

224-010946



GROUND LEASE AND DEFINITIVE AGREEMENT
REGARDING PORT FACILITIES

BETWEEN

BRAZOS RIVER HARBOR NAVIGATION DISTRICT,
AS LESSOR,

AND

AMERICAN RICE, INC.,
AS LESSEE,

DATED AS OF JUNE 6, 1985

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EXHIBITS

- "A" - Description of Leased Land and Plat
- "B" - Description of Lessor's Adjacent Property

Leased Land the hereinafter defined and described Project, for use as a port terminal facility; and

WHEREAS, Lessor has agreed to construct or cause to be constructed certain improvements to, upon and about the public docks adjacent to the Leased Land, to be used and operated in connection with the operation of the Project, and Lessor has further agreed to issue certain special contract revenue bonds to finance construction of such improvements, all upon the terms and conditions hereinafter set forth; and

WHEREAS, Lessor has agreed to cause the Brazos Harbor Industrial Development Corporation, a political subsidiary of Lessor, to issue certain industrial development bonds to finance a portion of the costs of the Project; and

WHEREAS, Lessee is willing to cause the Project to be constructed provided Lessee is assured that it will have the exclusive use of the Project and certain preferential use of said public docks and other Port facilities throughout the term of this Lease and any extension thereof;

NOW, THEREFORE, the parties hereto, for the consideration hereinafter mentioned, covenant and agree as follows:

ARTICLE I

DEFINITIONS

The terms defined in this Article shall, for all purposes of this Lease, and all agreements supplemental hereto, have the meanings herein specified, unless the context otherwise requires.

(a) "BHIDC" shall mean Brazos Harbor Industrial Development Corporation, a political subsidiary of Lessor.

(b) "Commencement Date" shall mean the first day of the calendar month next succeeding the date on which Lessee gives written notice to Lessor that Substantial Completion of the Project has occurred, provided that in no event shall Lessee be obligated to deliver such written notice to Lessor unless and until Lessor shall have caused to be completed all of the Lessor Improvements to be constructed by Lessor as provided in Section 5.1 hereof. Notwithstanding the foregoing, in the event (i) Substantial Completion of the Project has not occurred on or before two (2) years following the date of this Lease for reasons within Lessee's control and (ii) Lessor shall have completed or caused to be completed all of the Lessor Improvements to be constructed by Lessor as provided in Section 5.1 hereof, then the Commencement Date shall be deemed to have occurred on the first day of the calendar month next succeeding the expiration of two (2) years following the date of this Lease.

(c) "Dock Extension" shall mean that certain six hundred forty foot (640') long extension to the Docks to be constructed or caused to be constructed by Lessor across Lessor's land lying adjacent to the entire southerly most boundary line of the Leased Land, as provided in Section 5.1 hereof.

(d) "Docks" shall mean all of the public docks operated by Lessor at the Port of Freeport, together with any extensions thereof and improvements thereto hereafter constructed or caused to be constructed by Lessor.

(e) "Force Majeure" shall mean Acts of God (including hurricanes and severe storms), strikes, lockouts, material or labor restrictions by any governmental authority, civil riot, floods and any other cause not reasonably within the control of Lessor or Lessee, as the case may be (other than inability to make monetary payments) and which by the exercise of due diligence Lessor or Lessee (as the case may be) is unable, wholly or in part, to prevent or overcome.

(f) "Lease" shall mean this Ground Lease and Definitive Agreement Regarding Port Facilities, together with all exhibits, schedules and attachments hereto and all amendments and supplements which may hereafter be entered into in accordance with the terms hereof.

(g) "Lease Year" shall mean a twelve (12) month period during the term hereof commencing on the Commencement Date or on an anniversary of the Commencement Date.

(h) "Leased Land" shall have the meaning ascribed to such term in Section 2.1 hereof.

(i) "Leased Premises" shall have the meaning ascribed to such term in Section 2.1 hereof.

(j) "Leasehold Improvements" shall mean any and all buildings, mills, silos, bins and other improvements and fixtures of whatsoever nature at any time constructed, placed or maintained by Lessee or its sublessees on any part of the Leased Land, including, but not limited to, all improvements and fixtures which shall constitute the

Project. The term "Leasehold Improvements" shall also include Warehouse No. 2B.

(k) "Preferential Docks" shall mean (i) the easterly most one hundred sixty feet (160') of Lessor's existing Docks and (ii) the Dock Extension.

(l) "Lessor Improvements" shall mean all of the improvements to be installed and constructed or caused to be installed and constructed by Lessor as provided in Section 5.1 hereof.

(m) "Port Use Fees" shall have the meaning ascribed to such term in Section 4.2 hereof.

(n) "Project" shall mean the terminal facility for the receipt, storage, processing and shipment of rice and other agricultural products, to be constructed upon the Leased Land as provided in Section 5.2 hereof, together with the related utilities and other improvements to be constructed by Lessee on the Leased Land or on lands adjacent thereto in connection with construction of said terminal facility.

(o) "Project Bonds" shall mean the industrial development bonds to be issued by BHIDC to finance a portion of the cost of the Project, as provided in Section 5.5 hereof.

(p) "Substantial Completion" or "Substantially Completed" shall mean that stage of construction at which the Project may be used for its intended purposes and will be available to receive, handle, store, process, distribute and deliver rice and rice products and be in operation as contemplated herein, notwithstanding that some minor additional engineering, construction work, equipment installation or other work is required to be performed.

(q) "Term of this Lease" or "term hereof" shall mean the Initial Term provided for in

Section 3.1 hereof, together with any extensions thereof as provided in Section 3.2 hereof.

(r) "Transit Shed No. 1A and 2" shall mean the easterly six hundred (600) linear feet of those certain existing connected transit sheds located adjacent to the Docks and known as Transit Shed Nos. 1, 1A and 2.

(s) "Transit Shed No. 3" shall mean the transit shed to be constructed by Lessor as provided in Section 5.1 hereof.

(t) "Warehouse No. 2B" shall mean that certain warehouse and related improvements located on the 2.057 acre tract constituting a portion of the Leased Land.

ARTICLE II

DEMISE OF LEASED PREMISES; GRANT OF EASEMENTS AND OPTION TO LEASE TRANSIT SHEDS

2.1 Leased Premises. In consideration of the rental to be paid and the covenants hereinafter undertaken to be performed by Lessee, Lessor does hereby lease and let unto Lessee, and Lessee does hereby lease from Lessor, for the term and subject to the covenants and conditions hereinafter stated, (a) all of those certain two (2) tracts or parcels of land (herein together called the "Leased Land") containing, respectively, 20.000 acres and 2.057 acres, more or less, situated in Brazoria County, Texas, and being more particularly described in Exhibit "A" attached hereto and made a part hereof for all purposes, and (b) Warehouse No. 2B (all said properties described in (a) and (b) above being hereinafter collectively called the "Leased Premises"), together with all rights, privileges, easements, appurtenants

and immunities thereunto appertaining. The Leased Land is also depicted on a survey plat thereof included in Exhibit "A" hereto.

TO HAVE AND TO HOLD during the term hereof the Leased Premises, together with all rights, privileges, easements, appurtenances, and immunities belonging to or in any way appertaining to said Leased Premises.

2.2 Access and Utility Easements. For the same consideration hereinabove mentioned, Lessor does hereby grant and convey unto Lessee (a) a non-exclusive easement and right-of-way (herein called the "Access Easement") on, over, through and across those certain two twenty-four foot (24') wide roadways known as Harbor Boulevard and Port Road and depicted on the survey plat included as part of Exhibit "A" hereto, for purposes of gaining access to and from the Leased Premises and Port facilities, and (b) a non-exclusive easement and right-of-way (herein called the "Utility Easement") on, over, under, through, across and along said roadways and that portion of Lessor's 124.288 acre tract of land described in Exhibit "A" hereto which is not included in the Leased Land, for the purposes of laying, constructing, installing, maintaining, operating, inspecting, repairing, altering, substituting, replacing and removing any and all lines, cables, pipes, treatment plants, force mains, conduits, wires, poles, rails, spurs, equipment and other necessary or desirable appurtenances for utilities, including, without limitation, electric, water, gas, fuel, telephone, sanitary sewer, drainage utilities and railroad spur tracks (herein called the "Utilities") to serve the Leased Premises. The terms of the Access Easement and the Utility Easement herein granted shall commence on the date hereof and shall terminate upon the expiration or earlier

termination of this Lease. Lessor agrees, at Lessor's sole cost and expense, to keep said roadways improved with a paved surface sufficient to withstand heavy trucks and vehicles of the type to be used by Lessee in connection with operation of the Project, and to maintain said roadways in good condition at all times and to fill in any ditches, ruts and holes in the roadways in a good and workmanlike manner, all at Lessor's sole cost and expense.

With respect to the use of the Utility Easement as hereinabove provided, Lessee shall have the right to bury any lines, cables or wires constituting a portion of such Utilities and to suspend same on poles within the boundaries of the Utility Easement as Lessee may desire without obtaining the consent of Lessor. Except as herein otherwise expressly provided, all such Utilities shall be laid, constructed, installed, maintained, operated, inspected, repaired, altered, substituted, replaced and removed at Lessee's sole cost and expense. Lessee shall replace all dirt or earth excavated in connection with the laying, constructing, installing, maintaining, operating, inspecting, repairing, replacing and removing of such Utilities and shall fill in all ditches, ruts and holes caused by Lessee's operations, and shall in a good and workmanlike manner, level and restore the surface and contour of the ground to its former condition. Lessee agrees that all Utilities installed and constructed hereunder shall comply with all valid laws, rules, regulations and ordinances made by any governmental authority which are applicable to the property included within the Utility Easement.

The Access Easement and the Utility Easement herein granted are non-exclusive, and Lessor reserves the

right to utilize the lands covered by such Easements for such purposes as Lessor may deem necessary or desirable and further reserves the right to grant other easements or licenses to such other parties as Lessor may from time to time desire; provided, however, such rights reserved herein by Lessor shall not unreasonably interfere with the uses permitted by Lessee under this Section 2.2.

2.3 Easement for Use of Port Facilities. For the same consideration hereinabove mentioned, Lessor does hereby grant and convey unto Lessee (a) a non-exclusive easement and right-of-way (herein called the "Storage Easement") on, over, through and across Lessor's lands located adjacent to the Leased Land for the purposes of (i) gaining access to and from Transit Shed No. 1A and 2 located at the Docks and Transit Shed No. 3 to be located at the Docks, and (ii) loading, unloading and storing in said transit sheds, rice and other commodities and related items associated with operation of the Project, and (b) a non-exclusive easement and right-of-way (herein called the "Dock Easement") on, over, through and across the Preferential Docks, for the purposes of loading and unloading rice and other cargo (including, without limitation, bulk, containerized and bagged cargo) to be received or shipped by Lessee at the Docks in connection with the operation of the Project. The terms of the Storage Easement and the Dock Easement herein granted shall commence on the date hereof and shall terminate upon the expiration or earlier termination of this Lease. In addition to the construction work which Lessor shall cause to be performed as provided in Section 5.1 hereof, Lessor agrees, at Lessor's sole cost and expense, to maintain said transit sheds and Preferential Docks in good condition at all times for the proper and efficient use of

the same by Lessee for the purposes herein stated. Such maintenance obligations of Lessor shall include, without limitation, the obligation to keep the facilities subject to the Dock Easement and Storage Easement in a clean and healthful condition to the extent reasonably required to permit Lessee to use such facilities for storage and shipment of food products. Further, and without limiting the generality of the foregoing, Lessor agrees, at Lessor's sole cost and expense, to make such repairs and improvements to said transit sheds from time to time as are necessary, in Lessee's reasonable judgment, to protect Lessee's commodities stored therein from rain, leakage, collapse of buildings, floors or foundations, theft, frost or the elements or contamination. Lessor shall not be responsible for providing pest control or extermination service in the warehouse space within said transit sheds, except that Lessor agrees to provide such service with respect to the warehouse space within Transit Shed No. 1A and 2, at Lessee's request from time to time, until (but not after) Lessee shall have constructed the permanent dividing wall hereinafter mentioned. With respect to Lessee's use of the Preferential Docks and said transit sheds as hereinabove provided, Lessor agrees that Lessee shall have the right from time to time to engage any stevedoring company or companies or other firms, or other agents or employees of Lessee, which Lessee shall select, for the purposes of (a) moving rice and other cargo into and from said transit sheds and receiving the cargo in said transit sheds, and (b) loading and unloading vessels carrying rice and other cargo to be received by Lessee at or shipped by Lessee from the Preferential Docks. Lessor agrees to provide, at all times required by Lessee (including, without limitation, during labor strikes) sufficient harbor workmen

to handle lines to tie up and/or release vessels from the wharves, keys or buoys located at the Port of Freeport. Lessee shall further have the right from time to time to construct and install or cause to be constructed and installed at Lessee's sole cost and expense, improvements and machinery (including, but not limited to, conveyors or "marine legs") upon, over, through and across Transit Shed No. 3 and the Dock Extension, for the purpose of loading and unloading vessels carrying rice and other cargo (including, without limitation, bulk, containerized and bagged cargo) to be received by Lessee at or shipped by Lessee from the Docks. Lessee shall further have the right at any time to construct and install or cause to be constructed and installed, at Lessee's sole cost and expense, a permanent wall dividing Transit Shed No. 1A and 2 from the remainder of the space in said transit shed nos. 1, 1A and 2, which wall may be constructed out of any materials selected by Lessee, but which, if constructed, shall be constructed in a good and workmanlike manner and shall provide a connecting doorway to Lessor's adjacent transit shed area, adequate for truck passage.

