

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

MEAD CORP

CIK: **64394** | IRS No.: **310535759** | State of Incorporation: **OH** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-02267** | Film No.: **94528358**
SIC: **2600** Papers & allied products

Business Address
MEAD WORLD
HEADQUARTERS
COURTHOUSE PLZ
NORTHEAST
DAYTON OH 45463
5134956323

=====

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the quarterly period ended April 3, 1994

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 No. 1-2267

THE MEAD CORPORATION
(Exact name of registrant as specified in its charter)
Ohio 31-0535759
(State of Incorporation) (I.R.S. Employer Identification No.)

MEAD WORLD HEADQUARTERS
COURTHOUSE PLAZA NORTHEAST
DAYTON, OHIO 45463
(Address of principal executive offices)

Registrant's telephone number, including area code: 513-495-6323

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 .

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The number of Common Shares outstanding at April 3, 1994 was 59,278,185.

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THE MEAD CORPORATION AND CONSOLIDATED SUBSIDIARIES

QUARTERLY PERIOD ENDED APRIL 3, 1994

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

THE MEAD CORPORATION AND CONSOLIDATED SUBSIDIARIES

BALANCE SHEETS

(All dollar amounts in millions)

	April 3, 1994	Dec. 31, 1993
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 10.9	\$ 9.3
Accounts receivable	633.1	598.2
Inventories	491.9	446.8
Other current assets	74.2	77.0
	-----	-----
Total current assets	1,210.1	1,131.3
Investments and other assets:		
Investees	72.9	65.1
Other assets	562.0	555.2
	-----	-----
	634.9	620.3
Property, plant and equipment	4,452.9	4,382.6
Less accumulated depreciation and amortization	(2,018.7)	(1,969.7)
	-----	-----
	2,434.2	2,412.9
	-----	-----
Total assets	\$4,279.2	\$4,164.5
	=====	=====

LIABILITIES AND SHAREOWNERS' EQUITY

Current liabilities:

Notes payable	\$ 164.2	\$
Accounts payable	292.0	350.3
Accrued liabilities	321.1	348.7
Current maturities of long-term debt	13.6	12.5
	-----	-----
Total current liabilities	790.9	711.5

Long-term debt	1,368.8	1,368.8
Deferred items	527.1	506.2
Shareowners' equity:		
Common shares	176.8	176.5
Additional paid-in capital	29.4	26.3
Foreign currency translation adjustment	(7.2)	(7.7)
Net unrealized gain on securities	6.8	9.1
Retained earnings	1,386.6	1,373.8
	-----	-----
	1,592.4	1,578.0
	-----	-----
Total liabilities and shareowners' equity	\$4,279.2	\$4,164.5
	=====	=====

See notes to financial statements

THE MEAD CORPORATION AND CONSOLIDATED SUBSIDIARIES

STATEMENTS OF EARNINGS

(All amounts in millions, except per share amounts)

	First Quarter Ended	
	April 3, 1994	April 4, 1993
	-----	-----
Net sales	\$1,155.6	\$1,135.5
Cost of products sold	919.4	910.6
	-----	-----
Gross profit	236.2	224.9
Selling, administrative and research expenses	176.5	170.8
	-----	-----
Earnings from operations	59.7	54.1
Other revenues (expenses) - net	(7.9)	.8
Interest and debt expense	(24.6)	(24.4)
	-----	-----
Earnings before income taxes	27.2	30.5
Income taxes	11.0	11.7
	-----	-----
Earnings before equity in net earnings of investees	16.2	18.8

Equity in net earnings of investees	11.4	6.8
	-----	-----
Net earnings	\$ 27.6	\$ 25.6
	=====	=====
Net earnings per common and common equivalent share	\$.46	\$.43
	=====	=====
Cash dividends per common share	\$.25	\$.25
	=====	=====
Average common and common equivalent shares outstanding (millions)	59.8	59.4
	=====	=====

See notes to financial statements

THE MEAD CORPORATION AND CONSOLIDATED SUBSIDIARIES

STATEMENTS OF CASH FLOWS

(All dollar amounts in millions)

	First Quarter Ended	
	April 3, 1994	April 4, 1993
	-----	-----
Cash flows from operating activities:		
Net earnings	\$ 27.6	\$ 25.6
Adjustments to reconcile net earnings to net cash (used in) operating activities:		
Depreciation, amortization and depletion of property, plant and equipment	57.4	63.7
Depreciation and amortization of other assets	12.6	13.2
Deferred income taxes	10.1	12.5
Investees-earnings and dividends	(9.0)	(5.0)
Other	9.1	(4.1)
Change in assets and liabilities:		
Accounts receivable	(34.9)	(26.4)
Inventories	(45.1)	(55.2)
Other current assets	(2.7)	13.1
Accounts payable and accrued liabilities	(85.9)	(84.9)
Cash provided by (used in) discontinued operations	(.9)	.3
	-----	-----
Net cash (used in) operating activities	(61.7)	(47.2)
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(80.7)	(52.4)
Additions to equipment rented to others	(13.1)	(9.8)

Investments in and advances to investees	(.3)	(.3)
Other	3.8	(3.5)
	-----	-----
Net cash (used in) investing activities	(90.3)	(66.0)
	-----	-----
Cash flows from financing activities:		
Additional borrowings	168.6	187.9
Payments on borrowings	(167.8)	(187.3)
Notes payable	164.2	120.4
Cash dividends paid	(14.8)	(14.7)
Common shares issued	3.4	5.4
	-----	-----
Net cash provided by financing activities	153.6	111.7
	-----	-----
Increase (decrease) in cash and cash equivalents	1.6	(1.5)
Cash and cash equivalents at beginning of year	9.3	18.4
	-----	-----
Cash and cash equivalents at end of quarter	\$ 10.9	\$ 16.9
	=====	=====

See notes to financial statements

THE MEAD CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

(All dollar amounts in millions)

A - FINANCIAL STATEMENTS

The balance sheet at December 31, 1993 is condensed financial information taken from the audited balance sheet. The interim financial statements are unaudited. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) necessary to present fairly the financial position and results of operations for the interim periods presented have been made.

B - ACCOUNTING POLICIES

On an interim basis, all costs subject to recurring year-end adjustments have been estimated and allocated ratably to the quarters. Income taxes have been provided based on the estimated tax rate for the respective years after excluding infrequently occurring items whose specific tax effect is reported during the same interim period as the related transaction.

C - INVENTORIES

The amount of inventories is (principally last-in, first-out

method) :

	April 3, 1994	Dec. 31, 1993
Finished and semi-finished products	\$354.3	\$301.3
Raw materials	73.7	81.0
Stores and supplies	63.9	64.5
	-----	-----
	\$491.9	\$446.8
	=====	=====

D - INVESTEES

Summarized operating data for Northwood Forest Industries, Ltd. are in the following table and Mead's 50% share of net earnings is included in the financial statements:

	First Quarter Ended	
	April 3, 1994	April 4, 1993
Revenues	\$130.5	\$131.9
	=====	=====
Gross profit	\$ 29.5	\$ 16.7
	=====	=====
Net earnings	\$ 16.7	\$ 6.9
	=====	=====

E - ADDITIONAL INFORMATION ON CASH FLOWS

	First Quarter Ended	
	April 3, 1994	April 4, 1993
Cash paid for:		
Interest	\$ 32.6	\$ 30.9
	=====	=====
Income taxes	\$ 1.8	
	=====	

F - LONG-TERM DEBT

Long-term debt at April 3, 1994, includes \$244.6 million of short-term borrowings which have been classified as long-term debt since the company has the intent to consummate these transactions

on a long-term basis and has the ability to do so under the existing \$550 million bank credit agreement. After reduction for these financings, the company has unused lines of credit of \$305.4 million.

G - CHANGE IN ACCOUNTING ESTIMATE

Effective January 1, 1994, the depreciable lives of certain paper mill equipment were changed to 20 years from 16 years to more closely reflect the current service lives of the assets. The effect of the change was to increase net earnings by \$6.5 million (\$.11 per share) in the first quarter of 1994.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL ----- CONDITION AND RESULTS OF OPERATIONS -----

RESULTS OF OPERATIONS - - - - -

Net Sales - - - - -

Net sales for the first quarter of 1994 were \$1.156 billion, up slightly from \$1.136 billion for the same period of 1993. Weak, and in some instances declining prices, in most of Mead's markets along with excess capacity in several product lines affected sales for the period. Additionally, the general economic recovery has been slow and uneven. The European and Japanese economies continue to be depressed.

Operating Costs and Expenses - - - - -

Gross profit as a percentage of sales improved to 20.4% in the first quarter of 1994 from 19.8% a year earlier. In the first quarter of 1994, Mead decided to lengthen the depreciable life of certain paper mill equipment to 20 years from 16 years, a change that more closely reflects the current life of these assets and brings Mead in line with common practice in the industry. This change had the effect of increasing net earnings by \$10.7 million (\$6.5 million after tax, or 11 cents per share). Without this change, gross profit as a percent of sales would have declined slightly to 19.5% in the first quarter of 1994. The pressures on selling prices were almost totally offset by productivity improvements throughout the company.

Selling, administrative and research expenses for the first quarter of 1994 were \$176.5 million, a \$5.7 million increase over the comparable period of 1993. The increase is due primarily to efforts at Mead Packaging to penetrate new markets, and additional expenses related to cost reduction activities at several divisions,

most notably Zellerbach. These additional expenses were partially offset by lower expenses at Mead Data Central. During the first quarter of last year, MDC had invested significant amounts in its sales, marketing and research programs.

Other Revenues (Expenses) - Net

Other (expenses) were \$(7.9) million in the first quarter of 1994 compared to other revenues of \$.8 million in the first quarter of 1993. During the first quarter of 1994, the Federal Reserve increased the federal funds rate causing a decline in the bond market. The company had interest rate options which were correlated to the yields on long-term bonds. As a result, other revenues (expenses) - net for 1994 includes \$12.1 million (\$7.4 million after tax, or 12 cents per share) in losses relating to adjustments to market for these financial instruments, principally resulting from a one-time loss on the close-out of a leveraged written option embedded in an interest rate swap transaction with Bankers Trust Company. The risk of loss from future adjustments to market of the financial instruments the company currently uses is not significant in the opinion of management.

Interest and Debt Expense

First quarter 1994 interest and debt expense was \$24.6 million compared to \$24.4 million for the first quarter 1993.

Equity in Net Earnings of Investees

Earnings contributed by Mead's investees, primarily its jointly-owned Northwood companies, increased to \$11.4 million for the first quarter of 1994 compared to \$6.8 million for the comparable quarter of 1993. Strong prices for wood products, rising prices for pulp and improved pulp mill operations all contributed to the increase.

Financial Data by Business

Comparisons between 1994 and 1993 earnings in the following discussion have been made prior to the depreciation expense effect of the change in asset lives.

Both sales and earnings declined in the Paper segment compared to first quarter 1993 amounts due to lower volume and continuing low or declining prices for uncoated grades. Sales were down approximately 5% and earnings down 9% compared to the same quarter of 1993. Continued improved operations at Mead's two largest paper mills in Escanaba, Michigan, and Chillicothe, Ohio, helped mitigate the adverse effects of price and volume throughout the segment. Mead expects that pressure on prices and tonnage will continue in the Paper segment.

Sales for the Packaging and Paperboard segment increased about 3% in the first quarter of 1994 compared to the first quarter of 1993, but earnings decreased about 23% compared to the first quarter of 1993. The increase in sales came from the Mead Coated Board Division due, in part, to the Division's two sawmill operations. Mead Containerboard's sales were level with those of the first quarter of 1993 despite declining prices for corrugated boxes. Domestic sales of Mead Packaging are ahead of last year, but continued weakness in European and Japanese economies caused foreign sales to decline. Mead expects prices for coated board and beverage packaging to remain uncertain in the short term. Mead Containerboard reports that a recent price increase in corrugated medium appears to be holding.

In the Distribution and School and Office Products segment, sales increased about 2% in the first quarter of 1994 as compared to the same period of 1993. The increase came from Mead's Zellerbach distribution business. The first quarter is essentially the "off-season" for Mead School and Office Products. Their sales are somewhat behind 1993 levels due, in part, to retailers' efforts in managing their own inventories, but earnings are essentially equal to last year. The division is encouraged by the early response to its "back-to-school" season. Zellerbach's earnings are behind 1993 levels because of weak paper prices and additional restructuring costs.

Investments made by Mead Data Central (MDC) in the first half of 1993 contributed to the Electronic Publishing segment's first quarter 1994 sales and earnings improvements over the comparable period in 1993. First quarter 1994 sales were 14% above the first quarter of 1993, and earnings increased substantially. Part of the earnings improvement arose due to certain intangible assets related to a previous acquisition becoming fully amortized by the end of 1993. Amortization expense was, therefore, lower in the first quarter of 1994 than in 1993. MDC also had incurred significant expenses in the first half of 1993 to enhance its sales, marketing and research programs. New products, cost reductions and the results of its strengthened sales force accounted for the rest of the earnings improvement.

Liquidity and Capital Resources

Mead's consolidated working capital at April 3, 1994 was \$419.2 million in comparison to \$419.8 million at December 31, 1993. The seasonal increase in inventories for Mead School and Office Products was financed through short-term borrowings. The current ratio declined to 1.5 at April 3, 1994 as compared to 1.6 at the prior fiscal year end.

Borrowed capital (long-term debt) as a percent of total capital (long-term debt plus shareowners' equity) decreased from 46.4% at

December 31, 1993 to 46.2% at April 3, 1994.

Capital expenditures for the first quarter totaled \$80.7 million as compared to \$52.4 million for the first quarter of 1993. Much of the 1994 spending was at the Escanaba, Michigan, and Chillicothe, Ohio, paper mills to upgrade Mead's coated paper system.

The Company uses various financial instruments, including derivative products, with off-balance sheet risk, to manage its interest rate exposure. These derivatives include options, forward contracts and interest-rate swaps. The current derivative portfolio includes:

- (A) Interest rate caps with a notional amount of \$400 million having an average strike rate of 10.1% and an average maturity of 4.9 years. Purchased caps give the Company the right to receive a payment to offset any increase in interest rates above strike rates. The Company uses caps to protect its floating rate debt from abnormal rate increases such as those experienced in the early 1980's.
- (B) Interest rate swaps with a notional amount of \$275 million convert a floating rate liability into a fixed rate liability for one party and achieves the reverse for the other party. These swap agreements do not involve a transfer of any principal dollars, only the exchange of interest payments for a specified period. The Company uses swaps to adjust its mix of fixed and floating rate debt. The average fixed interest rate received is 5.8% for an average maturity of 3.5 years and the average fixed interest rate paid is 8.4% for an average maturity of 5.1 years.

In the opinion of management, the risk of loss to the Company in the event of nonperformance by any counterparty under these agreements is not significant. All counterparties are rated A or higher by Moody's and Standard and Poor's with the majority of the contracts executed with counterparties rated AA or higher by both agencies.

At the end of the first quarter, the Company paid a fixed rate or variable rate subject to a capped rate on 68% of its debt and paid a floating rate of interest on the remainder. A change of 1% in the floating interest rate, on an annual basis, would result in a \$.07 change in net earnings per share for the year. The market value of the long-term debt, excluding capital leases, at quarter-end exceeded the book value by \$1.6 million while the market value at year-end exceeded the book value by \$43.8 million.

The Company reported a \$7.4 million loss after tax for the quarter from derivatives used to manage debt interest rates, including

termination of a leveraged written option embedded in an interest rate swap. Although the loss on these transactions has been recorded by the end of the first quarter, actual cash payments will be made over the next 6-1/2 years. The swap, including the option, was written in connection with the Company's overall policy to manage exposure to fluctuations of interest rates.

The Company also uses foreign currency options and forward contracts to reduce the Company's risk due to foreign currency exchange rate movement. Gains and losses on these contracts generally offset losses and gains on the assets, liabilities and transactions being hedged. These financial instruments are used to minimize exposure and to reduce risk from exchange rate fluctuations in the regular course of the Company's global business. Based on the opinion of management, no material exposure exists in any of these instruments.

PART II - OTHER INFORMATION

- - - - -

Item 1. LEGAL PROCEEDINGS

- - - - -

Reference is made to the third paragraph under "Item 3. Legal Proceedings" in Mead's Annual Report on Form 10-K for the fiscal year ended December 31, 1993, regarding a declaratory judgment action filed by Mead against the U. S. Navy. Mead filed a Renewed Motion for Partial Summary Judgment on April 21, 1994 as to the liability of the U. S. Navy and cited additional documents in support.

Reference is made to the seventh paragraph under "Item 3. Legal Proceedings" in Mead's Annual Report on Form 10-K for the fiscal year ended December 31, 1993, regarding alleged air violations at the Mead Publishing Paper mill in Escanaba, Michigan. A settlement was reached with USEPA in April, 1994. Mead agreed to pay a fine of \$85,000, to make minor changes to some equipment and operating procedures and to provide certain reports to USEPA in settlement of this proceeding.

In March, 1994, Mead received a Notice of Violation from USEPA for alleged Violations of the Ohio State Implementation Plan ("SIP") under the Clean Air Act. USEPA alleges that on two occasions emissions of particulate matter from one of the boilers at the Mead Fine Paper mill in Chillicothe, Ohio exceeded levels allowed under the SIP. USEPA and Mead are discussing these allegations, and Mead does not believe that this proceeding will have a material adverse effect on the Company.

Mead has been informed by Ohio EPA that it is contemplating an enforcement action seeking penalties from Mead for various alleged, unrelated air violations at the Mead Fine Paper mill in

Chillicothe, Ohio dating back to 1989. The alleged violations concern particulate emissions from a coal-fired boiler in 1989, the absence of a permit for the facility's chlorine unloading station and the untimely installation of equipment to control odors. Ohio EPA and Mead are discussing these allegations, and Mead does not believe that any such proceeding will have a material adverse effect on the Company.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

(10) Material Contracts:

- (1) Mead Management Incentive Plan for 1994 in which executive officers participate.
- (2) Restricted Stock Plan effective December 10, 1987, as amended through April 28, 1994.
- (3) Lease Agreement between The Industrial Development Board of the City of Phenix City, Alabama and Mead Coated Board, Inc., dated as of June 1, 1993.

(11.1), (11.2), (11.3) Calculations of Net Earnings per Share.

(b) No current reports on Form 8-K were filed with the Commission in the first quarter of 1994.

SIGNATURE

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

Date: May 13, 1994

THE MEAD CORPORATION

(Registrant)

By J. D. Fuller

J. D. Fuller
Controller and

Chief Accounting Officer

QUARTERLY\FORM10Q.WP
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MEAD MANAGEMENT INCENTIVE PLAN

 1994

OBJECTIVE
 - -----
 The objective of the Mead Management Incentive Plan is to recognize and reward key managers for achieving and sustaining superior corporate performance compared to other industrial companies.

PARTICIPATION
 ELIGIBILITY
 - -----
 All elected officers of the Corporation will participate in this plan.

PAYOUT
 ELIGIBILITY
 - -----
 Participants must be employees of the company, an affiliate or a subsidiary at the end of the plan year to receive payout from this plan. An appropriate proration of earned awards may be made in case of death, disability, retirement, hire or transfer during the plan year. In such cases, the incentive target will be pro-rated to reflect the months of service.

INCENTIVE
 TARGET
 - -----
 The Incentive Target for each grade is the difference between Mead's policy total cash compensation target and the midpoint. This Target will be adjusted annually, based on competitive data. The current year incentive targets are shown in Attachment 1.

TOTAL PAYOUT
 DETERMINATION
 - -----
 Payout under the Mead Management Incentive Plan is the sum of target payout to individual participants, factored by Mead's Annual ROTC performance versus peers:

$$\text{Payout} = \text{Target} \times \frac{\text{Mead ROTC}}{\text{All Industry ROTC}} \times \frac{\text{Mead ROTC}}{\text{Forest Products ROTC}}$$

$$\text{ROTC} = \frac{\text{EAT} + ((1 - \text{Tax Rate}) \times \text{Current Interest Expense}) \times 100}{\text{Ending Equity} + \text{Ending Long-Term Debt}}$$

The above calculated payout will be further adjusted by the manager's assessment of individual performance.

