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State of Louisiana

SUPERFUND DIV.
DIRECTOR'S OFC.

BOBBY JINDAL
GOVERNOR

LOUISIANA NATIONAL GUARD
OFFICE OF THE ADJUTANT GENERAL
6400 St. Claude Avenue
Jackson Barracks
New Orleans, LA 70117

GLENN H. CURTIS
MAJOR GENERAL
THE ADJUTANT GENERAL

July 17, 2013

Ms. Cynthia Brown
Removal Enforcement Coordinator
Superfund Enforcement Assessment Section (6SF-TE)
U.S. EPA, Region 6
1445 Ross Avenue
Dallas, Texas 75202-2733

Dear Ms. Brown:

This is in reply to your request for information regarding Explo Systems, Inc.

Attached is the response to Enclosure 3, Explo Systems, Inc., Questions for Louisiana National Guard (with enclosures).

If you have any additional questions concerning this matter, please feel free to call me at (504)278-8212.

Sincerely,

A handwritten signature in black ink, appearing to read "Joanne F. Sheridan".
Joanne F. Sheridan
Brigadier General, LA National Guard
Assistant Adjutant General-Army

9421790



Reference EPA memorandum dated 10 May 2013 addressed to BG Sheridan

EPA Question #1: Is Explo Systems, Inc., currently located on the property owned by the Louisiana National Guard (LNG) and has Explo Systems, Inc., ever occupied other properties owned by the Louisiana National Guard?

Answer: EXPLO's operations are currently located on Louisiana Military Department ("LMD") property and they have previously occupied other properties owned by the State of Louisiana.

EPA Question #2: Did/does the LNG lease the property to Explo Systems, Inc.? Provide a copy of all leases involving property leased to Explo Systems, Inc.

Answer: LMD leases the following property to EXPLO. Copies of the leases are attached.

- LA07-L-038 – for S-line lease (Encl #1)
- LA08-L-003 – for Chem Lab – used as office space (Encl #2)
- LA09-L-009 – for storage igloos in L3 (Encl #3)
- No Control number assigned - for E-Line lease dated 4 NOV 1998 between US Army and DEMILEX and amendment #1 (changed Lessor from US Army to Louisiana Military Department) dated 27 OCT 2005. (Encl #4)

EPA Question #3: Please provide documents that list the buildings and bunkers/magazines currently and previously leased to the Explo Systems, Inc.

Answer: List of buildings and bunkers/magazines currently and previously leased are listed in the above leases. The following additional igloos/magazines were provided to EXPLO to mitigate the dangerous public safety hazard caused by Explo's unauthorized and illegal storage of explosive materials:

- L1 – 2234, 2249 & 2250
 - L3 – 2301, 2302, 2303, 2304, 2308, 2311, 2312, 2322 & 2323
 - L4 – 501, 502, 503, 504, 505, 506, 507, 508 & 509
- A total of 21 magazines were provided to Explo on/about Dec 2012.

EPA Question #4: Did the LNG authorize the storage of materials including but not limited to ammonium picrate, M30 propellant, other propellants, potassium nitrate, nitrocellulose, Tritonal/TNT mixture and/or conventional weapons that appear to be originally generated by the Army? Please list or identify the name, number, or designation assigned to the building where the materials including but not limited to ammonium picrate, M30 propellant, other propellants, potassium nitrate, nitrocellulose, Tritonal/TNT mixture are stored.

Answer: The Military Department, State of Louisiana, acquired Camp Minden from the United States of America, acting through the Secretary of the Army, by Quitclaim Deed on December 8, 2004. The Quitclaim Deed included Explosive Safety Restrictions which require LMD to lease the former "Load, Assemble, Pack (L/A/P)" lines, only to ATF- or Louisiana State Police-licensed organizations for "like use explosive operations that are compatible with the explosive hazards present."

At no time did the LMD authorize the improper storage by Explo of any explosive materials on Camp Minden. The leases enclosed all require Explo to comply with all state and federal law and regulations in conducting their operations under the various leases.

Regarding the authorization for storage of specific materials, the Leases referred to in Question #2 did not address any specific types of explosive materials.

The following Lease's used this language:

- LA07-L-038 – pg 1, PURPOSE section reads “reprocessing explosive material from demilitarized ordinance on the Property.”
 - On pg 3 CONDITIONS section, para 3, 2nd line reads “No hazardous waste materials shall be placed or stored by LESSEE on or under the Property.”
- LA08- L-003 – pg 1, PURPOSE section reads “sole purpose of performing chemical analysis of commercial industrial customers and for other related purposes. “
- LA09-L-009 – pg 1, PURPOSE section reads “sole purpose of storing on the property.”
 - Pg 2, CONDITIONS section, para 3, 3rd line reads” “No hazardous waste materials shall be placed or stored by LESSEE on or under the Property.”
- Lease Agreement eff 4 Nov 1998- pg 1, para 1.b., Use reads “Lessee shall use the Demised Premises to demil or reclaim obsolete munitions and for any other purpose permitted under applicable laws, ordinances, rules, regulations”

The SMD/Tenant lease agreements do not specify what explosive material can be stored in the explosive storage magazines. The buildings on S Line were leased for “reprocessing of explosive material” not for storage of explosive material.

The second part of question #4 requests building numbers where various types of explosive material is stored. This information is provided in the attached Enclosure #5 and is based on the last EXPLO inventory provided to Camp Minden on 26 APR 2013. In addition there is explosive residue located in building 1619 and at one time they had small explosive lab samples located in explosive storage structures near the Chemical Lag building 2900.

EPA Question #5: How much money did the LNG receive from Explo Systems, Inc., for each year of the lease of property where there facility/facilities are/were located and for any leased bunker/magazine space?

Answer: The State Military Department received the following rental funds from EXPLO:

- Jul 05 - Jun 06: \$269,490
- Jul 06 - Jun 07: \$200,193
- Jul 07 - Jun 08: \$124,803
- Jul 08 - Jun 09: \$375,939
- Jul 09 - Jun 10: \$401,761
- Jul 10 - Jun 11: \$459,346
- Jul 11 - Jun 12: \$323,528
- Jul 12 - Jun 13: \$54,748

EPA Question #6: Is Explo Systems, Inc., behind in the lease payments? If so, by how much?

Answer: Yes, EXPLO is delinquent in paying rent, and owes the Military Department \$742,629 as of 1 May 2013.