Lessor further agrees to provide and maintain, at Lessor's cost, ample pallets, according to specifications determined by Lessee from time to time, for purposes of loading, unloading and handling Lessee's rice and other cargo shipped to or from the Preferential Docks, and Lessee agrees to use such pallets so provided by Lessor, paying for such use the pallet charges set forth among the Port Use Fees mentioned in Section 4.2 hereof, which charges, however, shall be subject to the limitations provided for in said Section 4.2. In the event Lessor fails to provide and maintain ample pallets according to Lessee's specifications

from time to time as above provided, Lessee shall have the right, at Lessee's option, and in addition to any other remedies available to Lessee, to obtain and use pallets furnished to Lessee from other sources, without incurring any charges therefor by Lessor.

The Storage Easement and the Dock Easement herein granted are non-exclusive, and Lessor reserves the right to utilize said transit sheds and the Preferential Docks for such purposes as Lessor may deem necessary or desirable and further reserves the right to grant the right to use the same to other parties as Lessor may from time to time desire; provided, however, such rights reserved herein by Lessor shall not unreasonably interfere with the uses permitted by Lessee under this Section 2.3, and, provided further, Lessee shall have the following preferential rights with respect to said transit sheds and Preferential Docks:

(1) Lessee shall have the first priority and preference in use of said transit sheds for the purposes hereinabove provided. This right shall include, but shall not be limited to, the right to require Lessor to remove or cause to be relocated commodities of third parties stored in space in said transit sheds sufficient, in Lessee's reasonable judgment, to permit the timely storage of incoming and outgoing cargo of Lessee. At any time at which Lessee's rice and other commodities are stored in said transit sheds together with commodities of third parties, Lessee shall further have the right to require that Lessee's rice and other commodities stored in said transit sheds be placed in one consolidated area rather than placed among commodities belonging to third parties.

(2) Lessee shall have the first priority and preference in use of the Preferential Docks for the purposes hereinabove provided. This right shall include, but shall not be limited to, the right of first use of the Preferential Docks irrespective of the time of vessel arrival and the right to require the shifting of vessels occupying the Docks.

With respect to Transit Shed No. 1A and 2, it is understood that Lessor shall be entitled to maintain a driveway extending through Transit Shed No. 1A in a north-south direction as a passageway.

2.4 Option to Lease Transit Sheds. Lessee shall have the right, at Lessee's option, at any time or times during the term of this Lease as set forth below, to lease all of Transit Shed No. 1A and 2 or Transit Shed No. 3, or both, by delivering written notice to Lessor of Lessee's exercise of such option. In the event Lessee exercises such option as above provided, then, effective as of the lease commencement date set forth in Lessee's notice to Lessor and for and during the lease term therein set forth, the term "Leased Premises" as used herein shall be deemed to include said transit shed or sheds (as the case may be) and Lessee shall have exclusive, as opposed to preferential, use thereof for and during said lease term, for any purposes set forth herein. Upon the expiration of any such lease term set forth in Lessee's notice to Lessor, such lease shall terminate but Lessee's Storage Easement created under Section 2.3 hereof shall automatically be reinstated and shall continue in full force and effect until such time (if any) as Lessee may again elect to lease said transit shed or sheds pursuant to the provisions of this paragraph. As rental for either or both

transit sheds leased by Lessee during said lease term, Lessee shall pay to Lessor, in addition to the rental provided for in Section 4.1 below, a sum per month derived by multiplying the "Applicable Rental Rate" (as hereinafter defined) times the usable square feet of warehouse space contained in said transit shed or sheds, which monthly rental shall be payable in advance on or before the first (1st) day of each calendar month during said lease term and, otherwise, shall be payable in the manner provided in Section 4.1 below. In the event such lease of said transit shed or sheds commences on a day other than the first day of a calendar month, the rental for such first partial month shall be prorated for the number of days remaining in such partial month. The term "Applicable Rental Rate", as used in this Section 2.4, shall mean

(a) For the first Lease Year, a rental rate of \$.21 per month per usable square foot of warehouse space contained in said transit shed or sheds, and

(b) For each subsequent Lease Year, a rental rate per month calculated by escalating said rental rate per month for the first Lease Year by the percentage and in the manner provided in Section 4.1(c) hereof.

For purposes of this Lease, the usable square footage of warehouse space contained in Transit Shed No. 1A and 2 is hereby stipulated to be 120,000. Upon completion of construction of Transit Shed No. 3, the parties shall, upon request of either, enter into a written stipulation of usable area of warehouse space contained therein, which shall be based upon a calculation by the architect or engineer supervising such construction or by some other third party selected by Lessor and Lessee.

2.5 Additional Port Facilities. It is contemplated that, during the term hereof, Lessee's demand for warehouse space at the Docks may exceed the space to be

available to Lessee from time to time in Transit Shed No. 1A and 2, Warehouse No. 2B and Transit Shed No. 3. In recognition of the necessity of Lessee to have adequate warehouse space available at the Docks to accommodate Lessee's present and future rice milling capacity, and in consideration for Lessee's obligations hereunder, Lessor agrees, upon request by Lessee at any time within three (3) years following the Commencement Date, so long as Lessee is not then in default hereunder, to proceed with reasonable diligence to construct additional warehouses or transit sheds (or make available other than existing warehouses or transit sheds) on Lessor's lands located adjacent to the Leased Land, as needed by Lessee to provide storage for Lessee's rice and other agricultural products destined for export from the Port of Freeport. Any such additional facilities constructed and/or made available by Lessor pursuant to this paragraph, together with any related docks or dock extensions constructed and/or made available by Lessor, shall, upon completion of the same, become subject to and covered by the Storage Easement and Dock Easement created in, and the other provisions of, Section 2.3; and, upon request by either party, Lessor and Lessee shall each execute and deliver an instrument supplementing this Lease, containing a legal description of such additional lands and facilities and expressly granting to Lessee the easements for use of such additional lands and facilities as contemplated above.

ARTICLE III

TERM

3.1 Initial Term. The initial term of this Lease (herein called the "Initial Term") shall commence upon the date hereof and, subject to the terms, provisions and conditions herein set forth, the Initial Term of this Lease

shall be and continue in full force and effect for a period of thirty-five (35) years following the Commencement Date. Upon the occurrence of the Commencement Date, either party hereto will, upon request of the other, sign an instrument setting forth the Commencement Date of the term of this Lease.

3.2 Renewal Terms. If this Lease remains in full force and effect for the full Initial Term, at the option of Lessee, the term of this Lease may be extended for seven (7) additional terms of five (5) years each (herein called the "Renewal Terms"), the first of which Renewal Terms, if any, shall commence on the first day following the expiration of the Initial Term, and end at midnight five (5) years thereafter, and each subsequent Renewal Term, if any, shall commence on the first day following the expiration of the immediately preceding Renewal Term, and end at midnight five (5) years thereafter. In order to exercise any option for a Renewal Term, Lessee shall give written notice to Lessor of its election to extend the term of this Lease for such Renewal Term not less than six (6) months prior to the expiration of the then term of this Lease. The Renewal Terms shall be on the same terms and conditions as those contained herein except that there shall be no option to renew this Lease beyond expiration of the seventh (7th) Renewal Term.

ARTICLE IV

RENTALS; DOCKAGE AND WHARFAGE FEES

4.1 Rentals. As rental for the Leased Premises during the term of this Lease, Lessee covenants and agrees to pay to Lessor the following sums:

- (a) As rental for the period commencing on the date hereof and ending upon the date immediately preceding the Commencement Date, Lessee

covenants and agrees to pay to Lessor the sum of One Hundred Twenty Thousand and No/100 Dollars (\$120,000.00) per year.

(b) As rental for the first Lease Year, Lessee covenants and agrees to pay to Lessor the sum of One Hundred Twenty Thousand and No/100 Dollars (\$120,000.00).

(c) As rental for each subsequent Lease Year, Lessee covenants and agrees to pay Lessor the sum of (i) the rental payable hereunder for the immediately preceding Lease Year, plus (ii) an amount equal to two percent (2%) of the rental payable hereunder for the immediately preceding Lease Year.

Upon the execution of this Lease, Lessee has paid to Lessor the first annual installment of rental payable under paragraph (a) above, the receipt of which is hereby acknowledged by Lessor. Prior to the Commencement Date, each subsequent annual installment of rental hereunder shall be due and payable in advance on or before each anniversary date of this Lease. Said rental for each Lease Year mentioned in paragraphs (b) and (c) above shall be payable in advance on or before the first day of such Lease Year. As of the Commencement Date, all prepaid and unearned rental shall be credited against the rental payable for the first Lease Year. All rental and other sums provided for herein shall be payable by Lessee to Lessor in lawful money of the United States of America, at Lessor's address set forth in Article XXVII below.

4.2 Dockage and Wharfage Fees. It is understood by the parties that Lessee (and carriers shipping Lessee's cargo into and from the Port, as the case may be) will pay to Lessor the rents, dockage and mooring fees, wharfage fees and

other charges (herein called the "Port Use Fees") as published in Port of Freeport, Port Tariff No. 4, or subsequent revisions thereof, for services provided by Lessor to Lessee or such other parties, in connection with such party's use of the Docks and Port facilities as contemplated herein, subject, however, to the following provisions of this Section. For and during the first Lease Year, Lessor agrees that (a) the Port Use Fees shall not exceed the rents or fees charged by Lessor as published in Port of Freeport, Port Tariff No. 4, as amended, a copy of which has been initialed by the parties hereto for identification, and (b) the rate for loading or unloading bulk rice or bulk rice by-products at the Port shall not exceed \$.02 per hundredweight. With respect to each subsequent Lease Year, Lessor agrees that (a) the Port Use Fees in effect at the commencement of each such Lease Year (which shall not be subject to increase by Lessor until the commencement of the following Lease Year) shall not exceed the average of the corresponding rents or fees (including, without limitation, special fees established for preferred or large volume users) charged by the applicable governmental agencies operating the Ports of Galveston, Houston, Corpus Christi and Beaumont, and (b) the rate for loading or unloading bulk rice or bulk rice by-products at the Port in effect at the commencement of each such Lease Year (which shall not be subject to increase by Lessor until the commencement of the following Lease Year) shall not escalate above such rate for the preceding Lease Year at a rate in excess of the rate of increase (if any), over the same period, of Lessee's wharfage rate applicable to bagged rice cargo. In the event the parties hereto are unable to determine what fees are charged by a particular Port named above for use of a particular port facility or service (such

as, for illustration, and not by way of limitation, loading or unloading containerized cargo), the "average" of the fees of such four Ports for such use or service shall be determined by mutual agreement of the parties, if such agreement can be reached and, if not, by arbitration as provided below.

If any dispute with respect to whether the Port Use Fees are in compliance with the above provisions shall arise between Lessor and Lessee under this Lease, the parties agree to submit such dispute to arbitration. In such event, Lessor and Lessee shall each, promptly after notice from one to the other, select a competent, qualified person who shall at the time of his selection be actively engaged in the freight forwarding business either for his own account or as an officer or director of a firm or corporation so engaged, and who shall have been so engaged for a continuous period of at least five (5) years preceding his selection, which person shall not be actively engaged in the freight forwarding business for the account of either Lessor or Lessee (but who may be engaged in the freight forwarding business at the Port of Freeport). The party not requesting arbitration hereunder shall give written notice of designation of its arbitrator within thirty (30) days after the designation of the arbitrator by the party requesting arbitration hereunder. The two arbitrators first appointed under the terms hereof shall, within ten (10) days after their designation, together select a third arbitrator possessing the same or substantially the same qualifications as the respective arbitrators designated by the parties. If (a) within thirty (30) days after receiving written notice of the appointment of the first arbitrator by one of the parties hereto the party receiving such written notice shall have failed either to appoint an arbitrator or to give written notice of such appointment to

the other party, or (b) the two arbitrators shall have been appointed by the parties under the terms hereof and shall have failed to select a third arbitrator within the above-stated ten (10) day time period, the arbitrator who was not so appointed shall be appointed by the then Judge of the State District Court for the 130th Judicial District of Texas (or such Judge of some other State District Court sitting in Matagorda County, Texas, who agrees to act in the premises hereof), acting in his non-judicial capacity (or to the extent he refuses to act in that capacity, his judicial capacity), upon the application of either Lessor or Lessee. The decision of the majority of arbitrators so appointed shall be final and binding upon both parties. In the event the three (3) arbitrators are unable to or fail to reach a decision in which at least two (2) arbitrators agree within thirty (30) days (or such longer period as may be agreed to by the parties) after all three arbitrators shall have been appointed, the last arbitrator selected shall be dismissed and a new arbitrator appointed in his place by the two original arbitrators (or, if they are unable to agree, then by the then Judge of the State District Court for the 130th Judicial District of Texas or such other Judge as stated above). Such procedure shall be repeated if necessary until a majority of the arbitrators shall agree upon and resolve the issue in dispute. The expense of the arbitrator appointed by each party shall be borne by the party appointing such arbitrator and the expenses of the third arbitrator shall be borne by both parties equally; provided, however, that the party hereto in whose favor such dispute is resolved by arbitration shall be entitled to be reimbursed by the other party for all costs so borne by such party in connection with such arbitration. The arbitrators shall give prompt notice in writing of their decision to each party.

