility companies or scrap metal suppliers, do not convert their systems in a timely manner. However, management believes that ongoing communication with and assessment of these third parties will minimize these risks.

Although the Company does not anticipate any material business disruption will occur as a result of Year 2000 issues, potential risks include, but are not limited to, loss of communications links with plant locations, loss of electric or gas power and inability to perform normal business activities such as customer invoicing and issuance of vendor purchase orders.

To date, the Company has not established a contingency plan for possible Year 2000 issues. Where needed, the Company will develop contingency plans based on actual testing and assessment of the inherent risks.

#### ENVIRONMENTAL MATTERS

The Company is subject to a wide variety of environmental laws which continue to be adopted and amended. While the ultimate extent of the Company's liability for pending or potential fines, penalties, remedial costs, claims and litigation relating to environmental laws and health and safety matters and future capital expenditures that may be associated with environmental laws cannot be determined at this time, management, with the assistance of outside environmental consultants, continually assesses the Company's environmental contingencies. After an extensive review of each operating facility and all known environmental exposures by management and outside environmental consultants during 1997, the Company reduced the recorded environmental reserve by \$2.3 million to reflect the Company's best estimate of costs of remedial action as well as any related legal and consulting work. As of December 31, 1998 and 1997, the Company's environmental reserves totaled \$3.8 million and \$6.3 million, respectively.

#### SEASONALITY

The Company experiences moderate seasonality in its operating results as the extrusion business is generally stronger in the second and third quarters and weaker in the first and fourth quarters.

11

13

[DELOITTE & TOUCHE LLP LOGO]

#### INDEPENDENT AUDITORS' REPORT

To the Stockholders and Board of Directors



Stockholders' equity:

Preferred stock, \$.01 par value, authorized 1,000,000 shares; none issued and outstanding.....	--	--
Common stock, \$.01 par value, authorized 40,000,000 shares; 12,480,561 and 12,440,276 shares issued and outstanding at December 31, 1998 and 1997, respectively.....	124	124
Paid-in capital.....	82,457	81,875
Retained earnings.....	13,819	6,510
Less: Treasury stock: 3,028,020 and 2,005,222 shares at December 31, 1998 and 1997, respectively.....	(32,252)	(19,990)
	-----	-----
Total stockholders' equity.....	64,148	68,519
	-----	-----
Total liabilities and stockholders' equity.....	\$220,600	\$236,264
	=====	=====

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

EASCO, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS AND STOCKHOLDERS' EQUITY  
For the Years Ended December 31, 1998, 1997, and 1996

<TABLE>

<CAPTION>

	1998	1997	1996
-----			
(In thousands, except per share data)			
<S>	<C>	<C>	<C>
Net sales:			
Product sales.....	\$252,325	\$279,688	\$258,648
Tolling fees.....	61,465	54,827	62,383
	-----	-----	-----
	313,790	334,515	321,031
Cost of products sold.....	275,271	297,248	289,463
	-----	-----	-----
Gross profit.....	38,519	37,267	31,568
Selling, general and administrative.....	17,080	15,342	19,286
Amortization of goodwill and other.....	1,656	1,656	2,028
Management fee.....	900	900	900
Impairment of long-lived assets.....	--	721	23,335
Unusual items.....	(3,041)	(316)	3,479
	-----	-----	-----
Operating income (loss).....	21,924	18,964	(17,460)
Interest expense (net).....	8,619	8,589	9,021
	-----	-----	-----
Income (loss) before income taxes.....	13,305	10,375	(26,481)
Income tax provision (benefit).....	5,588	4,983	(4,163)
	-----	-----	-----
Net income (loss).....	\$ 7,717	\$ 5,392	\$ (22,318)
	=====	=====	=====
Net income (loss) per common share.....	\$ .76	\$ .52	\$ (2.17)
	=====	=====	=====
Net income (loss) per common share -- assuming dilution.....	\$ .74	\$ .51	\$ (2.17)
	=====	=====	=====

</TABLE>

<TABLE>

<CAPTION>

	COMMON STOCK	PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK	OTHER	TOTAL
-----						
(in thousands)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, January 1, 1996.....	\$122	\$80,483	\$ 24,260	\$(19,589)	\$(162)	\$ 85,114
Net loss.....	--	--	(22,318)	--	--	(22,318)

Cash dividends, \$0.04 per share.....	--	--	(408)	--	--	(408)
Repurchase of stock.....	--	--	--	(401)	--	(401)
Stock based compensation....	2	890	--	--	--	892
Stockholder loan.....	--	--	--	--	162	162
	----	-----	-----	-----	-----	-----
Balance, December 31, 1996....	124	81,373	1,534	(19,990)	--	63,041
Net income.....	--	--	5,392	--	--	5,392
Cash dividends, \$0.04 per share.....	--	--	(416)	--	--	(416)
Exercise of stock options...	--	292	--	--	--	292
Stock based compensation....	--	210	--	--	--	210
	----	-----	-----	-----	-----	-----
Balance, December 31, 1997....	124	81,875	6,510	(19,990)	--	68,519
Net income.....	--	--	7,717	--	--	7,717
Cash dividends, \$0.04 per share.....	--	--	(408)	--	--	(408)
Repurchase of stock.....	--	--	--	(12,262)	--	(12,262)
Exercise of stock options...	--	397	--	--	--	397
Stock based compensation....	--	185	--	--	--	185
	----	-----	-----	-----	-----	-----
Balance, December 31, 1998....	\$124	\$82,457	\$ 13,819	\$ (32,252)	\$ --	\$ 64,148
	=====	=====	=====	=====	=====	=====