For selected MMIP participants, the payout determination will constitute 75% relative ROTC Formula (above) and 25% Cash Flow Component. Payout of this component is the sum of:

- o 60% of actual 1994 cash flow, and
- o 40% of 1995 expected cash flow

The incentive potential of the Cash Flow Component is illustrated in Attachment 2. The selected MMIP participants with Cash Flow Impact are shown in Attachment 3.

PAYOUT THRESHOLD Senior Executives in grades 26 and above will not be eligible for payout unless Mead's annual ROTC is 5% or higher.

Other participants will not be eligible for payout unless there are corporate earnings for the year.

ADMINISTRATION Payout will be estimated periodically and required accrual of payout will be booked against earnings during the year. Approved incentive checks will be prepared and expensed to earnings at the time of payout. Corporate Compensation will assist senior management in the administration of this plan.

RECOMMENDATIONS AND APPROVAL The Compensation Committee reviews and approves total funding and individual payouts under the plan, and the amount, use and replenishment of any reserve funds. The Compensation Committee may also determine if payout will be in cash, restricted stock, or a combination thereof.

The CEO and COO recommend all individual payouts to the Compensation Committee of the Board of Directors for approval. Payout for the CEO and COO is recommended to the Board of Directors by the Compensation Committee.

RESERVED RIGHTS The Mead Corporation reserves the right to alter, amend, suspend or terminate any or all provisions of the Mead Management Incentive Plan, except such actions shall neither inhibit nor hinder the rights of any individual with respect to earned and credited awards which have been deferred. Designation of a position as eligible for participation neither guarantees the individual a right to an incentive payment nor a right to continued employment.

S. C. Mason

Approved

May 3, 1994

Date

MEAD MANAGEMENT INCENTIVE PLAN

PAYOUT TARGETS

1994

Grade	1994 Midpoint	Policy Annual Target	Policy TCC Target	*Annual Incentive Target
33	\$637,944	\$510,400	\$1,148,300	\$529,500
32	558,768	422,400	981,200	439,200
31	489,864	348,700	838,600	363,400
30	427,200	289,600	716,800	302,400
29	372,792	243,800	616,600	255,000
28	325,392	201,700	527,100	211,500
27	284,184	166,500	450,700	175,000
26	247,344	136,600	383,900	144,000
25	215,376	113,700	329,100	120,200
24	188,616	91,300	279,900	96,900
23	166,032	71,400	237,400	76,300
22	155,520	52,900	208,400	57,500

*For 1994 the above Incentive Targets include an addition of 3% of Midpoint.

CASH FLOW COMPONENT

Incentive Potential

1994 Cash Flow Actual	1994 Component Payout		1995 Cash Flow Expected	1995 Component Payout
130.0	180%	Maximum	126.0	120%
121.9	165%		118.1	110%
113.8	150%		110.3	100%
105.7	135%		102.4	90%
97.5	120%		94.5	80%
89.4	105%		86.6	70%
81.3	90%		78.8	60%
73.2	75%		70.9	50%
65.1	60%	Contract	63.0	40%
57.0	45%		55.1	30%
48.8	30%		47.3	20%
40.7	15%		39.4	10%
32.5	0%		31.5	0%
24.4	-15%		23.6	-10%
16.3	-30%		15.8	-20%
8.1	-45%		7.9	-30%
0.0	-60%	Threshold	0.0	-40%

Attachment 3

MMIP PARTICIPANTS WITH CASH FLOW COMPONENT

S. C. Mason	Chairman & CEO
S. S. Benedict	President & COO
W. R. Graber	VP & CFO
E. M. Karter	VP Mfg & Technology
T. E. Palmer	VP & General Counsel
C. J. Mazza	VP Human Resources
W. O. Nugent	VP Purchasing & Logistics
P. B. Robinson	VP Strategy & Planning
G. T. Geswein	Treasurer
J. D. Fuller	Controller

QUARTERLY\EX-10(1).WP
051194

RESTRICTED STOCK PLAN

ARTICLE I. GENERAL PROVISIONS

Section 1. Purpose. The purpose of The Mead Corporation

Restricted Stock Plan (the "Plan") is to provide certain compensation to eligible directors and employees in the form of Common Shares ("Shares") of The Mead Corporation (the "Company") which are restricted in accordance with the terms and conditions set forth below and to encourage the continued high level of performance of such directors and employees by increasing the identity of interests of such directors and employees with the shareholders of the Company. The Plan is intended to be an unfunded program established for the purpose of providing compensation for eligible directors and a select group of management employees and is exempt from Parts 1 through 4 of Title I of the Employee Retirement Income Security Act of 1974, as amended.

Section 2. Definitions. For purposes of the Plan, the

following terms shall have the following meanings:

(a) "Board of Directors" means the Board of Directors of the Company.

(b) "Change in Control" means the occurrence of any of the following: (i) any "person" or "group" within the meaning of Sections 13(d) and 14(d) (2) of the Securities Exchange Act of 1934, as amended (the "Act"), becomes the "beneficial owner" (as defined in Rule 13d-3 under the Act) of more than 25% of the then outstanding voting shares of the Company otherwise than through a transaction arranged by, or consummated with the prior approval of, the Board of Directors, or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors (and any new director whose election by the Board of Directors or whose nomination for election by the Company's shareholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority thereof.

(c) "Committee" means the Compensation Committee of the

Board of Directors.

(d) "Company" means The Mead Corporation; however, when used with reference to employment, "Company" also includes any corporation, partnership or other person or entity at least 10% of the voting or equity interest of which is owned or controlled, directly or indirectly, by the Company.

(e) "Eligible Director" means any director of the Company who is not also an employee of the Company.

(f) "Eligible Employee" means any employee of the Company selected by the Committee.

(g) "Grant Date" means the date on which Restricted Shares are to be granted pursuant to Article II, Section 1.

(h) "Market Value" means the average of the highest sale price and the lowest sale price of a Share on the date the value of a Share is to be determined, as reported on the New York Stock Exchange - Composite Transactions Tape (or other similar source) or, if no sale is reported for such date, then on the next preceding date for which a sale is reported.

(i) "Participant" means any individual who holds Restricted Shares granted under the Plan.

(j) "Restriction Period" means (i) in the case of Restricted Shares granted pursuant to Article II, the period of five years from the date the Restricted Shares are granted, and (ii) in the case of Shares granted pursuant to Article III, the period of three, four or five years (as determined by the Committee) from the date Restricted Shares are granted.

(k) "Restricted Shares" means any Shares issued or delivered pursuant to the Plan which remain subject to the restrictions set forth in Article I, Section 5 of the Plan.

(l) "Shares" means the Common Shares, without par value, of the Company.

Section 3. Administration. (a) The Plan shall be

administered by the Committee. Subject to the express provisions of the Plan, the Committee and the Board of Directors shall each have authority to construe and interpret the Plan, to prescribe, amend, and rescind rules and regulations relating to the Plan, and to make all other determinations necessary or advisable for administering the Plan. The Committee or the Board of Directors may correct any defect or supply any omission or reconcile any inconsistency in the Plan in the manner and to the extent it shall deem expedient to carry it into effect. The determination of the Committee or the

Board of Directors on any matters within the scope of this section shall be conclusive. A majority of the Committee shall constitute a quorum for meetings of the Committee, and the act of a majority of the Committee at a meeting, or an act reduced to or approved in writing by all members of the Committee, shall be the act of the Committee.

In the case of Restricted Shares granted pursuant to Article III, the Committee may in its discretion impose additional conditions or restrictions as to the attainment of specified performance goals during the Restriction Period for all or a portion of the shares or all or a portion of the years in the Restriction Period.

(b) The Committee may waive or modify at any time any condition or restriction (including, without limitation, any of the restrictions set forth in Article I, Section 5) with respect to any Restricted Shares issued pursuant to the Plan; provided, however, that if such Restricted Shares are registered in the name of a member of the Committee, such member shall not participate in the Committee's decision.

Section 4. Shares Subject to the Plan. Subject to adjustment

as provided in Section 1 of Article IV, the maximum number of Shares which may be granted as Restricted Shares under the Plan is 500,000, and the maximum number of Shares which may be granted as Restricted Shares to any individual pursuant to Section 2 of Article II is 10,000. Shares granted as Restricted Shares under the Plan may be authorized and unissued Shares or Shares held in the Company's treasury. Any Shares which are granted as Restricted Shares under the Plan and which are thereafter forfeited by the Participant may again be granted under the Plan as Restricted Shares.

Section 5. Terms and Conditions of Restricted Shares. (a)

Subject to the provisions of paragraph (b) of this Section 5, Restricted Shares issued pursuant to the Plan shall be subject to the following restrictions:

(i) the Participant shall not be entitled to receive delivery of the certificate for such Restricted Shares until the expiration of the Restriction Period;

(ii) such Restricted Shares shall not be sold, transferred, assigned, pledged or otherwise encumbered or disposed of during the Restriction Period; and

(iii) all such Restricted Shares shall be forfeited and all right of the Participant to such Restricted Shares shall terminate without further obligations on the part of the Company if the Participant ceases to be a director of the

Company (in the case of a Participant who received Restricted Shares as an Eligible Director) or an employee of the Company (in the case of a Participant who received Restricted Shares as an Eligible Employee) prior to the end of the Restriction Period.

Upon the forfeiture of Restricted Shares, such Shares shall be returned to the status of authorized and unissued Shares or treasury Shares, as determined by the Committee.

(b) Notwithstanding the provisions of paragraph (a) of this Section 5, in the event a Participant ceases to be a director of the Company (in the case of a Participant who received Restricted Shares as an Eligible Director) or an employee of the Company (in the case of a Participant who received Restricted Shares as an Eligible Employee) prior to the end of a Restriction Period as a result of such Participant's death, disability or normal retirement in accordance with the Company's policies, then the restrictions set forth in paragraph (a) of this Section 5 shall immediately cease to apply to (and all rights of the Participant shall immediately vest with respect to):

- (i) all of the Restricted Shares, if any, registered in the name of such Participant which were granted pursuant to Section 2 of Article II of the Plan or Article III of the Plan;
- (ii) a number of the Restricted Shares, if any, registered in the name of such Participant which were granted pursuant to Section 1(a) of Article II of the Plan (rounded to the nearest whole share) determined as if such restrictions had ceased with respect to 20% of such Restricted Shares on the date on which such Restricted Shares were granted and on each anniversary of such date occurring prior to the Participant's death, disability or retirement; and
- (iii) a number of the Restricted Shares, if any, registered in the name of such Participant which were granted pursuant to Section 1(b) of Article II of the Plan (rounded to the nearest whole share) equal to the number of Restricted Shares which on the date such Restricted Shares were granted had a Market Value equal to the product of \$7,500 times the number of full or partial calendar years expiring since such Restricted Shares were granted and prior to the Participant's death, disability or retirement.

In the event a Participant who received Restricted Shares as an Eligible Employee ceases to be an employee prior to the end of a Restriction Period as a result of such Participant's early

retirement in accordance with the Company's policies, such Restricted Shares shall not be forfeited; however, the restrictions set forth in paragraphs (a)(i), (a)(ii) and (a)(iii) of this Section 5 shall continue until the earlier of the end of the Restriction Period or the date of such Participant's retirement in accordance with the Company's normal retirement policies; provided that, in any event, all such Restricted Shares shall be forfeited and all rights of the Participant to such Restricted Shares shall terminate without further obligations on the part of the Company if the Participant, directly or indirectly, individually or as an agent, officer, director, employee, shareholder (excluding being the holder of any stock which represents less than 1% interest in a corporation), partner or in any other capacity whatsoever engages prior to the time such restrictions cease to apply in any activity competitive with or adverse to the Company's business or in the sale, distribution, production or attempted sale or distribution of any goods, products or services then sold or being developed by the Company.

(c) Upon the occurrence of a Change in Control, all of the restrictions set forth in this Section 5 shall immediately cease to apply to all Restricted Shares issued pursuant to the Plan, except to the extent that the lapse of such restrictions would, in the opinion of counsel selected by the Company's independent auditors, constitute "parachute payments" within the meaning of Section 280G(b)(2)(A) of the Internal Revenue Code (the "Code") and, when added to any other "parachute payments" which would be received by the Participant pursuant to the terms of any other plan, arrangement or agreement with the Company, any person whose actions result in a change in control of the Company or any person affiliated with the Company or such person, would be subject to the tax imposed by Section 4999 of the Code.

(d) At the end of the Restriction Period, or at such earlier time as it is provided for in paragraphs (b) or (c) of this Section 5, the restrictions applicable to the Restricted Shares pursuant to this Section 5 shall cease and a share certificate for the number of Restricted Shares with respect to which the restrictions have ceased shall be delivered, free of all such restrictions and all restrictive legends, to the Participant or the Participant's beneficiary or estate, as the case may be.

(e) If required by the Committee, each grant of Restricted Shares shall be evidenced by a written agreement between the Company and the Participant.

(f) In the event that the restrictions set forth in paragraph (a) of this Section 5 shall cease to apply to any Restricted Shares granted to Eligible Employees subject to Section 16 of the Act prior to the date which is six months after the date of grant of such Restricted Shares, then, notwithstanding any

provision to the contrary in this Section 5, the restrictions set forth in paragraphs (a)(i) and (a)(ii) of this Section 5 shall continue in effect until the date which is six months after the date of such grant.

(g) Notwithstanding any provision to the contrary in this Section 5, but subject nonetheless to paragraph (c) of this Section 5, in the case of Restricted Shares granted pursuant to Article III, if the Participant fails to attain specified performance goals set forth with respect to such Restricted Shares during the Restriction Period, the Participant will forfeit such Restricted Shares to the extent specified in the grant of such Restricted Shares and the right of the Participant to such Restricted Shares shall terminate to the extent specified in the grant of such Restricted Shares without any further obligations on the part of the Company.

Section 6. Share Certificates; Rights as a Shareholder.

(a) Upon the grant of Restricted Shares pursuant to Article II or Article III of the Plan, the Company shall issue a share certificate registered in the name of the Participant bearing the following legend and any other legend required by any federal or state securities laws:

"The transferability of this certificate and the Common Shares represented hereby are subject to the restrictions, terms and conditions (including forfeiture and restrictions against sale, assignment, transfer, pledge, hypothecation and other disposition) set forth in The Mead Corporation Restricted Stock Plan. Copies of such Plan will be mailed to any shareholder without charge within five days after receipt of written request therefor address to Secretary, The Mead Corporation, Mead World Headquarters, Courthouse Plaza Northeast, Dayton, OH 45463."

Each such share certificate shall be retained by the Company until the restrictions set forth in Article I, Section 5(a) cease to apply to the Shares represented by such certificate.

(b) Upon the issuance of a share certificate with respect to Restricted Shares pursuant to paragraph (a) of this Section 6, the Participant shall, subject to all of the terms, conditions and restrictions set forth in the Plan, have all of the rights of a holder of Shares, including the right to vote and to receive dividends and other distributions with respect thereto.

ARTICLE II. RESTRICTED SHARES FOR ELIGIBLE DIRECTORS

Section 1. Grant of Restricted Shares to Eligible Directors.

(a) On the third business day of January, 1988 and on each fifth anniversary of such date during the term of the Plan, (each such date is hereinafter referred to as a "Grant Date"), the Company shall grant a number of Restricted Shares to each then Eligible Director determined by dividing \$37,500 by the Market Value of a Share on the Grant Date (rounded to the nearest whole shares).

(b) If during the term of the Plan any person becomes an Eligible Director on a date other than a Grant Date, the Company shall grant such person a number of Restricted Shares determined by dividing \$37,500 (less the product of \$7,500 times the number of full years since the last Grant Date) by the Market Value of a Share (rounded to the nearest whole share) on the date of such person's election to the Board of Directors.

Section 2. Election to Receive Compensation as Restricted

Shares. (a) Not later than June 1 of each year during the term of

the Plan, the Committee shall cause each Eligible Director to be furnished with an appropriate form which enables the director to elect to receive payment in Restricted Shares of a minimum of 20% up to a maximum of 100% (in increments of 10%) of the annual retainer fee to be earned by such director for service on the Board of Directors during the following calendar year which is paid on or after the first day of such calendar year. In order to be effective, the election form must be signed by the director and must be returned to the Committee or its delegate not later than July 1 of the year prior to the year with respect to which the election is being made. All such elections are irrevocable.

(b) A new Eligible Director may, by filing the prescribed election form, elect to receive the annual retainer fee as Restricted Shares as provided in paragraph (a) of this Section 2 only if the election form is signed and filed at least six months prior to the date of payment of the annual retainer fee to such director.

(c) If an Eligible Director has elected to receive all or a portion of the annual retainer fee as Restricted Shares as provided in this Section 2, then on the date such fee would otherwise be payable, the Company shall grant to such director a number of Restricted Shares determined by dividing the compensation so to be received by the Market Value of a Share on such date such other compensation would otherwise be payable (rounded to the nearest whole share).

ARTICLE III. RESTRICTED SHARES FOR ELIGIBLE EMPLOYEES

Section 1. Grant of Restricted Shares to Eligible Employees.

From time to time during the term of the Plan, the Committee may determine that Restricted Shares shall be granted to Eligible Employees either as payment for all or a portion of the compensation to be paid to any Eligible Employee pursuant to the Company's incentive compensation plans, or for any other reason consistent with the purposes of the Plan. Restricted Shares to be granted as payment for all or a portion of incentive compensation shall be granted on the date the compensation is awarded, and the number of Restricted Shares so granted shall be determined by dividing the amount of such compensation by the Market Value of a Share on the date the compensation is awarded (rounded to the nearest whole Share).

ARTICLE IV. MISCELLANEOUS

Section 1. Adjustments Upon Changes in Capitalization. Upon

any change in the outstanding Shares by virtue of a share dividend or split, recapitalization, merger, consolidation, combination or exchange of shares or other similar change, the number of Restricted Shares which may be granted under the Plan (or the class of shares which may be granted as Restricted Shares) shall be adjusted appropriately by the Committee, whose determination with respect to such adjustment shall be conclusive. Unless the Committee shall otherwise determine, any securities and other property received by a Participant in connection with or as a result of any such change with respect to Restricted Shares (excluding dividends paid in cash) shall be subject to the restrictions then applicable to Restricted Shares under the Plan (including forfeiture), and shall be deposited promptly with the Company to be held in custody until the restrictions cease to apply to the Restricted Shares to which such securities or other property relates.

Notwithstanding the foregoing, however, in the event any rights to purchase Shares are issued pursuant to the Company's Shareholder Rights Plan (or any successor plan) with respect to Restricted Shares, such rights shall cease to be subject to the restrictions applicable to the underlying Restricted Shares at such time, if any, as such rights become exercisable.

Section 2. Compliance with Laws. The issuance or delivery of

Shares pursuant to the Plan shall be subject to, and shall comply with, any applicable requirements of federal and state securities laws, rules and regulations (including, without limitation, the provisions of the Securities Act of 1933, the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder), any securities exchange upon which the Shares may be listed and any other law or regulation applicable thereto, and the Company shall not be obligated to issue or deliver any Shares pursuant to the Plan

if such issuance or delivery would violate any such requirements. The foregoing shall not, however, be deemed to require the Company to effect any registration of Shares under any such law or regulation.

Section 3. Amendment and Termination. (a) The Board of

Directors may from time to time amend the Plan, or any provision thereof, in such respects as the Board of Directors may deem advisable; provided, however, that any such amendment must be approved by the holders of Shares entitling them to exercise a majority of the voting power of the Company if such amendment would:

(i) materially increase the benefits accruing to participants under the Plan;

(ii) materially increase the aggregate number of Shares which may be issued and/or delivered or the number of Shares which may be granted to any individual under the Plan;

(iii) materially modify the requirements as to eligibility for participation in the Plan.