Port Use Fees for wharfage shall be payable when Lessee's cargo destined for export is placed in a transit shed at the Preferential Docks or Lessor's Docks, provided that wharfage fees for bulk cargo shall be payable when such cargo crosses the Preferential Docks or Lessor's Docks.

Notwithstanding anything contained herein to the contrary, no Port Use Fees or other fees shall be charged by Lessor with respect to labor in loading or unloading cargo at the Preferential Docks or moving cargo into or from warehouses or transit sheds at the Preferential Docks where such labor is furnished by stevedoring companies engaged by Lessee or by Lessee's own agents or employees, provided that this provision shall in no way be construed to prevent Lessor from collecting applicable tariff charges for services rendered by Lessor.

ARTICLE V

CONSTRUCTION; BOND FINANCINGS

5.1 Construction by Lessor. Lessor agrees to construct, install and complete or to have constructed, installed and completed, in a good and workmanlike manner, the following improvements (herein collectively called "Lessor Improvements") upon lands owned by Lessor adjacent to the Leased Land:

(a) the Dock Extension and a dredged vessel berth and barge berth adjacent thereto,

(b) a transit shed to be known as "Transit Shed No. 3" and to be located between the 20.000 acre tract constituting a portion of the Leased Land and the Dock Extension,

(c) permanent awnings or shelters to provide covered transit areas for Lessee's commodities moving between Transit Shed No. 1A and 2 and Transit Shed No. 3,

(d) automatic fire sprinkler systems in Transit Shed No. 1A and 2 and Transit Shed No. 3,

(e) a water holding tank with a minimum capacity of 500,000 gallons, for fire protection service to Port facilities,

(f) water lines connected to City of Freeport water supply, to be extended to the boundary line of the 20 acre tract constituting a portion of the Leased Land, adequate to deliver a minimum of 200,000 gallons of water daily,

(g) natural gas lines connected to Entex's gas supply system, to be extended to the boundary line of the 20 acre tract constituting a portion of the Leased Land, adequate to deliver 1.1 million cubic feet of natural gas daily, and

(h) an electric transmission line connected to Houston Lighting and Power's electric plant, to be extended to the boundary line of the 20 acre tract constituting a portion of the Leased Land, adequate to deliver 12,500 KVA demand at 13.2 KV.

The Lessor Improvements shall be constructed and installed in accordance with detailed drawings, plans and specifications to be prepared for such Improvements and approved by Lessor and Lessee, which said drawings, plans and specifications shall be based upon the preliminary drawings, plans and specifications for such Improvements which have been initialed by the parties hereto for identification herewith and to evidence the parties' acceptance thereof. Such Lessor Improvements shall be constructed, installed and completed at Lessor's sole cost, risk and expense and in compliance with all valid laws, ordinances, rules and regulations of all governmental authorities applicable to the Port facilities and the use thereof. Lessee's acceptance of the drawings, plans and specifications for the Lessor Improvements shall in no way be deemed to constitute a waiver by Lessee of any rights or remedies available to Lessee hereunder, or at law or in equity, for defects or deficiencies in the materials or workmanship used in construction of such Lessor Improvements, for failure of such Lessor Improvements to serve the purposes for which the same were intended or for failure by Lessor to maintain the same in good condition and working order as provided herein. Lessor agrees to cause actual construction of the Dock

Extension and Transit Shed No. 3 to commence on or before the expiration of six (6) months after the date hereof. In the event such construction work has not commenced within such six (6) month period for any reason other than by Force Majeure, as defined in Article I hereof, Lessee may, at Lessee's option (and without prejudice to any cause of action that Lessee may have for such delay) terminate this Lease by delivering notice to Lessor of Lessee's election to terminate this Lease within thirty (30) days following expiration of such six (6) month period. Lessor agrees to cause all Lessor Improvements to be constructed, installed and completed and ready for occupancy and use by Lessee in accordance with the provisions of this Lease on or before the expiration of two (2) years after the date hereof. Lessor shall not be liable for any delays in completing the Lessor Improvements which may be caused by Force Majeure, as defined in Article I hereof. If completion of the Lessor Improvements is delayed through Force Majeure, Lessee shall not be entitled to terminate this Lease or hold Lessor responsible for any damage caused by such delays so long as Lessor resumes construction promptly after the event of Force Majeure is eliminated and Lessor thereafter proceeds diligently to complete such construction. Lessor agrees, however, to make available to Lessee, at any time following Substantial Completion of the Project and until final completion of all of the Lessor Improvements, all of Lessor's existing Docks, transit sheds and related Port facilities, for the purposes of loading and unloading rice and other cargo (including, without limitation, bulk, containerized and bagged cargo) to be received or shipped by Lessee at the Docks and loading, unloading and storing in said transit sheds said rice and other cargo, in connection with

the operation of the Project, which use by Lessee shall be in preference to any other parties using the Port facilities (except for the existing preferential right of use of the Docks by Standard Fruit Company one day per week). Notwithstanding the foregoing, in the event the Lessor Improvements are not completed and ready for use and occupancy by Lessee in accordance with the provisions of this Lease on or before the expiration of thirty (30) months after the date hereof, for any cause whatsoever, Lessee may, at Lessee's option (and without prejudice to any cause of action that Lessee may have for such delay) terminate this Lease by delivering notice to Lessor of Lessee's election to terminate this Lease within thirty (30) days following such date.

In the event this Lease is terminated by Lessee in accordance with the provisions of this Section 5.1, all rental previously paid by Lessee hereunder shall be refunded to Lessee promptly upon such termination.

5.2 Construction by Lessee. Except as herein otherwise expressed provided, Lessee shall cause actual construction of the Project upon the Leased Land to commence on or before the expiration of six (6) months after the date hereof. The Project shall be constructed (a) in a good and workmanlike manner, (b) in compliance with all valid laws, ordinances, rules and regulations of all governmental authorities applicable to the Leased Premises and the use thereof, and (c) substantially in accordance with the detailed drawings, plans and specifications prepared for the Project, which said drawings, plans and specifications have been initialed by the parties hereto for identification herewith and to evidence the parties' acceptance thereof. Except as herein otherwise expressly provided, Lessor's

consent shall not be required with regard to changes to such detailed drawings, plans and specifications to the Project. In the event, however, that Lessee proposes a major change in said drawings, plans and specifications which would affect the basic design of the Project, Lessee shall submit copies of such proposed changes to Lessor for approval prior to effecting such changes in construction, which approval by Lessor shall not be unreasonably withheld or delayed. Failure by Lessor to object to such changes in writing to Lessee within ten (10) days after Lessee's delivery of such proposed changes to Lessor shall be deemed to constitute Lessor's approval of such changes. In the event such construction work has not commenced within such six (6) month period for any reason other than Force Majeure, as defined in Article I hereof, Lessor may, at Lessor's option, terminate this Lease by delivering notice to Lessee of Lessor's election to terminate this Lease within thirty (30) days following expiration of such six (6) month period. Except as herein otherwise expressly provided, Lessee agrees to cause Substantial Completion of the Project on or before the expiration of thirty (30) months after the date hereof. In the event the Project is not Substantially Completed within said period, for any cause whatsoever, Lessor may, at Lessor's option, terminate this Lease by delivering notice to Lessee of Lessor's election to terminate this Lease within thirty (30) days following the expiration of such thirty (30) month period. Notwithstanding anything contained herein to the contrary, Lessor shall not be entitled to terminate this Lease under any provisions of this Section 5.2 if, for any reason within Lessor's control, Lessor shall have failed to cause BHIDC to issue the Project Bonds as provided in Section 5.5 below and shall have failed to make

available to Lessee the proceeds of such bond financing for the purposes stated in Section 5.5 below.

Lessee warrants and represents to Lessor that the Project has been designed for and will be constructed with capacity in excess of 300,000 tons of milled rice for export per year. Lessee warrants that, to the extent the Port facilities and Lessor's operation thereof are adequate to do so efficiently, and so long as the channel and harbor serving the Port are sufficiently navigable, Lessee will ship all rice processed at the Project and destined for export across the Docks of Lessor; provided, however, Lessee shall not be obligated to ship across Lessor's Docks any rice which Lessee is directed by the buyer thereof to ship for export through a Port other than the Port of Freeport.

Lessor will, if requested by Lessee, cooperate with Lessee in obtaining approval of Lessee's construction and operation of the Project on the Leased Premises by all governmental authorities having jurisdiction over the Leased Premises, and Lessor further agrees to join with Lessee in any application to any such governmental authorities for permits or licenses to construct or operate the Project on the Leased Land. With regard to providing rail service to the Leased Premises, Lessor further agrees to assist Lessee in attempting to arrange for Union Pacific Railroad Company to bear the cost of constructing and installing railroad spur tracks across the 20,000 acre tract constituting a portion of the Leased Land and Lessor's adjacent lands (as shown in the drawings, plans and specifications for the Project) and connecting such spur tracks with the existing rail service at the Port of Freeport. Lessor and Lessee each agree to bear one-half (1/2) of the cost (after deducting the portion borne by said railroad company) of

extending said railroad spur tracks to the boundary line of said 20.000 acre tract, and Lessee shall bear all cost of providing said rail service within the boundaries of said 20.000 acre tract. Lessor and Lessee shall share any rebates paid or allowed by said railroad company relating to such construction, in proportion to each parties' contributions to such costs.

Lessee shall have no right, authority or power to bind Lessor, or any interest of Lessor in the Leased Premises, for any claim for labor or material or for any other charge or expense incurred in the erection and construction of the Project or any other Leasehold Improvements, or any repair or alteration thereto, nor to render the Leased Premises liable to any lien or right of lien for any labor or material, or any other charge or expense incurred in connection therewith, and Lessee shall in no way be considered as the agent of Lessor in the construction, erection or operation of the Project or any other Leasehold Improvements. Lessee agrees to indemnify and hold harmless Lessor and the Leased Premises from and against all claims, liens and demands (including, without limitation, mechanic's and materialman's liens) by or on behalf of any party, arising from the use, occupancy, conduct or management of or from any work or thing whatsoever done in, on or about the Leased Premises by Lessee or any party acting under Lessee.

5.3 Ownership of Leasehold Improvements. The Project, together with all other Leasehold Improvements to be constructed by Lessee on the Leased Premises, shall during the term of this Lease be and remain the property of Lessee, but on termination of this Lease, whether by expiration of the term hereof or by reason of default on the part of Lessee, or for any other reason whatsoever, all Leasehold

Improvements (or such portion thereof as shall remain on the Leased Premises) shall merge with the freehold estate and become the property of Lessor as a part of the realty, free from any liens or claims whatsoever created by Lessee, without any compensation therefor from Lessor to Lessee or any other person, firm or corporation or anyone whatsoever or whomsoever; provided, however, Lessee shall have the right, at Lessee's option, to remove from the Leased Land, within a reasonable time following such termination (not to exceed, in any event, six (6) months following such termination), all or any portion of the Leasehold Improvements (other than Warehouse No. 2B) and trade fixtures, equipment and machinery located thereon, without any compensation therefor from Lessee to Lessor. Notwithstanding the foregoing, at any time during the term of this Lease, Lessee shall have the right, at Lessee's option, to convey and assign title to Lessor to all or any part of the Leasehold Improvements, fixtures, equipment, machinery or other items of property constituting a portion of the Project, subject, however, to Lessee's right to lease such property and repurchase same on the terms hereinafter set forth (the "Improvements Lease"). In the event Lessee elects to exercise such option to enter into the Improvements Lease, Lessee shall notify Lessor of such election in writing and Lessor agrees to accept such conveyance and assignment from Lessee as promptly thereafter as practicable, but in any event within six (6) months after receipt of such notice. The Improvements Lease shall become effective upon the date of such conveyance and assignment. The Improvements Lease shall provide that in consideration for Lessee's construction or acquisition of the Leasehold Improvements and other properties constituting a portion of the Project and conveyance of same

to Lessor at no cost to Lessor, Lessee shall have the exclusive right, without further payment to Lessor, to use such Leasehold Improvements and other properties for their respective useful lives (as determined by Lessee at the time such items of property become subject to the Improvements Lease). Upon the expiration of the useful life of each such item of property (or at any time thereafter so long as this Lease is in force and effect) Lessor shall reconvey title to such item to Lessee. Additional items acquired after the date the Improvements Lease becomes effective which constitute replacements for or accessions to Leasehold Improvements or other properties constituting a portion of the Project may, at Lessee's option, be conveyed to Lessor and leased to Lessee on the same terms as set forth above. Lessee may terminate the Improvements Lease at any time as to any item of Leasehold Improvements or other property by written notice to Lessor. Upon such notice, Lessor shall promptly reconvey title to such item to Lessee.