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

EASCO, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 1998, 1997, and 1996

<TABLE>  
<CAPTION>

	1998	1997	1996
(In thousands)			
<S>	<C>	<C>	<C>
Cash flow from operating activities:			
Net income (loss).....	\$ 7,717	\$ 5,392	\$(22,318)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:			
Depreciation.....	7,437	7,331	7,624
Amortization of goodwill and other.....	1,656	1,656	2,028
Amortization of deferred debt issue costs.....	576	572	572
(Gain) loss on sale of assets.....	(3,041)	270	327
Impairment of long-lived assets.....	--	--	23,335
Stock based compensation.....	185	210	890
Increase (decrease) in deferred taxes -- net.....	4,980	823	(4,546)
Changes in operating assets and liabilities:			
Decrease (increase) in receivables.....	3,823	(1,079)	4,614
Decrease (increase) in inventories.....	11,236	(12,916)	5,716
(Increase) decrease in other current assets.....	(3,143)	2,554	(2,994)
(Increase) decrease in other assets.....	(255)	868	(202)
(Decrease) increase in accounts payable.....	(7,605)	734	7,511
(Decrease) increase in other current liabilities.....	(7,971)	3,750	3,106
Decrease in other noncurrent liabilities.....	(3,427)	(5,002)	(2,856)
	-----	-----	-----
Net cash flow from operating activities.....	12,168	5,163	12,685
CASH FLOW FROM INVESTING ACTIVITIES:			
Proceeds from sale of assets.....	13,225	--	--
Property additions -- net.....	(13,393)	(9,814)	(6,465)
	-----	-----	-----
Net cash flow used in investing activities.....	(168)	(9,814)	(6,465)
CASH FLOW FROM FINANCING ACTIVITIES:			
Issuance of debt.....	6,158	--	--
Debt issue costs.....	(298)	--	--
Cash dividends paid.....	(408)	(416)	(408)
Repayment of stockholder loan.....	--	--	162
Repurchase of stock.....	(12,262)	--	(401)

Issuance of common stock -- stock option exercise.....	397	292	2
	-----	-----	-----
Net cash flow used in financing activities.....	(6,413)	(124)	(645)
Increase (decrease) in cash and equivalents.....	5,587	(4,775)	5,575
Cash and equivalents, beginning of year.....	8,470	13,245	7,670
	-----	-----	-----
Cash and equivalents, end of year.....	\$ 14,057	\$ 8,470	\$ 13,245
	=====	=====	=====

SUPPLEMENTAL DISCLOSURES:

Interest paid.....	\$ 8,713	\$ 8,759	\$ 8,752
Income taxes paid (refunded).....	\$ 6,856	\$ (170)	\$ 4,342

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

EASCO, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

Easco, Inc. and Subsidiaries (the Company) is the largest independent extruder of soft alloy aluminum products in the United States. The Company operates 21 aluminum extrusion presses and three casting facilities in five states, and its products include standard and custom profiles (shapes of specific lengths and cross-sectional design), conduit and drawn tubing.

The Company operates in one reportable business segment and serves approximately 2,600 customers spanning six industry groups (building and construction, transportation, distribution, consumer durables, coaxial cable and electrical). The Company's extrusions are used in a wide variety of products including door and window frames, truck bodies, truck trailers, recreational vehicles, automobiles, boats, home appliances, patio enclosures and furniture, office furniture and equipment, picture frames, sport and exercise equipment, health care equipment, coaxial cable and electrical conduit.

2. SUMMARY OF ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Easco, Inc. (EI) and its wholly-owned subsidiary, Easco Corporation (Easco) and its subsidiary, Dolton Aluminum Company (Dolton) (collectively the Company). All significant intercompany accounts have been eliminated.

Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Revenue is recognized when products are shipped to customers. Included in net sales are agreed upon tolling fees from casting and extruding customer-supplied material. Sales returns and allowances and freight to customers are treated as reductions to sales. Returns and allowances are provided for based on historical experience and current estimates.

Concentrations of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash equivalents and trade accounts receivable. Cash equivalents represent short-term investments readily convertible into cash or with original maturities of three months or less when purchased, which approximate fair value. The Company has cash investment policies that limit the amount of credit exposure to any one financial institution and require placement of investments in financial institutions evaluated as highly creditworthy.

Concentration of credit risk with respect to trade accounts receivable is limited due to the large number of customers comprising the Company's customer base and their geographical dispersion. The Company does not generally require collateral for its trade accounts receivable. The allowance for doubtful

accounts of \$1.6 million and \$1.8 million at December 31, 1998 and 1997 is based upon the expected collectibility of all trade accounts receivable.

#### Inventories

Inventories are valued at the lower of cost or market, with cost determined using the last-in, first-out (LIFO) method.

#### Financial Instruments

The Company may use futures contracts to reduce the risks associated with fluctuations in aluminum prices. Gains and losses on aluminum futures contracts which hedge existing firm commitments are deferred and are recognized in income as part of the related transaction. At December 31, 1998, the Company was a party to aluminum futures contracts covering 30.6 million pounds of aluminum with a nominal value of \$19.1 million and a market value of approximately \$17.4 million.