(b) The Plan shall terminate, and no additional Restricted Shares shall be granted under the Plan after, December 31, 1997; provided, however, that the Board of Directors may earlier terminate the Plan at any time.

(c) No amendment to or termination or expiration of the Plan shall adversely affect any Restricted Shares previously granted under the Plan without the consent of the holder thereof.

(d) Notwithstanding paragraph (a) of this Section 3, the provisions of Section 1 of Article II may not be amended more than once every six months other than to comport with changes in the Code, ERISA or the rules thereunder.

Section 4. Notices. Each notice relating to the Plan shall

be in writing and delivered in person or by mail to the proper address. Each notice shall be deemed to have been given on the date it is delivered or mailed except that an election to receive compensation as Restricted Shares pursuant to Article II, Section 2 shall be deemed to have been given on the date it is received by the Committee. Each notice to the Committee shall be addressed as follows: The Mead Corporation, Mead World Headquarters, Courthouse Plaza Northeast, Dayton, Ohio 45463, Attention: Secretary. Each notice to a Participant shall be addressed to the Participant's address as set forth in the records of the Company. Anyone to whom a notice may be given under this Plan may designate a new address by written notice to the Company or to the Participants, as the case

may be.

Section 5. Benefits of Plan. The Plan shall inure to the

benefit of, and shall be binding upon, each successor and assign of the Company. All rights and obligations imposed upon a Participant and all rights granted to the Company under this Plan shall be binding upon such Participant's heirs, legal representatives and successors. Nothing in the Plan shall be deemed to create any obligation on the part of the Company to nominate any director for re-election or to continue the employment of any employee.

Section 6. Taxes. (a) The Company shall have the right to

require, prior to the issuance or delivery of any Restricted Shares, payment by the Participant of any taxes required by law with respect to the issuance or delivery of such Restricted Shares.

(b) On any date on or after January 1, 1994 that restrictions applicable to Restricted Shares granted (or to be granted) hereunder shall have ceased pursuant to Article I, Section 5 (the "Lapse Date"), and with respect to persons subject to Section 16 of the Securities Exchange Act of 1934, as amended (the "1934 Act") on any date thereafter through the end of the next following period (the "Window Period") specified in Rule 16b-3(e)(3) (or any successor rule) under the 1934 Act, the Participant to whom such Restricted Shares were granted may elect to have the Company retain, from the Restricted Shares to be delivered at the end of the Restriction Period, Shares having a Market Value on the date of delivery equal to all or any part of the federal, state and local withholding tax payments (whether mandatory or permissive) to be made by the Participant with respect to ceasing of the restrictions (up to the maximum amount determined by the Participant's top marginal tax rate) in lieu of making such payments in cash; provided that such election may also be made in advance of the Lapse Date and will be effective on the date specified in the notice of election (subject, as applicable, to Section 16 of the 1934 Act), and further provided that, with respect to a Lapse Date that has occurred or will occur between January 1, 1994 and October 28, 1994, the election may be made by persons subject to and in accordance with Section 16 of the 1934 Act through the end of the first Window Period which commences on, includes or follows October 28, 1994. The Committee may establish from time to time rules or limitations with respect to the right of a Participant to elect to have the Company retain Restricted Shares in satisfaction of withholding payments; provided, however, that, in any event, any such rules or limitations must be in accordance with Section 16 of the 1934 Act and any applicable rules established under such Section.

Section 7. Governing Law. All grants of Restricted Shares

shall be made and accepted in the State of Ohio. The laws of the State of Ohio shall control the interpretation and performance of the provisions of the Plan.

Section 8. Effective Date of the Plan. The effective date of

the Plan shall be December 10, 1987; provided, however, that if the Plan is not approved at the 1988 Annual Meeting of Shareholders by the holders of at least a majority of the outstanding voting power of the Company, the Plan shall immediately terminate. No dividends shall be paid prior to the 1988 Annual Meeting of Shareholders with respect to any Restricted Shares granted prior to such meeting. If the Plan is not approved at such meeting, all Restricted Shares granted prior thereto shall be retained by the Company, and the Company shall pay to the Participant in whose name such Restricted Shares were registered an amount equal to the Market Value on the date of grant of a number of Shares equal to such number of Restricted Shares.

- NOTE: (1) Adopted by the Board of Directors of the Company on December 11, 1987.
- (2) Approved by the shareholders of the Company on April 28, 1988.
- (3) Addition of Article II, Section 2, subsection (d) adopted by the Board of Directors of the Company on December 15, 1989 (deleted February 28, 1991).
- (4) Amendment to Article I, Section 2, subsection (h) adopted by the Board of Directors of the Company on January 25, 1990.
- (5) Amendments to Article I, Section 2, subsections (d) and (j); Article I, Section 3, subsection (a); and Article III, Section 1; and addition of Article 2, Section 5, subsection (g), adopted by the Board of Directors of the Company on January 24, 1991, and approved by the shareholders of the Company on April 25, 1991.
- (6) Amendments to Article II, Section 2, subsections (a) and (b); and addition of Article I, Section 5, subsection (f) and Article IV, Section 3, subsection (d) adopted by the Board of Directors of the Company on February 28, 1991.

- (7) Amendments to Article I, Section 5, subsection (b); and addition of Article I, Section 5, subsection (b)(iii), adopted by the Board of Directors of the Company on July 23, 1992.

- (8) Amendment to Article IV, Section 6, subsection (b) adopted by the Board of Directors of the Company on April 28, 1994.

QUARTERLY\EX-10(3).WP
050694

LEASE AGREEMENT

between

THE INDUSTRIAL DEVELOPMENT BOARD OF
THE CITY OF PHENIX CITY, ALABAMA

and

MEAD COATED BOARD, INC.

Dated as of June 1, 1993

This Lease Agreement and all right, title and interest of The Industrial Development Board of the City of Phenix City, Alabama in any rental payments and other receipts and revenues derived under this Lease Agreement have been assigned to AmSouth Bank N.A., as Trustee under the Trust Indenture, dated as of even date herewith, from The Industrial Development Board of the City of Phenix City, Alabama, which secures \$48,000,000 in aggregate principal amount of The Industrial Development Board of the City of Phenix City, Alabama Industrial Development Revenue Bonds (Mead Coated Board Project), Series 1993A and Additional Bonds as permitted and provided for under said Trust Indenture.

This instrument prepared by:

Thompson, Hine and Flory
312 Walnut Street
14th Floor
Cincinnati, Ohio 45202

(PAGE NUMBER REFERENCES ARE APPLICABLE TO PAPER COPY ONLY)

LEASE AGREEMENT

TABLE OF CONTENTS

(The Table of Contents for this Lease Agreement is for convenience of reference only and is not intended to define, limit or describe the scope or intent of any provisions of this Lease Agreement.)

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION.	33
Section 1.1 - Definitions	33
Section 1.2 - Rules of Construction	37

ARTICLE II

REPRESENTATIONS AND WARRANTIES.	37
Section 2.1 - Representations and Warranties by the Board.	37
Section 2.2 - Representations and Warranties by the Company.	39

ARTICLE III

LEASING CLAUSES AND TITLE.	41
Section 3.1 - Lease of the Project.	41
Section 3.2 - Warranty of Title	41
Section 3.3 - Quiet Enjoyment	41

ARTICLE IV

COMPLETION OF THE PROJECT FACILITIES; ISSUANCE OF THE BONDS.	41
Section 4.1 - Agreement to Acquire, Construct and Install the Project Facilities	41
Section 4.2 - Agreement to Issue Bonds; Application of Bond Proceeds.	42
Section 4.3 - Company Required to Pay Costs if Project Fund Insufficient.	42
Section 4.4 - Board to Pursue Remedies Against Suppliers, Contractors and Subcontractors and Their Sureties	43
Section 4.5 - Issuance of Additional Bonds.	43

ARTICLE V

EFFECTIVE DATE OF THIS AGREEMENT; DURATION OF LEASE TERM; RENTAL PROVISIONS.	43
Section 5.1 - Effective Date of This Agreement; Duration of Lease Term.	43
Section 5.2 - Delivery and Acceptance of Possession	44
Section 5.3 - Rents and Other Amounts Payable	44
Section 5.4 - Place of Rental Payments.	45
Section 5.5 - Obligations of Company Hereunder Absolute and Unconditional.	45
Section 5.6 - Company's Performance Under Indenture	46

ARTICLE VI

MAINTENANCE, MODIFICATION, TAXES AND INSURANCE. . . . 47

Section 6.1 - Maintenance and Modification of Project
Facilities by Company. 47

Section 6.2 - Removal of Portions of Project. 48

Section 6.3 - Taxes, Other Governmental Charges and
Utility Charges. 48

Section 6.4 - Insurance Required. 50

Section 6.5 - Application of Net Proceeds of Insurance. . 50

Section 6.6 - Additional Provisions Respecting
Insurance. 50

Section 6.7 - Other Board Expenses. 50

Section 6.8 - Advances by Board or Trustee. 51

Section 6.9 - Indemnification of Board and Trustee. . . . 51

Section 6.10 - Investment Credit. 52

ARTICLE VII

DAMAGE, DESTRUCTION AND CONDEMNATION 52

Section 7.1 - Damage and Destruction. 52

Section 7.2 - Condemnation. 52

Section 7.3 - Condemnation of Company-Owned Property. . . 53

Section 7.4 - Further Assurances and Corrective
Instruments. 53

ARTICLE VIII

SPECIAL AGREEMENTS. 53

Section 8.1 - No Warranty of Condition or Suitability by
the Board. 53

Section 8.2 - Inspection of the Project 53

Section 8.3 - Company to Maintain Its Corporate
Existence; Exceptions Permitted. 54

Section 8.4 - Qualification in the State. 54

Section 8.5 - Granting of Easements 54

Section 8.6 - Release of Certain Land 55

ARTICLE IX

ASSIGNMENT, SUBLEASING, PLEDGING AND SELLING;
REDEMPTION; RENT PREPAYMENT AND ABATEMENT. 56

Section 9.1 - Assignment and Subleasing 56

Section 9.2 - Pledge under Indenture. 56

Section 9.3 - Restrictions on Sale of Project by Board. . 57

Section 9.4 - Redemption of Bonds 57

Section 9.5 - Prepayment of Rents 57

Section 9.6 - Rent Abatements if Bonds Paid Prior to
Maturity 57

Section 9.7 - Reference to Bonds Ineffective After Bonds Paid	58
---	----

ARTICLE X

EVENTS OF DEFAULT AND REMEDIES.	58
Section 10.1 - Events of Default Defined.	58
Section 10.2 - Remedies	59
Section 10.3 - No Remedy Exclusive.	60
Section 10.4 - Agreement to Pay Attorneys' Fees and Expenses	60
Section 10.5 - No Additional Waiver Implied by One Waiver	60
Section 10.6 - Waiver of Appraisalment, Valuation, etc..	60
Section 10.7 - Waiver of Events of Default.	60

ARTICLE XI

OPTIONS IN FAVOR OF COMPANY; OBLIGATION TO PURCHASE PROJECT	61
Section 11.1 - General Option to Prepay Rent and Purchase Project	61
Section 11.2 - Conveyance on Purchase	61
Section 11.3 - Relative Positions of Options and Indenture.	62

ARTICLE XII

MISCELLANEOUS.	62
Section 12.1 - Notices.	62
Section 12.2 - Binding Effect	63
Section 12.3 - Severability	63
Section 12.4 - Amounts Remaining in Bond Fund	63
Section 12.5 - Amendments, Changes and Modifications.	63
Section 12.6 - Execution Counterparts	63
Section 12.7 - Captions	63
Section 12.8 - Recording of Agreement	63
Section 12.9 - Law Governing Construction of Agreement.	64
Section 12.10 - Net Lease	64

EXHIBIT "A" - DESCRIPTION OF PROJECT LAND.	67
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EXHIBIT "B" - PROJECT SUMMARY.	84
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LEASE AGREEMENT

THIS LEASE AGREEMENT, made and entered into as of June 1, 1993, by and between THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF PHENIX CITY, ALABAMA (the "Board"), a public corporation organized and existing under the laws of the State of Alabama, as lessor, and MEAD COATED BOARD, INC. (the "Company"), a corporation organized and existing under the laws of the State of Delaware and

qualified to do business in the State of Alabama, as lessee;

WITNESSETH:

In consideration of the respective representations and agreements hereinafter contained, the Board and the Company agree as follows (provided, that in the performance of the agreements of the Board herein contained, any obligation it may thereby incur for the payment of money shall not be a general debt on its part but shall be payable solely out of the rents, payments and revenues derived from this Lease Agreement, the sale of the "Bonds" as hereinafter defined, the insurance and condemnation awards herein described and any other revenues arising out of or in connection with its ownership of the "Project" as hereinafter defined):

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.1 - Definitions. In addition to the words and terms elsewhere defined herein, the following words and terms as used herein shall have the following meanings unless the context or use clearly indicates another or different meaning or intent, and any other words and terms defined in the Indenture shall have the same meanings when used herein as assigned them in the Indenture unless the context or use clearly indicates another or different meaning or intent:

"Act" means the statutes codified as Code of Alabama 1975, Title 11, Chapter 54, Article 4, as amended and supplemented and at the time in force and effect;

"Additional Bonds" means the bonds of any series, other than the Bonds, authorized under the Indenture and authenticated and delivered in accordance with Section 401 of the Indenture.

"Agreement" means this Lease Agreement as it now exists and as it may hereafter be amended pursuant to Section 12.5 of this Lease Agreement and Article XV of the Indenture;

"Authorized Board Representative" means the person at the time designated to act on behalf of the Board by written certificate furnished to the Company and the Trustee containing the specimen signature of such person and signed on behalf of the Board by its Chairman or Vice Chairman. Such certificate may designate an alternate or alternates;

"Authorized Company Representative" means the person at the time designated to act on behalf of the Company by written certificate furnished to the Board and the Trustee containing the specimen signature of such person and signed on behalf of the

Company by the President or any Vice President of the Company.
Such certificate may designate an alternate or alternates;

"Board" means The Industrial Development Board of the City of Phenix City, Alabama, a public corporation of the State, and its successors and assigns;

"Bond Fund" means the Bond principal and interest payment fund created pursuant to Section 702 of the Indenture and within which have been established a general account and a special account. Any reference herein to the "Bond Fund" without further limitation or explanation shall be deemed to be a reference to the general account in the Bond Fund;

"bondholder" or "holder of the Bonds" means the registered owner of any Bond;

"Bonds" means the \$48,000,000 in aggregate principal amount of The Industrial Development Board of the City of Phenix City, Alabama Industrial Development Revenue Bonds (Mead Coated Board Project), Series 1993A, issued pursuant to the Indenture;

"City" means the City of Phenix City, Alabama, a municipal corporation of the State;

"Company" means the corporation designated as such in the first paragraph hereof and its successors and assigns, including any surviving, resulting or transferee corporation as provided in Section 8.3;

"default" means an event or condition the occurrence of which would, with the lapse of time or the giving of notice or both, become an Event of Default;

"Event of Default" means one of the events so denominated and described in Section 10.1;

"Government Obligations" means (a) direct obligations of the United States of America, (b) obligations unconditionally guaranteed by the United States of America and (c) securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in (a) or (b);

"Indenture" means the Trust Indenture, of even date herewith, between the Board and the Trustee, including any indenture supplemental thereto;

"Lease Term" means the duration of the leasehold interest created hereby as specified in Section 5.1;

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

"Notes" means those unpaid and outstanding industrial development notes issued by the Board, pursuant to resolutions of the Board to finance the costs of the Project;

"payment in full of the Bonds" specifically encompasses the situations described in Article X of the Indenture;

"Permitted Encumbrances" means, as of any particular time,

(a) liens for ad valorem taxes, special assessments or other governmental charges not then delinquent or permitted to exist as provided in Section 6.3;

(b) this Agreement and the security interests created herein;

(c) such utility, access or other easements and rights-of-way, restrictions, reservations, reversions and exceptions as the Authorized Company Representative certifies will not materially interfere with or impair the operation of the Project (or, if it is not being operated, the operations for which it was designed or last modified);

(d) unfiled and inchoate mechanics' and materialmen's liens for construction work in progress;

(e) mechanics', materialmen's, suppliers' and vendors' liens or other similar liens not then payable, and those permitted to exist as provided in Section 6.1;

(f) such minor defects, irregularities, encumbrances, easements, rights-of-ways and clouds on title as the Authorized Company Representative certifies do not, in the aggregate, materially impair the property affected thereby for the purpose for which it was acquired or is held by the Board or the Company;

(g) that certain Lease Agreement dated as of July 1, 1980 between Georgia Kraft Company and the Board, as amended in an Assignment, Assumption and Amendatory Lease Agreement dated as of January 4, 1988 among the Board, Georgia Kraft Company and the Company;

(h) that certain Lease Agreement dated as of November 1,

1983 between Georgia Kraft Company and the Board, as amended in an Assignment, Assumption and Amendatory Lease Agreement dated as of January 4, 1988 among the Board, Georgia Kraft Company and the Company;

(i) that certain Lease Agreement dated as of December 1, 1983 between Georgia Kraft Company and the Board, as amended in an Assignment, Assumption and Amendatory Lease Agreement dated as of January 4, 1988 among the Board, Georgia Kraft and the Company;

(j) that certain Lease Agreement dated as of December 1, 1988 between the Company and the Board executed in connection with the Board's Environmental Improvement Revenue Bonds (Mead Coated Board Project), Series 1988;

(k) that certain Lease Agreement dated as of December 1, 1988 between the Company and the Board in connection with the Board's Industrial Development Revenue Bonds (Mead Coated Board Project), Series 1988A and other bonds of the Board, as amended and supplemented from time to time;

(l) that certain Lease Agreement dated as of September 1, 1990 between the Company and the Board in connection with the Board's Environmental Improvement Revenue Bonds (Mead Coated Board Project), Series 1990A; and

(m) that certain Lease Agreement dated as of October 1, 1990 between the Company and the Board in connection with the Board's Environmental Improvement Revenue Refunding Bonds (Mead Coated Board Project), Series 1990B;

"person" means natural persons, firms, associations, corporations and public bodies;

"Project" means the Project Land and the Project Facilities, as they may at any time exist;

"Project Facilities" means the facilities acquired, constructed and installed with proceeds from the sale of the Notes, to the extent such Notes are refunded from the proceeds of the sale of the Bonds, as they may at any time exist. The Project Facilities are more fully described in the Project Summary;

"Project Fund" means the fund created pursuant to Section 601 of the Indenture;

"Project Land" means the real property described in Exhibit "A" attached hereto and by this reference made a part hereof, less such real property as may be released from this Agreement pursuant to Section 8.6 or taken by the exercise of the power of eminent

domain as provided in Section 7.2;

"Project Summary" means the Project Summary prepared by the Company, entitled "PROJECT SUMMARY - INDUSTRIAL FACILITIES-MEAD COATED BOARD, INC. COATED LINERBOARD MILL", a copy of which is attached hereto as "Exhibit "B" and by this reference made a part hereof, including any amendments thereto made pursuant to the terms thereof;

"security interest" or "security interests" shall refer to the security interests created herein and in the Indenture and shall have the meaning set forth in the Uniform Commercial Code of the State;

"State" means the State of Alabama;

"Trustee" means AmSouth Bank N.A., or any co-trustee or any successor trustee under the Indenture.

Section 1.2 - Rules of Construction. Unless the context clearly indicates to the contrary:

(a) "Herein", "hereby", "hereunder", "hereof", "hereinbefore", "hereinafter" and other equivalent words refer to this Agreement and not solely to the particular Article, Section or subdivision hereof in which such word is used.

(b) Words importing the singular number shall include the plural number and vice versa, and any pronoun used herein shall be deemed to cover all genders.