5.4 Bond Financing for Dock Extension and Transit Shed No. 3. Lessor contemplates the issuance of certain revenue bonds of Lessor for the purpose of financing the cost of constructing the Dock Extension and Transit Shed No. 3, and Lessor further contemplates the assigning of all or a portion of the revenue to be derived by Lessor under the terms of this Lease to pay the principal, interest, premium, if any, and cost of issuance of said bonds. The parties agree to cooperate with each other in regard to the issuance of such bonds, but in no event shall Lessor be relieved of Lessor's obligations under this Lease on account of Lessor's inability or failure to issue such bonds. Subject to the other provisions of this Lease concerning rental payments by Lessee and the commitment by Lessee to move all export cargo of Lessee across the Docks of Lessor, Lessee shall not be obligated in any way for repayment of

such bonds, and Lessor shall not look to or seek satisfaction from Lessee with respect to any cost, expense, liability or obligation upon, under or relating to such bonds. Lessor has heretofore adopted resolutions evidencing its intention to issue revenue bonds for the purposes stated above. Lessee hereby approves such resolution.

5.5 Bond Financing for Project. Subject to the other provisions of this Section, Lessor shall cause BHIDC to issue industrial development bonds (herein called the "Project Bonds") in an amount not exceeding \$30,000,000 but sufficient in the opinion of Lessee to finance the cost to design, construct and equip the portion of the Project which bond counsel for Lessor and BHIDC determines is eligible for tax-exempt bond financing under applicable law. In no event however, shall Lessor be obligated to cause BHIDC to issue such bonds in an amount in excess of the total costs which, in the opinion of bond counsel for Lessor and BHIDC, are eligible for tax-exempt bond financing under applicable law. Lessor agrees to cause such bonds to be issued as soon as practicable and the parties agree to cooperate with each other in regard to the issuance of such bonds. The trust indenture pursuant to which such bonds are issued and all related arrangements shall be subject to Lessee's approval. Lessor shall cause BHIDC to duly and punctually perform all of its obligations under the trust indenture securing such bonds. The foregoing provisions of this Section shall not limit the right of Lessee to commence and prosecute the design and construction of the Project at any time prior to the time at which the proceeds of such bond issue become available for such purpose, and in the event Lessee commences construction of the Project at such earlier date, Lessee shall be entitled to reimbursement for the costs of such design and construction out of said bond proceeds. BHIDC has heretofore adopted a resolution evidencing its

intent to issue such bonds for the purposes stated above. Lessee hereby approves such resolution and affirms its obligations as set forth therein. In addition to the rentals provided for herein, Lessee shall be obligated for repayment of the principal, interest, premium, if any, and cost of issuance of said bonds.

ARTICLE VI

ACCEPTANCE OF LEASED LAND

Lessee, by execution hereof, acknowledges that Lessee has freely inspected and accepts the Leased Land in its present condition as suitable for the purpose for which the same is leased, subject, however, to the following provisions of this paragraph. Lessor warrants and represents to Lessee that, to the best of Lessor's knowledge, no industrial, hazardous, or toxic wastes or substances have been deposited in or on the Leased Land. In the event Lessee discovers any such wastes or substances in or on the Leased Land prior to the expiration of thirty (30) days after the date hereof, Lessee shall have the right, at Lessee's option, to terminate this Lease by delivering to Lessor written notice of Lessee's election to terminate within said thirty (30) day period. In the event of such termination, Lessor shall promptly refund to Lessee all rental previously paid by Lessee hereunder.

ARTICLE VII

TAXES

7.1 Leasehold Taxes. In addition to the rentals herein agreed to be paid, Lessee agrees to pay all real estate ad valorem taxes and special assessments on the leasehold estate in the Leased Premises created under and by virtue of this Lease, for each calendar year during the term hereof, as well as assessments upon Lessee's interest in the

Leasehold Improvements, before the same become delinquent, it being expressly understood and agreed that said leasehold estate shall be rendered for all taxing jurisdictions as a separate estate, with said Leased Premises being rendered as separate tracts, independent of Lessor's adjacent properties. Lessee shall pay all such taxes directly to the applicable taxing authority, and as soon as possible thereafter shall deliver to Lessor evidence of such payment. The certificate issued or given by the appropriate officials authorized or designated by law to issue or give the same or to receive payment of such taxes shall be prima facie evidence of the existence, payment, nonpayment and amount of such taxes. Lessor warrants and represents to Lessee that Lessor's retained interest in the Leased Premises and Leasehold Improvements is exempt from ad valorem taxation and, accordingly, no real estate ad valorem taxes shall be payable on Lessor's interest.

7.2 Right to Contest Taxes. Lessee, if Lessee shall so desire, may contest the validity or amount of any such leasehold ad valorem taxes, at Lessee's sole cost and expense, by appropriate proceedings, diligently conducted in good faith. Lessee may defer payment of such leasehold ad valorem taxes during the pendency of such contest, provided that nothing herein contained shall be construed to allow such leasehold ad valorem taxes to remain unpaid for such length of time as shall permit the leasehold estate in the Leased Premises, or any part thereof, to be sold by any governmental authority or a lien with respect thereto foreclosed for the nonpayment of the same.

7.3 Right to Collect Refund. Lessee may render the leasehold estate in the Leased Premises and Lessee's interest in the Leasehold Improvements for all taxing

jurisdictions and may, if Lessee shall so desire, endeavor at any time or times to obtain in good faith a lowering of the assessed valuation upon the leasehold estate in the Leased Premises and Lessee's interest in the Leasehold Improvements for any year for the purpose of reducing taxes thereon. In such event, Lessor will offer no objection, and, at the request of Lessee, will cooperate with Lessee, but without expense to Lessor, in effecting such a reduction. Lessee shall be authorized to collect any tax refund payable as a result of any proceeding Lessee may institute for that purpose and any such tax refund shall be the property of Lessee to the extent to which it may be based on a payment made by Lessee.

7.4 Lessor's Joinder. Lessor shall not be required to join in any action or proceeding referred to in Sections 7.2 and 7.3 hereof unless required by the court in connection with such action or proceeding in order to make such action or proceeding effective, in which event, any such action or proceeding may be taken by Lessee in the name of, but without expense to, Lessor. Lessee shall save Lessor harmless from all costs, expenses, claims, loss or damage by reason of, in connection with, on account of, growing out of, or resulting from any such action or proceeding.

7.5 Lessee's Taxes. Lessee shall pay all taxes lawfully charged, assessed or imposed upon the personal property of Lessee on the Leased Premises, and any license fees and similar charges that may be lawfully imposed upon Lessee's operations on the Leased Premises. The obligations of both Lessor and Lessee under this Article VII, as the same may be applicable, shall survive the expiration of the term of this Lease.

7.6 Tax Statements. In the event any statements or notices relating to the payment of taxes payable by Lessee hereunder are mailed directly by such taxing authorities to Lessor, Lessor shall forthwith deliver the same to Lessee and shall, at Lessee's request, deliver written notice to such taxing authority of Lessee's address.

ARTICLE VIII

UTILITIES

Lessee shall pay when due all charges for water, gas, electricity, sewer service, refuse disposal and telephone service on, to or in connection with the operation of the Project during the term hereof, and shall save and hold Lessor harmless from any charge, expense or liability for the same. The foregoing sentence shall not be construed as relieving Lessor from any obligations to provide water, fuel or any other service to Lessee at the Leased Premises under any other agreement now or hereafter executed by Lessor and Lessee.

ARTICLE IX

USE OF LEASED PREMISES

Lessee shall have the right to use the Leased Premises for the development and operation of the Project and for such other related purposes as may be necessary, incidental or appropriate thereto, and, with the approval of Lessor (which shall not be unreasonably withheld or delayed), for any other lawful purpose. Lessee will not allow or permit any waste with respect to the Leased Premises, permit the use or occupancy of the Leased Premises or any portion thereof for any unlawful purpose, or maintain or permit the maintenance of any public or private nuisance thereon.

ARTICLE X

MAINTENANCE

10.1 Lessee's Maintenance of Leased Premises.

During the term of this Lease, Lessee, at its sole cost, risk, expense and liability, and without risk, cost, expense or liability to Lessor, agrees to keep and maintain, or cause to be kept and maintained, all Leasehold Improvements upon the Leased Land, in good condition, reasonable wear and tear excepted. Lessee shall further be responsible for maintenance and repair of all fixtures, equipment and machinery placed in or on the Leased Premises by Lessee.

10.2 Lessor's Maintenance of Port Facilities. It

is recognized by the parties hereto that Lessee's use and enjoyment of the Leased Premises and Port facilities for the purposes herein contemplated may be materially impaired in the event Lessor fails to perform its obligations to maintain and repair the Port facilities as provided in Article II hereof. Accordingly, in the event that Lessor fails promptly, at its expense, to perform such obligations, Lessee may, at its sole option and without any obligation whatsoever to do, elect to perform such maintenance and repair operations and to offset the costs of the same reasonably incurred by Lessee under the circumstances against the rentals to be otherwise due and payable each Lease Year to Lessor hereunder until all such costs have been recouped in full; provided, however, Lessee shall, not less than ten (10) days prior to commencing any such maintenance and repair operations, deliver written notice to Lessor of Lessee's intent to perform such operations. Nothing contained in this Section 10.2 shall be deemed in any way to release Lessor from its covenants to make such repairs and improvements or from liability resulting from any breach of said covenants.

10.3 Lessor's Maintenance of Harbor and Channel.

It is recognized by the parties hereto that Lessee's use and enjoyment of the Leased Premises and Port facilities for the purposes herein contemplated is dependent upon the free, complete and uninterrupted access to and navigability of the harbor and channel serving the Port of Freeport by boats, barges and other vessels for purposes of docking, loading and unloading such vessels at the Docks. Accordingly, Lessor covenants and agrees that, at all times during the term of this Lease, Lessor shall use Lessor's best efforts and exercise Lessor's full legal authority (if any) to cause dredging operations to be lawfully conducted in said harbor and channel to at least such depths as are presently established and maintained as the project depth by the U.S. Army Corps of Engineers for the federally maintained portion of said harbor and channel, and as frequently as is necessary to permit the free and unobstructed passage through said harbor and channel by such boats, barges or other vessels.

ARTICLE XI

SECURITY

During the term of this Lease, Lessor, at its sole cost, risk, and expense, shall maintain and provide security service covering the Port facilities (including the transit sheds mentioned herein but excluding the other Leased Premises) to be used by Lessee as provided herein. Lessor shall not be liable to Lessee for losses due to theft or burglary or for damages done by unauthorized persons on the Leased Premises or Lessor's adjacent premises except to the extent such loss or damage is caused by the negligence of Lessor, its agents or employees.

ARTICLE XII

ALTERATIONS AND ADDITIONS

At any time during the term of this Lease, Lessee shall have the right, at its sole cost, risk, expense and liability, and without risk, cost, expense or liability to Lessor, to make alterations and to demolish portions of the Leasehold Improvements and to construct additions or additional Leasehold Improvements upon the Leased Premises and to make alterations to such additions and improvements, without obtaining the consent of Lessor. All alterations, additions or other Leasehold Improvements constructed by Lessee upon the Leased Premises shall be constructed in a good and workmanlike manner and in compliance with all valid laws, ordinances, rules and regulations of all governmental authorities applicable to the Leased Premises and the use thereof.

ARTICLE XIII

ASSIGNMENT, SUBLETTING AND MORTGAGE

13.1 Subletting. At any time during the term of this Lease, Lessee shall have and is hereby granted the right freely to sublet all or any portion of the Leased Premises; provided that every such sublease shall be subject to the terms and provisions of this Lease. The making of any such sublease shall in nowise release or relieve Lessee hereunder from full liability and responsibility for performance and observance of all the obligations, covenants and duties of, and for payment of all amounts becoming due by, Lessee under the terms hereof.