#### Income Taxes

The Company accounts for income taxes using the liability method, whereby deferred income taxes reflect the tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. In valuing deferred tax assets, the Company uses judgment in determining if it is more likely than not that some portion or all of a deferred tax asset will not be realized and the amount of the related valuation allowance.

#### Long-lived Assets

Property, plant, and equipment is stated at cost. The Company computes depreciation using the straight-line method for financial reporting purposes based on useful lives of 5 to 12 years for machinery and equipment and 20 years for buildings and improvements. Accelerated methods are used for income tax purposes.

16

18

Major renewals and betterments are capitalized and ordinary repairs and maintenance are expensed in the year incurred.

Goodwill, the cost in excess of the fair value of net assets acquired, is amortized using the straight-line method over a period of 40 years. Accumulated amortization at December 31, 1998 and 1997 was \$10.0 million and \$8.5 million, respectively.

The Company periodically evaluates the carrying value of long-lived assets to be held and used, including goodwill, when events and circumstances warrant such a review (Notes 3 and 5). The carrying value of a separately identifiable, long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved.

Deferred debt issue costs, the amounts incurred in connection with the issuance of the Senior Notes, the Credit Agreement and the Industrial Revenue Development Bonds, are amortized using the effective interest rate method over the terms of the debt instruments. At December 31, 1998 and 1997, such costs were \$4.2 million and \$3.9 million, respectively, before accumulated amortization of \$2.8 million and \$2.2 million, respectively.

#### Environmental Remediation Costs

The Company accrues for costs associated with environmental remediation obligations when such costs are probable and reasonably estimable. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.

#### Earnings Per Share

Basic earnings per share is computed based upon the weighted-average number of common shares outstanding for the period. Diluted earnings per share is computed based upon the weighted average number of common shares during the period adjusted for the dilutive effect of common stock options granted.

The computation of weighted average common shares used in the calculation of



basic and diluted earnings per share for the years ending December 31 is shown below (in thousands, except per share amounts):

<TABLE>  
<CAPTION>

	1998	1997	1996
	----	----	----
<S>	<C>	<C>	<C>
Numerator:			
Net income (loss) available to common shareholders.....	\$7,717	\$ 5,392	\$(22,318)
Denominator:			
Weighted average common shares outstanding.....	10,105	10,416	10,262
Dilutive effect of stock options.....	293	255	--
	-----	-----	-----
Denominator for net income (loss) per share -- assuming dilution.....	10,398	10,671	10,262
Net income (loss) per share:			
Basic.....	\$ 0.76	\$ 0.52	\$ (2.17)
Assuming dilution.....	\$ 0.74	\$ 0.51	\$ (2.17)

</TABLE>

#### Self Insurance

The Company is substantially self-insured for losses related to workers' compensation and health claims. Losses are accrued based upon the Company's estimates of aggregate liability for claims incurred based on Company experience and certain actuarial assumptions followed in the insurance industry.

#### New Accounting Pronouncements

During June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." The standard requires that entities value all derivative instruments at fair value and record the instruments on the balance sheet. The standard also significantly changes the requirements for hedge accounting. The standard is required to be adopted by the Company for the first quarter of the year 2000. The Company is currently evaluating the impact, if any, the adoption of this statement may have on its financial position or the results of its operations.

#### Reclassifications

Certain reclassifications have been made to prior year amounts to conform with the 1998 presentation.

#### 3. UNUSUAL ITEMS

In January, 1998, the Company realized a pre-tax gain of \$3.0 million related to the sale of its vinyl extrusion operations for cash consideration of \$13.2 million. The transaction was recorded as an asset sale and involved the transfer of all assets and liabilities associated with the vinyl extrusion operations.

In August 1997, the Company announced a series of initiatives which included a strategic downsizing of Dolton. As a result of this downsizing, the Company recorded a \$1.7 million charge that included, among other items, a \$721,000 write-down of assets to net realizable value and employee severance costs paid during 1997.

During the fourth quarter of 1997, the Company recognized one-time charges for the cost of terminating a supplemental executive retirement plan and for the settlement of litigation relating to the pension liability of a bankrupt member of a multi-employer plan in which the Company participated. The total charge for these items was \$1.0 million. In addition, the Company revised its estimate of environmental contingencies and reduced its environmental reserve by \$2.3 million upon completing an extensive evaluation of each operating facility and

all other known environmental exposures.

In November, 1996, the Company's executive staff was reorganized resulting in the turnover of several key executive personnel. In connection with this reorganization, a charge to earnings of \$3.5 million was recognized related to separation, executive search, inducement expenses and related legal and professional fees. The inducement expenses include cash bonuses, stock option grants and common stock grants that are subject to various vesting provisions ranging from 2 to 7 years. Further, 150,000 common shares were issued with no vesting provisions. The fair market value of all common shares granted was \$1.3 million. The cash expenditures relating to the reorganization totaled \$2.0 million during 1996.