(c) All references herein to particular Articles or Sections are references to Articles or Sections of this Agreement.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1 - Representations and Warranties by the Board. The Board makes the following representations and warranties as the basis for the undertakings on its part herein contained:

(a) Organization and Authority. The Board is a public

corporation duly organized and validly existing under the provisions of the Act by authority of a resolution adopted by the Board of Commissioners of the City on June 14, 1960 and a Certificate of Incorporation duly filed for record on October 17, 1960, in the office of the Judge of Probate of Russell County, Alabama, which Certificate of Incorporation has not

been amended or been revoked and is of full force and effect. The Board has all requisite power and authority under the Act (1) to issue the Bonds, (2) to use the proceeds thereof to refund the Notes issued to pay the cost to acquire, construct and install the Project Facilities, (3) to own, lease, encumber and dispose of the Project, and (4) to enter into, and perform its obligations under, the Indenture and this Agreement. This Agreement and the Indenture have been duly authorized, executed and delivered by the Board and are legal, valid and binding agreements enforceable against the Board in accordance with their respective terms.

(b) Pending Litigation. There are no actions, suits,

proceedings, inquiries or investigations pending, or to the knowledge of the Board threatened, against or affecting the Board in any court or before any governmental authority or arbitration board or tribunal, which adversely affect the validity or enforceability of the Bonds, the Indenture, this Agreement, or any agreement or instrument to which the Board is a party and which is used or contemplated for use in the consummation of the transactions contemplated hereby or thereby.

(c) Issue, Sale and Other Transactions Are legal and

Authorized. The issue and sale of the Bonds and the execution

and delivery by the Board of the Indenture and this Agreement and the compliance by the Board with all of the provisions of each thereof and of the Bonds (i) are within the purposes, powers and authority of the Board, (ii) to the best of the knowledge of the Board, have been done in full compliance with the provisions of the Act, are legal and will not conflict with or constitute on the part of the Board a violation of or a breach of or default under, or result in the creation of any lien or encumbrance (other than Permitted Encumbrances) upon any property of the Board under the provisions of, its certificate of incorporation or Bylaws, or any indenture, mortgage, deed of trust, note agreement or other agreement or instrument to which the Board is a party or by which the Board is bound, or any license, judgment, decree, law, statute, order, rule or regulation of any court or governmental agency or body having jurisdiction over the Board or any of its activities or properties, and (iii) have been duly authorized by all necessary corporate action on the part of the Board.

(d) Governmental Consents. Neither the nature of the

Board nor any of its activities or properties, nor any relationship between the Board and any other person, nor any

circumstance in connection with the offer, issue, sale or delivery of any of the Bonds is such as to require the consent, approval or authorization of, or the filing, registration or qualification with, any governmental authority on the part of the Board in connection with the execution, delivery and performance of the Indenture and this Agreement, or the offer, issue, sale or delivery of the Bonds, other than (i) the filing with the Alabama Securities Commission of the notification of the Board's intention to issue the Bonds required by Act No. 586 enacted at the 1978 Regular Session of the Legislature of the State and the issuance by the Director of the Alabama Securities Commission of such Certificate of Notification as may be required by said Act, and (ii) the due filing and recording of this Agreement, the Indenture and the financing statements covering the security interests created hereunder and under the Indenture. The Board has filed the notification referred to in (i) of the preceding sentence and the Director of the Alabama Securities Commission has issued a Certificate of Notification applicable to the Bonds, which Certificate of notification has not been revoked or rescinded and is in full force and effect.

(e) No Defaults. The Board is not in default under the

Act or under its Certificate of Incorporation or Bylaws or any other agreement or instrument to which it is a party or by which is bound.

(f) No Prior Pledge. Neither the Project, this

Agreement nor any of the payments to be received by the Board under this Agreement have been mortgaged, pledged or hypothecated in any manner or for any purpose other than as provided in the Indenture as security of the payment of the Bonds.

(g) Nature and Location of Project. The Project will

constitute a "project" within the meaning of the Act, and the acquisition, construction and installation of the Project Facilities is in furtherance of the public purpose of the Act. The Project will be located within 25 miles of the corporate limits of the City, and no part thereof is located within the corporate limits or the police jurisdiction of any other incorporated municipality or any county of any state other than Russell County, Alabama.

(h) Official Action. By resolutions duly adopted on

November 3, 1987, January 20, 1988, August 31, 1988, February 27, 1991, October 22, 1991 and December 19, 1991, the Board

took official action providing for the acquisition, construction and installation of the Project Facilities and the financing of the Project Facilities through the issuance of the Bonds.

Section 2.2 - Representations and Warranties by the Company. The Company makes the following representations and warranties as the basis for the undertakings on its part herein contained:

(a) The Company (i) is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, (ii) has all requisite corporate power and authority to carry on its business as now being conducted and as presently proposed to be conducted, and (iii) has duly qualified and is authorized to do business and is in good standing as a foreign corporation in the State.

(b) The Company has the corporate power and has been duly authorized to enter into this Agreement and to perform all of its obligations hereunder and thereunder.

(c) The willingness of the Board to issue the Bonds for purposes of financing costs of acquiring, constructing, and installing the Project, and to lease the Project to the Company, has induced the Company to locate the Project within the State of Alabama and, more particularly, within 25 miles of the City.

(d) The Project will create or preserve jobs and employment opportunities within the boundaries of the State of Alabama, thereby improving the economic welfare of the State of Alabama and the City.

(e) The acquisition, construction, and installation of any part of the Project was not commenced, and no item which constitutes a part of the Project was ordered, prior to the date of the resolution referred to in Section 2.1(h) above that refers to such part of the Project.

(f) The Company is not subject to any contractual or other limitation or provision of any nature whatsoever which in any material way limits, restricts or prevents the Company from entering into this Agreement, or performing any of its obligations hereunder; and the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, and the fulfillment of or compliance with the terms and conditions of this Agreement will not conflict with or result in a breach of the terms, conditions or provisions of any restriction, agreement or instrument to which the Company is a party or by which it is bound, or constitute a default under any of the foregoing.

(g) The acquisition, construction, and installation of the Project will comply in all material respects with all applicable zoning, planning, building, environmental and other regulations of the governmental authorities having jurisdiction of the Project, and all necessary permits, licenses, consents and permissions necessary for the Project have been or will be obtained.

(h) The acquisition, construction, and installation of the Project as well as its intended use and operation are in complete conformance with the purposes and provisions of the Act.

(i) No event has occurred and no condition exists that would constitute an "Event of Default" under this Agreement which, with the lapse of time or with the giving of notice or both, would become an "Event of Default" under this Agreement.

(j) To the best of its knowledge and belief, the Company is not in violation of any laws, ordinances, governmental rules or regulations to which it is subject and has not failed to obtain any licenses, permits, franchises or other governmental authorizations necessary to the ownership of its properties or to the conduct of its business, which violation or failure to obtain would reasonably be expected to materially and adversely affect the ability of the Company to perform its obligations under this Agreement.

ARTICLE III

LEASING CLAUSES AND TITLE

Section 3.1 - Lease of the Project. The Board hereby leases to the Company, and the Company hereby leases from the Board, the Project at the rent set forth in Sections 5.3 and 5.7 and in accordance with the provisions hereof.

Section 3.2 - Warranty of Title. The Board for itself, its successors and assigns, warrants to the Company, its successors and assigns, that it has good and marketable fee simple title in and to the Project Land free from all encumbrances except Permitted Encumbrances. Upon the execution and delivery of this Agreement, the Board agrees that it will furnish to the Company an opinion of the Board's counsel stating that the Board holds such title in and to the Project Land.

Section 3.3 - Quiet Enjoyment. The Board warrants and covenants that it will defend the Company in the quiet enjoyment and peaceable possession of the Project, and all appurtenances

thereto belonging, free from all claims of all persons whomsoever, throughout the Lease Term, so long as the Company shall perform the covenants, conditions and agreements to be performed by it hereunder, or so long as the period for remedying any default in such performance shall not have expired.

ARTICLE IV

COMPLETION OF THE PROJECT FACILITIES; ISSUANCE OF THE BONDS

Section 4.1 - Agreement to Acquire, Construct and Install the Project Facilities. The Board agrees that it will cause the Project Facilities to be acquired, constructed and installed on the Project Land, wholly within the boundary lines thereof. The acquisition, construction and installation of the Project Facilities will be in accordance with the Project Summary, a copy of which is on file with the Board and the Trustee.

The Board agrees that it will enter into, or accept the assignment of, such contracts as the Company may request in order to effectuate the purposes of this Section but that it will not execute any other contract or give any order for construction or for the acquisition and installation of any equipment relating to the Project Facilities, unless and until the Authorized Company Representative shall have approved the same in writing.

The Board hereby makes, constitutes and appoints the Company and The Mead Corporation as its true, lawful and agents for the acquisition, construction and installation of the Project Facilities, and the Company and The Mead Corporation have accepted such agency to act and do all things on behalf of the Board, to perform all acts and agreements of the Board hereinbefore provided in this Section, and to bring any actions or proceedings against any person which the Board might bring with respect thereto as the Company and The Mead Corporation shall deem proper. The Board hereby ratifies and confirms all actions of, and assumes and adopts all contracts entered into by, the Company and The Mead Corporation with respect to the Project Facilities prior to the date hereof. This appointment of the Company and The Mead Corporation to act as agents and all authority hereby conferred or granted is conferred and granted irrevocably until all activities in connection with the acquisition, construction and installation of the Project Facilities shall have been completed, and shall not be terminated prior thereto by act of the Board or of the Company and The Mead Corporation. So long as the Company is not in default hereunder, upon the completion of the Project (or at any time prior or subsequent thereto upon the request of the Company) the Board will assign to the Company all warranties and guarantees of all contractors, subcontractors, suppliers, architects and engineers

for the furnishing of labor, materials or equipment or supervision or design in connection with the Project Facilities and any rights or causes of action arising from or against any of the foregoing.

Section 4.2 - Agreement to Issue Bonds; Application of Bond Proceeds. In order to provide funds for the payment of the cost of the acquisition, construction and installation of the Project Facilities through the refunding of the Notes, the Board agrees that it will authorize, sell and deliver the Bonds to the initial purchasers thereof. Upon receipt of the proceeds from the sale of the Bonds, the Board will deposit all accrued interest (if any) received upon the sale of the Bonds in the Bond Fund and will deposit the balance of the proceeds from said sale to the Project Fund, to be applied to the payment of the Notes upon receipt by the Trustee of Notes tendered for cancellation.

Section 4.3 - Company Required to Pay Costs if Project Fund Insufficient. If the moneys in the Project Fund available for payment of the costs of the Project Facilities should not be sufficient to pay the costs thereof in full, and if Additional Bonds are not issued to finance the completion of the Project Facilities, the Company agrees to complete the Project Facilities and to pay all that portion of the costs of the Project Facilities as may be in excess of the moneys available therefor in the Project Fund. The Board does not make any warranty, either express or implied, that the moneys which will be paid into the Project Fund and which, under the provisions hereof, will be available for payment of the costs of refunding the Notes, will be sufficient to pay all the costs which will be incurred in that connection. The Company agrees that if after exhaustion of the moneys in the Project Fund the Company should pay any portion of the costs of refunding the Notes pursuant to the provisions of this Section, it shall not be entitled to any reimbursement therefor from the Board or from the Trustee or from the holders or owners of any of the Bonds, nor shall it be entitled to any diminution in or postponement or abatement of the rents payable under Section 5.3.

Section 4.4 - Board to Pursue Remedies Against Suppliers, Contractors and Subcontractors and Their Sureties. At the direction and sole cost of the Company, the Board will promptly proceed, either separately or in conjunction with others, to exhaust the remedies of the Board against any defaulting supplier, contractor or subcontractor and against any surety therefor, for the performance of any contract made in connection with the Project Facilities. If the Company shall so notify the Board, the Company may, in its own name or in the name of the Board, prosecute or defend any action or proceeding or take any other action involving any such supplier, contractor, subcontractor or surety which the Company deems reasonably necessary, and in such event the Board agrees to cooperate fully with the Company and to take all action necessary, to the extent it might lawfully do so, to effect the

substitution of the Company for the Board in any such action or proceeding. Any moneys recovered by way of damages, refunds, adjustments or otherwise in connection with the foregoing shall be paid to the Bond Fund.

Section 4.5 - Issuance of Additional Bonds. So long as there shall not have occurred and be continuing an event of default hereunder or under the Indenture, the Board shall, from time to time at the request of the Company, use its best efforts to issue Additional Bonds in aggregate principal amounts as requested by the Company under the terms and conditions provided herein and in the Indenture, but in no event shall the Board be liable for not issuing Additional Bonds. Additional Bonds may be issued to finance the (a) payment of outstanding Notes, (b) refunding all of the Bonds of any one or more series then outstanding, (c) payment of costs of the Project or (d) any combination of the foregoing; provided, in any case, that either prior to or contemporaneously with the issuance of Additional Bonds (i) the terms, conditions, manner of issuance, purchase price, delivery and contemplated disposition of the proceeds of the sale of such Additional Bonds shall have been approved in writing by the President or any Vice President of the Company, and (ii) the conditions specified in Article IV of the Indenture with respect to the issuance of such Additional Bonds shall have been satisfied.

ARTICLE V

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

Section 5.1 - Effective Date of This Agreement; Duration of Lease Term. This Agreement shall become effective upon its execution and delivery and the leasehold interest created hereby shall then begin, and, unless sooner terminated or extended under the provisions hereof (including particularly Articles X and XI), shall expire upon the latter to occur of the following events: (i) midnight, June 1, 2033, or (ii) payment in full of all Bonds and any Additional Bonds.

Section 5.2 - Delivery and Acceptance of Possession. The Board agrees to deliver to the Company sole and exclusive possession of the Project (subject to the right of the Trustee to enter thereon for inspection purposes and to the other provisions of Section 8.2) on the Completion Date and the Company agrees to accept possession of the Project upon such delivery; provided, however, that the Company shall be permitted such possession of the Project prior to the Completion Date as shall not interfere with the acquisition, construction and installation of the Project Facilities.

Section 5.3 - Rents and Other Amounts Payable. On December 1, 1993, and June 1 and December 1 in each year thereafter until payment in full of the Bonds, the Company shall pay to the Trustee, for the account of the Board, as rent for the Project, a sum of money equal to the amount payable on such date as principal of and interest on the Bonds, as provided in the Indenture. In any event, on each date on which a payment of principal or interest is payable on the Bonds, if at any such date the amount of money available in the Bond Fund is insufficient to make required payments of principal and interest on such date, the Company shall forthwith pay to the Trustee, in immediately available funds, the amount of any such deficiency.

Anything herein to the contrary notwithstanding, any amount of money at any time held by the Trustee in the Bond Fund shall be credited against the next succeeding payment of rent and shall reduce the payment to be then made by the Company; and further, if, and for so long as, the amount held by the Trustee in the Bond Fund should be sufficient to pay at the times required the principal of and the interest on all Bonds then remaining unpaid, the Company shall not be obligated to make any further rental payments under the provisions of this Section.

The Company agrees to pay to the Trustee until the principal of and the interest on the Bonds shall have been paid in full (i) an amount equal to the annual fee of the Trustee for the Ordinary Services of the Trustee rendered and its Ordinary Expenses incurred under the Indenture, (ii) the reasonable fees and charges of the Trustee and any other paying agent for acting as paying agent and as bond registrar and the reasonable fees of Trustee's counsel as provided in the Indenture, as and when the same become due, and (iii) the reasonable fees and charges of the Trustee for Extraordinary Services rendered by it and Extraordinary Expenses incurred by it, as such terms are defined in the Indenture, as and when the same become due; provided, that the Company may, without precipitating an Event of Default hereunder, withhold such payment to contest in good faith the necessity for any such Extraordinary Services and Extraordinary Expenses and the reasonableness of any such fees, charges or expenses.

If the Company should fail to make any of the payments required in this Section, the item or installment which the Company has failed to make shall continue as an obligation of the Company until the same shall have been fully paid, and the Company agrees to pay the same (in the case of interest, to the extent permitted by law) with interest thereon at the rate per annum equal to one percent per annum over the applicable interest rate borne by the Bonds, calculated as described in the Indenture. The provisions of this Section shall be subject to the provisions of Section 9.6.

Section 5.4 - Place of Rental Payments. The rents provided

for in Section 5.3 and the interest on delinquent rents shall be paid directly to the Trustee for the account of the Board and will be deposited in the Bond Fund. The other payments provided for in Section 5.3 shall be paid directly to the Trustee for its own use or for disbursement to any other paying agent, as the case may be.

Section 5.5 - Obligations of Company Hereunder Absolute and Unconditional. Subject to the provisions of Section 9.6, the obligations of the Company to make the payments required in Section 5.3 and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional. Until such time as payment in full of the Bonds shall have been made, the Company (i) will not suspend or discontinue any payments provided for in Section 5.3 except to the extent the same have been prepaid, (ii) will perform and observe all of its other agreements contained herein, (iii) will not suspend or discontinue any payments provided for in Section 5.3 because of any right of set off which the Company may have against the Board, the Trustee or the holder of any Bond (provided that nothing herein shall prevent the assertion of any claim by the Company by separate suit or compulsory counterclaim) and (iv) except as provided in Section 11.1 will not terminate the Lease Term for any cause, including, without limiting the generality of the foregoing, failure of the Board to complete the Project Facilities, failure of the Board's title in and to the Project or any part thereof, any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of the Board to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or in connection herewith or with the Indenture. Nothing contained in this Section shall be construed to release the Board from the performance of any of the agreements on its part herein contained; and if the Board should fail to perform any such agreement, the Company may institute such action against the Board as the Company may deem necessary to compel performance or recover its damages for nonperformance so long as such action shall not do violence to the agreements on the part of the Company contained in the preceding sentence. The Company may, however, at its own cost and expense and in its own name or in the name of the Board, prosecute or defend any action or proceeding or take any other action involving third persons which the Company deems reasonably necessary in order to insure the completion of the acquisition, construction and installation of the Project Facilities or to secure or protect its right of possession, occupancy and use of the Project hereunder, and in such event the Board hereby agrees to cooperate fully with the Company and to take all lawful action which is required to effect the substitution of the Company for the Board in any such action or proceeding if the Company shall so request.

Nothing contained herein shall be construed to be a waiver of any rights which the Company may have against the Board under this Agreement, or against other persons under this Agreement, the Indenture, or otherwise, or under any provision of law.

Section 5.6 - Company's Performance Under Indenture. The Company agrees, for the benefit of the holders from time to time of the Bonds, to do and perform all acts and things contemplated in the Indenture to be done or performed by it.

Section 5.7 - Payments in Lieu of Taxes. The Board and the Company acknowledge that, under present law, the Project, as long as it is owned by the Board, is exempt from ad valorem taxation by the State of Alabama or any political or taxing subdivision thereof, including Russell County.

The Company agrees that it will make payments in lieu of taxes ("PILOT Payments"), consisting of payments in fixed, specified amounts ("Fixed Payments") and payments in amounts determined by formula as set forth below ("Variable Payments"), so long as the Bonds and any Additional Bonds are outstanding and subject to the provisions of the last paragraph of this Section 5.7, in the amounts and at the times and in the manner set forth below. The PILOT Payments shall be payable on July 1 and August 15, 1993 and on August 15 of each subsequent year, commencing August 15, 1994.

The Fixed Payments shall be payable to Russell County and shall be in the following amounts: \$55,000 on July 1, 1993; \$145,000 on August 15, 1993; \$200,000 on August 15, 1994; \$50,000 on each of August 15, 1995, August 15, 1996, August 15, 1997 and August 15, 1998; and \$100,000 on August 15 of each subsequent year, commencing August 15, 1999.