13.2 Assignment. Lessee shall have the right freely to assign Lessee's interest in the leasehold estate created hereby, without further liabilities or obligations accruing hereunder after such assignment is made by Lessee, provided that (i) Lessee is not then in default hereunder,

(ii) the assignee expressly assumes all then existing and future liabilities and obligations of Lessee under this Lease, and Lessee furnished to Lessor a copy of such instrument of assignment and assumption as herein provided, and (iii) such assignee possesses net assets of a value equal to or greater than the value of Lessee's net assets as of the time of such assignment. Lessee shall further have the right freely to assign Lessee's interest in the leasehold estate created hereby, without further liabilities or obligations accruing hereunder after such assignment is made by Lessee, provided that the conditions mentioned in (i) and (ii) above are satisfied and Lessor shall have consented to such assignment in writing, which consent shall not be unreasonably withheld or delayed. No such assignment shall relieve the assigning Lessee from or affect any of the obligations of the assigning Lessee accrued to or at the date of such assignment. Lessor further agrees that Lessee shall have the right, without Lessor's consent, to assign this Lease, or any part or parts of same, to any corporation, a majority (by number of votes) of the voting stock of which is owned by Lessee or one or more subsidiaries of Lessee or Lessee and one or more subsidiaries of Lessee, or to assign this Lease to any successor of Lessee or any successor by merger of Lessee, provided that such assignment shall not relieve Lessee of any of its obligations under this Lease. For purposes of this Section, the term "successor" shall include any cooperative organization which includes in its membership at least fifty percent (50%) of those persons or entities which were members of Lessee at any time during the twelve (12) month period immediately preceding the date of such succession.

13.3 Mortgage. Lessee may mortgage, pledge or otherwise hypothecate Lessee's interest in the leasehold estate created hereby, including the fixing of a mechanic's or materialmen's lien solely upon Lessee's leasehold estate; but every such mortgage, pledge, lien or encumbrance shall in nowise affect or encumber Lessor's fee title and estate in and to the Leased Premises, and shall be expressly subject and subordinate to the rights and estate of Lessor hereunder. Further, every such lienholder to whom Lessee shall grant a mortgage, pledge, lien or other encumbrance upon Lessee's leasehold estate hereunder must expressly agree that its said mortgage, pledge, lien or other encumbrance will be subject and subordinate to Lessor's rights and estate hereunder and will terminate and be of no further force or effect upon termination of this Lease as to the Leased Land and as to all Leasehold Improvements on the Leased Land as to which fee title is herein provided to pass to and vest in Lessor upon termination of this Lease.

13.4 Estoppel Affidavit. Lessor shall, from time to time, but not more frequently than once every thirty (30) days, without additional consideration, execute and deliver an Estoppel Affidavit prepared and submitted by Lessee, consisting of statements, if true, that (i) this Lease is in full force and effect, with rental paid through _____ (date); (ii) this Lease has not been modified or amended; and (iii) Lessee is not then in default under this Lease insofar as is known to Lessor; and such further instruments of a similar nature evidencing the agreement of Lessor to the mortgage or other hypothecation by the Lessee of the leasehold estate created hereby (subject to the conditions and stipulations set forth above and to the other terms and provisions of the Lease) as may be reasonably requested by Lessee or any mortgagee or Lessee.

ARTICLE XIV

INSURANCE AND INDEMNIFICATION

14.1 Fire and Extended Coverage Insurance. During any period of construction of any portion of the Project on the Leased Premises and at all time thereafter during the term hereof, Lessee shall keep the Project and any other Leasehold Improvements insured against loss or damage by fire, with extended coverage endorsement or its equivalent, in an amount adequate in all respects to insure the entire Project and in no event less than the amount of all outstanding indebtedness secured by the Project, and with such responsible insurance companies, duly authorized to transact business in the State of Texas, as Lessee shall select. Such policy or policies of insurance shall name both Lessor and Lessee as named insured and shall provide that any loss shall be made payable to Lessee, if in the amount of \$5,000,000 or less, or jointly to Lessor and Lessee as their interests may appear, if an amount in excess of \$5,000,000. All such insurance proceeds shall be used first to pay for any repairs made under Article XVI hereof or for any required payments of the Project Bonds to be issued by BHIDC for the Project pursuant to Section 5.5 hereof, with any excess to belong to Lessee.

14.2 General Liability Insurance. Lessee, at its own expense, agrees to provide and keep in force during the term of this Lease, liability and property damage insurance covering Lessor as well as Lessee with one or more responsible insurance companies duly authorized to transact business in Texas, in the amount of not less than \$5,000,000 general liability and personal injury insurance for any one occurrence, protecting Lessor and Lessee against liability to any employees or servants of Lessee and to any other person

or persons whomsoever arising out of or in connection with the occupation, use, or condition of the Leased Premises.

14.3 Construction Liability Insurance. Lessee agrees at its own cost and expense to obtain and maintain or to cause its contractors to maintain (both to the extent reasonably procurable) at all times when demolition, excavation, or construction work is in progress on the Leased Premises, construction liability insurance with responsible insurance companies, duly authorized to transact business in the State of Texas, protecting Lessor and Lessee as well as such other person or persons as Lessee may designate against any and all liability for injury or damage to any person or property in any way arising out of such demolition, excavation, or construction work.

14.4 Insurance Certificates. Lessee shall furnish Lessor with certificates of all insurance required by this Article. Lessee agrees if it does not keep such insurance in full force and effect that Lessor may notify Lessee of such failure and if Lessee does not deliver to Lessor within twenty (20) days after such notice certificates showing all such insurance to be in full force and effect, Lessor may, at its option, take out the necessary insurance to comply with the provisions hereof and pay the premiums on the items specified in such notice, and Lessee covenants thereupon on demand to reimburse and pay Lessor any amount so paid or expended in the payment of the insurance premiums required hereby and specified in the notice, with interest thereon at the maximum rate of interest permitted to be charged Lessee under applicable law, but not to exceed eighteen percent (18%) per annum, from the date of such payment by Lessor until repaid by Lessee. All such certificates of insurance shall certify that the same will not be cancelled without at

least thirty (30) days' advance written notice to Lessor and Lessee.

14.5 Indemnification of Lessor. Lessee agrees that it will at all times indemnify and hold harmless Lessor against all losses, costs, damages, expenses, and liabilities (collectively referred to in this paragraph as "Losses") of whatsoever nature (including, but not limited to, reasonable attorneys' fees, litigation and court costs, amounts paid in settlement, and amounts paid to discharge judgments) resulting from or arising out of one or more Claims, as hereinafter defined in this paragraph, resulting from or arising out of one or more negligent acts or omissions of Lessee or its agents, employees, representatives or contractors acting with respect to the operation and conduct of Lessee's business on the Leased Premises. The term "Claims" as used in this paragraph shall mean all claims, lawsuits, causes of action, and other legal actions and proceedings, involving bodily or personal injury or death of any person or damage to any property (including, but not limited to, persons employed by Lessor, Lessee, any affiliate of Lessee, or any other person and all property owned or claimed by Lessor, Lessee, any affiliate of Lessee, or any other person) brought against Lessor or to which Lessor is a party; provided, however, the term "Claims" as used in this paragraph shall not include any claims, lawsuits, causes of action or other legal actions or proceedings involving Losses resulting from or arising out of the sole or concurrent negligence of Lessor, its agents, employees, representatives or contractors. The obligations of Lessee shall apply to all Losses or Claims, or both, that result from or arise out of any event, occurrence, condition, or relationship prior to termination of this Lease whether such Losses or Claims, or both, are asserted prior to ter-

mination of this Lease or thereafter. Lessor shall reimburse Lessee or any affiliate of Lessee for payments made by Lessee or such affiliate to the extent of any proceeds, net of all expenses of collection, actually received by Lessor from any insurance with respect to the Loss sustained. Lessor shall have the duty to claim any such insurance proceeds and Lessor shall assign its rights to such proceeds, to the extent of such required reimbursement, to Lessee or its affiliate. In case any action shall be brought against Lessor in respect of which indemnity may be sought against Lessee, Lessor shall promptly notify Lessee in writing and Lessee shall have the right to assume the investigation and defense thereof including the employment of counsel and the payment of all expenses. Lessor shall have the right to employ separate counsel in any such action and participate in the investigation and defense thereof, but the fees and expenses of such counsel shall be paid by Lessor unless the employment of such counsel has been authorized by Lessee. Lessee shall not be liable for any settlement of any such action without its consent but, if any such action is settled with the consent of Lessee or if there be final judgment for the plaintiff in any such action, Lessee agrees to indemnify and hold harmless Lessor from and against any Loss by reason of such settlement or judgment. The provisions of this paragraph shall survive the expiration or termination of this Lease.

14.6 Indemnification of Lessee. To the fullest extent permitted by law, Lessor agrees that it will at all times indemnify and hold harmless Lessee against all losses, costs, damages, expenses, and liabilities (collectively referred to in this paragraph as "Losses") of whatsoever nature (including but not limited to, reasonable attorneys' fees, litigation and court costs, amounts paid in settlement,

and amounts paid to discharge judgments) resulting from or arising out of one or more Claims, as hereinafter defined in this paragraph, resulting from or arising out of one or more negligent acts or omissions of Lessor or its agents, employees, representatives or contractors acting with respect to the operation of the Port facilities. The term "Claims" as used in this paragraph shall mean all claims, lawsuits, causes of action, and other legal actions and proceedings, involving bodily or personal injury or death of any person or damage to any property (including, but not limited to, persons employed by Lessee, Lessor, any affiliate of Lessor, or any other person and all property owned or claimed by Lessee, Lessor, any affiliate of Lessor, or any other person) brought against Lessee or to which Lessee is a party; provided, however, the term "Claims" as used in this paragraph shall not include any claims, lawsuits, causes of action or other legal actions or proceedings involving Losses resulting from or arising out of the sole or concurrent negligence of Lessee, its agents, employees, representatives or contractors. The obligations of Lessor shall apply to all Losses or Claims, or both, that result from or arise out of any event, occurrence, condition or relationship prior to termination of this Lease whether such Losses or Claims, or both, are asserted prior to termination of this Lease or thereafter. Lessee shall reimburse Lessor or any affiliate of Lessor for payments made by Lessor or such affiliate to the extent of any proceeds, net of all expenses of collection, actually received by Lessee from any insurance with respect to the Loss sustained. Lessee shall have the duty to claim any such insurance proceeds and Lessee shall assign its rights to such proceeds, to the extent of such required reimbursement, to Lessor or its affiliate. In case any action shall be brought

against Lessee in respect of which indemnity may be sought against Lessor, Lessee shall promptly notify Lessor in writing and Lessee shall have the right to assume the investigation and defense thereof including the employment of counsel and the payment of all expenses. Lessee shall have the right to employ separate counsel in any such action and participate in the investigation and defense thereof, but the fees and expenses of such counsel shall be paid by Lessee unless the employment of such counsel has been authorized by Lessor. Lessor shall not be liable for any settlement of any such action without its consent but, if any such action is settled with the consent of Lessor or if there be final judgment for the plaintiff in any such action, Lessee agrees to indemnify and hold harmless Lessor from and against any loss by reason of such settlement or judgment. The provisions of this paragraph shall survive the expiration or termination of the Lease.

ARTICLE XV

CONDEMNATION

15.1 Interests of Parties. In the event the Leased Land and Leasehold Improvements or any part thereof shall be taken by condemnation as a result of any action or proceeding in eminent domain, or shall be transferred in lieu of condemnation to any authority entitled to exercise the power of eminent domain, the interests of Lessor and Lessee in the award or consideration for such transfer and the effect of the taking or transfer on this Lease shall be as provided by this Article.

15.2 Total Taking. In the event the entire Leased Land and Leasehold Improvements are taken or so transferred, or in the event of the taking or transfer of a part of the Leased Land and/or Leasehold Improvements such that the

remainder of the premises is in such location, or in such form, shape, or reduced size as to be not effectively and practicably usable in the reasonable opinion of Lessee for the purpose of operation of the Project and any other Leasehold Improvements, this Lease and all of the right, title and interest hereunder shall cease on the date title to such land so taken or transferred vests in the condemning authority, and the proceeds of such condemnation shall be distributed first to the Bond fund for the Project Bonds in such amount as the indenture pursuant to which the same were issued may require, and any balance or remainder after retirement of the Project Bonds shall be shared by Lessor and Lessee in accordance with their respective interests.

15.3 Partial Taking. In the event of any other such taking or transfer of only a part of the Leased Land and/or Leasehold Improvements, this Lease shall terminate and end as to the portion of said premises so taken or transferred as of the date title to such portion vests in the condemning authority, but shall continue in full force and effect as to the portion of the Leased Premises and/or Leasehold Improvements not so taken or transferred. The proceeds of such condemnation shall be distributed first to the Bond fund for the Project Bonds in such amount as the indenture pursuant to which the same were issued may require, and any balance or remainder after retirement of the Project Bonds shall be shared by Lessor and Lessee in accordance with their respective interests. From and after such date, the rentals required to be paid by Lessee to Lessor hereunder shall be reduced during the unexpired portion of this Lease on a just and proportionate basis having due regard to the relative value of the portion of the Leased Land and/or Leasehold Improvements thus taken or transferred as compared to the remainder thereof and taking into consideration the

extent, if any, to which Lessee's use of the remainder of the Leased Land and/or Leasehold Improvements shall have been impaired or interfered with by reason by such partial taking.