EPA Question #7: Provide an explanation and documents related to the source of the materials including but not limited to ammonium picrate, M30 propellant, other propellants, potassium nitrate, nitrocellulose, Tritonal/TNT mixture, such as type of munitions or equipment that contained the materials.

Answer: Based on observation of EXPLO activities they were demilitarizing 750 and 2000 lb bombs for General Dynamics during the period of Jan 2005 thru 2009. The Tritonal/TNT mixture was generated from this operation. It is also important to note that several items of equipment located in buildings 1617 and 1619 have explosive contamination due to the demilitarization and reprocessing of Tritonal. The M6 Propellant and CBI (Clean Burning Igniter) was generated from the M119A2 Prop Charge Demil operation. Based on recent conversations with EXPLO General Manager the following other explosive materials were acquired as noted:

- M30 Propellant was acquired from General Dynamics
- Nitrocellulose from Hercules Inc
- Ammonium Picrate and potassium nitrate – We believe, but are not sure that it came from General Atomics for use in the Super Critical Water Oxidation process located in building 1649.

AMENDMENT NO. 1**To****FACILITY USE AGREEMENT (Effective 1 February 2007)****Between****Louisiana Military Department****And****Explo Systems, Inc.**

This Amendment is entered into this 1 July 2010, by and between the Louisiana Military Department ("Lessor") and Explo Systems, Inc. ("Tenant").

The agreement shall be amended to:

- 1) Include Buildings 1607, 1608 and 1645 in S-line lease for an additional \$5000.00 monthly charge for a period of 1 year ending 30 June 2011. This change reflected in Exhibit A.
- 2) Effective 1 July 2011 Building 1607, 1608 and 1645 will revert to rate charge of \$1.50 per square foot for 95,428 Sq Ft. This changed reflected in Exhibit B
- 3) Effective 1 July, 2012 the rent will increase to \$1.82 per sq ft. for the remainder of the lease for Building 1607, 1608 and 1645 and increase leased square footage by 95,428 Sq Ft of the original Primary leased 73,028 square footage located in S-line. This includes utilization of all buildings in S-line by Lessee with no rate increases due to use as primary or secondary structures for the term of the lease effective 2 July 2012. This change is reflected in Exhibit C.
- 4) In consideration for the reduced rental described in Paragraph (1) above and in order to satisfy the unpaid balance of rent owed by Explo for the periods of May to October 2007 and January to May 2008, Explo agrees to employ a minimum of twenty additional employees over and above their original number of employees working on Camp Minden for the remainder of the lease term. The minimum annual salary to include benefits of each employee shall be no less than \$25,000 per year. Compliance of these conditions for unpaid balance of rent will be contingent on continuation of contracted operations by U.S. Government. All other terms of this Agreement remain unchanged.

Encl 1
Pg 1

IN WITNESS WHEREOF, intending to be legally bound hereby, the parties hereto have caused this lease to be executed by their duly authorized representatives the day and year first written above.

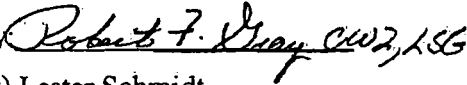
Explo Systems, Inc

Louisiana Military Department

"Tenant"

"Lessor"

By: 

By:  *Robert F. Gray CW2, USG*

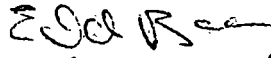
David Smith

COL (Ret) Lester Schmidt

Vice President

for

ASST. State Contracting Officer


E. J. Rice
ESD & Base 55224

Encl 1
pg 2

LA07-L-038
AMD #1

Effective 1 July 10

**EXHIBIT
A
TENANT USE FEE**

<u>Building</u>	<u>Sq. Ft.</u>	<u>Annual Rate \$/sq.ft.</u>	<u>Monthly Rate \$/sq.ft.</u>	<u>Total/Mo.</u>	<u>Total/Yr.</u>
1. Area S - Primary 1601, 1618, 1619, 1625, 1633, 1649	73,028	\$1.82	\$0.1517	\$11,075.91	\$132,910.96
2. Area S - Secondary 1602, 1603, 1604, 1605, 1606, 1610, 1611, 1612, 1613, 1615, 1616, 1617, 1620, 1621, 1622, 1623, 1624, 1626, 1628, 1629, 1630, 1632, 1634, 1635, 1636, 1637, 1640, 1644, 1646, 1648, 1650, 1653	82,075	\$0.50	\$0.0417	\$3,419.79	\$41,037.50
3. Area L-2, L-3 2401-2443, 2461-2478 2361-2364	121,148	\$1.00	\$0.0833	\$10,095.67	\$121,148.00
4. Land for Office				\$500.00	\$6,000.00
5. ARMS				\$2,387.92	\$28,655.04
6. Bldg 1607, 1608, 1645	95,428			\$5000.00	\$60,000.00
				Total	\$32,479.29 \$389,751.50

Water/sewer Rate = \$3.90/1000
gallons

Encl 1
Pg 3

LA07-L-038
 AMD #1

*Effective 1 July 2011

**EXHIBIT
 B
 TENANT USE FEE**

<u>Building</u>	<u>Sq. Ft.</u>	<u>Annual Rate \$/sq.ft.</u>	<u>Monthly Rate \$/sq.ft.</u>	<u>Total/Mo.</u>	<u>Total/Yr.</u>
1. Area S - Primary 1601, 1618, 1619, 1625, 1633, 1649	73,028	\$1.82	\$0.1517	\$11,075.91	\$132,910.96
2. Area S - Secondary 1602, 1603, 1604, 1605, 1606, 1610, 1611, 1612, 1613, 1615, 1616, 1617, 1620, 1621, 1622, 1623, 1624, 1626, 1628, 1629, 1630, 1632, 1634, 1635, 1636, 1637, 1640, 1644, 1646, 1648, 1650, 1653	82,075	\$0.50	\$0.0417	\$3,419.79	\$41,037.50
3. Area L-2, L-3 2401-2443, 2461-2478 2361-2364	121,148	\$1.00	\$0.0833	\$10,095.67	\$121,148.00
4. Land for Office				\$500.00	\$6,000.00
5. ARMS				\$2,387.92	\$28,655.04
6. Bldg 1607, 1608, 1645	95,428	\$1.50	\$0.125	\$11,928.50	\$143,142.00
				Total	\$39,407.79 \$472,893.48