The aggregate Variable Payments for each year shall be in an amount equal to 60% of the "education taxes" (as defined below) that would be payable with respect to the Project leased under the Lease, calculated as of the December 31 of the second preceding calendar year (each December 31, an "Assessment Date") with respect to those portions of the Project capitalized for financial accounting purposes and leased under this Agreement on such Assessment Date. For purposes of this Section 5.7, "education taxes" means the ad valorem taxes then currently levied on property situated in Russell County to support public schools in Russell County (i.e., the levy for the Russell County Board of Education and the Russell County countywide schools levy levied as of the applicable Assessment Date), which taxes would be assessed against the Project if the Project was not exempt from ad valorem taxes. The Variable Payment due on August 15, 1994 (with respect to the December 31, 1992 Assessment Date) and August 15, 1995 shall be distributed as follows: 60% to the Phenix City Board of Education

and 40% to the Russell County Board of Education. The Variable Payments due on December 15, 1996 and thereafter shall be distributed as follows: 55% to the Phenix City Board of Education, 35% to the Russell County Board of Education, 5% of the Calculation Amount to the City of Phenix City and 5% of the Calculation Amount to Russell County.

The calculation of the amount of PILOT Payments due shall be made by the Company and by March 15 of each year, the Company will provide to the Board and each recipient of PILOT Payments a report of the amount due on the next succeeding August 15. The Company's calculations of the PILOT Payments, absent manifest error, shall be conclusive and binding upon the Board and all recipients of PILOT Payments.

The Board acknowledges that the obligation of the Company to made any payment of PILOT Payments as additional rent provided for in this section is conditioned upon the Project remaining exempt from ad valorem taxation throughout the period or term to which the Project so becomes subject to ad valorem taxation.

ARTICLE VI

MAINTENANCE, MODIFICATION, TAXES AND INSURANCE

Section 6.1 - Maintenance and Modification of Project Facilities by Company.

(a) Throughout the Lease Term, the Company shall at its own expense (i) keep the Project Facilities in as reasonably safe condition as the operation thereof will permit, and (ii) keep the Project Facilities in good repair and in good operating condition, making from time to time all necessary repairs thereto and renewals and replacements thereof.

(b) The Company may from time to time, in its sole discretion and at its own expense, make any additions, modifications or improvements to the Project Facilities, including installation of additional machinery, equipment, and related property that do not impair the effective use of the Project Facilities. All machinery, equipment and related personal property so installed by the Company shall not be subject to this Agreement but shall be subject to the Landlord's Lien created under the Code of Alabama 1975, Section 35-9-60. All such machinery, equipment and related personal property may be modified or removed at any time while there exists no event of default hereunder; provided, that any damage to the Project Facilities occasioned by such modification or removal shall be repaired by the Company at its own expense.

(c) The Company shall not permit any mechanics', materialmen's, suppliers', vendors' or other similar liens to be established or remain against the Project for labor or materials furnished or services rendered in connection with any additions, modifications, improvements, repairs, renewals or replacements so made by it; provided, that if the Company shall first notify the Trustee of its intention so to do, the Company may in good faith contest any mechanics', materialmen's, suppliers', vendors' or other similar liens filed or established against the Project, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Board of the Trustee shall notify the Company that by nonpayment of any such items the lien or security interests afforded by this Agreement or the Indenture as to any part of the Project or the rents, payments and revenues from the Project will be materially endangered or the Project or any part thereof or the rents, payments and revenues from the Project will be subject to loss or forfeiture, in which event the Company shall promptly pay and cause to be satisfied and discharged all such unpaid items. The Board will cooperate fully with the Company in any such contest.

Section 6.2 - Removal of Portions of Project. The Board shall not be under any obligation to renew, repair or replace any inadequate, obsolete, worn out, unsuitable, undesirable, inappropriate or unnecessary items of machinery or equipment comprising the Project Facilities. If the Company in its sole discretion determines that any such items have become inadequate, obsolete, worn out, unsuitable, undesirable, inappropriate or unnecessary for its purposes at such time, the Company may remove such items from the Project and (on behalf of the Board) sell, trade in, or otherwise dispose of them (as a whole or in part) without any responsibility or accountability to the Board or the Trustee therefor, provided that such removal does not impair the operation of the Project Facilities.

The removal of any portion of the Project Facilities pursuant to the provisions of this Section shall not entitle the Company to any diminution in or postponement or abatement of the rents payable under Section 5.3.

The Company shall promptly report to the Trustee each such removal, substitution, sale, trade-in or other disposition.

Section 6.3 - Taxes, Other Governmental Charges and Utility Charges. The Company agrees to pay promptly as and when the same shall become due and payable, each and every lawful cost, expense and obligation of every kind and nature, foreseen or unforeseen,

for the payment of which the Board or the Company is or shall become liable by reason of its estate or interest in the Project or any portion thereof, by reason of any right or interest of the Board or the Company in or under this Agreement, or by reason of or in any manner connected with or arising out of the possession, operation, maintenance, alteration, repair, rebuilding or use of the Project or any part thereof. The Company also agrees to pay and discharge all lawful real estate taxes, personal property taxes, water charges, sewer charges, assessments and all other lawful governmental taxes, impositions and charges of every kind and nature, ordinary and extraordinary, general or special, foreseen or unforeseen, whether similar or dissimilar to any of the foregoing, and all applicable interest and penalties thereon, if any, which at any time during the term of this Agreement shall be or become due and payable by the Board or the Company and which shall be lawfully levied, assessed or imposed

(a) upon or with respect to, or shall be or become liens upon, the Project or any portion thereof or any interest of the Board or the Company therein or under this Agreement;

(b) upon or with respect to the income or profits of the Board from the Project or under this Agreement;

(c) upon or with respect to the possession, operation, management, maintenance, alterations, repair, rebuilding, use or occupancy of the Project or any portion thereof; or

(d) upon this transaction or any document to which the Board or the Company is a party creating or transferring an interest or an estate in the Project;

under or by virtue of any present or future law, statute, ordinance, regulation or other requirement of any governmental authority, whether federal, state, county, city, municipal, school or otherwise.

The Company also agrees to pay any special assessments for public improvements or benefits for which the Company would have otherwise have been liable had it in fact been the owner of the Project.

The Company shall, at its sole cost and expense, procure or cause to be procured any and all necessary building permits, other permits, licenses and other authorizations required for the lawful and proper construction, use, occupation, operation and management of the Project. The Company also agrees to pay or cause to be paid all lawful charges for gas, water, sewer, electricity, light, heat, power, telephone and other utility and service used, rendered or supplied to, upon or in connection with the Project and the Board will cooperate with the Company in securing such permits, licenses

and authorizations.

The Company may, at its own expense and in its own name and behalf or in the name and behalf of the Board, in good faith contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments and other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Board or the Trustee shall notify the Company that by nonpayment of any such items the lien or security interests afforded by this Agreement or the Indenture as to any part of the Project or the rents, payments and revenues derived from the Project will be materially endangered or the Project or any part thereof will be subject to loss or forfeiture, in which event such taxes, assessments or charges shall be paid promptly. The Board shall cooperate fully with the Company in any such contest. If the Company shall fail to pay any of the foregoing items required by this Section to be paid by the Company and shall not cure any failure within any applicable curative provisions provided herein, the Board or the Trustee may (but shall be under no obligation to) pay the same, and any amounts so advanced therefor by the Board or the Trustee shall become an additional obligation of the Company to the one making the advancement, which amounts, together with interest thereon at the rate of interest borne by the Bonds from the date thereof, the Company agrees to pay.

Section 6.4 - Insurance Required. Throughout the Lease Term the Company shall keep the Project continuously insured (or maintain programs of self-insurance) against such risks as are customarily insured against by businesses of like size and type.

Section 6.5 - Application of Net Proceeds of Insurance. The insurance carried pursuant to the provisions of Section 6.4 shall be applied as follows: (i) the Net Proceeds of casualty insurance shall be applied as provided in Section 7.1, and (ii) the Net Proceeds of public liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which such insurance proceeds may be paid.

Section 6.6 - Additional Provisions Respecting Insurance. All insurance, if any, required in Section 6.4 may be taken out and maintained in insurance companies selected by the Company and may be written with deductible amounts comparable to those on similar policies carried by other companies engaged in businesses similar in size and type and other respects as the Company. The insurance hereby required may be contained in blanket policies or self-insurance programs now or hereafter maintained by the Company.

Section 6.7 - Other Board Expenses. Anything to the contrary herein notwithstanding, the Company shall pay any reasonable and necessary expenses not specifically mentioned herein which are

incurred by the Board in connection with the Project, this Agreement, the Indenture, any financing statements or the Bonds, and which are not payable from the Project Fund pursuant to Section 4.2.

Section 6.8 - Advances by Board or Trustee. If the Company fails to maintain the insurance coverage required hereby or fails to keep the Project Facilities in as reasonably safe condition as its operating conditions will permit, or fails to keep the Project Facilities in good repair and good operating condition and shall not cure any failure within any applicable curative provisions provided herein, the Board or the Trustee may (but unless satisfactorily indemnified shall be under no obligation to) take out policies of insurance and pay the premiums on the same or make the required repairs, renewals and replacements; and all amounts so advanced therefor by the Board or the Trustee will become an additional obligation of the Company to the one making the advancement, which amounts, together with interest thereon at the rate of interest borne by the Bonds from the date thereof, the Company agrees to pay.

Section 6.9 - Indemnification of Board and Trustee. The Company will also pay and discharge and will indemnify and hold harmless the Issuer and the members, officers, agents and employees of the Issuer from (a) any condition of the Project caused by the Company, (b) any liens, taxes, assessments, impositions and other charges upon payments by the Company to the Issuer hereunder, (c) any breach or default on the part of the Company in the performance of any of its obligations hereunder, (d) any act of negligence of the Company or of its agents, contractors, servants, employees or licensees, (e) any act of negligence of any assignee or sublessee of the Company, or of any agents, contractors, servants, employees or licensees of any assignee or sublessee of the Company and (f) any and all liability, damages, costs and expenses arising out of or resulting from the acquisition, construction and installation of the Project or the use or operation of the Project or any other activity carried out thereon or in connection therewith or the transactions contemplated by this Agreement and the Indenture, including the reasonable fees and expenses of counsel, except as the same may arise out of the negligence or misconduct on the part of the Issuer. If any such lien or charge is sought to be imposed upon payments, or any such taxes, assessments, impositions or other charges are sought to be imposed, or any such liability, damages, costs and expenses are sought to be imposed, the Issuer will give prompt notice to the Company, and the Company shall have the sole right and duty to assume, and will assume, the defense thereof, with full power to litigate, compromise or settle the same in its sole discretion. The indemnification provided by the Section shall survive the termination of this Agreement.

The Company agrees to indemnify the Trustee, and to hold it

harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the Indenture, including the reasonable costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties thereunder or hereunder.

Section 6.10 - Investment Credit. The Board agrees that any investment tax credit with respect to the Project or any part thereof shall be made available to the Company, and the Board will fully cooperate with the Company in any effort by the Company to avail itself of any such investment tax credit, but neither the Board nor the Trustee shall have any responsibility or liability for the Company's failure to receive any such investment tax credit. The Board agrees to cause the Trustee to cooperate in making any investment tax credit available to the Company.

ARTICLE VII

DAMAGE, DESTRUCTION AND CONDEMNATION

Section 7.1 - Damage and Destruction. If prior to payment in full of the Bonds the Project Facilities are destroyed (in whole or in part) or are damaged by fire or other casualty, the Company, or the Board at the Company's direction, (i) shall promptly replace, repair, rebuild or restore the property damaged or destroyed to substantially the same condition as existed prior to the event causing such damage or destruction, with such changes, alterations and modifications (including the substitution and addition of other property) as may be desired by the Company and as will not impair the operation of the Project Facilities, and (ii) shall apply for such purpose so much as may be necessary of any Net Proceeds of insurance resulting from claims for such losses, as well as any additional moneys of the Company necessary therefor. All Net Proceeds of insurance resulting from claims for such losses shall be paid to the Company. If said Net Proceeds are not sufficient to pay in full the costs of such replacement, repair, rebuilding or restoration, the Company shall nonetheless complete the work thereof and shall pay that portion of the costs thereof in excess of the amount of said Net Proceeds. The Company shall not, by reason of the payment of such excess costs be entitled to any reimbursement from the Board or any abatement, diminution or postponement of the amounts payable under Section 5.3.

Section 7.2 - Condemnation. If the title in and to, or the temporary use of, the Project or any part thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any other person acting under governmental authority, the Company shall be obligated to continue to pay the rents specified in Section 5.3. The Board, the Company and the Trustee shall cause the Net Proceeds received by them or any of

them, from any award made in such eminent domain proceeding, to be paid to and held by the Company and applied in one or more of the following ways at the election of the Company:

(a) the restoration of the Project to substantially the same condition as existed prior to the exercise of such power of eminent domain;

(b) the acquisition, by construction or otherwise, of other industrial facilities suitable for the Company's operations at the Project (which facilities will be deemed a part of the Project and available for use and occupancy by the Company and will be leased to the Company hereunder without the payment of any rents other than herein provided to the same extent as if such other improvements were specifically described herein); provided, that such facilities will be acquired subject to no liens, security interests or encumbrances prior to the lien afforded by this Agreement and the Indenture, other than Permitted Encumbrances; or

(c) payment into the Bond Fund to provide for payment in full of the Bonds at the earliest date that the Bonds may be called for redemption.

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

Section 7.3 - Condemnation of Company-Owned Property. The Company shall be entitled to the proceeds of any condemnation award or portion thereof made for damages to or taking of its own property or for damages on account of the taking of or interference with the Company's rights to possession, use or occupancy of the Project.

Section 7.4 - Further Assurances and Corrective Instruments. The Board and the Company agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Project herein described or intended so to be or for carrying out the intention of or facilitating the performance of this Agreement.

ARTICLE VIII

SPECIAL AGREEMENTS

Section 8.1 - No Warranty of Condition or Suitability by the Board. THE BOARD MAKES NO WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO THE CONDITION OF THE PROJECT OR THAT IT WILL BE SUITABLE FOR THE COMPANY'S PURPOSES OR NEEDS. The Company releases the Board from, agrees that the Board shall not be liable for and agrees to hold the Board harmless against, any loss that may be occasioned by any cause whatsoever pertaining to the Project or the use thereof.

Section 8.2 - Inspection of the Project. The Company agrees that the Authorized Board Representative and any duly authorized agent of the Trustee shall have the right at all reasonable times to enter upon, examine and inspect the Project without interference or prejudice to the operations of the Company. The Company further agrees that any authorized agent of the Board or the Trustee shall have such rights of access to the Project as may be reasonable and necessary for the proper maintenance of the Project in the event of the failure by the Company to perform its obligations under Section 6.1.

Section 8.3 - Company to Maintain Its Corporate Existence; Exceptions Permitted. The Company agrees that it will maintain its corporate existence, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it; provided that the Company may, without violating the agreement contained in this Section 8.3, consolidate with or merge into another corporation incorporated and existing under the laws of one of the states of the United States of America or the District of Columbia (a "domestic corporation"), or permit one or more other domestic corporations to consolidate with or merge into it, or sell or otherwise transfer to another domestic corporation all or substantially all of its assets as an entirety and thereafter dissolve, provided, if the Company is not the surviving, resulting or transferee corporation, as the case may be, such surviving, resulting or transferee corporation assumes in writing all of the obligations of the Company under the Agreement and qualifies to do business in the State. Notwithstanding the foregoing, the Company shall not dissolve or otherwise dispose of all or substantially all of its assets and shall not consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it if, after giving effect to such action, a default would result under this Agreement or the Indenture.

Section 8.4 - Qualification in the State. The Company agrees (except as may be otherwise permitted pursuant to the provisions of Section 8.3) that throughout the Lease Term it will continue to be a corporation either organized under the laws of the State or duly

qualified to do business in the State as a foreign corporation.

Section 8.5 - Granting of Easements. If no Event of Default shall have happened and be continuing, the Company may at any time or times cause to be granted easements (including party wall agreements), licenses, rights-of-way (temporary or perpetual and including the dedication of public highways) and other rights or privileges in the nature of easements with respect to any property included in the Project Land and such grant will be free from any lien or security interest created by this Agreement and the Indenture, or the Company may cause to be released existing easements, licenses, rights-of-way and other rights or privileges in the nature of easements, held with respect to any property included in the Project Land with or without consideration and the Board agrees that it shall execute and deliver and will cause and direct the Trustee to execute and deliver any instrument necessary or appropriate to confirm and grant or release any such easement, license, right-of-way or other right or privilege upon receipt of: (i) a copy of the instrument of grant or release, and (ii) a written application signed by the president or any vice president of the Company requesting the execution and delivery of such instrument and 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 operations of the Project Facilities and will not materially weaken, diminish or impair the security intended to be given by or under this Agreement and the Indenture.

Section 8.6 - Release of Certain Land. Notwithstanding any other provision hereof, the parties hereto reserve the right to amend this Agreement at any time and from time to time by mutual agreement for the purpose of effecting the release of and removal of (i) any unimproved part of the Project Land (on which no component of the Project Facilities is located but on which parking, transportation or utility facilities may be located) on which the Board proposes to construct improvements for lease or sale to another person or persons under another and different agreement, or (ii) any part of the Project Land with respect to which the Board proposes to grant an easement or convey a fee interest or other title to a railroad or other public or private carrier or to any public utility or public body in order that transportation facilities or services by rail, water, road or other means or utility services for the Project may be provided, increased or improved; provided, that if at the time any such amendment is made any of the Bonds are outstanding, there shall be deposited with the Trustee the following:

(a) a copy of such amendment as executed;

(b) a resolution of the Board (i) stating that the Board is not in default under any of the provisions hereof or of the

Indenture and that the Company is not to the knowledge of the Board in default under any of the provisions hereof, (ii) giving an adequate legal description of that portion of the Project Land to be released, (iii) stating the purpose for which the Board desires the release, (iv) stating that the improvements which will be constructed or the facilities and services which will be provided, increased or improved will be such as will promote at least one of the public purposes of the Board, and (v) requesting such release;

(c) a certificate of the president or any vice president of the Company indicating approval of such amendment and stating that the Company is not in default under any of the provisions hereof;

(d) a copy of the agreement between the Board and such other person wherein the Board agrees to construct improvements on the portion of the Project Land so requested to be released and agrees to lease or sell the same to such other person, and wherein such other person agrees to lease or purchase the same from the Board, or a copy of the instrument granting the easement or conveying the title or other interest to a railroad, public utility or public body; and

(e) a certificate of the Authorized Company Representative, dated not more than 60 days prior to the date of such amendment and stating that (i) the portion of the Project Land so proposed to be released is necessary or desirable for railroad, utility services or roads to benefit the Project or is not otherwise needed for the operation of the Project Facilities for the purposes hereinabove stated, and (ii) the release so proposed to be made will not impair the usefulness of the Project Facilities and will not destroy the means of ingress thereto and egress therefrom.

No release effected under this Section shall entitle the Company to any diminution in or postponement or abatement of the rents payable under Section 5.3.

ARTICLE IX

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

Section 9.1 - Assignment and Subleasing. This Agreement may be assigned by the Company without the necessity of obtaining the consent of the Board or the Trustee, subject, however, to the following conditions:

(a) no assignment (other than pursuant to Section 8.3)

or sublease shall relieve the Company from primary liability for any of its obligations hereunder, and if any such assignment occurs, the Company shall continue to remain primarily liable for payment of the rents specified in Section 5.3 and for performance and observance of the other agreements on its part herein provided to be performed and observed by it; and

(b) the Company shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Board and to the Trustee a true and complete copy of each such assignment or sublease, as the case may be, together with any instrument of assumption.

Section 9.2 - Pledge under Indenture. Under the terms of the Indenture, the Board shall assign and create a security interest with respect to its interest in, and pledge all rents, revenues and receipts arising out of or in connection with its ownership of, the Project to the Trustee, as security for the payment of the principal of and interest on the Bonds, but the Indenture and said assignment and pledge shall be subject and subordinate to this Agreement.