ARTICLE XVI

DAMAGE BY CASUALTY

16.1 Total Destruction. If the Leasehold Improvements should be totally destroyed by fire, explosion, windstorm, flood or other casualty, or if the Leasehold Improvements should be so badly damaged by such casualty as to become untenable and, in Lessee's opinion, such damage cannot reasonably be expected to be repaired within one hundred eighty (180) days from the date of such damage or destruction, then, in either such event, Lessee, at its option, may terminate this Lease, without further obligations on either party hereto, by giving notice in writing of such election to terminate within ninety (90) days following the event of such damage or destruction. Otherwise, this Lease shall continue in full force and effect and Lessee shall promptly and diligently repair and restore the Leasehold Improvements to substantially the same condition existing prior to such damage or destruction, subject, however, to Lessee's right to make alterations and construct additions and other Leasehold Improvements as provided in Article XII hereof. In the event of any such casualty, the rental herein provided for shall not be abated or reduced and the happening of any such casualty shall not cause the termination of this Lease except as otherwise provided above.

16.2 Partial Destruction. If the Leasehold Improvements should be damaged by fire, explosion, windstorm, flood or other casualty but the same are not made untenable, or if made untenable, they can reasonably be expected to be

repaired, in Lessee's opinion, within one hundred eighty (180) days from the date of such damage or destruction, then, this Lease shall continue in full force and effect and Lessee shall promptly and diligently repair and restore the Leasehold Improvements to substantially the same condition existing prior to such damage or destruction, subject, however, to Lessee's right to make alterations and construct additions and other Leasehold Improvements as provided in Article XII hereof. In the event of any such casualty, the rental herein provided for shall not be abated or reduced and the happening of any such casualty shall not cause the termination of this Lease.

16.3 Excess Costs. Notwithstanding anything contained herein to the contrary, in no event shall Lessee ever be obligated to repair and restore any damage or destruction to the Leasehold Improvements by reason of any such casualty to the extent that the cost of such repairs or restoration would exceed the amount of casualty insurance proceeds made available to Lessee from policies maintained by Lessee hereunder.

16.4 Application of Insurance Proceeds. All insurance proceeds that are payable on account of any casualty as set forth above, and which have been derived from insurance coverage maintained by Lessee hereunder, shall first be used to pay for any repair, replacement or reconstruction made pursuant to this Article and then shall be paid into the Project Bond fund to the extent required by the terms of the trust indenture securing such Bonds, with any excess to be paid to Lessee.

ARTICLE XVII

WARRANTY OF PEACEFUL POSSESSION

17.1 Warranty to Defend. Lessor covenants and warrants that Lessee, on payment of the rents herein provided and performing all of the covenants and agreements by Lessee herein contained, may peaceably and quietly have, hold, occupy, use and enjoy, and shall have the full, exclusive and unrestricted use and enjoyment of all of the Leased Premises during the entire term hereof; and Lessor agrees to warrant and forever defend title to the Leased Premises against the claims of any and all persons whomsoever lawfully claiming or to claim the same or any part thereof. Without in any way limiting the generality of the foregoing, if any such claim by any person should result in recognition of title to all or part of the Leased Premises in such person, Lessor agrees to immediately institute condemnation proceedings under procedures which will ensure Lessee's uninterrupted quiet enjoyment of the Leased Premises pursuant to the terms of this Lease.

17.2 No Condemnation by Lessor. Lessor covenants and agrees that it will not condemn nor take by eminent domain the interest of Lessee, its assigns or sublessees, in or to any portion of the Leased Premises or Leasehold Improvements hereafter constructed thereon.

17.3 Specific Performance. Lessee shall be entitled to enforce the obligations of Lessor under this Article XVII by specific performance.

ARTICLE XVIII

DEFAULT BY LESSEE AND REMEDIES

In the event

(1) Lessee shall fail to pay any installment of rent or any other monies required to be paid under this Lease when due and such failure

shall continue for a period of thirty (30) days after written notice thereof to Lessee;

(2) Lessee shall fail to comply with any term, provision or covenant of this Lease, other than the payment of rent or other sums referred to in paragraph (1) above, and shall not cure such failure within sixty (60) days after written notice thereof to Lessee, or, if such default cannot reasonably be cured or remedied within sixty (60) days, Lessee shall fail to commence action in good faith to cure or remedy such default within said sixty (60) day period or shall fail thereafter to complete curing or remedying such default as promptly as is reasonably possible;

(3) Lessee shall become insolvent or shall make an assignment for the benefit of creditors;

(4) Lessee shall file a petition under any section or chapter of the Bankruptcy Reform Act, as amended, or under any similar law or statute of the United States or any State thereof; or Lessee shall be adjudged bankrupt or insolvent in proceedings filed against Lessee and the same shall not be vacated or set aside within ninety (90) days following the filing of such petition; or

(5) A receiver or Trustee shall be appointed for the Leased Premises or for all or substantially all of the assets of Lessee;

then in any such case or event, after the giving of notice, if above provided for, this Lease shall, at the option of Lessor, immediately cease and terminate, and upon the occurrence of any one or more of such defaults or events, or upon the termination of this Lease, however such termination may be brought about, whether by an election to terminate same under any one or more of the foregoing provisions, or otherwise, Lessor shall have, as Lessor's sole remedy for Lessee's default, the right to immediate possession of the Leased Premises (subject, however, to Lessee's rights to remove certain Leasehold Improvements and other property from the Leased Land, as provided in Section 5.3 hereof), and may enter upon the Leased Premises without notice or demand and remove all persons and property therefrom with or without legal process and without being deemed guilty of

trespass; and any and all damages to Lessee and persons holding under Lessee by reason of such reentry or the form or manner of such reentry or the taking possession of the Leased Premises are hereby expressly waived; and any such action on the part of Lessor shall be in lieu of and not in addition to any other remedy that may be available to Lessor for arrears of rent or breach of contract or otherwise.

ARTICLE XIX

DEFAULT BY LESSOR AND REMEDIES

In the event

(1) Lessor shall fail to comply with any term, provision or covenant of this Lease and shall not cure such failure within sixty (60) days after written notice thereof to Lessor, or, if such default cannot reasonably be cured or remedied within sixty (60) days, Lessor shall fail to commence action in good faith to cure or remedy such default within said sixty (60) day period or shall fail thereafter to complete curing or remedying such default as promptly as is reasonably possible;

(2) Lessor shall become insolvent or shall make an assignment for the benefit of creditors;

(3) Lessor shall file a petition under any section or chapter of the Bankruptcy Reform Act, as amended, or under any similar law or statute of the United States or any State thereof; or Lessor shall be adjudged bankrupt or insolvent in proceedings filed against Lessor and the same shall not be vacated or set aside within ninety (90) days following the filing of such petition; or

(4) A receiver or Trustee shall be appointed for the Port of Freeport or for all or substantially all of the assets of Lessor,

then, in any such case or event, after the giving of notice, if above provided for, Lessee may, at Lessee's option (and without prejudice to any cause of action that Lessee may have hereunder or at law or in equity on account of such default by Lessor) terminate this Lease by delivering notice to Lessor of Lessee's election to terminate this Lease.

ARTICLE XX

RIGHTS OF LEASEHOLD MORTGAGEE

In the event Lessee, during the term of this Lease, should mortgage or otherwise encumber its leasehold estate in the Leased Premises or any leasehold estate of Lessee in any Leasehold Improvements now or hereafter situated upon the Leased Premises, Lessee shall give Lessor written notice of the same and the name and address of the mortgagee and/or trustee; and thereafter while said mortgage or other encumbrance is in force, Lessor shall mail said mortgagee or trustee a duplicate copy of any and all notices of default or other notices in writing which Lessor may give or serve upon Lessee pursuant to the terms of this Lease, and any such notice shall not be effective until said duplicate copy is mailed to such mortgagee or trustee at such address or at a changed address as below provided. A different address may be designated by such mortgagee or trustee by written notice delivered to Lessor from time to time. Any such mortgagee and/or trustee may, at its option, at any time before the rights of the Lessee shall have been forfeited to the Lessor as provided for in this Lease, pay any of the rents or other sums of money herein stipulated to be paid by Lessee or do any other act or thing required of the Lessee by the terms of this Lease; and all payments so made and all things so done or performed by any such mortgagee and/or trustee shall be as effective to prevent a forfeiture of the rights of the Lessee hereunder as the same would have been if done and performed by the Lessee instead of by any such mortgagee or trustee. Any such mortgage or deed of trust so given by the Lessee may, if the Lessee so desires, be so conditioned as to provided that, as between any such mortgagee or trustee and the Lessee, said trustee

or mortgagee, on making good and performing any such default or defaults on the part of the Lessee, shall be thereby subrogated to the rights of the person or persons to whom any payment is made by said mortgagee or trustee, and to all of the rights of the Lessee under the terms and provisions of this Lease. Any rights which such mortgagee may hold by subrogation shall be subject and inferior to Lessor's rights under this Lease to the same extent as if such rights were held by Lessee. No such mortgagee or trustee of the rights and interests of the Lessee hereunder shall be or become liable to Lessor as an assignee of this Lease until such time as said mortgagee or trustee shall by foreclosure or other appropriate proceedings in the nature thereof, or as the result of any other action or remedy provided for by such mortgage or deed of trust, or by proper conveyance from said Lessee, either acquire the rights and interests of the Lessee under the terms of this Lease or actually take possession of the Leased Premises.

ARTICLE XXI

INSPECTION BY LESSOR

Lessor, in person or by or through Lessor's agents and representatives, shall have the right, upon the giving of reasonable notice, to enter upon the Leased Premises for the purpose of inspecting the same to determine whether Lessee is in compliance with the terms of this Lease. During any such inspection by Lessor, Lessee shall have the right to have its agents, employees or representatives present at all times.

ARTICLE XXII

POSSESSION ON TERMINATION

Lessee covenants and agrees with Lessor that, unless Lessee purchases the Leased Premises pursuant to

Articles XXIII or XXV hereof, upon termination of this Lease, whether by lapse of time or because of any of the conditions or provisions contained herein, Lessee will peaceably and quietly yield up and surrender possession to Lessor of the Leased Premises without disturbance or molestation thereof. Lessee will also repair any damages to Lessor's property caused incident to removal of any property from the Leased Premises which Lessee is authorized hereunder to remove upon termination hereof. In the event Lessee remains in possession of the Leased Premises after the expiration or other termination of this Lease and without the execution of a new lease or the timely exercise of an appropriate option renewing this Lease, as contemplated in Section 3.2 hereof, or the timely exercise of Lessee's preferential right or option to purchase, as contemplated in Articles XXIII and XXV hereof, Lessee shall be deemed to be occupying the Leased Premises as a tenant at the will of Lessor at a rental equal to the rental required to be paid by Lessee in effect at the termination of this Lease, as applied, on a per diem basis, to such holding-over period. In no event shall there be any renewal of this Lease by operation of law. Lessee shall vacate and deliver the Leased Premises to Lessor upon receipt by Lessee of notice to vacate by Lessor. The rental payable during the holding-over period shall be payable to Lessor on demand.

ARTICLE XXIII

PREFERENTIAL RIGHTS CONCERNING LEASED PREMISES

If during the term of this Lease the Lessor receives from some third party a bona fide offer to purchase the Leased Premises (which term for purposes of this Article XXIII shall include Lessor's interest in the Leasehold Improvements) which Lessor desires to accept, or Lessor

desires to make a bona fide offer to sell the Leased Premises to a third party, Lessor will give written notice (herein called a "Notice of Offer") of such offer to Lessee, setting out accurately and in detail the price and terms of the proposed sale, the name of the offeror or proposed offeree, as the case may be, and, in the case of a third party offer, a copy of such offer. To the extent permitted by applicable provisions of then existing law, Lessee shall have the first right of refusal to purchase the Leased Premises upon the terms specified in the Notice of Offer, which right of refusal may be exercised by Lessee by giving of written notice of exercise thereof to Lessor within thirty (30) days of receipt by Lessee of the Notice of Offer from Lessor. In the event Lessee does not exercise such right within such period of time, Lessor shall have the right, at any time within sixty (60) days after expiration of such thirty (30) day option period, to sell and convey the Leased Premises and such third party for the price and upon the terms specified in the Notice of Offer, and upon consummation of such sale, such third party shall succeed to the rights of Lessor hereunder and the terms and provisions of this Lease shall continue in full force and effect, but any later sale to the same purchaser or sale to a different purchaser or for a different price or on different terms must again be submitted to Lessee in a Notice of Offer as required hereinabove. In the event Lessee shall exercise the right to purchase provided for herein, the sale and purchase of the Leased Premises shall be closed within a reasonable time after exercise of such right and, in any event, within ninety (90) days thereafter. In this latter event, all rents and other charges hereunder shall terminate as of the date of closing, and the accrued portion thereof

paid in cash to Lessor by Lessee, but any rental paid for any period following the closing shall be refundable to Lessee at closing.

In the event Lessee shall exercise the right to purchase provided for herein, Lessor shall execute and deliver to Lessee at closing, and in addition to any other conveyance or other instrument provided for in the Notice of Offer, a conveyance in form and substance satisfactory to Lessee, under which Lessor shall convey to Lessee easements substantially identical to, and covering the same lands and facilities of Lessor as, the Access Easement, the Utility Easement, the Storage Easement and the Dock Easement created hereunder, except that such easements shall be perpetual and shall constitute covenants running with the land and shall be binding upon and inure to the benefit of Lessor and Lessee and their respective successors in interest.