Water/sewer Rate = \$3.90/1000
 gallons

Encl 1
 pg 4

LA07-L-038
 AMD #1

*Effective 1 July 2012

EXHIBIT
 C
 TENANT USE FEE

<u>Building</u>	<u>Sq. Ft.</u>	<u>Annual Rate \$/sq.ft.</u>	<u>Monthly Rate \$/sq.ft.</u>	<u>Total/Mo.</u>	<u>Total/Yr.</u>
1. Area S - Primary 1601, 1607, 1608, 1618, 1619, 1625, 1633, 1645, 1649	168,456	\$1.82	\$0.1517	\$25,554.77	\$306,657.30
2. Area S - Secondary 1602, 1603, 1604, 1605, 1606, 1610, 1611, 1612, 1613, 1615, 1616, 1617, 1620, 1621, 1622, 1623, 1624, 1626, 1628, 1629, 1630, 1632, 1634, 1635, 1636, 1637, 1640, 1644, 1646, 1648, 1650, 1653	82,075	\$0.50	\$0.0417	\$3,419.79	\$41,037.50
3. Area L-2, L-3 2401-2443, 2461-2478 2361-2364	121,148	\$1.00	\$0.0833	\$10,095.67	\$121,148.00
4. Land for Office				\$500.00	\$6,000.00
5. ARMS				\$2,387.92	\$28,655.04
			Total	\$41,958.15	\$503,497.84

Water/sewer Rate = \$3.90/1000
 gallons

Encl 1
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**STATE OF LOUISIANA
MILITARY DEPARTMENT
COMMERCIAL LEASE**

**STATE OF LOUISIANA
PARISH OF WEBSTER**

This contract of lease is effective on the 1st day of February, 2007 by and between Explo Systems, Inc., 2900 Java Rd., Minden, LA 71055, by and through its authorized agent, David Fincher ("LESSEE") and the State of Louisiana, Military Department, Camp Beauregard, LA 70136 ("LESSOR"), through its authorized representative, Lester Schmidt. This lease will become binding on LESSOR only after execution by LESSOR and delivery to LESSEE. Deposit of LESSEE's first rental payment into any account of LESSOR does not constitute acceptance of this lease by LESSOR.

AUTHORITY

By virtue of the provisions of La. R.S. 41:1211 to 1221, inclusive, and pursuant to the terms, conditions and considerations hereinafter set forth, LESSOR does hereby lease and let unto LESSEE, without any warranty of title whatsoever, but with full subrogation of all rights thereto, the following described property owned by the State of Louisiana, and situated in the Parish of Webster, to wit:

PROPERTY

A portion of land located at Camp Minden, Louisiana, being more particularly described on Exhibit "A" attached hereto, hereinafter referred to as "the Property."

TERM

This lease is granted for an initial term of ten (10) years, commencing on 1 February, 2007 and ending at 12:00 noon on 31 January, 2017. LESSOR may renew and extend the lease in accordance with the provisions of La. R.S. 41:1217.

PURPOSE

It is understood and agreed that this lease is made and executed by LESSOR to LESSEE for the sole purpose of reprocessing explosive material from demilitarized ordinance on the Property.

RENTAL

1. In consideration of LESSEE remaining in Camp Minden, the need for LESSEE to make repairs and install electrical and plumbing infrastructure onto the property in order to continue operations, LESSOR agrees to waive the provision of La. R.S. 41:1217 (A), which requires that rent be paid on a yearly basis, and accept rent on a monthly basis from LESSEE. The rental payment in the sum of \$27,479.29 per month will be paid

monthly, in advance, and is due on the **first** day of each month during the term of the lease. LESSEE , in lieu of State requirement to pay rent on a yearly basis, shall deposit with LESSOR a security deposit in the amount of one (1) month's base rent on the date this agreement is in force.

2. In the event of late payment and at LESSOR's option, LESSEE may be granted up to an additional thirty (30) days to make payment. During this thirty (30) day period, any late rental payments tendered by LESSEE must include an additional late penalty payment equal to 15% of the monthly lease payment for each late month.
3. LESSOR reserves the right, at LESSOR's sole option, to annually adjust the rental to reflect the percentage of increase or decrease in the cost of living index as established by the Consumer Price Index for Urban Wage Earners and Clerical Workers published by the Bureau of Labor Statistics of the U.S. Department of Labor or any revision or equivalent to any such index published by the U.S. Government, which has occurred from date of this instrument to the date of adjustment provided however, that in no event shall consideration of such renewal be less than the consideration paid herein for the original term.

REPAIRS AND IMPROVEMENTS

Lessee shall have the right to make, upon execution of this Lease, at LESSEE's expense, any and all repairs to the Property which, in LESSEE's discretion, are necessary and proper in order that LESSEE may occupy and use the Property for the purposes for which LESSEE entered into this lease agreement, which purposes include, but are not limited to, the reprocessing explosive material from demilitarized ordinance. Thereafter LESSEE shall not make any additions, alternations removals or reconstruction of any nature whatsoever to the Property, including improvements, without prior written permission of LESSOR, whose permission shall neither be unreasonably delayed nor denied. Thirty (30) days shall be a reasonable time for the consideration of a request for such permission, and if no response is received within thirty (30) days, approval will be deemed given. Any such improvements shall revert to the ownership of the LESSOR in the event of termination of this lease. LESSEE is required to obtain all permits for such repairs and improvements from local, State and Federal agencies if necessary prior to commencing such work.

CONDITIONS

1. This lease is granted subject to all existing surface leases, mineral leases, servitudes, rights-of-way, permits or any other contracts, whether recorded or unrecorded, affecting the Property.
2. LESSEE shall comply with all federal, state and local rules, regulations and ordinances for sewer, sanitation, fire, safety, transportation, environmental compliance and any other regulated activities.