4. INVENTORY

Inventories at December 31 are summarized as follows (in thousands):

<TABLE>  
<CAPTION>

	1998	1997
	-----	-----
<S>	<C>	<C>
Raw materials.....	\$ 4,886	\$ 10,409
Work in process.....	9,113	15,069
Finished goods.....	11,249	17,084
	-----	-----
Total at FIFO cost.....	25,248	42,562
Less excess of FIFO cost over LIFO values.....	--	(2,503)
	-----	-----
Total inventories.....	\$ 25,248	\$ 40,059
	=====	=====

</TABLE>

During the fourth quarter of 1998, inventory quantities were reduced resulting in a partial liquidation of LIFO inventory layers carried at higher cost than current replacement costs. The effect of this reduction was to increase cost of products sold by \$1.7 million.

As of December 31, 1998, the LIFO cost of inventory exceeded market value due to a decline in aluminum prices during 1998. As a result, the Company recorded an adjustment to reduce LIFO inventory values to FIFO cost, which approximated market value at December 31, 1998. The effect of this adjustment was to increase cost of products sold by \$1.0 million.

During 1996, inventory quantities were reduced resulting in a partial liquidation of LIFO inventory layers carried at lower costs than current replacement costs. The effect of this reduction was to decrease cost of products sold by \$757,000.

The Company has entered into agreements with various customers to sell 37.6 million pounds of finished product at set prices throughout 1999 and the first half of 2000. The Company has hedged a portion of these sales commitments through offsetting aluminum futures contracts (Note 1) with settlement dates that correspond to the delivery dates. These commitments are subject to the Company's determination that the creditworthiness of the customers participating in these programs is satisfactory.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at December 31 is summarized as follows (in thousands):

<TABLE>  
<CAPTION>

	1998	1997
	----	----
<S>	<C>	<C>
Land.....	\$ 3,218	\$ 3,218
Buildings and improvements.....	31,162	28,797
Machinery and equipment.....	79,815	73,807
Construction in progress.....	3,166	6,319
	-----	-----
	117,361	112,141
Less accumulated depreciation.....	35,785	30,266
	-----	-----

Total property, plant and equipment.....	\$ 81,576	\$ 81,875
	=====	=====

</TABLE>

In 1996, Dolton experienced severe operating difficulties due to changes in the marketplace, equipment performance, and the related capacity constraints caused by these conditions. These conditions reduced the estimated future cash flows of this business. As a result, in the fourth quarter of 1996, the Company recognized a pre-tax fixed asset and goodwill impairment charge of \$23.3 million. The charge reduced property, plant and equipment by \$9.7 million and goodwill by \$13.6 million. The property and goodwill were recognized in conjunction with the 1995 acquisition of Dolton. In determining the amount of the impairment charge, the Company developed its best estimate of operating cash flows over the expected holding period. The Company's projections assumed a short term decline in volume followed by minor volume increases. These projections, after considering significant one-time expenses, included the

20  
 impact of cost reduction programs and future estimated capital expenditures as well.

6. LONG-TERM DEBT

Long-term debt at December 31 is summarized as follows (in thousands):

<TABLE>		
<CAPTION>		
	1998	1997
	----	----
<S>	<C>	<C>
Senior notes.....	\$ 85,000	\$ 85,000
Industrial revenue bonds.....	6,000	--
Other.....	252	--
	-----	-----
Total.....	91,252	85,000
Current portion, included in other current liabilities.....	94	--
	-----	-----
Net long-term debt.....	\$ 91,158	\$ 85,000
	=====	=====

</TABLE>

Senior Notes

The Senior Notes are general unsecured obligations of Easco and are equal in right of payment with all of Easco's existing and future senior indebtedness and are senior in right of payment to all of its future subordinated indebtedness. The Senior Notes mature on March 15, 2001 and bear interest at the rate of 10% per annum, payable semi-annually on March 15 and September 15. The Senior Notes may be redeemed at the option of Easco, in whole or in part on or after March 15, 1998 at specified redemption prices plus accrued and unpaid interest through the redemption date. In the event of a change of control of Easco, Easco is required to make an offer to purchase the Senior Notes at a price equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest, to the date of purchase.

The Senior Notes Indenture ("the Indenture") contains various covenants relating to, among others, incurrence of indebtedness, certain restricted payments in excess of \$5.0 million adjusted for equity capital contributions and 50% of net income subsequent to March 18, 1994, asset sales and mergers. At December 31, 1998 the Company was in compliance with all financial and other covenants contained in the Indenture.

The fair value of the Senior Notes is estimated to be \$86.4 million based on quoted market prices at December 31, 1998.

Industrial Revenue Bonds

In November 1998, the Hertford County Industrial Facilities and Pollution Control Financing Authority issued Industrial Development Revenue Bonds in the amount of \$6 million and loaned the proceeds to the Company to fund an expansion of the Company's Ahoskie, North Carolina billet casting facility. The bonds are tax-exempt with interest at a variable rate which reprices every seven days and

are secured by an irrevocable letter of credit in the amount of \$6.1 million between the Company and the bond paying agent. The interest rate is the lowest rate, in the judgement of the remarketing advisor, that will cause the bonds to have a market value equal to their principal amount plus accrued interest, given prevailing market conditions. However, in no event may the rate exceed 10% per annum. As of December 31, 1998, the interest rate on the bonds was approximately 4.0% and the fair market value of the bonds approximated the face value. The bonds mature on November 1, 2013.