Section 9.3 - Restrictions on Sale of Project by Board. The Board agrees that, except as set forth in Section 9.2 or as otherwise provided in the Agreement and Indenture, it shall not (i) sell (other than as contemplated herein), assign, transfer or convey the Project during the Lease Term, (ii) create or suffer to be created any debt, lien or charge on the rents, payments and revenues arising out of or in connection with its ownership of the Project, or (iii) take any other action which might reasonably be construed as tending to cause or induce the levy or assessment of ad valorem taxes on the Project or on its title in and to the Project. If the laws of the State at the time permit such action to be taken, nothing contained in this Section shall prevent the consolidation of the Board with, or the merger of the Board into, or the transfer of the Project as an entirety to, any public corporation whose property and income are not subject to taxation and which has corporate authority to carry on the business of owning and leasing the Project; provided (a) that no such action shall be taken without the prior written consent of the Company, unless such action shall be required by law, and (b) that upon any such consolidation, merger or transfer, the due and punctual payment of the principal of and the interest on the Bonds, and the due and punctual performance and observance of all the agreements hereof to be kept and performed by the Board, shall be expressly assumed in writing by the corporation resulting from such consolidation or surviving such merger or to which the Project shall be transferred as an entirety.

Section 9.4 - Redemption of Bonds. The Board, at the request

at any time of the Company and if the same are then redeemable, shall forthwith take all steps that may be necessary under the applicable redemption provisions of the Indenture to effect redemption of all or any portion of the Bonds, as may be specified by the Company, on the earliest applicable redemption date on which such redemption may be made under such applicable provisions or upon the date set for the redemption by the Company pursuant to Sections 7.2 or 11.1. As long as the Company is not in default hereunder and the Board is not obligated to call Bonds pursuant to the terms of the Indenture, the Board shall not redeem any Bond prior to its respective stated maturity unless requested to do so in writing by the Company.

Section 9.5 - Prepayment of Rents. There is expressly reserved to the Company the right, and the Company is authorized and permitted, at any time it may choose, so long as it is not in default hereunder, to prepay all or any part of the rents and other payments payable under Section 5.3, and the Board agrees that the Trustee may accept such prepayment when the same is tendered by the Company. All prepaid rents shall be credited on the rents specified in Section 5.3, and at the election of the Company shall be used for the redemption or purchase of Bonds in the manner and to the extent provided in the Indenture.

Section 9.6 - Rent Abatements if Bonds Paid Prior to Maturity. If at any time the Indenture is discharged in accordance with Article X of the Indenture, and if the Company is not at the time otherwise in default hereunder, the Company shall be entitled to use and occupy the Project, without the payment of rent during the interval (but otherwise on the terms and conditions hereof), from the date on which such moneys are in the Bond Fund to and including the later to occur of either (i) midnight, June 1, 2033 or (ii) payment in full of all Bonds and any Additional Bonds.

Section 9.7 - Reference to Bonds Ineffective After Bonds Paid. Upon payment in full of the Bonds and all fees and charges of the Trustee, all references herein to the Bonds and the Trustee shall be ineffective and neither the Trustee nor the holders of any of the Bonds shall thereafter have any rights hereunder, saving and excepting those that shall have theretofore vested. Reference is hereby made to Section 1002 of the Indenture which sets forth the conditions upon the existence or occurrence of which payment in full of the Bonds shall be deemed to have been made.

ARTICLE X

EVENTS OF DEFAULT AND REMEDIES

Section 10.1 - Events of Default Defined. The following shall be Events of Default hereunder and the term Event of Default shall

mean, whenever it is used herein, any one or more of the following events:

(a) Failure by the Company to make any payment required under Section 5.3 on or before the date that the payment is due and continuance of such failure for ten Business Days after receipt of notice of such failure from the Trustee.

(b) Failure by the Company to observe and perform any other covenant, condition or agreement on its part under this Agreement (other than as referred to in subsection (a) of this Section), for a period of ninety (90) days after written notice, specifying such failure and requesting that it be remedied, shall be given to the Company by the Trustee, unless the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be remedied within the applicable period, the Board and the Trustee will not unreasonably withhold their consent to an extension of such time if it is possible to correct such failure and corrective action is instituted by the Company within the applicable period and diligently pursued until the default is corrected;

(c) Any warranty, representation or other statement by or on behalf of the Company contained in this Agreement, or any instrument furnished in compliance with or in reference to this Agreement or the Indenture, is false or misleading in any material respect; or

(d) The dissolution or liquidation of the Company or the filing by the Company of a voluntary petition in bankruptcy, or the commission by the Company of any act of bankruptcy, or adjudication of the Company as a bankrupt, or assignment by the Company for the benefit of its creditors, or the entry by the Company into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Company in any proceeding for its reorganization instituted under the provisions of the Federal bankruptcy statutes, as amended, or under any similar act which may hereafter be enacted. The term "dissolution or liquidation of the Company", as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Company resulting from a merger or consolidation of the Company into or with another corporation or a dissolution or liquidation of the Company following a transfer of all or substantially all of its assets as an entirety.

Section 10.2 - Remedies. Whenever any Event of Default shall have happened and be continuing, the Trustee, as the assignee of the Board under the Indenture, shall have the following rights and

remedies:

(a) The Trustee may, and upon the written request of the holders of not less than twenty-five percent (25%) in outstanding principal amount of the Bonds, shall by notice in writing delivered to the Company, declare all installments of rent payable under Section 5.3 for the remainder of the Lease Term to be immediately due and payable. Upon such acceleration, the amount then due and payable by the Company as accelerated rent shall be the sum required to provide for payment in full of the Bonds on the earliest possible date on which such payment can be made. Such sums as may then become payable shall be paid into the Bond Fund and after payment in full of the Bonds and payment of any cost occasioned by such Event of Default, any excess moneys in the Bond Fund shall be returned to the Company as an overpayment of rent. Notwithstanding the foregoing, upon the occurrence of an Event of Default by reason of the occurrence of any event specified for Section 10.1(d), all installments of rent payable under Section 5.3 for the remainder of the Lease Term shall automatically become and be immediately due and payable without any action by the Trustee or the Board being necessary.

(b) The Trustee may take whatever action at law or in equity may appear necessary or desirable to collect the rents and any other payments then due and thereafter to become due, or to enforce performance and observance of any covenant, condition or agreement of the Company hereunder;

(c) The Trustee may exercise any remedies provided for in the Indenture and, with respect to any security interest, the rights of a secured party under the Uniform Commercial Code of the State.

Any amounts collected pursuant to action taken under this Section shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture or, if payment in full of the Bonds has been made, shall be paid to the Company.

Section 10.3 - No Remedy Exclusive. No remedy herein conferred upon or reserved to the Board or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Board or the Trustee to

exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice or notices as may be herein expressly required. Such remedies as are reserved to the Board in this Article shall also extend to the Trustee, and the Trustee and the holders of the Bonds shall be deemed third-party beneficiaries of all agreements herein contained.

Section 10.4 - Agreement to Pay Attorneys' Fees and Expenses. If there should occur an Event of Default hereunder and the Board or the Trustee should employ attorneys or incur other expenses for the collection of rents or the enforcement of performance or observance of any agreement on the part of the Company herein contained, the Company agrees that it will on demand therefor pay to the Board or the Trustee the reasonable fee of such attorneys and such other reasonable expenses so incurred by the Board or the Trustee.

Section 10.5 - No Additional Waiver Implied by One Waiver. If any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 10.6 - Waiver of Appraisalment, Valuation, etc. If there should occur an Event of Default hereunder, the Company agrees to waive, to the extent it may lawfully do so, the benefit of all appraisalment, valuation, stay, extension or redemption laws now or hereafter in force, and all right of appraisalment and redemption to which it may be entitled.

Section 10.7 - Waiver of Events of Default. Notwithstanding anything herein to the contrary, the Trustee shall be deemed to have waived any Event of Default hereunder and its consequences and to have rescinded any acceleration of the rents and other amounts payable under this Agreement whenever the Trustee has waived such Event of Default pursuant to the Indenture.

ARTICLE XI

OPTIONS IN FAVOR OF COMPANY; OBLIGATION TO PURCHASE PROJECT

Section 11.1 - General Option to Prepay Rent and Purchase Project. At any time, the Company shall have, and is hereby granted, the option to prepay the rent payable under Section 5.3, in whole or in part. To exercise the option granted in this paragraph, the Company shall, on or before the 20th day next preceding the date set for redemption of the Bonds (which shall be an interest payment date if less than all the Bonds are to be redeemed), give written notice to the Board and the Trustee of its intention to exercise the option granted in this section on such

date and shall specify therein the principal amount of Bonds to be redeemed with the moneys received upon such prepayment. Upon the exercise of such option, the Company shall direct the Trustee to redeem Bonds in the principal amount and on the date specified in the notice referred to in the preceding sentence and shall make arrangements satisfactory to the trustee for the giving of the required notice of redemption of Bonds. The purchase price which shall be paid to the trustee by the Company in the event of its exercise of the option granted in this paragraph shall be the sum of the principal amount of the Bonds to be redeemed plus accrued interest thereon to the redemption date plus all fees and expenses of the trustee and the paying agent accrued and to accrue through such redemption date.

The Company shall have the option to purchase the Project at any time, in the event that the Indenture is discharged pursuant to Article IX of the Indenture, by the Company (i) depositing irrevocably with the Trustee either moneys in an amount which shall be sufficient, or Government Obligations the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with or held by the Trustee at the same time and available for such purpose shall be sufficient pursuant to the Indenture, to pay the principal of and interest on all of the Bonds due and to become due on or prior to the redemption date (if the Bonds are to be redeemed) or maturity thereof; (ii) paying to the trustee all Trustee's fees and expenses due in connection with the payment or redemption of any such Bonds, and, (iii) if any Bonds are to be redeemed on any date prior to their maturity, giving the Trustee irrevocable instructions to redeem such Bonds on such date and either evidence satisfactory to the Trustee that all redemption notices required by the Indenture have been given or irrevocable power authorizing the Trustee to give such redemption notices.

Section 11.2 - Conveyance on Purchase. At the closing of any purchase of the Project as provided hereunder, the Board shall upon receipt of the purchase price deliver to the Company documents conveying to the Company good and marketable fee simple title in and to the Project, subject to the following: (a) those liens, security interests and encumbrances (if any) to which such title in and to said property was subject at the effective date of this Agreement but excluding this Agreement and the Indenture; (b) those liens and encumbrances created by the Company or to the creation or suffering of which the Company consented; (c) those liens and encumbrances resulting from the failure of the Company to perform or observe any of its agreements contained herein; and (d) Permitted Encumbrances other than this Agreement and the Indenture.

Section 11.3 - Relative Positions of Options and Indenture. The options granted to the Company in this Article shall be and remain prior and superior to the Indenture and may be exercised

whether or not there exists an Event of Default hereunder, provided that the existence of such Event of Default will not result in nonfulfillment of any condition to the exercise of any such option.

ARTICLE XII

MISCELLANEOUS

Section 12.1 - Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

(a) If to the Board - The Industrial Development
Board of the City of
Phenix City, Alabama
c/o Mr. Kenneth A. Roberts
Community Bank
2301 Airport Thruway
Columbus, Georgia 31904

with a copy to

R. Michael Raiford, Esq.
501 14th Street
Phenix City, Alabama 36267

(b) If to the Company - Mead Coated Board, Inc.
Mead World Headquarters
Dayton, Ohio 45463
Attention: Treasurer

with a copy to:

Thompson, Hine and Flory
312 Walnut Street
14th Floor
Cincinnati, Ohio 45202
Attention: Robert A. Selak

(c) If to the Trustee - AmSouth Bank N.A.
1901 Sixth Avenue North
Birmingham, Alabama 35203
Attention: Corporate Trust
Department

A duplicate copy of each notice, certificate or other communication given hereunder by either the Board, the Company or the Trustee to any one of the others shall also be given to all of the others. The Board, the Company and the Trustee may, by notice given

hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 12.2 - Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Board, the Company and their respective successors and assigns. To the extent provided herein and in the Indenture, the Trustee and the holders of the Bonds shall be deemed to be third party beneficiaries hereof, but nothing herein contained shall be deemed to create any right in, or to be for the benefit of, any other person not a party hereto.

Section 12.3 - Severability. If any provision hereof shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 12.4 - Amounts Remaining in Bond Fund. Subject to and in accordance with the terms and conditions of Section 709 of the Indenture, certain surplus moneys remaining in the two accounts in the Bond Fund shall belong to and be paid to the Company by the Trustee as an overpayment of rents.

Section 12.5 - Amendments, Changes and Modifications. Except as otherwise provided herein or in the Indenture, subsequent to the date of issuance and delivery of the Bonds and prior to their payment in full, this Agreement may not be effectively amended or terminated without the written consent of the Trustee.

Section 12.6 - Execution Counterparts. This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 12.7 - Captions. The captions and headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions hereof.

Section 12.8 - Recording of Agreement. This Agreement and every assignment and modification hereof shall be recorded in the Office of the Judge of Probate of Russell County, Alabama, or in such other office as may be at the time provided by law as the proper place for such recordation.

Section 12.9 - Law Governing Construction of Agreement. This Agreement shall be governed by, and construed in accordance with, the laws of the State.

Section 12.10 - Net Lease. This Agreement shall be deemed a "net lease", and the Company shall pay absolutely net during the Lease Term the rents specified herein, without abatement, deduction

or set-off other than those herein expressly provided.

IN WITNESS WHEREOF, the Board and the Company have caused this Agreement to be executed in their respective corporate names as of the date first above written.

THE INDUSTRIAL DEVELOPMENT
BOARD OF THE CITY OF
PHENIX CITY, ALABAMA

By: /s/ Kenneth A. Roberts

Chairman

MEAD COATED BOARD, INC.

By: /s/ William R. Graber

Treasurer

ACKNOWLEDGMENT OF BOARD

STATE OF GEORGIA)
)
COUNTY OF MUSCOGEE)

I, a Notary Public in and for said County in said State, hereby certify that Kenneth A. Roberts, whose name as Chairman of the Board of Directors of THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF PHENIX CITY, ALABAMA, a public corporation and instrumentality under the laws of the State of Alabama, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the said instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said public corporation.

GIVEN under my hand and seal of office, this 27th day of April, 1994.

/s/ Linda Boyd

(SEAL)

My commission expires: 12-17-96

ACKNOWLEDGMENT OF COMPANY

STATE OF OHIO)
)
COUNTY OF MONTGOMERY)

I, a Notary Public in and for said County in said State, hereby certify that William R. Graber, whose name as Treasurer of MEAD COATED BOARD, INC., a corporation organized and existing under the laws of the State of Delaware, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the said instrument, he or she, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

GIVEN under my hand and seal of office, this 27th day of April, 1994.

/s/ Robert A. Selak

Notary Public

(SEAL)

My commission expires: ROBERT A. SELAK, Attorney at Law
Notary Public, State of Ohio
My Commission has no expiration date.
Section 147.03 O.R.C.

EXHIBIT "A"

to

Lease Agreement between
THE INDUSTRIAL DEVELOPMENT BOARD OF
THE CITY OF PHENIX CITY, ALABAMA

and
MEAD COATED BOARD, INC.
dated as of June 1, 1993

DESCRIPTION OF PROJECT LAND

The Project Land includes the following property:

The following real estate and premises situated in the County of Russell and State of Alabama:

Eight hundred eighty four and 47/100 (884.47) acres located in Sections 32, 33, 21, 28, and 27, Township 14 North, Range 30 East, and Section 5, Township 13 North, Range 30 East, and beginning at the Southwest corner of Section 32, Township 14 North, Range 30 East, Russell County, Alabama, run thence North 00 degrees 38 minutes East a distance of 354.26 feet along a fence line to a concrete monument, thence North 37 degrees 57 minutes 25 seconds East a distance of 2086.55 feet to a point, thence North 57 degrees 13 minutes East a distance of 4397.87 feet to a point, thence North 01 degrees 38 minutes East a distance of 970.55 feet to a point, thence North 37 degrees 53 minutes East a distance of 1948.85 feet to a point, thence North 00 degrees 37 minutes West a distance of 2783.92 feet to a point, thence North 45 degrees 16 minutes East a distance of 1570.95 feet to a concrete monument, thence North 00 degrees 27 minutes East a distance of 621.32 feet to a concrete monument, thence South 88 degrees 26 minutes 40 seconds East a distance of 1048.15 feet to a concrete monument, thence South 00 degrees 41 minutes 10 seconds East a distance of 601.95 feet to a concrete monument, thence South 89 degrees 33 minutes 20 seconds East along the north line of Section 28, Township 14 North, Range 30 East a distance of 1915.88 feet to a concrete monument, said monument being the northeast corner of said Section 28, which is the northwest corner of Section 27, in Township 14 North, Range 30 East, thence South 89 degrees 33 minutes 20 seconds East along the North line of said Section 27 to the boundary line between the State of Georgia, and the State of Alabama; thence Southerly and Southwesterly along said line between the State of Alabama and the State of Georgia, as the same runs, to the northerly and southerly line along the west side of Section 5, Township 13 North, Range 30 East, run thence North 00 degrees 28 minutes East along the West line of said Section 5, to a point marked by an iron pipe; thence North 00 degrees 28 minutes East along the west line of said Section 5 a distance of 2825.00 feet to the northwest corner of Section 5, and the point of beginning. (The Portion of said line from the northerly line of a public road known as the Ferry Road to the

northwest corner of said Section 5, which is the southwest corner of Section 32, Township 14 North, Range 30 East, being along an old fence.)

There is hereby expressly excepted from said described lands those lands heretofore taken in fee simple by condemnation by the United States of America and subject to flowage easements taken by the United States of America by condemnation and subject to the easement rights (a) for right of way for railroad purposes and (b) for a public road over and through said described lands, such public road right of way having been conveyed by the W.C. Bradley Company, to Russell County, Alabama, by deed recorded in Deed Record 387, pages 787-788, in the office of the Judge of Probate in and for Russell County, Alabama.

Said described lands hereby conveyed contain in the aggregate according to survey made, eight hundred eighty four and 47/100ths (884.47) acres (the "1993 Leased Land");

less and except the following property:

PARCEL 1

Beginning at a point which is 743.81 feet east and 477.58 feet south of the northwest corner of section 28, Township 14 North, Range 30 East, Russell County, Alabama, which section corner is marked by a concrete monument, this point thus determined, being the northwest corner of the property to be conveyed, then proceeding south 128.84 feet, then east 85.0 feet, then north 128.84 feet, then west 85.0 feet to the point of beginning.

PARCEL 2

Beginning at a point which is 928.0 feet South and 1479.0 feet East of the Northwest corner of Section 28 in Township 14 North, Range 30 East, Russell County, Alabama, which corner is marked by a concrete monument, then proceeding North a distance of 120.0 feet, then West 100.0 feet, then South 120.0 feet, then East 100.0 feet to the point of beginning.

PARCEL 3

At the Southwest corner of Section 22, Township 14 North, Range 30 East, Russell County, Alabama as the point of beginning, run along the South line of Section 22 N89 degrees-50'E 976.85 feet to the property line of the United States Government; thence along said property line N2 degrees-50'W 1296.69 feet to a branch which runs into Bluff Creek; thence along said branch the following courses; N41 degrees-41'W 340.67 feet; S85 degrees-42'W 324.22 feet; S81 degrees-08'W 330.0 feet; N25 degrees-48'W 145.58 feet; S76 degrees-52'W 198.66 feet; N44 degrees-03'W 152.62 feet; S46 degrees-35'Q 84.21 feet; S21 degrees-00'E 83.39 feet; N82

degrees-27'W 94.15 feet; S7 degrees-51'E 148.82 feet; S66 degrees-39'W 386.20 feet; S62 degrees-55'W 237.23 feet; S65 degrees-05'W 232.38 feet; S74 degrees-24'W 408.97 feet; S51 degrees-52'W 371.60 feet; S19 degrees-42'W 231.02 feet; S62 degrees-26'W 198.83 feet; N85 degrees-48'W 229.54 feet; S89 degrees-23'W 159.01 feet; N83 degrees-01'W 327.29 feet; S80 degrees-02'W 437.03 feet; thence S59 degrees-27'W 318.79 feet; thence S3 degrees-28'E 199.83 feet; thence S1 degrees-16'E 607.22 feet; thence N87 degrees-24'E 343.43 feet; thence N82 degrees-04'E 516.01 feet; thence N70 degrees-45'E 540.58 feet; thence N89 degrees-18'E 472.15 feet; thence N0 degrees-01'E 400.58 feet; thence S89 degrees-59'E 446.0 feet; thence S0 degrees-01'W 395.0 feet; thence N89 degrees-18'E 171.06 feet; thence N46 degrees-28'E 463.45 feet to the South line of Section 21; thence along said Section line S90 degrees-48'E 749.92 feet to the point of beginning and containing 121.14 acres more or less.