3. LESSEE agrees to use the Property as a good and careful administrator. This includes maintaining the Property in a neat, clean and orderly manner at all times. No hazardous waste materials shall be placed or stored by LESSEE on or under the Property. Underbrush must be cleared from the Property, but no trees over 6" in diameter may be cut on the Property without prior approval of LESSOR. No interior or exterior building maintenance or ground maintenance will be provided by LESSOR on the Property. LESSEE is required to maintain the Property, which includes all rights of ingress and egress, in good and safe condition. The grounds contained within the perimeter fence of S-Line (excluding the area occupied by CenterPoint) will be maintained by LESSEE in such a condition as to preclude the spread of grass fires. LESSEE will be responsible for all normal and routine maintenance or repair to the Property, as well as, any maintenance or repair to the Property or elsewhere on the installation required due to acts or omissions of LESSEE and its employees, agents, contractors, subcontractors, licensees or invitees.
4. LESSEE agrees to abide by all of the rules, regulations and orders of the Commander, Camp Minden as published from time to time. These regulations include but are not limited to safety, security, credentialing, ingress and egress, environmental compliance, emergency procedures and the like. To the extent required by law or regulation or as required by the Commander, Camp Minden, the Commander, Camp Minden is the approval authority for any and all safety plans, environmental compliance plans or security plans of the LESSEE. In approving or disapproving such plans, the Commander, Camp Minden is acting in his capacity as an Officer of the State's Organized Military Forces as defined by La.R.S. 29:1, et.seq. and is performing a discretionary act as defined by La.R.S. 9:2798.1 and is entitled to indemnification under La.R.S. 29:24.
5. LESSEE agrees to contract with existing utility providers and pay all utilities for its operation on the property. Electricity will be provided to the transformer of primary buildings and metered. Usage will be billed by Camp Minden or the provider, at the direction of LESSOR, at the actual local utility supplier rates. It is the responsibility of the Lessee to install any electric meters if not presently installed. In the event that LESSEE uses electricity provided by Camp Minden and the electrical distribution system is later sold or conveyed to a local electricity supplier, the Lessee agrees to contract directly with said supplier. Lessor shall provide and maintain a sewage and water system for the Property that is adequate to accommodate Lessee's manufacturing operations. Water and sewage system use shall be charged as set forth in Exhibit A. It is the responsibility of the Lessee to install any water meters if not presently installed.
6. Should an agent or attorney be employed to give special attention to the enforcement or protection of any claim of LESSOR arising from this lease, LESSEE shall pay as fees and compensation to such agent or attorney such sum as will constitute a reasonable fee including all court costs, together with all other costs, charges and expenses or reimbursement for actual costs occasioned by LESSOR, at LESSOR's discretion.
7. LESSEE is to provide fire breaks in connecting walkways in eight locations as designated by LESSOR NLT 90 days after effective date of lease.

RESERVATIONS

LESSOR reserves the full use and enjoyment of the Property, both surface and subsurface, for any and all purposes except those particular uses granted hereinabove to LESSEE. LESSOR's reservation includes, but is not limited to, the following rights:

1. LESSOR reserves all rights of whatever nature and kind in and to all minerals on or under the Property. These rights include, but are not limited to, all operations which are necessary, useful or convenient for the exploration, exploitation, drilling, mining, production, development, storage and transportation of all oil, gas, sulphur and other minerals, on or under the Property or any other lands under the control of LESSOR.
2. LESSOR reserves all rights of whatever nature and kind in and to all other surface or subsurface uses of the Property. These rights include, but are not limited to, all operations which are necessary, useful or convenient for the exploration, exploitation, mining, production and development of all sand, gravel or shell deposits; issuance of servitudes and rights-of-way; and issuance of permits and leases.
3. LESSOR reserves all rights of whatever nature and kind in and to all timber and forest products on the Property. These rights include, but are not limited to, rights of access, management and/or removal of timber and forest products.

LESSOR may exercise the rights reserved herein without LESSEE's consent, so long as the exercised rights do not interfere with LESSEE's use of the Property. LESSEE hereby expressly agrees and declares that LESSOR shall not be liable to LESSEE for damages from the exercise of any rights reserved herein, provided, however, that said damage is not caused by the gross negligence or intentional act of LESSOR.

ASSIGNMENT/SUBLEASE

This agreement shall be binding upon LESSOR and LESSEE, their respective successors and assigns. This lease may not be assigned, subleased or otherwise transferred in whole or in part without the prior written permission of LESSOR, provided, however, that such consent shall not be necessary in the event of a transfer of the lease resulting from a corporate merger, consolidation or change of name of LESSEE.

HOLD HARMLESS

LESSEE accepts the Property as is and in its present condition, and LESSOR shall not be responsible for damage of any kind to any person or property on the Property, except if such damage is caused by a third party or by LESSOR's gross negligence or intentional conduct. LESSEE further agrees to indemnify and hold LESSOR harmless against any loss or liability for injury to or death of persons or damage to property of others, including costs and expenses incident thereto, arising from or in connection with LESSEE's use or occupancy of the Property or of any of the rights granted herein. LESSEE will, at LESSOR's request, appear and defend any suit arising from any such loss or liability at its own sole cost and expense and will pay any

judgment that may be entered against LESSOR therein when said suit is finally determined. LESSEE agrees to hold LESSOR harmless from any fines levied by governmental authorities for noncompliance of LESSEE's operations with Local, State or Federal laws.

EXPLOSION OR FIRE

In the event that the LESSEE experiences a fire or explosion on the Property which damages all or part of the property, LESSEE shall be responsible for any and all consequential damages suffered by LESSOR or any third party and LESSEE agrees to indemnify and hold LESSOR harmless for any such consequential damages or injury to third parties including, but not limited to, other tenants of LESSOR at Camp Minden, except to the extent caused by LESSOR, or a third party. LESSEE shall furnish and install such safety devices, such as spark arresters, lightning rods, and static electricity suppressors, as are generally installed in facilities in which the business of manufacturing munitions is conducted. Further, LESSEE shall carry sufficient insurance coverage (\$1,000,000), (proof of which is provided upon execution of this lease) which names LESSOR as loss payee, to remove debris and replace damaged/destroyed property.

INSURANCE

In accordance with the Louisiana Office of Risk Management Insurance Requirements in Contracts (June 2004), LESSEE shall procure and maintain for the duration of the lease insurance against claims for injuries to persons or damages to property which may arise from or in connection with the LESSEE's operation and use of the leased premises. The cost of such insurance shall be borne by the LESSEE. LESSOR shall be named as an additional insured.

1. **Minimum Scope of Insurance.** Coverage shall be at least as broad as:
 - a. Insurance Services Office Commercial General Liability coverage "occurrence" form CG 00 01 (current form approved for use in Louisiana). **"Claims Made" form is unacceptable.**
 - b. Workers' Compensation insurance as required by the Labor Code of the State of Louisiana and Employers Liability insurance.