#### Bank Credit Agreement

The Amended Credit Agreement provides available borrowings of up to \$40.0 million, including letters of credit, with a maturity date of January 31, 2000. The maximum amount of available borrowings is decreased to \$30.0 million if the Company does not meet certain financial covenants. Letters of credit totaled \$9.5 million and \$3.4 million on December 31, 1998 and 1997, respectively. The Amended Credit Agreement is secured by substantially all of the Company's inventory, accounts receivable and related assets. Interest is payable on a quarterly basis. The rate, as chosen by the Company, is the Agent Bank's reference rate or the rate offered per annum in the interbank eurodollar market plus a percentage per annum determined by the Company's financial leverage ratio.

The Company is required to pay a commitment fee between .126% to .625% per annum of the unused commitment and a letter of credit fee equal to between .375% and 2.000% per annum. Fees within each of these ranges are determined by the Company's financial leverage ratio. There were no borrowings under the line of credit during 1998. At December 31, 1998 unused availability under the agreement was \$30.5 million.

The Amended Credit Agreement contains financial and other covenants including, among others, restrictions on capital expenditures, indebtedness, dividends and other restricted payments, and asset sales, as well as provisions requiring maintenance of a minimum level of net worth and specified fixed coverage charge and consolidated leverage ratios. At December 31, 1998 the Company was in compliance with all financial and other covenants contained in the Amended Credit Agreement.

At December 31, 1998 and 1997, the Company had accrued interest of \$2.4 million included in other current liabilities.

#### 7. STOCKHOLDERS' EQUITY

During August 1998, the Company repurchased 1,022,798 shares of its Common Stock, or approximately 9.5% of its then outstanding shares, from existing stockholders for \$11.50 per share and \$500,000 in related expenses. The Company recorded the transaction as a treasury stock purchase.

In conjunction with the management reorganization in 1996 (see Note 3), the Company granted 150,000 fully vested common shares and 70,000 common shares which vest over two years, for par value with a weighted average fair value of \$5.85 per share at the grant date. Compensation expense has been recognized over the appropriate vesting periods for these grants.

In 1998, the Company adopted SFAS No. 130, "Reporting Comprehensive Income." However, the Company had no material comprehensive income components during 1998, 1997 and 1996 and thus, the disclosure has been omitted.

#### Stock Options

The Company has a Stock Option Plan (the "Plan") which provides for the granting of a maximum of 775,592 options to purchase common shares to officers and key employees of the Company and subsidiaries. All options granted under the plan vest over three years except for 200,000 options granted to executive managers in 1996 which vest over three years if certain performance goals are achieved or seven years irrespective of performance. As of December 31, 1998, 66,667 shares were vested due to the achievement of performance goals. In addition to grants under the Plan, the Company entered into Stock Option Agreements with four executive officers providing for the granting of 225,000

options in 1996 for the purchase of common shares. These options have an exercise price of \$3.00 per share and are exercisable over three years.

In accordance with SFAS No. 123, "Accounting for Stock-Based Compensation," the fair value of option grants is estimated on the date of grant using the Black-Scholes option pricing model for pro-forma footnote purposes with the following assumptions used for grants in all years; dividend yield of 4%, risk-free interest rate of 4.65% and expected option life of 10 years. Expected volatility was assumed to be 58.3% in 1998, 1997 and 1996.

Option activity for the three years ended December 31, 1998 is as follows:

	SHARES	OPTION PRICE
	-----	-----
<S>	<C>	<C>
Outstanding at January 1, 1996	401,858	\$5.46--9.03
Granted	890,852	3.00--7.25
Forfeited	(296,083)	5.46--9.03
Redeemed	(138,534)	7.50
	-----	
Outstanding at December 31, 1996	858,093	5.46--9.03
Granted	76,300	7.25--12.00
Forfeited	(69,198)	8.25--9.03
Exercised	(25,384)	8.25--9.03
	-----	
Outstanding at December 31, 1997	839,811	3.00--12.00
Granted	81,000	8.38--13.63
Forfeited	(13,501)	8.25--9.03
Exercised	(40,285)	7.25--9.03
	-----	
Outstanding at December 31, 1998	867,025	3.00--13.63
	=====	

</TABLE>

The weighted average grant-date fair value of options granted during 1998, 1997 and 1996 was \$6.01, \$6.09 and \$6.20 per share, respectively. At December 31, 1998, the weighted average exercise price and weighted average remaining contractual life for all options outstanding were \$5.94 per share and 8.22 years, respectively. At December 31, 1998, 1997, and 1996, exercisable options totaled 441,357, 237,432 and 109,900 respectively.

The following table summarizes information about stock options outstanding at December 31, 1998:

OPTIONS OUTSTANDING				OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
\$3.00-\$5.50	225,000	8.00	\$3.00	150,000	\$3.00
5.51- 8.00	471,833	8.13	6.22	231,167	6.14
8.01-13.63	170,192	8.77	9.03	60,190	9.01

</TABLE>

Options outstanding to and exercisable by a former stockholder at December 31, 1998, issued in conjunction with the acquisition of Easco in 1992, totaled 191,154 at an option price of \$4.87 per share. These options are not included in the table above.

As permitted by SFAS No. 123, the Company has continued to use the intrinsic value method for stock-based compensation. If compensation cost had been determined based on the fair value of the awards at the grant date consistent with the provisions of SFAS No. 123, there would not have been a material impact on the reported amount of the Company's net income or loss and net income or loss per share.