It is recognized that time is of the essence under this Lease, including, without limitation, under the provisions of this Article XXIII.

In the event that applicable provisions of then existing law require that Lessor submit the sale of the Leased Premises to competitive bids, and Lessor desires to make an offer to sell or accept an offer to purchase the Leased Premises as above provided, Lessor agrees promptly to take such action as may be required by such laws in order to comply with such provisions and conduct such sale, and Lessee shall be entitled to make a bid to purchase the Leased Premises in accordance with such competitive bidding procedure.

ARTICLE XXIV

PREFERENTIAL RIGHTS CONCERNING LESSOR'S ADJACENT PROPERTY

If during the term of this Lease Lessor receives from some third party a bona fide offer to lease or pur-

chase all or any portion of Lessor's property located adjacent to the Leased Premises and being more particularly described in Exhibit "B" attached hereto and made a part hereof (said adjacent property being herein called the "Option Property"), which Lessor desires to accept or Lessor desires to make a bona fide offer to lease or sell the Option Property to a third party, Lessor will give notice (herein called a "Notice of Offer") of such offer to Lessee, setting out accurately and in detail the rental, term (including any renewal terms) and other provisions of the proposed lease or the price and terms of the proposed sale, as the case may be, the name of the offeror or proposed offeree, as the case may be, and, in the case of third party offeror, a copy of such offer. Lessee shall have the first right of refusal to lease or, to the extent permitted by applicable provisions of then existing law, to purchase (as the case may be) the Option Property upon the terms specified in the Notice of Offer which right of refusal may be exercised by Lessee by giving of written notice of exercise thereof to Lessor within thirty (30) days of receipt by Lessee of the Notice of Offer from Lessor. In the event Lessee does not exercise such right within such period of time, Lessor shall have the right, at any time within sixty (60) days after expiration of such thirty (30) day option period, to lease, or, in accordance with applicable provisions of then existing law, to sell and convey, as the case may be, the Option Property to such third party for the rental (or price) and on the terms specified in the Notice of Offer; but any later lease or sale to the same lessee or purchaser or lease or sale to a different lessee or purchaser or for a different rental or price or on different terms must against be submitted to Lessee in a Notice of Offer as required hereinabove. In

the event Lessee shall exercise the right to lease or purchase provided for herein, the lease or sale and purchase, as the case may be, of the Option Property shall be closed within a reasonable time after exercise of such right and, in any event, within ninety (90) days thereafter. It is recognized that time is of the essence under this Lease, including, without limitation, under the provisions of this Article XXIV.

In the event that applicable provisions of then existing law require that Lessor submit the sale of the Option Property to competitive bids, and Lessor desires to make an offer to sell or accept an offer to purchase the Option Property as above provided, Lessor agrees promptly to take such action as may be required by such laws in order to comply with such provisions and conduct such sale, and Lessee shall be entitled to make a bid to purchase the Option Property in accordance with such competitive bidding procedures.

ARTICLE XXV

OPTION TO PURCHASE LEASED PREMISES

25.1 Lessee's Option. If this Lease is extended beyond the expiration of the Initial Term, then at the expiration of the first (1st) Renewal Term, and, if this Lease is extended beyond the expiration of the sixth (6th) Renewal Term, then at any time following the expiration of the sixth (6th) Renewal Term of this Lease, Lessee, to the extent permitted by applicable provisions of then existing law, shall have the option to purchase the Leased Premises (which term for purposes of this Article XXV shall include Lessor's interest in the Leasehold Improvements), paying therefor in cash the fair market value of the Leased Premises (such value to be calculated as if the Leased

Land were vacant and there were no improvements (other than Warehouse No. 2B) or excavations thereon, and with no deduction in such value for leasehold mortgages, liens for ad valorem taxes or other liens or encumbrances placed on the property or permitted to be placed thereon by Lessee), to be determined by mutual agreement in writing of Lessor and Lessee or by appraisal, as hereinafter provided, if Lessor and Lessee are unable to agree.

25.2 Exercise of Option. In order to exercise such option Lessee must give written notice of its exercise of such option at least sixty (60) days prior to the date of expiration of the first (1st) Renewal Term (if Lessee intends to purchase the Leased Premises at the expiration of the first (1st) Renewal Term) or at least sixty (60) days prior to the date of closing selected by Lessee (if Lessee intends to purchase the Leased Premises after the expiration of the sixth (6th) Renewal Term).

25.3 Survey. Lessee may obtain a then current on-the-ground survey of the Leased Premises prepared by a registered land surveyor acceptable to Lessee and Lessor, and acceptable to the title company hereinafter mentioned, for the purpose of deleting from the owner's title policy to be furnished to Lessee as hereinafter provided the standard exception with regard to matters which a correct survey would disclose (except for "shortages in area"); provided, however, that the results of such survey shall not be the grounds for any title objection. Such survey may describe the Leased Premises by metes and bounds. The cost and expense of such survey, if obtained by Lessee, shall be borne solely by Lessee.

25.4 Deed. If the aforesaid option is exercised, Lessor will execute and deliver to Lessee on the closing date a general warranty deed containing a proper legal

description and conveying all of the Leased Premises to Lessee free of all encumbrances. In the event that Lessee obtains a survey of the Leased Premises as provided above, the metes and bounds description of the Leased Premises prepared by the surveyor shall, at the request of Lessee, be included in said deed. Further, in the event the aforesaid option is exercised, Lessor shall execute and deliver to Lessee at closing a conveyance, in form and substance satisfactory to Lessee, under which Lessor shall convey to Lessee easements substantially identical to, and covering the same lands and facilities of Lessor as, the Access Easement, the Utility Easement, the Storage Easement and the Dock Easement created hereunder, except that such easements shall be perpetual and shall constitute covenants running with the land and shall be binding upon and inure to the benefit of Lessor and Lessee and their respective successors in interest.

25.5 Title Policy. Lessor shall cause a title company in Brazoria County, Texas, selected by Lessee (the "Title Company") to issue, not less than thirty (30) days prior to the closing date, a commitment from the Title Company, which commitment shall cover and describe the Leased Premises (and easements appurtenant thereto, to be conveyed by Lessor pursuant to Section 25.4 hereof) and shall commit the Title Company for the issuance of an owner's policy of title insurance in the customary form in use in the State of Texas, in a face amount equal to the total purchase price for the Leased Premises. At the time of closing, Lessor shall be required to furnish Lessee an owner's policy of title insurance in form approved for use in the State of Texas (including the modifications to the printed form herein set forth) covering the Leased Premises

(and easements appurtenant thereto, as mentioned above) in the face amount equal to the total purchase price for the Leased Premises. Said title policy shall be at Lessor's expense, shall have deleted therefrom the usual printed exception with regard to "any discrepancies, conflicts, or shortages in area or boundary lines, or any encroachments, or any overlapping of improvements" (provided that said policy may contain an exception for "shortgages in area"), and shall contain no further exceptions other than the usual printed exception with regard to current taxes and rights of parties in possession. In the event Lessor is unable to obtain the title policy commitment as set forth herein due to title objections by the Title Company, Lessor shall have until the closing date within which time Lessor shall use Lessor's best efforts to cure such objections. If Lessor is unable to cure such objections within said period and is therefore unable to obtain the above-referenced commitment, the option to purchase herein granted to Lessee shall be terminated; provided, however, Lessee, at closing, may waive such objection or waive issuance of such title policy, in which case the sale shall close upon execution and delivery by Lessor of the general warranty deed and easement conveyance as herein provided. In the event the sale of the Leased Premises is completed without a title policy, Lessee shall be entitled to a credit on the total purchase price for the Leased Premises equal to the customary cost for an owner's policy of title insurance in the face amount of the total purchase price for the Leased Premises.

25.6 Determination of Fair Market Value. If Lessor and Lessee have not been able to agree upon the fair market value of the Leased Premises thirty (30) days prior

to the closing date, then the fair market value of the Leased Premises shall be determined as follows:

Lessor and Lessee shall each promptly thereafter select a competent, qualified real estate appraiser familiar with the value of commercial property in Brazoria County, Texas, and who is actively engaged in real estate appraisal work in Brazoria County, Texas, at the time of his selection, and Lessee and Lessor shall each give prompt notice to the other of such appointment in writing. The two appraisers first appointed under the terms hereof shall, within five (5) days after receipt of notification of selection, together select a third appraiser possessing the same qualifications. If (a) ten (10) days after receiving written notice of the appointment of the first appraiser the one of Lessor or Lessee so notified shall have failed either to appoint an appraiser or give written notice of such appointment to the other party, or (b) two appraisers shall have been appointed by the parties under the terms hereof and shall have failed to select a third appraiser within the above-stated five (5) day time period (said appraiser next to be appointed being herein called the "next appraiser"), in either event the next appraiser shall be appointed by the then Judge of the State District Court for the 130th Judicial District of Texas (or such Judge of some other State District Court sitting in Matagorda County, Texas, who agrees to act in the premises hereof), acting in his non-judicial capacity (or to the extent he refused to act in that capacity,

his judicial capacity), upon the application of either Lessor or Lessee. The decision of the majority or appraisers so appointed shall be final and binding upon both parties. In the event the three (3) appraisers are unable to or fail to reach a decision in which at least two (2) appraisers agree within thirty (30) days (or such longer period as may be agreed to by the parties) after all three (3) appraisers shall have been appointed, the last appraiser selected shall be dismissed and a new appraiser appointed in his place by the two original appraisers (or, if they are unable to agree, then by the then Judge of the State District Court for the 130th Judicial District of Texas or such other Judge as stated above). Such procedure shall be repeated if necessary until a majority of the appraisers shall agree upon the fair market value of the Leased Premises. The expense of the appraisers appointed by each party shall be borne by the party appointing such appraiser, and the expense of the third appraiser shall be borne by both parties equally. The appraisers shall give prompt notice in writing of their decision to each party.

25.7 Time and Place of Closing. If the aforesaid option is exercised, the closing of the sale and purchase of the Leased Premises shall take place on the date of expiration of the first (1st) Renewal Term (unless such date is on a Saturday, Sunday or legal holiday, in which case the closing shall occur on the next regular business day), if Lessee intends to purchase the Leased Premises at the expiration of the first (1st) Renewal Term, or such closing

shall take place on the date set forth in Lessee's notice to Lessor of Lessee's exercise of said option, if Lessee intends to purchase the Leased Premises after the expiration of the sixth (6th) Renewal Term. Such closing shall take place at the offices of the title company hereinabove mentioned (or at such other place as the parties may agree) at 10:00 a.m. local time.

25.8 Competitive Bids. In the event that applicable provisions of then existing law require that Lessor submit the sale of the Leased Premises to competitive bids, and Lessee exercises Lessee's option to purchase under this Article XXV, Lessor agrees promptly to take such action as may be required by such laws in order to comply with such provisions and conduct such sale, and Lessee shall be entitled to make a bid to purchase the Leased Premises in accordance with such competitive bidding procedure.

ARTICLE XXVI

MEMORANDUM FOR RECORDATION

It is not contemplated that this Lease in its entirety will be recorded. Rather, both Lessor and Lessee agree upon request of the other to execute and acknowledge a written memorandum of this Lease and of the grant of the Access Easement, the Utility Easement, the Storage Easement and the Dock Easement contained herein, in recordable form, describing the Leased Premises and such Easements and incorporating this Lease by reference and including specific quotations of or references to any of the terms or provisions of this Lease (except the provisions as to rental) which may be requested by either Lessor or Lessee to be included in such memorandum, including Lessee's preferential rights to lease and purchase set forth in Articles XXIII and XXIV, and Lessee's option to purchase set forth in Article XXV, which memorandum shall then be filed for record in Brazoria County, Texas.

ARTICLE XXVII

NOTICES

27.1 Delivery. Every notice, communication, request or reply required to be delivered by either party to the other under the terms of this Lease shall be in writing, and shall be delivered by actual delivery to the party to be notified or by depositing such notice in the United States mail, postage prepaid, registered or certified mail, and addressed to the party to be notified with return receipt requested. Every notice deposited in the mail as hereinabove authorized shall be effective five (5) days following the date on which it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For purposes of notice, the addresses of the parties, until changed as hereinafter provided, shall be as follows:

LESSOR: Brazos River Harbor Navigation District
1001 Pine Street
Freeport, Texas 77541
Attention: General Manager

With copy to:

Kee & Patterson
P. O. Box 700
Angleton, Texas 77515

LESSEE: American Rice, Inc.
P. O. Box 2587
Houston, Texas 77252
Attention: Chief Executive Officer

With copy to:

Fulbright & Jaworski
800 Bank of the Southwest Bldg.
Houston, Texas 77002
Attention: Michael P. Irvin

27.2 Change of Address. Each of the parties shall have the right, from time to time, to change their respective addresses, and each shall have the right to specify as their address any other address within the United States of America by delivering to the other party notice in writing of such new address.