2. **Minimum Limits of Insurance.** LESSEE shall maintain limits no less than:
 - a. Commercial General Liability: LESSEE will provide a blanket insurance of \$1,000,000 Commercial General Liability for bodily injury, personal injury and property damage.
 - b. Workers' Compensation and Employers Liability: Workers' Compensation limits as required by the Labor Code of the State of Louisiana and Employers Liability coverage.
 - c. Property Insurance: Proof of \$1,000,000 property coverage, including explosion and fire.

Encl 1
pg 10

3. Deductibles and Self-Insured Retentions. Any deductibles or self-insured retentions must be declared to and approved by the LESSOR, either 1) the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the LESSOR, its officers, officials and employees, or 2) the LESSEE shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses.
4. Other Insurance Provisions. The policies are to contain, or be endorsed to contain, the following provisions:
 - a. General Liability
 - (1) The LESSOR, its officers, officials, employees and volunteers are to be covered as "additional insureds" as respects: liability arising out of the premises owned, occupied or used by the LESSEE. The coverage shall contain no special limitations on the scope of protection afforded to the LESSOR, its officers, officials, employees or volunteers.
 - (2) Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the LESSOR, its officers, officials, employees or volunteers.
 - (3) Coverage shall state that the LESSEE's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.
 - b. Workers' Compensation and Employers Liability Coverage. The insurer shall agree to waive all rights of subrogation against the LESSOR, its officers, officials, employees and volunteers for losses arising from the leased premises.
 - c. All Coverages. Each insurance policy required by this clause shall be endorsed to state that coverage shall not be suspended, voided, canceled, reduced in coverage or in limits except after thirty (30) days prior written notice by certified mail, return receipt requested, has been given to the LESSOR.
5. Acceptability of Insurers. Insurance is to be placed with insurers with a Best's rating of **A-VI or higher**. This rating requirement may be waived for workers' compensation coverage only.
6. Verification of Coverage. LESSEE shall furnish LESSOR with certificates of insurance affecting coverage required by this clause. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. The certificates are to be received and approved by the LESSOR before the lease commences. The LESSOR reserves the right to require complete, certified copies of all required insurance policies, at any time.

Enc 11
pg 11

TERMINATION/CANCELLATION

1. Should LESSEE at any time violate any of the conditions of this lease, file for Bankruptcy protection or discontinue the use of the Property, payments or other expenses assumed under this lease, and should LESSEE fail to remedy such matter within thirty (30) days of written notice from LESSOR, LESSOR shall have the option to immediately cancel this lease without putting LESSEE in default, LESSEE to remain responsible for all damages or losses suffered by LESSOR, LESSEE hereby assenting thereto and expressly waiving the legal notices to vacate the Property.
2. Should LESSEE at any time use the Property or portion thereof for any illegal or unlawful purpose, or should LESSEE permit or tolerate the commission of any act made punishable by fine or imprisonment under the laws of the United States or the State of Louisiana, or any ordinance of the Parish, and should LESSEE fail to remedy such matter within thirty (30) days of written notice from LESSOR, the remedies set forth in the preceding paragraph shall be available to LESSOR immediately without necessity of giving any written notice or any other notice to LESSEE.
3. It is understood and agreed that should it be determined that the Property covered by this lease is required for a public purpose by the State, LESSEE shall be so notified by writing and this lease shall be canceled and terminated and the Property surrendered ninety (90) days from the date of receipt of said notice, provided, however, that in the event that LESSOR shall exercise the option to cancel this lease because of any reason other than just cause, then in such event LESSOR and/or the State of Louisiana shall reimburse LESSEE for all costs and expenses incurred by LESSEE in connection with the repair of the Property as is set forth in the paragraph titled REPAIRS AND IMPROVEMENTS, hereinabove. However, the LESSOR will only reimburse the depreciated value of the repairs and improvements at the time of the cancellation of the lease. LESSEE shall not be required to surrender the Property until the reimbursements described above have been paid to LESSEE in full.
4. LESSEE may surrender this lease at any time, either during the original term or any extension of the original term by giving written notice to LESSOR. If LESSEE had previously recorded this lease in the parish conveyance records, then LESSEE shall file a written release in the parish conveyance records and shall provide LESSOR a certified copy thereof. Surrender of this lease shall not affect any obligations provided herein as to the liability of LESSEE to LESSOR, or any obligation of LESSEE to hold LESSOR harmless for, any claim as specifically set forth herein, but such surrender will serve to terminate this LEASE and all other obligations contained herein as of the date of surrender.
5. Upon termination of this lease, LESSEE will *ipso facto* forfeit any right of recourse against LESSOR for return of all or part of the consideration paid.
6. In the event of cancellation or termination for any reason, LESSEE, or its assigns, hereby agree to remove at their sole risk, cost and expense, any or all constructions or obstacles

placed on the Property during the Lease term, or any extension thereof, except for "permanent improvements" to the Property under La. R.S. 41:1217, and which were existing on the property ("Existing Permanent Improvements"). LESSEE further agrees to restore the Property to its original condition, reasonable wear and tear excepted, as improved by such Existing Permanent Improvements within ninety (90) days of lease termination. Should LESSOR undertake the removal of any or all constructions or obstacles and restoration of the property by reason of LESSEE or its assigns failure or refusal to do so, then LESSEE and its assigns expressly consent and agree to reimburse LESSOR for the full costs incurred for such removal and restoration .

Any Permanent Improvements LESSEE adds after the execution of this lease shall not be treated as an Existing Permanent Improvement unless otherwise agreed by both the LESSOR and LESSEE in writing.

- 7. Should LESSOR allow or permit LESSEE to remain on the Property after the expiration or termination of this lease, this shall not be construed as reconduction of this lease.

EFFECT OF LAW

The parties to this lease understand and agree that the provisions herein shall, between them, have the effect of law, but in reference to matters not provided herein, this lease shall be governed by the laws of the State of Louisiana.

THUS, EFFECTIVE at Webster Parish, Louisiana, in triplicate, on the day aforesaid.

WITNESSES:

STATE OF LOUISIANA
MILITARY DEPARTMENT

David Talbot

By: [Signature]

Rami D. Stucky

Its: STATE CONTRACTING OFFICER

BEFORE ME personally appeared the above representative of the State of Louisiana, Military Department, who subscribed this Lease before me this 8th day of February, 2007.