## 8. INCOME TAXES

Components of the provision (benefit) for income taxes are (in thousands):

	1998	1997	1996
	----	----	----
<S>	<C>	<C>	<C>
Federal -- current.....	\$ 216	\$3,466	\$ (119)
Federal -- deferred.....	4,056	823	(3,942)
State and local.....	1,316	694	(102)
	-----	-----	-----
Total.....	\$5,588	\$4,983	\$ (4,163)
	=====	=====	=====

A reconciliation of tax at the statutory federal rate to the tax provision (benefit) is shown below (in thousands):

	1998	1997	1996
	----	----	----
<S>	<C>	<C>	<C>
U.S. federal income tax at 35%....	\$4,657	\$3,631	\$ (9,270)
Goodwill amortization and impairment.....	531	531	5,427
State and local taxes, net of federal benefit and other.....	400	821	(320)
	-----	-----	-----
Total.....	\$5,588	\$4,983	\$ (4,163)
	=====	=====	=====

The approximate tax effect of each type of temporary difference that gave rise to the Company's deferred tax assets (liabilities) at December 31 was as follows (in thousands):

	1998	1997
	----	----
<S>	<C>	<C>
Tax LIFO reserve in excess of book reserve.....	\$ (3,284)	\$ (4,366)
Accrued insurance obligations.....	232	845
Accrued vacation pay.....	768	778
Bad debt reserve.....	678	764
Other.....	1,330	4,309
	-----	-----
Total current deferred tax (liability) asset.....	(276)	2,330
	-----	-----
Accrued environmental liability....	1,619	2,156
Accrued postretirement benefits....	1,417	1,229
Book and tax difference in fixed asset basis.....	(21,677)	(20,968)
Other.....	1,976	3,292
	-----	-----
Total noncurrent deferred tax (liability).....	(16,665)	(14,291)
	-----	-----
Total.....	\$ (16,941)	\$ (11,961)
	=====	=====

Federal income taxes receivable of \$3.2 million and \$2.3 million were included in other current assets as of December 31, 1998 and 1997, respectively.

## 9. LEASES

The Company has various operating lease commitments through 2004 relating to warehouse and plant facilities, transportation and other equipment, and office

space. Rental expense for all operating leases was approximately \$3.3 million, \$3.4 million and \$4.0 million in 1998, 1997 and 1996, respectively.

At December 31, 1998, the Company was obligated to make future minimum lease payments on noncancellable operating leases as follows (in thousands):

<TABLE>	
<S>	<C>
1999.....	\$1,764
2000.....	998
2001.....	621
2002.....	455
2003.....	299
Later years.....	114
	-----
Total minimum payments.....	\$4,251
	=====

</TABLE>

10. PENSION PLANS AND OTHER POSTRETIREMENT BENEFIT PLANS

The Company has various noncontributory defined benefit pension plans, both single employer and multiple employer, covering substantially all of its employees. Plans covering salaried employees provide pension benefits that are based on the employee's highest compensation during three consecutive years out of ten years prior to retirement. Plans covering hourly employees provide benefits of stated amounts for each year of service. It is the Company's policy to make annual contributions required by applicable regulations. Plan assets are invested principally in listed bonds, equity securities, and temporary cash investments.

The Company also provides certain health care and life insurance benefits upon retirement for substantially all salaried employees through an unfunded defined benefit plan. The extent of benefits provided is dependent upon the retiree's years of service, age and retirement date.

For measurement purposes, an 8% annual rate of increase in the per capita cost of covered health care benefits was assumed for 1998. The medical inflation rate is assumed to decrease 1% a year to an ultimate rate of 5% by the year 2001. If the medical trend assumption was increased by one percentage point, the liabilities of the plan would increase by \$290,000 and the expense for 1998 would increase by \$42,000.

23  
EASCO, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Weighted average assumptions used in the plans' actuarial valuations as of December 31, were:

<TABLE>						
<CAPTION>						
	PENSION BENEFITS	OTHER BENEFITS				
	-----	-----				
	1998	1997	1996	1998	1997	1996
	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Discount rate.....	7.00%	7.25%	7.50%-7.75%	7.00%	7.25%	7.25%
Expected return on Plan assets.....	8.50%-9.50%	8.50%-9.50%	8.50%-9.50%	--	--	--
Salary increase rate.....	5.00%	5.00%	5.00%	--	--	--

</TABLE>

Net periodic pension cost consists of the following (in thousands):

<TABLE>						
<CAPTION>						
	PENSION BENEFITS	OTHER BENEFITS				
	-----	-----				
	1998	1997	1996	1998	1997	1996
	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>

Service cost.....	\$1,054	\$1,011	\$1,174	\$83	\$289	\$147
Interest cost.....	3,225	3,190	2,977	335	402	242
Expected return on plan assets.....	(3,996)	(3,654)	(2,099)	--	--	--
Amortization of unrecognized net (gain) or loss.....	(3)	12	--	89	72	10
Amortization of prior service cost.....	70	133	--	(48)	10	--
	-----	-----	-----	-----	-----	-----
Net periodic pension cost.....	\$ 350	\$ 692	\$2,052	\$459	\$773	\$399
	=====	=====	=====	=====	=====	=====

</TABLE>

During 1997, the Company terminated a supplemental executive retirement plan and recognized a pre-tax charge of \$667,000 to record the accumulated present value of benefits to retired executives covered by the plan. In 1996, the Company terminated a plan related to a previously closed facility and recognized a pre-tax charge of \$1.1 million.