PARCEL 4A

All that tract or parcel of land situated lying and being in Section 28, Township 14 North, Range 30 East, Russell County, Alabama, and being more particularly described as follows: To find the point of beginning, commence at the northwest corner of Section 28, Township 14 North, Range 30 East, which corner is marked by a concrete monument and, from said point, thence running South 89 degrees 33 minutes 20 seconds East, along the North line of said Section 28, a distance of 1,250.03 feet to an iron pin, said iron pin being the beginning point of the property herein conveyed; and from said point of beginning running thence South 89 degrees 33 minutes 20 seconds East, along the North line of said Section 28, a distance of 400.0 feet to a point; thence running South 01 degrees 02 minutes 40 seconds West a distance of 704.0 feet, more or less, to a point; thence running South 45 degrees 16 minutes 00 seconds West a distance of 560.0 feet, more or less, to an iron pin; thence running North 01 degrees 02 minutes 40 seconds East a distance of 1,076.19 feet to the point of beginning. The property herein described is bounded on the West and South by property of Grantee herein, on the North and East by property of Grantor herein and said described tract contains 8.2 acres, more or less.

PARCEL 4B

Commencing at the Northwest corner of Section 28 in Township 14 North, Range 30 East, Russell County, Alabama, which corner is marked by a concrete monument and proceeding east along the north line of said Section 28, which is the north property line of Georgia Kraft Company, a distance of two hundred forth-nine and ninety-six hundredths (249.96) feet to the point of intersection with the east right-of-way line of the Central of Georgia Railroad which point is marked by an iron pin, said iron pin being the point of beginning of the property herein conveyed. From said point of beginning running thence over and along the west boundary of said tract

number one, which is the east right-of-way line of the Central of Georgia Railroad which is fifty feet from and parallel to the center line of the main line track, on a bearing of south one degree, two minutes and forty seconds west (S 1 degrees 02'40" W) a distance of sixteen hundred forty-three and fifty-nine hundredths (1643.59) feet to a point, thence along the west boundary of the said tract number one, which is the east right-of-way line of the Central of Georgia Railroad and is fifty (50) feet from and concentric with the center line of the main line track, following a circular curve to the right, having a radius of eight hundred sixty-four and forty-nine hundredths (864.49) feet for an arc distance of three hundred seventy-two and forty-three hundredths (372.43) feet to an iron pin marking the southwest corner of said tract number one which is the point where the east right-of-way line of the Central of Georgia Railroad main line terminates on the north right-of-way line of the spur track serving the Georgia Kraft Company mill, said point being fifty (50) feet from the center line of the main line track and twenty-five (25) feet from the center line of the aforesaid spur track; thence along the south boundary of said tract number one, which is the north right-of-way line of the spur track serving the Georgia Kraft Company mill and is twenty-five (25) feet from and parallel to the center line of the aforesaid spur track, on a bearing of north fifty-one degrees, fifty-two minutes and ten seconds east (N 51 degrees 52' 10" E) for a distance of thirteen-hundred fifty-nine and ninety-three hundredths (1359.93) feet to an iron pin marking the south-east corner of said tract number one; thence along the east line of said tract number one on a bearing of north zero degrees and thirty-seven minutes west (N 0 degrees 37' W) a distance of fifty-three and fifty-six hundredths (53.56) feet to an iron pin; thence along the east boundary of said tract number one on bearing of north forty-five degrees and sixteen minutes east a distance of thirty-seven and eighty hundredths (37.80) feet to an iron pin; thence along the east boundary of said tract number one on a bearing of north one degree, two minutes and forty seconds east (N 1 degrees 02' 40" E) a distance of one thousand seventy-six and nineteen hundredths (1076.19) feet to an iron pin marking the north east corner of said tract number one and being on the north line of the aforesaid Section 28; on a bearing of north eighty-nine degrees thirty-three minutes and twenty seconds West (N 89 degrees 33' 20" W) a distance of one thousand and seven hundredths (1000.07) feet to the point of beginning. The above described boundaries of said tract number one enclose thirty-five and fifty-one hundredths (35.51) acres, more or less;

excepting from the foregoing description of Parcel 4A and Parcel 4B the following described Tracts A, B and C:

TRACT A

A 200 foot wide strip of land for a road right-of-way situated in Sections 20, 28 and 29, Township 14 North, Range 30 East, in Russell County, Alabama, and being 100 feet on either side of and contiguous with the following described centerline:

Commence at the Northeast corner of Section 20, Township 14 North, Range 30 East and run North 86 degrees 56 minutes West for a distance of 751.7 feet; thence South 33 degrees 37 minutes West for a distance of 2187.0 feet; thence South 18 degrees 31 minutes West for a distance of 856.7 feet; thence South 19 degrees 29 minutes West for a distance of 507.5 feet; thence South 89 degrees 26 minutes East for a distance of 91.80 feet; thence from the last described course turn left 151 degrees 00 minutes and run Northwesterly 138.20 feet to a point in the center of Alabama Highway No. 165 and the point of beginning for said centerline; thence turn right 180 degrees 00 minutes and run Southeasterly along said centerline 230.00 feet to the point of a curve to the right; said curve having a 17 degrees 32 minutes 16 seconds degrees of curvature and an included angle of 62 degrees 45 minutes; thence continue along said curve an arc distance of 359.20 feet to the point of tangent to said curve; thence continue tangent to last described curve Southerly a distance of 1719.47 feet to the point of a curve to the left; said curve having a 10 degrees 00 minutes 14 seconds degrees of curvature and an included angle of 27 degrees 25 minutes 40 seconds; thence continue along said curve an arc distance of 274.51 feet to the point of tangent to said curve; thence continue tangent to the last described curve Southeasterly 1097.83 feet to the point of a curve to the left; said curve having a 12 degrees 30 minute degrees of curvature and an included angle of 101 degrees 50 minutes 41 seconds; thence continue along said curve an arc distance of 816.38 feet to the point of tangent to said curve; thence continue tangent to last described curve Northeasterly 1351.87 feet to the point of a curve to the right; said curve having a 22 degrees 31 minutes 55 seconds degrees of curvature and an included angle of 37 degrees 53 minutes 10 seconds; thence continue along said curve an arc distance of 168.14 feet to the intersection of said curve and the centerline of existing railroad; said intersection being the end of said centerline of roadway description.

Said strip of land lying in Sections 20, 28 and 29, Township 14 North, Range 30 East, Russell County, Alabama and containing 27.62 acres more or less.

TRACT B

Beginning at a point which is 743.81 feet east and 477.58 feet south of the northwest corner of Section 28, Township 14 North, Range 30 East, Russell County, Alabama, which section corner is marked by a concrete monument, this point thus

determined, being the northwest corner of the property to be conveyed, then proceeding south 128.84 feet, then east 85.0 feet, then north 128.84 feet, then west 85.0 feet to the point of beginning.

TRACT C

Beginning at a point which is 928.0 feet South and 1479.0 feet East of the Northwest corner of Section 28 in Township 14 North, Range 30 East, Russell County, Alabama, which corner is marked by a concrete monument, then proceeding North a distance of 120.0 feet, then West 100.0 feet, then South 120.0 feet, then East 100.0 feet to the point of beginning.

PARCEL 5

WASTE WOOD CONVEYOR TO SCALPER (C-28506) AREA AND
TRUCK DUMPER (C-28505) AREA

All that portion of land and structures lying 9' on each side of the following described centerline and also including any specifically noted areas which extend beyond said centerline strip:

Commence at a monument having grid coordinates N 792,350.00, E 234,500.00, of the West Zone of the State of Georgia Coordinate System; and lying in Section 28, T 14 N, R 30 E, County of Russell, State of Alabama; thence N 31 degrees 59' 52" E, 291.25' to the point of beginning; thence S 0 degrees 00' W, 231.00' to a point on the north side of a rectangular area (Truck Dumper) bounded by a N 792,366.0, N 792,326.5, and E 234,642.0, and E 234,765.5, said rectangular area being the point of ending; said land being 0.21 +/- acres;

NO. 1 BARK TRANSFER CONVEYOR (C-28503) AREA,
NO. 2 BARK TRANSFER CONVEYOR (C-28504) AREA,
BARK HOG STRUCTURE (C-28534) AREA
AND REFUSE CONVEYOR SCALPER (C-28533) AREA

All that portion of land and structures lying 9' on each side of the following described centerline and also including any specifically noted areas which extend beyond said centerline strip:

Commence at a monument having grid coordinates N 792,350.00, E 234,500.00, of the West Zone of the State of Georgia Coordinate System; and lying in Section 28, T 14 N, R 30 E, County of Russell, State of Alabama; thence N 31 degrees 59' 52" E, 291.25' to the point of beginning; thence S 8 degrees 20' 17" W, 284.46' to the center of a rectangular area which is parallel to the last said course 22' north to south by 15' east to west; thence S 81 degrees 39' 40" E, 843.58' to a parallel rectangular area (Bark Hog Structure) 26.00' north to south (10.00' lying south of last said course) by 37.50'; thence

continue along last said course 27.00'; thence N 45 degrees 07' 38" E, 350.71' to the point of ending; said land being 0.63 + acres;

NO. 2 TURBINE AREA

All that portion of land, and structures lying thereon, in Section 28, T 14 N, R 30 E, County of Russell, State of Alabama, more particularly described as follows:

Commence at a monument having grid coordinates N 793,150.19, E 233,250.02 of the West Zone of the State of Georgia Coordinate System; thence S 25 degrees 19' 16" E, 663.98' to the point of beginning (N 792,550.0 E 233,534.0); thence S 0 degrees 00' W, 50.00'; thence N 90 degrees 00' E, 121.00'; thence N 0 degrees 00' W, 50.00'; thence N 90 degrees 00' W, 121.00' to the point of beginning; said land being 0.14 +/- acres;

SANITARY PACKAGE TREATMENT PLANT AREA

All that portion of land, and structures lying thereon, in Section 28, T 14 N, R 30 E, County of Russell, State of Alabama, more particularly described as follows:

Commence at a monument having grid coordinates N 792,350.00, E 234,500.00, of the West Zone of the State of Georgia Coordinate System; thence S 48 degrees 35' 13" W, 1186.73' to the point of beginning (N 791,565.0. E 233,610.0); thence S 0' 00" W, 12.00'; thence N 90 degrees 00' W, 64.00'; thence N. 0' 00" W 12.00'; thence N 90' 00" E, 64.00' to the point of beginning; said land being 0.02 +/- acres; and

NO. 3 BARK BOILER AREA

All that portion of land, and structures lying thereon, in Section 28, T 14 N, R 30 E, County of Russell, State of Alabama, more particularly described as follows:

Commence at a monument having grid coordinates N 793,150.19, E 233,250.02 of the West Zone of the State of Georgia Coordinate System; thence S 29 degrees 39' 25" E, 461.76' to the point of beginning (N 792,748.92, E 233,478.50); thence N 90 degrees 00' E, 73.57'; thence S 0 degrees 00' W, 34.50'; thence N 90 degrees 00' W, 11.82'; thence S 0 degrees 00' W, 143.17'; thence N 90 degrees 00' W, 90.62'; thence N 0 degrees 00" W, 83.08'; thence N 90 degrees 00" E, 28.87'; thence N 0 degrees 00' W, 94.59' to the point of beginning; said land being 0.32 +/- acres;

PARCEL 6

NEW RECLAIM PLATE FEED AND CONVEYOR AREA (C-28511),
CHIPS CONVEYOR TO SCREEN HOUSE AREA (C-28513),

AND CHIPS SCREEN HOUSE AREA (C-28515)

All that portion of land and structures lying 13' on each side of the following described centerline and also including any specifically noted areas which extend beyond said centerline strip:

Commence at a monument having grid coordinates N 792,350.00, E 234,500.00, of the West Zone of the State Georgia Coordinate System; and lying in Section 28, T 14 N, R 30 E, County of Russell, State of Alabama; thence N 63 degrees 51' 31" E, 790.90' to the point of beginning; thence N 90 degrees 00' W, 82.00; thence S 0' 00" W, 8.75'; thence N 90 degrees 00' W, 232.22'; thence S 15 degrees 17' 15" E, 479.72' to a point on the northmost side of a rectangular area (Chip Screen House) which parallels last said course and is 75.0' north to south (7.00' of which is west of last said course) by 49.0' east to west; said rectangular area being the point of ending; said land being 0.56 + acres;

CHIPS CONVEYOR TO PINE STORAGE AREA (C-28538)

All that portion of land and structures lying 14' on each side of the following described centerline:

Commence at a monument having grid coordinates N 792,350.00, E 234,500.00, of the West Zone of the State of Georgia Coordinate System; and lying in Section 28, T 14 N, R 30 E, County of Russell, State of Alabama; thence N 45 degrees 24' 34" E, 692.79' to the point of beginning; thence S 36 degrees 51' 02" E, 454.94' to the point of ending; said land being 0.29 +/- acres;

CHIPPER DISCHARGE CONVEYOR AREA (C-28536) AND CHIPS TO HARDWOOD STORAGE CONVEYOR AREA (C-28537)

All that portion of land and structures lying 14' on each side of the follo December 19, 1991, the Board took official action providing for the acquisition, construction and installation of the Project Facilities and the financing of the Project Facilities through the issuance of the Bonds.

Section 2.2 - Representations and Warranties by the Company. The Company makes the following representations and warranties as the basis for the undertakings on its part herein contained:

(a) The Company (i) is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, (ii) has all requisite corporate power and authority to carry on its business as now being conducted and as presently proposed to be conducted, and (ii) has duly qualified and is authorized to do business and is in good standing as a foreign corporation in the State.

(b) The Company has the corporate power and has been duly authorized to enter into this Agreement and to perform awing described centerline and also including any specifically noted areas which extend beyond said centerline strip:

Commence at a monument having grid coordinates N 792,350.00, E 234,500.00, of the West Zone of the State of Georgia Coordinate System; and lying in Section 28, T 14 N, R 30 E, County of Russell, State of Alabama; thence N 71 degrees 34' 06" E, 600.24' to the point of beginning; thence S 71 degrees 04' 32" E, 640.91'; thence N 50 degrees 08' 32" E, 61.59' to the point of ending; said land being 0.45 +/- acres;

CHIP CONVEYOR TO DIGESTER AREA (C-28521),
CHIP CONVEYOR TO SURGE BIN AREA (C-28519),
AND CHIP SILO AREA (C-28520)

All that portion of land and structures lying 14' on each side of the following described centerline and also including any specifically noted areas which extend beyond said centerline strip:

Commence at a monument having grid coordinates N 792,350.00, E 234,500.00,ng (N 792,374.0, E 234,473.25); thence S 0 degrees 00' W, 133.50'; thence N 90 degrees 00' W, 103.39'; thence S 0 degrees 00' W, 103.50'; thence 90 degrees 00' W, 48.00'; thence N 0 degrees 00' W, 55.75'; thence N 90 degrees 00' W, 80.00; thence S 0 degrees 00' W, 42.75'; thence N 90 degrees 00' W, 63.00; thence N 0 degrees 00' W, 110.00'; thence N45 degrees 00' E, 55.00'; thence N0 degrees 00' W, 23.11'; thence 90 degrees 00' E, 23.00'; thence N 0 degrees 00' W, 23.25'; thence N90 degrees 00' E, 170.00'; thence N 0 degrees 00' W, 28.75'; thence N 90 degrees 00' E, 62.50' to the point of beginning; said area being 1.01 +/- acres;

MILL WATER COOLING TOWER AND NEW REACTOR CLARIFIER AREA

All that portion of and, and structures lying thereon, in Section 28, T 14 N, R 30 E, County of Russell, State of Alabama, more particularly described as follows:

Commence at a monument having grid coordinates N 792,350.00, E 234,500.00, of the West Zone of the State of Georgia Coordinate System; thence S 48 degrees 46' 07" W, 591.71' to the point of beginning (N 791, 960.0 E 234,055.0); thence S 0 degrees 00' W, 170.00'; thence N 90 degrees 00' W, 111.00; thence 0 degrees 00' W, 170.00'; thence N 90 degrees 00' E, 111.00' to the point of beginning; said land being 0.43 +/- acres;

TURPENTINE RECOVERY FACILITY AREA

All that portion of land, and structures lying thereon,

in Section 28, T 14 N, R 30 E, County of Russell, State of Alabama, more particularly described as follows:

Commence at a monument having grid coordinates N 792,350.00, E 234,500.00, of the West Zone of the State of Georgia Coordinate System; thence S 63 degrees 26' 06" W, 11.18' to the point of beginning (N 792,345.0, E 234, 490.0); thence N 0' 00" W, 30.00'; thence N 90 degrees 00" E, 20.00'; thence S 0 degrees 00' W, 30.00'; thence N 90 degrees 00' W, 20.00' to the point of beginning; said land being 0.01 +/- acres;

LOG STORAGE AREA (C-28522), LOG FEED DECKS AREA (C-28523), DRUM AREA (C-28525, VIBRATING CONVEYORS AREA (C-28532), CHIPPER POWER FEED ROLLS AREA (C-28528), CHIP BLDG. AREA (C-28535), AND BARK COLLECTING CONVEYOR AREA (C-28531)

All that portion of land, and structures lying thereon, in Section 28, T 14 N, R 30 E, County of Russell, State of Alabama, more particularly described as follows:

Commence at a monument having grid coordinates N 792,350.00, E 234,500.00, of the West Zone of the State of Georgia Coordinate System; thence N 80 degrees 22' 54" E, 879.79' to the point of beginning; thence N 0 degrees 00' W, 326.00'; thence N 90 degrees 00' E, 711.08'; thence S 0 degrees 00' W, 326.00'; thence N 90 degrees 00' W, 328.00'; thence S 0 degrees 00' W, 188.00'; thence N 90 degrees 00' W, 50.00'; thence N 0 degrees 00' W, 188.00'; thence N 90 degrees 00' W, 333.08' to the point of beginning; said land being 5.54 +/- acres;

AREA "B" MAINTENANCE SHOP AREA

All that portion of land, and structures lying thereon, in Section 28, T 14 N, R 30 E, County of Russell, State of Alabama, more particularly described as follows:

Commence at a monument having grid coordinates N 792,350.00, E 234,500.00, of the West Zone of the State of Georgia Coordinate System; thence S 11 degrees 04' 57" W, 197.69' to the point of beginning (N 792,156.0, E 234,462.0); thence S 0 degrees 00" W, 82.00'; thence N 90 degrees 00" W, 52.00'; thence N 0 degrees 00' W, 82.00'; thence N 90 degrees 00' E, 52.00 to the point of beginning' said land being 0.10 +/- acres;

NEW LIME KILN/RECAUSTICIZING

All that portion of land, and structures lying thereon, in Section 28, T 14 N, R 30 E, County of Russell, State of Alabama, more particularly described as follows:

Commence at a monument having grid coordinates N 793,150.19,

E 233,250.02 of the West Zone of the State of Georgia Coordinate System; thence N 70 degrees 51' 29" E, 267.79' to the point of beginning (N 793,238.0 E 233,503.0); thence N 90 degrees 00' E, 399.23'; thence S 0 degrees 00' W, 50.00'; thence N 90 degrees 00' W, 10.00'; thence S 0 degrees 00' W, 40.00'; thence N 90 degrees 00' W, 136.23'; thence N 0 degrees 00' W, 80.00'; thence N 90 degrees 00' W, 50.00'; thence S 0 degrees 00' W, 10.00'; thence N 90 degrees 00' W, 54.00'; thence S 0 degrees 00' W, 40.00'; thence N 90 degrees 00' E, 65.00'; thence S 0 degrees 00' W, 30.00'; thence N 90 degrees 00' W, 150.00'; thence N 0 degrees 00' W, 17.00'; thence N 90 degrees 00' W, 64.00'; thence N 0 degrees 00' W, 73.00' to the point of beginning; said land being 0.657, more or less acres, less than and except all structures not included in the Mead Corporation Contract No. 21-3097A.