[Signature]
Notary Public
Print Name: Eddy M Bogues
Notary/Bar Roll #: 55228

Encl 1
pg 13

WITNESSES:

Ramonda Lee
Neeley Hardaway

EXPLO SYSTEMS, INC.

By: David P. L.
Its: PRESIDENT

BEFORE ME personally appeared the above representative of Explo Systems, Inc., who subscribed this Lease before me this 8th day of February, 2007.

Marlo Jackson
Notary Public
Print Name: Marlo Jackson
Notary/Bar Roll #: #72886 Deputy Clerk of Court

Encl 1
P914

LA07-L-038
 Lease
 Eff: 1 Feb 2007

EXHIBIT A
 TENANT USE FEE

<u>Building</u>	<u>Sq. Ft.</u>	<u>Annual Rate \$/sq. ft.</u>	<u>Monthly Rate \$/sq. ft.</u>	<u>Total/Mo.</u>	<u>Total/Yr.</u>
1. Area S - Primary 1601, 1618, 1619, 1625, 1633, 1649	73,028	\$1.82	\$0.1517	\$11,075.91	\$132,910.96
2. Area S - Secondary 1602, 1603, 1604, 1605, 1606, 1610, 1611, 1612, 1613, 1615, 1616, 1617, 1620, 1621, 1622, 1623, 1624, 1626, 1628, 1629, 1630, 1632, 1634, 1635, 1636, 1637, 1639, 1640, 1644, 1646, 1648, 1650, 1652, 1653	82,075	\$0.50	\$0.0417	\$3,419.79	\$41,037.50
3. Area L-2, L-3 2401-2443, 2461-2478 2361-2364	121,148	\$1.00	\$0.0833	\$10,095.67	\$121,148.00
4. Land for Office				\$500.00	\$6,000.00
5. ARMS				\$2,387.92	\$28,655.04
				Total	\$27,479.29 \$329,751.50

Water/sewer Rate = \$3.90/1000 gallons

Enc 11
 pg 15

RIDER FOR THE AGREEMENT DATED 1 FEBRUARY, 2007
BETWEEN
LOUISIANA MILITARY DEPARTMENT
AND
EXPLOSYSTEMS, INC

Lessee shall not be required to furnish or provide to lessor any builder's risk or other property insurance during such time as building and renovation activities are being undertaken by Lessee as required by this lease. Upon completion of such renovation activities, and prior to undertaking manufacturing activities, Lessee shall make its best effort to purchase property insurance insuring against fire and explosion if such insurance is available in the commercial insurance market in an amount which is economically feasible, as appropriate in the custom and trade and considering the totality of the circumstances. In the event that property insurance in the amount required by the lease is not available pursuant to the foregoing stipulations, then Lessee shall be required to furnish property insurance in a lesser amount which is economically feasible.

THUS, EFFECTIVE at Webster Parish, Louisiana, in triplicate, on the day aforesaid.

WITNESSES:

STATE OF LOUISIANA

MILITARY DEPARTMENT

David J. Hall
Ram. P. Stachey

By: [Signature]
Its: STATE CONTRACTING OFFICE

BEFORE ME personally appeared the above representative of the State of Louisiana, Military Department, who subscribed this Lease before me this 8th day of February, 2007.

[Signature]
Notary Public
Print Name: Eddy M Bogue
Notary/Bar Roll #: 55228

Enc | 732437.1
pg 16

WITNESSES:

Hammond Lee
Neal Hardaway

EXPLO SYSTEMS, INC.

By: Out P. Hill
Its: PRESIDENT

BEFORE ME personally appeared the above representative of Explo Systems, Inc., who subscribed this Lease before me this 8th day of February, 2007.

Marlo Jackson
Notary Public
Print Name: Marlo Jackson
Notary/Bar Roll #: 72986 Deputy Clerk of Court

ENCL 2

013685

STATE OF LOUISIANA
PARISH OF WEBSTER

AGREEMENT # LA08-1-003
CFMS #: N/A

**STATE OF LOUISIANA
MILITARY DEPARTMENT
COMMERCIAL LEASE**

This contract of lease is effective on the 15th day of January, 2008 by and between Explo Systems, Inc., 1600 Java Rd., Minden, LA 71055, by and through its authorized agent, Mr. David Smith or Mr. David Fincher ("LESSEE") and the State of Louisiana, Military Department, Camp Beauregard, LA 70136 ("LESSOR"), through its authorized representative, Lester Schmidt. This lease will become binding on LESSOR only after execution by LESSOR and delivery to LESSEE. Deposit of LESSEE's first rental payment into any account of LESSOR does not constitute acceptance of this lease by LESSOR.

AUTHORITY

By virtue of the provisions of La. R.S. 41:1211 to 1221, inclusive, and pursuant to the terms, conditions and considerations hereinafter set forth, LESSOR does hereby lease and let unto LESSEE, without any warranty of title whatsoever, but with full subrogation of all rights thereto, the following described property owned by the State of Louisiana, and situated in the Parish of Webster, to wit:

PROPERTY

A portion of land located at Camp Minden, Louisiana, being more particularly described on Exhibit "A" attached hereto that includes use of the Chemical Laboratory facilities and equipment as listed in Exhibit C, hereinafter referred to as "the Property."

TERM

This lease is granted for an initial term of five years, commencing on 15 January, 2008 and ending at 12:00 noon on 14 January, 2013. LESSOR may renew and extend the lease in accordance with the provisions of La. R.S. 41:1217.

PURPOSE

It is understood and agreed that this lease is made and executed by LESSOR to LESSEE for the sole purpose of performing chemical analysis of commercial industrial customers and for other related purposes.

Encl 2
pg 1

RENTAL

1. In consideration of LESSEE remaining in Camp Minden, LESSOR agrees to waive the provision of La. R.S. 41:1217 (A), which requires that rent be paid on a yearly basis, and accept rent on a monthly basis from LESSEE. The rental payment in the sum of Three Thousand, Seven-Hundred Twenty Nine dollars (\$3,729) will be paid monthly, in advance, and is due on the first day of each month during the term of the lease.
2. In the event of late payment and at LESSOR's option, LESSEE may be granted up to an additional thirty (30) days to make payment. During this thirty (30) day period, any late rental payments tendered by LESSEE must include an additional late penalty payment equal to 15% of the monthly lease payment for each late month.
3. LESSOR reserves the right, at LESSOR's sole option, to annually adjust the rental to reflect the percentage of increase or decrease in the cost of living index as established by the Consumer Price Index for Urban Wage Earners and Clerical Workers published by the Bureau of Labor Statistics of the U.S. Department of Labor or any revision or equivalent to any such index published by the U.S. Government, which has occurred from date of this instrument to the date of adjustment provided however, that in no event shall consideration of such renewal be less than the consideration paid herein for the original term.