The funded status of the plans and the amounts recognized in the consolidated balance sheet at December 31 are as follows (in thousands):

<TABLE>

<CAPTION>

	PENSION BENEFITS		OTHER BENEFITS	
	1998	1997	1998	1997
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at January 1.....	\$45,980	\$42,193	\$ 5,952	\$ 3,409
Service cost.....	1,055	1,012	83	289
Interest cost.....	3,226	3,190	335	402
Plan participants' contributions.....	--	--	--	--
Expected benefit payments.....	(2,982)	(2,948)	(398)	(327)
Actuarial (gain) loss.....	949	2,960	(22)	2,179
Amendments.....	566	208	(990)	--
	-----	-----	-----	-----
Benefit obligation at December 31.....	48,794	46,615	4,960	5,952
CHANGE IN PLAN ASSETS				
Fair value of plan assets at January 1.....	44,176	39,939	--	--
Actual return on plan assets.....	5,274	6,353	--	--
Employer contributions.....	574	1,683	--	--
Benefits paid.....	(2,784)	(2,809)	--	--
Transfers out.....	(24)	(31)	--	--
	-----	-----	-----	-----
Fair value of plan assets at December 31.....	47,216	45,135	--	--
Funded status.....	(1,578)	(1,480)	(4,960)	(5,952)
Unrecognized net loss.....	320	215	2,417	2,493
Unrecognized prior service cost.....	1,116	638	(775)	167
	-----	-----	-----	-----
Accrued benefit cost.....	\$ (142)	\$ (627)	\$ (3,318)	\$ (3,292)
	=====	=====	=====	=====

</TABLE>

The change in the actuarial (gain) loss for other benefits results from negative plan amendments in 1998 that changed eligibility requirements and



certain cost sharing provisions of the plan. These changes do not immediately reduce the other post-retirement liability, but are amortized as a reduction of expense over the participant's average future service period to full eligibility.

## 11. CONTINGENCIES

### Litigation

Lawsuits and claims are filed from time to time against the Company in the ordinary course of business. Management of the Company, after reviewing developments to date with legal counsel, is of the opinion that the outcome of such matters will not have a

22

24

material adverse effect on the Company's financial condition, results of operations or liquidity.

### Environmental Remediation

The Company is subject to a wide variety of environmental laws which continue to be adopted and amended. While the ultimate extent of the Company's liability for pending or potential fines, penalties, remedial costs, claims and litigation relating to environmental laws and health and safety matters and future capital expenditures that may be associated with environmental laws cannot be determined at this time, management, with the assistance of outside environmental consultants, continually assesses the Company's environmental contingencies. After an extensive review of each operating facility and all known environmental exposures by management and outside environmental consultants during 1997, the Company reduced the recorded environmental reserve by \$2.3 million to reflect the Company's best estimate of costs of remedial action as well as any related legal and consulting work. As of December 31, 1998 and 1997, respectively, the Company's environmental reserves totaled \$3.8 million and \$6.3 million. Of these amounts, \$2.0 million was included in other current liabilities as of December 31, 1998 and 1997, respectively.

## 12. RELATED PARTY TRANSACTIONS

The company has entered into a Services Agreement with American Industrial Partners Management Company, Inc. ("AIPM"), an affiliate of the Company, whereby AIPM is to provide general management, financial, and other advisory services to the Company. In return, the Company has paid AIPM \$900,000 per year for 1998, 1997 and 1996 and it has agreed to pay \$900,000 per year through 2000. This agreement provides for future reductions in fees to recognize the reduced level of management services that AIPM would provide if American Industrial Partners Capital Fund, L.P.'s ownership interest in the Company is reduced significantly. In addition to the management fee, the Company paid a transaction fee of \$250,000 to AIPM in connection with the sale of the vinyl operations in January 1998.

23

25

### BOARD OF DIRECTORS

ROBERT J. KLEIN\*  
Chairman, Compensation Committee

GENE E. LITTLE  
Chairman, Audit Committee  
Senior Vice President-Finance  
The Timken Company

KIM A. MARVIN\*

THEODORE C. ROGERS\*  
Chairman of the Board and  
Member, Audit Committee  
Former Chairman, President and Chief  
Executive Officer, NL Industries, Inc.

RAYMOND E. ROSS

Member, Audit Committee  
Former President and Chief  
Operating Officer, Cincinnati  
Milacron, Inc.

SAMUEL H. SMITH, JR.  
Member, Audit Committee

LAWRENCE W. WARD, JR.\*  
Member, Compensation Committee

NORMAN E. WELLS, JR.  
President and Chief  
Executive Officer

\*Messrs. Klein, Marvin, Rogers, and Ward are general partners, limited partners  
or employees of American Industrial Partners Capital Fund, L.P. or an affiliate.