ARTICLE XXVIII

MISCELLANEOUS PROVISIONS

28.1 Severability; Provisions Binding. If any provision of this Lease shall be declared in contravention of law or void as against any public policy, such provision shall be considered severable and the remaining provisions of this Lease shall continue in full force and effect. The terms and provisions of this Lease shall extend and inure to the benefit of, and shall be binding upon Lessor and Lessee, and their respective successors and assigns. This provision shall not be construed to permit the assignment of all or any part of the Leased Premises by Lessee in contravention of the provisions of Section 13.2 above.

28.2 Governing Law. This Lease shall be governed and construed exclusively by the provisions hereof and by the laws of the State of Texas as the same may from time to time exist.

28.3 Force Majeure. Neither Lessor nor Lessee shall be required to perform any term, condition or covenant in this Lease so long as such performance is delayed or prevented by Force Majeure.

28.4 Arbitration. The Legend on the first page of this Lease was included so as to comply with TEX. REV. CIV. STAT. ANN. Art. 224 and is only applicable insofar as said Article 224 is applicable to the arbitration provisions of Section 4.2 hereof or the appraisal provisions of Section 25.6 hereof.

28.5 Article or Section Headings. The Article or Section headings throughout this Lease are for convenience or reference only and the words contained therein shall in no way be held to explain, modify, amplify or aid in the interpretation, construction or meaning of the provisions of this Lease.

28.6 Interest and Attorneys' Fees. If either party hereto should fail or refuse to pay, within thirty (30) days following the date when due, any rental or other sums required to be paid by it under the terms of this Lease, the amount thereof shall bear interest at the maximum rate of interest permitted to be charged such party under applicable law, but not to exceed eighteen percent (18%) per annum, from the date the same was due until paid. This provision shall in no way be construed as a waiver of any rights or remedies available in case of default in the payment of such rental or other sums required to be paid under the terms of this Lease. In the event (and only in the event) that either party makes default in the performance of any of the terms, covenants, agreements or conditions contained in this Lease, and the non-defaulting party places the enforcement of this Lease, or any part of the same, or the collection of any rent or other sums due, or to become due, hereunder, or the recovery of possession of the Leased Premises, in the hands of an attorney, or files suit upon the same, the defaulting party agrees to pay to the non-defaulting party all reasonable attorney's fees and expenses incurred in connection with the enforcement of this Lease.

28.7 Remedies Cumulative. To the extent that such are not in conflict with the express terms of this Lease, the remedies herein given to Lessor and Lessee are in addition to and not in lieu of all other remedies available at law or in equity for Lessor's or Lessee's breach of this Lease, all of which remedies are hereby reserved unto Lessor or Lessee.

28.8 Entire Contract and Non-Waiver. This Lease embodies the entire contract between the parties hereto

relative to the subject matter hereof. No variations, modifications or changes herein or hereof shall be binding upon any party hereto unless executed by such party or by a duly authorized officer or a duly authorized agent of such party. No waiver or waivers of any breach or default or any breaches or defaults by either party of any term, condition or liability of or performance by the other party of any duty or obligation hereunder shall be deemed or construed to be a waiver or waivers of subsequent breaches or defaults of any kind, character or description under any circumstance.

28.9 Time of Essence. Time is and shall be of the essence of this Lease and of each term and provision hereof.

28.10 No Brokerage Commissions. Each party hereto represents to the other that there are no brokerage commissions or finder's fees owing by such party in connection with the execution of this Lease, and each party agrees to indemnify the other and hold it harmless from all liabilities arising from any claims for the same by third parties claiming under such indemnifying party, including, without limitation, reasonable attorneys' fees.

28.11 No Partnership. The relationship between Lessor and Lessee at all times shall remain solely that of landlord and tenant and shall not be deemed a partnership or joint venture.

28.12 No Third Party Beneficiaries. This Lease inures to the sole and exclusive benefit of Lessor and Lessee and their respective successors, legal representatives and assigns, and confers no benefit on any third party.

28.13 Waiver of Landlord's Lien. Lessor hereby expressly waives any and all liens (constitutional, statutory, contractual or otherwise) upon Lessee's personal property now or hereafter installed or placed in or on the Leased Premises, which otherwise might exist to secure payment of the rentals herein provided to be paid by Lessee to Lessor.

28.14 Mutual Cooperation; Further Assurances. Lessor and Lessee shall cooperate and shall mutually assist each other and BHIDC in connection with the issuance of the Project Bonds and other bonds contemplated herein and the design and construction of the Project and Lessor Improvements contemplated herein. Without limiting the generality of the foregoing, Lessor and Lessee agree that, at all times when both Lessor's and Lessee's contractors are engaged in construction work on or about the Leased Premises, each party will, upon request by the other, take such action as may be reasonably necessary to promote harmony between such contractors and their respective subcontractors and workmen and to coordinate work in order to expedite construction of the Lessor Improvements and the Project. Further, and without limiting the foregoing, Lessor and Lessee agree to execute and deliver such amendments to this Lease as may reasonably be deemed necessary by Lessor's bond counsel for purposes of issuance of the Project Bonds and other bonds contemplated herein, provided such amendments are acceptable in form and substance to Lessee. Upon request by either party from time to time, each party hereto agrees to execute and deliver all such other and additional instruments, notices and other documents and do all such other acts and things as may be necessary to carry out the purposes of this

Lease and to more fully assure the parties rights and interests provided for hereunder.

28.15 Perpetuities. If, under the law of the State of Texas applicable at any time or times now or hereafter, any option, election or right granted to or conferred upon Lessee under any term or provision of this Lease would (absent the provisions of this Section 28.15) be void or unenforceable (under the so-called "Rule Against Perpetuities" or any comparable law, statute or constitutional provision) by reason of the fact that, under the other terms and provisions of this Lease, same will continue in force beyond, or might be exercised at a time after the expiration of, a fixed period of years in excess of twenty-one (21) years (or such other number of years as may be prescribed by such law) after the date of execution and delivery hereof, then the parties expressly stipulate, provide and agree that, notwithstanding any other provision of this Lease to the contrary, such particular option, election or right of Lessee shall not extend or continue beyond, and may not be exercised at a time after, (1) a date which is twenty-one (21) years (less 1 day) after the date of death of the last to survive of the following individuals:

(a) The living individuals who are members of the Board of Directors of American Rice, Inc. as of the date of execution and delivery of this Lease;

(b) The living individuals who are Commissioners of Lessor as of the date of execution and delivery of this Lease; and

(c) The descendants of each of the individuals referred to and identified in subparagraph (a) and (b) in this Section 28.15 above who are living at the date of execution and delivery of this Lease,

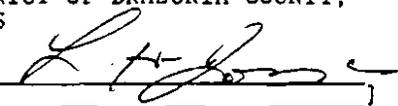
or (2) such earlier date beyond or after which such option, election or right cannot, in any lawful manner or means whatsoever, be validly continued in effect or exercised. The provisions of this Section 28.15 are not intended to extend the duration of any option, election or right elsewhere granted to Lessee under this Lease, but, rather are intended to impose an outside limit on the duration thereof, or time within which any such option, election or right may be exercised, to the extent (and only to the extent) necessary to avoid such option, election or right being held void or unenforceable.

IN WITNESS WHEREOF, the parties have executed this Lease in multiple counterparts, each of which shall be deemed an original but all of which shall constitute but one and the same instrument, as of the date and year first above written.

ATTEST:

By: 
Secretary, Navigation and
Canal Commission

BRAZOS RIVER HARBOR NAVIGATION
DISTRICT OF BRAZORIA COUNTY,
TEXAS

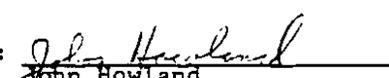
By: 
Chairman, Navigation and
Canal Commission

"LESSOR"

ATTEST:

By: 
Secretary

AMERICAN RICE, INC.

By: 
John Howland,
Chief Executive Officer

"LESSEE"

EXHIBIT "A"

Description of Leased Land and Plat

Tract I:

A 20.000 acre tract of land, more or less, said land being out of a 124.288 acre tract and a 166.31 acre tract, in the S.F. Austin Survey, Abstract No. 28, City of Freeport, Brazoria County, Texas, and being more particularly described as follows, to-wit:

BEGINNING at the northwest corner of the tract herein described, said corner lying South 17° 00' West 554.84 feet and South 73° 00' East 566.86 feet from a 6-inch iron pipe monument at the intersection of the centerline of East Fourth Street and the easterly boundary of Terminal Street in the City of Freeport, Brazoria County, Texas;

THENCE South 73° 00' East 1130.00 feet to a point for corner;

THENCE South 17° 00' West 1380.71 feet to a point for corner;

THENCE North 73° 00' West 600.00 feet to a point for corner;

THENCE North 17° 00' East 1300.00 feet to a point for corner;

THENCE North 73° 00' West 530.00 feet to a point for corner;

THENCE North 17° 00' East 80.71 feet to the PLACE OF BEGINNING, and containing 20.000 acres of land, more or less.

Tract II:

A 2.057 acre tract of land, more or less, said land containing a 60,000 square foot warehouse, a 9,600 square foot attached and covered truck loading dock, and a 12,000 square foot attached and covered train loading dock, said land being out of a 124.288 acre tract and a 166.31 acre tract, in the S. F. Austin Survey, Abstract No. 28, City of Freeport, Brazoria County, Texas, and being more particularly described as follows, to-wit:

BEGINNING at the northwest corner of a 50 foot wide canopy over the train loading dock, said corner lying South 17° 00' West 1632.05 feet and South 73° 00' East 585.51 feet from a 6-inch iron pipe monument at the intersection of the centerline of East Fourth Street and the easterly boundary of Terminal Street, in the City of Freeport, Brazoria County, Texas;

THENCE South 73° 00' East 400.00 feet to a point for corner, also being the northeasterly corner of the 50 foot wide canopy over the train loading dock;

THENCE South 17° 00' West 224.00 feet along the easterly wall of Warehouse 2B to a point for corner, also being the southeasterly corner of a 24 foot wide truck loading dock;

THENCE North 73° 00' West 400.00 feet to a point for corner, also being the southwesterly corner of a 24 foot wide truck loading dock;

THENCE North 17° 00' East 224.00 feet along the westerly wall of Warehouse 2B to the PLACE OF BEGINNING, and containing 2.057 acres of land, more or less.

EXHIBIT "B"

Description of Lessor's Adjacent Property

Tract I:

All of that certain tract or parcel of land, containing 124.288 acres, more or less, lying and being situated in the S. F. Austin 1/3 League, Abstract No. 28, in Brazoria County, Texas, and being more particularly described in Deed of Trust dated _____, 19____, from Brazos River Harbor Navigation District to R. N. Eddleman, Trustee, recorded in Volume 259, Page 141 of the Deed of Trust Records of Brazoria County, Texas, SAVE, LESS and EXCEPT that portion of the 20.000 acre tract described in Exhibit "A" to the Lease to which this Exhibit "B" is attached, which is included within said 124.288 acre tract.

Tract II:

All of that portion of a 166.31 acre tract which portion is located east of the easterly most boundary line of the 20.000 acre tract described in Exhibit "A" to the Lease to which this Exhibit "B" is attached, said 166.31 acre tract being more particularly described in Warranty Deed dated May 21, 1952, from Freeport Sulphur Company to Brazos River Harbor Navigation District, recorded in Deed Book 535, Page 559 of the Deed Records of Brazoria County, Texas.

THIS AGREEMENT IS SUBJECT
TO ARBITRATION UNDER THE
TEXAS GENERAL ARBITRATION ACT

GROUND LEASE AND DEFINITIVE AGREEMENT
REGARDING PORT FACILITIES

THIS GROUND LEASE AND DEFINITIVE AGREEMENT REGARDING PORT FACILITIES (herein called the "Lease") made and entered into as of the 6th day of June, 1985, by and between BRAZOS RIVER HARBOR NAVIGATION DISTRICT of Brazoria County, Texas, a conservation and reclamation district, a body politic, and a corporate and governmental agency of the State of Texas (herein called "Lessor") and AMERICAN RICE, INC., a Texas non-profit corporation (herein called "Lessee");

W I T N E S S E T H:

WHEREAS, Lessor is authorized by Chapters 60 and 62 of the Texas Water Code to purchase, construct, enlarge, extend, repair, maintain, operate, and develop wharves, docks, appurtenant facilities, and all other facilities or aids incidental to or useful in the operation and development of Lessor's ports and waterways and to prescribe and collect fees and charges for the use of Lessor's land, improvements, and facilities; and

WHEREAS, Lessor is authorized by Chapter 62.107 of the Texas Water Code to purchase and acquire lands and to lease such lands for the purposes of commercial and industrial development; and

WHEREAS, Lessor owns that certain land hereinafter defined as the Leased Land, which will be used in connection with development of the hereinafter described Project; and

WHEREAS, Lessor desires to lease the Leased Land to Lessee and for Lessee to develop and construct on the