REPAIRS AND IMPROVEMENTS

Lessee shall have the right to make, upon execution of this Lease, at LESSEE's expense, any and all repairs to the Property which, in LESSEE's discretion, are necessary and proper in order that LESSEE may occupy and use the Property for the purposes for which LESSEE entered into this lease agreement. Thereafter LESSEE shall not make any additions, alternations removals or reconstruction of any nature whatsoever to the Property, including improvements, without prior written permission of LESSOR, whose permission shall neither be unreasonably delayed nor denied. Thirty (30) days shall be a reasonable time for the consideration of a request for such permission, and if no response is received within thirty (30) days, approval will be deemed given. Any such improvements shall revert to the ownership of the LESSOR in the event of termination of this lease. LESSEE is required to obtain all permits for such repairs and improvements from local, State and Federal agencies if necessary prior to commencing such work.

CONDITIONS

1. This lease is granted subject to all existing surface leases, mineral leases, servitudes, rights-of-way, permits or any other contracts, whether recorded or unrecorded, affecting the Property.
- ✓ 2. LESSEE shall comply with all federal, state and local rules, regulations and ordinances for sewer, sanitation, fire, safety, transportation, environmental compliance and any other regulated activities.

Encl 2
p92

3. LESSEE agrees to use the Property as a good and careful administrator. This includes maintaining the Property in a neat, clean and orderly manner at all times. No hazardous waste materials shall be placed or stored by LESSEE on or under the Property. No interior or exterior building maintenance or ground maintenance will be provided by LESSOR on the Property. LESSEE is required to maintain the Property, which includes all rights of ingress and egress, in good and safe condition. The grounds contained within the perimeter fence of the Chemical Lab will be maintained by LESSEE in such a condition as to preclude the spread of grass fires. LESSEE will be responsible for all normal and routine maintenance or repair to the Property, as well as, any maintenance or repair to the Property or elsewhere on the installation required due to acts or omissions of LESSEE and its employees, agents, contractors, subcontractors, licensees or invitees. LESSEE may not dig or trench on the property without prior approval by LESSOR. LESSEE must follow standard OSHA requirements for "hot work" when applicable. All electrical modifications and repairs must be performed by a licensed electrician. All work performed on the fire protection systems must be performed by a contractor licensed by the Louisiana State Fire Marshal's office.

4. LESSEE agrees to abide by all of the rules, regulations and orders of the Commander, Camp Minden as published from time to time. These regulations include but are not limited to safety, security, credentialing, ingress and egress, environmental compliance, emergency procedures and the like. To the extent required by law or regulation or as required by the Commander, Camp Minden, the Commander, Camp Minden is the approval authority for any and all safety plans, environmental compliance plans or security plans of the LESSEE. In approving or disapproving such plans, the Commander, Camp Minden is acting in his capacity as an Officer of the State's Organized Military Forces as defined by La.R.S. 29:1, et seq. and is performing a discretionary act as defined by La.R.S. 9:2798.1 and is entitled to indemnification under La.R.S. 29:24.

5. LESSEE agrees to contract with existing utility providers and pay all utilities for its operation on the property. Electricity will be provided to the transformer of primary buildings and metered. Usage will be billed by Camp Minden or the provider, at the direction of LESSOR, at the actual local utility supplier rates. The LESSOR shall use reasonable diligence to provide safe, adequate and continuous service, but shall not be responsible for loss or damage caused by the failure or other defects of service when such failure is unavoidable or due to unforeseen difficulties or causes beyond its control. It is the responsibility of the Lessee to install any electric meters if not presently installed. In the event that LESSEE uses electricity provided by Camp Minden and the electrical distribution system is later sold or conveyed to a local electricity supplier, the Lessee agrees to contract directly with said supplier. Lessor shall provide and maintain a sewage and water system for the Property that is adequate to accommodate Lessee's manufacturing operations. Water and sewage system use shall be charged as set forth in Exhibit A. It is the responsibility of the Lessee to install any water meters if not presently installed.

Enc 1 2
p 9 3

6. Should an agent or attorney be employed to give special attention to the enforcement or protection of any claim of LESSOR arising from this lease, LESSEE shall pay as fees and compensation to such agent or attorney such sum as will constitute a reasonable fee including all court costs, together with all other costs, charges and expenses or reimbursement for actual costs occasioned by LESSOR, at LESSOR's discretion.

RESERVATIONS

LESSOR reserves the full use and enjoyment of the Property, both surface and subsurface, for any and all purposes except those particular uses granted hereinabove to LESSEE. LESSOR's reservation includes, but is not limited to, the following rights:

1. LESSOR reserves all rights of whatever nature and kind in and to all minerals on or under the Property. These rights include, but are not limited to, all operations which are necessary, useful or convenient for the exploration, exploitation, drilling, mining, production, development, storage and transportation of all oil, gas, sulphur and other minerals, on or under the Property or any other lands under the control of LESSOR.
2. LESSOR reserves all rights of whatever nature and kind in and to all other surface or subsurface uses of the Property. These rights include, but are not limited to, all operations which are necessary, useful or convenient for the exploration, exploitation, mining, production and development of all sand, gravel or shell deposits; issuance of servitudes and rights-of-way; and issuance of permits and leases.
3. LESSOR reserves all rights of whatever nature and kind in and to all timber and forest products on the Property. These rights include, but are not limited to, rights of access, management and/or removal of timber and forest products.

LESSOR may exercise the rights reserved herein without LESSEE's consent, so long as the exercised rights do not interfere with LESSEE's use of the Property. LESSEE hereby expressly agrees and declares that LESSOR shall not be liable to LESSEE for damages from the exercise of any rights reserved herein, provided, however, that said damage is not caused by the gross negligence or intentional act of LESSOR.