NO. 2 RECOVERY BOILER AREA

All that portion of land, and structures lying thereon, in Section 28, T 14 N, R 30 E, County of Russell, State of Alabama, more particularly described as follows:

Commence at a monument having grid coordinates N 793,150.19, E 233,250.02, of the West Zone of the State of Georgia Coordinate System; thence S 40 degrees 16' 34" E, 439.77' to the point of beginning (N 792,814.67, E 233,534.32'); thence N 90 degrees 00' E, 36.30'; thence N 0 degrees 00' W, 20.50'; thence N 90 degrees 00' E, 72.26'; thence N 0 degrees 00' W, 14.83'; thence N 90 degrees 00' E, 110.50'; thence S 0 degrees 00' W, 42.58'; thence N 90 degrees 00' E, 26.00'; thence S 0 degrees 00' W, 81.00' thence N 90 degrees 00' W, 51.00' thence N 0 degrees 00" W, 25.12'; thence N 90 degrees 00' W, 72.26'; thence N 90 degrees 00' W, 20.50'; thence N 0 degrees 00' W, 36.30'; thence N 0 degrees 00' W, 34.00' to the point of beginning' said land being 0.47 +/- acres;

NEW EVAPORATORS AND NEW TANKS AREA

All that portion of land, and structures lying thereon, in Section 28, T 14 N, R 30 E, County of Russell, State of Alabama, more particularly described as follows:

Commence at a monument having grid coordinates N 793,150.19; E 233,250.02, of the West Zone of the State of Georgia Coordinate System; thence S 62 degrees 01' 33" E, 637.83' to the point of beginning (N 792,851.0, E 233,813.33); thence N 90 degrees 00' E, 246.67'; thence along an arc South and East 53.41' having a radius of 34.00' with a central angle of 90 degrees 00'; thence S 0 degrees 00' W, 135.33'; thence along an arc South and West 53.41' having a radius of 34.00' with a central angle of 90 degrees 00'; thence N 90 degrees 00' W, 34.00'; thence N 0 degrees 00' W, 99.79'; thence N 90 degrees 00' W, 69.00'; thence N 59 degrees 47' 19" W, 91.42'; thence N 90 degrees 00' W, 64.67'; thence N 0 degrees 00' W, 57.54' to the point of beginning; said land being 0.72 +/- acres;

PARCEL 7

LIME MUD WASTE DISPOSAL FACILITIES

All that portion of land, and structures lying thereon, in Section 28, T 14 N, R 30 E, County of Russell, State of Alabama, more particularly described as follows:

Commence at a monument having grid coordinates N 793,150.19, E 233, 250.02 of the West Zone of the State of Georgia Coordinate System; thence N 86 degrees 38' 59" E, 253.41' to the point of beginning (N 793,165.00 E 233,503.00); thence N 90 degrees 00' E, 64.00'; thence S 0 degrees 00' E, 17.00'; thence N 90 degrees 00' E, 150.00; thence N 0 degrees 00' E, 30.00'; thence N 90 degrees 00' W, 65.00'; thence N 0 degrees 00' E, 40.00'; thence N 90 degrees 00' E, 54.00'; thence N 0 degrees 00' E, 10.00'; thence N 90 degrees 00' E, 50.00'; thence S 0 degrees 00' E, 80.00'; thence N 90 degrees 00' E, 136.23'; thence N 0 degrees 00' E, 40.00'; thence N 90 degrees 00' E, 75.00'; thence S 0 degrees 00' E, 78.00'; thence N 90 degrees 00' W, 464.23'; thence 0 degrees 00' E, 55.00'; to the point of beginning; said land being 0.633 more or less acres, less than and except all structures not included in the Mead Corporation Contract No. 21-3097A.

PARCEL 8A

A tract of land situated in the Northwest Quarter of the Northeast Quarter (NW 1/4 of NE 1/4) and the Southwest Quarter of the Northeast Quarter (SW 1/4 of NE 1/4) of Section 28, Township 14 North, Range 30 East, Russell County, Alabama, being more particularly described as follows:

Commence at the Northwest corner of Section 28 Township 14 North, Range 30 East; thence run South 89 degrees 33 minutes 20 seconds East along the North Boundary of such Section 28 a distance of 2806.62 feet to a point; thence turn right and run due South a distance of 1210.86 feet to a point at the western end of the Bark Handling System, such point being the beginning of the tract of land herein described.

Begin at such point of beginning, turn an angle to the left and run North 45 degrees 00 minutes East a distance of 63.64 feet to a point; thence turn an angle to the right 45 degrees 00 minutes and run easterly a distance of 310.00 feet to a point; thence turn an angle to the right 45 degrees 00 minutes and run southeasterly a distance of 63.64 feet to a point; thence turn an angle to the left 45 degrees 00 minutes and run easterly a distance of 270.00 feet to a point; thence turn an angle to the right 90 degrees 00 minutes and run southerly a distance of 155.00 feet to a point; thence turn an angle to the left 90 degrees 00 minutes and run easterly a distance of 136.00 feet to a point; thence turn an angle to the right 90 degrees 00 minutes and run southerly a distance of 94.35 feet

to a point; thence turn an angle to the right 30 degrees 00 minutes and run southwesterly a distance of 263.00 feet to a point; thence turn an angle to the left 30 degrees 00 minutes and run southerly a distance of 132.88 feet to a point; thence turn an angle to the right 90 degrees 00 minutes and run westerly a distance of 84.50 feet to a point; thence turn an angle to the right 90 degrees 00 minutes and run northerly a distance of 405.00 feet to a point; thence turn an angle to the left 90 degrees 00 minutes and run westerly a distance of 120.00 feet to a point; thence turn an angle to the right 90 degrees 00 minutes and run northerly a distance of 115.00 feet to a point; thence turn an angle to the left 90 degrees 00 minutes and run westerly a distance of 470.00 feet to a point; thence turn an angle to the right 90 degrees 00 minutes and run northerly a distance of 90.00 feet to the point of beginning.

PARCEL 8B

A tract of land situated in the Northeast Quarter of the Northwest Quarter (NE 1/4 of NW 1/4) and the Southeast Quarter of the Northwest Quarter (SE 1/4 of NW 1/4) of Section 28, Township 14 North, Range 30 East, Russell County, Alabama, being more particularly described as follows:

Commence at the Northwest corner of Section 28, Township 14 North, Range 30 East; thence run South 89 degrees 33 minutes 20 seconds East along the North Boundary of such Section 28 a distance of 2290.86 feet to a point; thence turn right and run due South a distance of 1225.36 feet to a point at the Northeast corner of the #2 Bark Boiler Building, such point being the point of beginning of the tract of land herein described.

Being at such point of beginning, continue due South a distance of 95.75 feet to a point; thence turn an angle to the right 90 degrees 00 minutes and run westerly a distance of 67.50 feet to a point; thence turn an angle to the right 90 degrees 00 minutes and run northerly a distance of 95.75 feet to a point; thence turn an angle to the right 90 degrees 00 minutes and run easterly a distance of 15.00 feet to a point; thence turn an angle to the left 90 degrees 00 minutes and run northerly a distance of 40.00 feet to a point; thence turn an angle to the right 90 degrees 00 minutes and run easterly a distance of 34.50 feet to a point; thence turn an angle to the right 90 degrees 00 minutes and run southerly a distance of 40.00 feet to a point; thence turn an angle to the left 90 degrees 00 minutes and run easterly a distance of 18.00 feet to the point of beginning.

PARCEL 9

All that portion of land, and structures lying thereon,

in Section 28, T14N, R 30 E, County of Russell, State of Alabama, more particularly described as follows:

Commence at a monument having grid coordinates N 794,023.97, E 232,940.10 of the West Zone of the State of Georgia Coordinate System; thence S 52 degrees 11' 16" E 381.63' to the point of beginning (N 793,790.00 E 233,241.60); thence N 90 degrees 00' 00" E 760.00'; thence S 0 degrees 00' 00" E 102.00'; thence N 90 degrees 00' 00" E 128.04'; thence S 0 degrees 00' 00" E 960.48' (at existing utility bridge) the N 90 degrees 00' 00" W 13.00'; thence N 0 degrees 00' 00" W 672.48', thence N 90 degrees 00' 00" W 875.04'; thence N 0 degrees 00' 00" E 390.00' to the point of beginning; said land being 7.85 +/- acres; less than and except any structures not included in the Mead Corporation Contract No. 21-4162;

(collectively, (Parcels 1 through 9) the "Other Leased Land")

together with the following easements:

(a) An easement and right for pedestrian and vehicular traffic to use all present and future walks, railroads, roads, driveways and docks upon the Other Leased Land in order to provide all necessary or convenient ingress or egress between the 1993 Leased Land and railroads, public roads and highways and the Chattahoochee River and to permit passage between the 1993 Leased Land and the Other Leased Land;

(b) An easement and right for the passage of pedestrians and vehicles and for the construction, erection, installation, operation, maintenance, renewal, replacement and use of material conveying systems, including without limitation pipelines, through any part of the Other Leased Land necessary or convenient in order to assure the passage of equipment, raw materials, items in the process of manufacture, and finished products from the 1993 Leased Land to the Other Leased Land, including without limitation such rights and easements as are necessary for the movement of personnel, vehicles and materials among and between the various parcels of land comprising the Other Leased Land in order to permit and facilitate the operation of the Project;

(c) An easement and right to erect, install, construct, maintain, renew, replace and use on, over and under any part of the Other Leased Land, such pipes, conduits, and wires as are necessary or convenient to insure access to and an adequate system for or supply of gas, oil, steam, compressed air, process and space heat, water, fire protection, sewage and industrial waste disposal, electricity, communications, instrumentation and control, and other similar facilities to the 1993 Leased Land and the Project including, without limitation, the right to make connections with machinery,

equipment, pipes, conduits and wires, structures and other improvements and appurtenances thereto, on the Other Leased Land; and

(d) An easement and right to create and maintain upon the Other Leased Land encroachments of equipment, structures or other improvements which will be included on the 1993 Leased Land and within the Project as presently planned, and any similar replacements or substitutions of portions of the Project for as long as any such equipment, structures or other improvements remain standing, including without limitation the rights of lateral or party wall support, and to connect any such equipment, structure or other improvements to any structure or improvement on the Other Leased Land;

but subject to the following easements over the 1993 Leased Land in favor of the Other Leased Land:

(a) An easement and right for pedestrian and vehicular traffic to use all present and future walks, railroads, roads, driveways and docks upon the 1993 Leased Land in order to provide all necessary or convenient ingress and egress among and between all portions of the Other Leased Land and between the Other Leased Land and the 1993 Leased Land, including without limitation portions on which additional improvements may be erected, and railroads, public works and highways and the Chattahoochee River and to permit passage among and between the various parcels of land comprising the Other Leased Land;

(b) An easement and right for the passage of pedestrians, vehicles, and for the construction, installation, operation, maintenance, renewal, replacement and use of material conveyance systems, including without limitation, pipelines, through any part of the 1993 Leased Land necessary or convenient in order to assure the passage of equipment, and finished products from one portion of the Other Leased Land to another or between the Other Leased Land and the 1993 Leased Land, including, without limitation such rights and easements as are necessary for the movement of personnel, vehicles and material among and between the various parcels of land comprising the Other Leased Land in order to permit and facilitate the operation of any facilities located on the Other Leased Land;

(c) An easement and right to erect, install, construct, maintain, renew, replace and use on, over and under any part of the 1993 Leased Land, such pipes, conduits, and wires and appurtenances as are necessary or convenient to assure access to and an adequate system for or supply of gas, oil, steam, compressed air, process and space heat, water, fire

protection, sewage and industrial waste disposal, electricity, communications, instrumentation and control, and other similar facilities to the Other Leased Land, including without limitation, the right to make connections with machinery, equipment, pipes, conduits and wires, structures and other improvements and appurtenances thereto, on the 1993 Leased Land; and

(d) An easement and right to maintain any present equipment, structures or other improvements included within the facilities presently located on the Other Leased Land as encroachments upon the 1993 Leased Land as long as any such equipment, structures or other improvements remain standing, and to construct and maintain similar encroachments on the 1993 Leased Land in respect of any additional improvements constructed adjacent to the 1993 Leased Land, as long as any such additional improvements remain standing, including without limitation the rights of lateral or party wall support, and to connect such additional improvements to any structure or any improvements on the 1993 Leased Land.

subject in all cases to the following:

- (1) Lease Agreement dated as of November 1, 1983 between the Board, as lessor, and the Company (as assignee of Georgia Kraft Company), as lessee, as amended and supplemented from time to time relating to the Board's Industrial Development Revenue Bonds (Georgia Kraft Project), Series 1983;
- (2) Lease Agreement dated as of December 1, 1983 between the Board as lessor, and the Company (as assignee of Georgia Kraft Company), as lessee, as amended and supplemented from time to time, relating to the Board's Environmental Improvement Revenue Bonds (Georgia Kraft Project), Series 1983;
- (3) Lease Agreement dated as of December 1, 1985 between the Board, as lessor, and the Company (as assignee of Georgia Kraft Company), as lessee, as amended and supplemented from time to time, relating to the Board's Environmental Improvement Revenue Refunding Bonds (Georgia Kraft Project), Series 1985;
- (4) Lease Agreement dated as of July 1, 1986 between the Board, as lessor, and the Company (as assignee of Georgia Kraft Company), as lessee, as amended and supplemented from time to time, relating to the Board's Industrial Development Revenue Bonds (Georgia Kraft Project), Series 1986;
- (5) Lease Agreement dated as of December 1, 1988 between the Board, as lessor, and the Company, as lessee, as amended and supplemented from time to time, relating to the Board's

Environmental Improvement Revenue Bonds (Mead Coated Board Project), Series 1988;

- (6) Lease Agreement dated as of June 1, 1990 between the Board, as lessor, and Industrial Warehouse Services, Inc., as lessee, as amended and supplemented from time to time, relating to the Board's First Mortgage Revenue Bonds (Industrial Warehouse Services, Inc.), Series 1990;
- (7) Lease Agreement dated as of December 1, 1988 between the Board, as lessor, and the Company, as lessee, as amended and supplemented from time to time, relating to the Board's Industrial Development Revenue Bonds (Mead Coated Board Project), Series 1988A, 1989A, 1989B, 1989C, 1989D, 1989E, 1990A and 1991A;
- (8) Lease Agreement dated as of September 1, 1990 between the Board, as lessor, and the Company, as lessee, as amended and supplemented from time to time, relating to the Board's Environmental Improvement Revenue Bonds (Mead Coated Board Project), Series 1990A;
- (9) Lease Agreement dated as of October 1, 1990 between the Board, as lessor, and the Company, as lessee, as amended and supplemented from time to time, relating to the Board's Environmental Improvement Revenue Refunding Bonds (Mead Coated Board Project), Series 1990B; and
- (10) Lease Agreement dated as of June 1, 1993 between the Board, as lessor, and the Company, as lessee, as amended and supplemented from time to time, relating to the Board's Environmental Improvement Revenue Bonds (Mead Coated Board Project), Series 1993A.

EXHIBIT "B"

to

Lease Agreement between
THE INDUSTRIAL DEVELOPMENT BOARD OF
THE CITY OF PHENIX CITY, ALABAMA
and
MEAD COATED BOARD, INC.
dated as of June 1, 1993

PROJECT SUMMARY - INDUSTRIAL FACILITIES

RUSSELL COUNTY, ALABAMA

The Project is an expansion of and improvements to an existing coated linerboard mill (the "Mill") in Russell County, Alabama owned in part by the Board and leased to the Company and owned in part by the Company.

QUARTERLY\EX-10(3).WP
051194

THE MEAD CORPORATION AND CONSOLIDATED SUBSIDIARIES

CALCULATION OF PRIMARY NET EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE

(All amounts in thousands, except per share amounts)

	First Quarter Ended	
	April 3,	April 4,
	1994	1993
	-----	-----
NET EARNINGS APPLICABLE TO COMMON AND COMMON EQUIVALENT SHARES	\$27,616 =====	\$25,597 =====
AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING:		
Average number of common shares outstanding	59,252	58,830
Dilutive effect of stock options after application of treasury stock method	594 -----	548 -----
AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING	59,846 =====	59,378 =====
PRIMARY NET EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE	\$.46 =====	\$.43 =====

QUARTERLY\EX-11 (1) .WP
051194

THE MEAD CORPORATION AND CONSOLIDATED SUBSIDIARIES

CALCULATION OF FULLY DILUTED NET EARNINGS PER COMMON AND COMMON
-----EQUIVALENT SHARE (1)

(All amounts in thousands, except per share amounts)

	First Quarter Ended	
	April 3, 1994	April 4, 1993
	-----	-----
NET EARNINGS APPLICABLE TO COMMON AND COMMON EQUIVALENT SHARES	\$27,616 =====	\$25,597 =====
AVERAGE NUMBER OF SHARES OUTSTANDING ON A FULLY DILUTED BASIS:		
Shares used in calculating primary earnings per share	59,846	59,378
Additional dilutive effect of stock options after application of treasury stock method		83
	-----	-----
AVERAGE NUMBER OF SHARES OUTSTANDING ON A FULLY DILUTED BASIS	59,846 =====	59,461 =====
FULLY DILUTED NET EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE	\$.46 =====	\$.43 =====

(1) This calculation is submitted in accordance with 17 CFR 229.601(b) (11) although not required by APB Opinion No. 15 because it results in dilution of less than 3%.

QUARTERLY\EX-11 (2) .WP
051194

THE MEAD CORPORATION AND CONSOLIDATED SUBSIDIARIES

CALCULATION OF FULLY DILUTED NET EARNINGS PER COMMON AND COMMON
-----EQUIVALENT SHARE (1)

(All amounts in thousands, except per share amounts)

	First Quarter Ended	
	April 3,	April 4,
	1994	1993
	-----	-----
NET EARNINGS APPLICABLE TO COMMON AND COMMON EQUIVALENT SHARES	\$27,616	\$25,597
ADJUSTMENT FOR OTHER POTENTIALLY DILUTIVE SECURITIES - Interest savings (net of tax) on Convertible Subordinated Debentures as if converted at the beginning of the period	1,431	1,454
NET EARNINGS APPLICABLE TO COMMON AND COMMON EQUIVALENT SHARES ON A FULLY DILUTED BASIS	\$29,047 =====	\$27,051 =====
AVERAGE NUMBER OF SHARES OUTSTANDING ON A FULLY DILUTED BASIS:		
Shares used in calculating primary earnings per share	59,846	59,378
Dilutive effect of stock options after application of treasury stock method		83
Adjustment for other potentially dilutive securities - Dilutive effect of Convertible Subordinated Debentures as if converted at the beginning of the period	2,630	2,630
AVERAGE NUMBER OF SHARES OUTSTANDING ON A FULLY DILUTED BASIS	62,476 =====	62,091 =====
FULLY DILUTED NET EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE	\$.46 =====	\$.44 =====

(1) This calculation is submitted in accordance with 17 CFR 229.601(b)(11) although it is contrary to paragraph 40 of APB Opinion No. 15 because it

produces an antidilutive result.

QUARTERLY\EX-11 (3) .WP
051194