EXECUTIVE  
OFFICERS

NORMAN E. WELLS, JR.  
President and Chief  
Executive Officer

TERRY D. SMITH  
Executive Vice President and  
Chief Financial Officer,  
Secretary and Treasurer

JOSEPH M. BYERS  
Vice President, Sales  
and Marketing

JAMES R. MCKEITHAN  
Vice President, Operations

LAWRENCE J. SAX  
Vice President, Raw Materials

THOMAS H. DUFORE  
Vice President, Human Resources

24

26

STOCKHOLDER INFORMATION

ANNUAL MEETING

The Annual Meeting of Stockholders of Easco, Inc. will be held at the Holiday  
Inn, 7410 South Avenue, Boardman, OH beginning at 10:00 a.m., local time, on  
Friday, May 7, 1999.

STOCK EXCHANGE LISTING

Easco, Inc. common stock is listed on the Nasdaq National Market under the  
symbol "ESCO." The common stock commenced trading on April 13, 1995.

The following table sets forth, for the calendar quarters indicated, the  
reported high and low closing prices for the Company's common stock:

<TABLE>

<CAPTION>

	1998		1997	
	HIGH	LOW	HIGH	LOW
<S>	<C>	<C>	<C>	<C>
First Quarter.....	15 3/4	11 3/8	\$9 7/8	\$6 7/8
Second Quarter.....	16 3/8	8 7/8	10 1/8	7 1/4
Third Quarter.....	12 1/4	6 3/8	13 1/2	9 1/2
Fourth Quarter.....	9 1/2	7 1/4	13 5/8	11 5/16

</TABLE>

Beginning in the third quarter of 1995, Easco, Inc. has paid regular quarterly  
dividends on the common stock of \$0.01 per share. As of February 25, 1999 there  
were 97 holders of record of the Company's common stock.

TRANSFER AGENT AND REGISTRAR

For inquiries related to share certificates, changes of address or other general correspondence concerning stockholder accounts, please contact:

ChaseMellon Shareholder Services LLC  
Overpeck Centre  
85 Challenger Rd.  
Ridgefield Park, NJ 07660  
(800) 851-9677

or you may access their website for assistance at [www.chasemellon.com](http://www.chasemellon.com)

INVESTOR RELATIONS

Securities analysts, investors, and others seeking information on the Company should contact:

Wesley D. Ross  
Manager, Investor Relations  
Easco, Inc.  
706 South State Street  
Girard, Ohio 44420  
Phone: (330) 545-4311, Ext. 244  
Fax: (330) 545-2027  
Email: [wross@eascoaluminum.com](mailto:wross@eascoaluminum.com)

COMPANY WEBSITE

Investor information, press releases, product information and media news items on the Company can be found on our website at [www.eascoaluminum.com](http://www.eascoaluminum.com)

FORM 10-K

Stockholders may obtain a copy of the annual report on Form 10-K as filed with the Securities and Exchange Commission (excluding Exhibits) free of charge, upon written request to the Investor Relations Department at the Headquarters address.

INDEPENDENT AUDITORS

Deloitte & Touche LLP  
127 Public Square  
Suite 2500  
Cleveland, Ohio 44114

HEADQUARTERS

Easco, Inc.  
706 South State Street  
Girard, Ohio 44420  
Phone: (330) 545-4311  
Fax: (330) 545-3119

ALUMINUM EXTRUSION FACILITIES

Berlin, Connecticut  
Burlington, North Carolina  
Dolton, Illinois  
Elkhart, Indiana  
Fostoria, Ohio  
Girard, Ohio  
Kokomo, Indiana  
Niles, Ohio  
Winton, North Carolina

CASTING FACILITIES

Ahoskie, North Carolina  
Dolton, Illinois  
Niles, Ohio

DEPOTS

Burlington, North Carolina  
Dolton, Illinois  
Berlin, Connecticut

Easco, Inc.  
706 South State Street  
Girard, Ohio 44420  
[www.eascoaluminum.com](http://www.eascoaluminum.com)

## INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 33-98600 and No. 33-24603 of Easco, Inc. and Subsidiaries on Form S-8 of our report dated February 1, 1999, incorporated by reference in the Annual Report on Form 10-K of Easco, Inc. for the year ended December 31, 1998.

Deloitte & Touche LLP  
Cleveland, Ohio  
March 24, 1999

<TABLE> <S> <C>

<ARTICLE> 5

<MULTIPLIER> 1,000

<S>	<C>
<PERIOD-TYPE>	YEAR
<FISCAL-YEAR-END>	DEC-31-1998
<PERIOD-START>	JAN-01-1998
<PERIOD-END>	DEC-31-1998
<CASH>	14,057
<SECURITIES>	0
<RECEIVABLES>	38,851
<ALLOWANCES>	(1,590)
<INVENTORY>	25,248
<CURRENT-ASSETS>	80,919
<PP&E>	117,361
<DEPRECIATION>	(35,785)
<TOTAL-ASSETS>	220,600
<CURRENT-LIABILITIES>	36,938
<BONDS>	91,158
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	124
<OTHER-SE>	64,024
<TOTAL-LIABILITY-AND-EQUITY>	220,600
<SALES>	252,325
<TOTAL-REVENUES>	313,790
<CGS>	275,271
<TOTAL-COSTS>	292,351
<OTHER-EXPENSES>	(485)
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	8,619
<INCOME-PRETAX>	13,305
<INCOME-TAX>	5,588
<INCOME-CONTINUING>	7,717
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	7,717
<EPS-PRIMARY>	0.76
<EPS-DILUTED>	0.74

</TABLE>