ASSIGNMENT/SUBLEASE

This agreement shall be binding upon LESSOR and LESSEE, their respective successors and assigns. This lease may not be assigned, subleased or otherwise transferred in whole or in part without the prior written permission of LESSOR, provided, however, that such consent shall not be necessary in the event of a transfer of the lease resulting from a corporate merger, consolidation or change of name of LESSEE.

HOLD HARMLESS

LESSEE accepts the Property as is and in its present condition, and LESSOR shall not be responsible for damage of any kind to any person or property on the Property, except if such

damage is caused by a third party or by LESSOR's gross negligence or intentional conduct. LESSEE further agrees to indemnify and hold LESSOR harmless against any loss or liability for injury to or death of persons or damage to property of others, including costs and expenses incident thereto, arising from or in connection with LESSEE's use or occupancy of the Property or of any of the rights granted herein. LESSEE will, at LESSOR's request, appear and defend any suit arising from any such loss or liability at its own sole cost and expense and will pay any judgment that may be entered against LESSOR therein when said suit is finally determined. LESSEE agrees to hold LESSOR harmless from any fines levied by governmental authorities for noncompliance of LESSEE's operations with Local, State or Federal laws.

EXPLOSION OR FIRE

In the event that the LESSEE experiences a fire or explosion on the Property which damages all or part of the property, LESSEE shall be responsible for any and all consequential damages suffered by LESSOR or any third party and LESSEE agrees to indemnify and hold LESSOR harmless for any such consequential damages or injury to third parties including, but not limited to, other tenants of LESSOR at Camp Minden, except to the extent caused by LESSOR, or a third party. LESSEE shall furnish and install such safety devices, such as spark arresters, lightning rods, and static electricity suppressors, as are generally installed in facilities in which the business of manufacturing munitions is conducted. Further, LESSEE shall carry sufficient insurance coverage (\$1,000,000), (proof of which is provided upon execution of this lease) which names LESSOR as loss payee, to remove debris and replace damaged/destroyed property.

INSURANCE

In accordance with the Louisiana Office of Risk Management Insurance Requirements in Contracts (June 2004), LESSEE shall procure and maintain for the duration of the lease insurance against claims for injuries to persons or damages to property which may arise from or in connection with the LESSEE's operation and use of the leased premises. The cost of such insurance shall be borne by the LESSEE. LESSOR shall be named as an additional insured.

1. Minimum Scope of Insurance. Coverage shall be at least as broad as:
 - a. Insurance Services Office Commercial General Liability coverage "occurrence" form CG 00 01 (current form approved for use in Louisiana). "Claims Made" form is unacceptable.
 - b. Workers' Compensation insurance as required by the Labor Code of the State of Louisiana and Employers Liability insurance.
2. Minimum Limits of Insurance. LESSEE shall maintain limits no less than:
 - a. Commercial General Liability: LESSEE will provide a blanket insurance of \$1,000,000 Commercial General Liability for bodily injury, personal injury and property damage.

- b. **Workers' Compensation and Employers Liability:** Workers' Compensation limits as required by the Labor Code of the State of Louisiana and Employers Liability coverage.
 - c. **Property Insurance:** Proof of \$2,000,000 property coverage, including explosion and fire.
3. **Deductibles and Self-Insured Retentions.** Any deductibles or self-insured retentions must be declared to and approved by the LESSOR, either 1) the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the LESSOR, its officers, officials and employees, or 2) the LESSEE shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses.
4. **Other Insurance Provisions.** The policies are to contain, or be endorsed to contain, the following provisions:
- a. **General Liability**
 - (1) The LESSOR, its officers, officials, employees and volunteers are to be covered as "additional insureds" as respects: liability arising out of the premises owned, occupied or used by the LESSEE. The coverage shall contain no special limitations on the scope of protection afforded to the LESSOR, its officers, officials, employees or volunteers.
 - (2) Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the LESSOR, its officers, officials, employees or volunteers.
 - (3) Coverage shall state that the LESSEE's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.
 - b. **Workers' Compensation and Employers Liability Coverage.** The insurer shall agree to waive all rights of subrogation against the LESSOR, its officers, officials, employees and volunteers for losses arising from the leased premises.
 - c. **All Coverages.** Each insurance policy required by this clause shall be endorsed to state that coverage shall not be suspended, voided, canceled, reduced in coverage or in limits except after thirty (30) days prior written notice by certified mail, return receipt requested, has been given to the LESSOR.
5. **Acceptability of Insurers.** Insurance is to be placed with insurers with a Best's rating of **A-VI or higher**. This rating requirement may be waived for workers' compensation coverage only.
6. **Verification of Coverage.** LESSEE shall furnish LESSOR with certificates of insurance affecting coverage required by this clause. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. The

certificates are to be received and approved by the LESSOR before the lease commences. The LESSOR reserves the right to require complete, certified copies of all required insurance policies, at any time.

TERMINATION/CANCELLATION

1. Should LESSEE at any time violate any of the conditions of this lease, file for Bankruptcy protection or discontinue the use of the Property, payments or other expenses assumed under this lease, and should LESSEE fail to remedy such matter within thirty (30) days of written notice from LESSOR, LESSOR shall have the option to immediately cancel this lease without putting LESSEE in default, LESSEE to remain responsible for all damages or losses suffered by LESSOR, LESSEE hereby assenting thereto and expressly waiving the legal notices to vacate the Property.
2. Should LESSEE at any time use the Property or portion thereof for any illegal or unlawful purpose, or should LESSEE permit or tolerate the commission of any act made punishable by fine or imprisonment under the laws of the United States or the State of Louisiana, or any ordinance of the Parish, and should LESSEE fail to remedy such matter within thirty (30) days of written notice from LESSOR, the remedies set forth in the preceding paragraph shall be available to LESSOR immediately without necessity of giving any written notice or any other notice to LESSEE.
3. It is understood and agreed that should it be determined that the Property covered by this lease is required for a public purpose by the State, LESSEE shall be so notified by writing and this lease shall be canceled and terminated and the Property surrendered ninety (90) days from the date of receipt of said notice, provided, however, that in the event that LESSOR shall exercise the option to cancel this lease because of any reason other than just cause, then in such event LESSOR and/or the State of Louisiana shall reimburse LESSEE for all costs and expenses incurred by LESSEE in connection with the repair of the Property as is set forth in the paragraph titled REPAIRS AND IMPROVEMENTS, hereinabove. However, the LESSOR will only reimburse the depreciated value of the repairs and improvements at the time of the cancellation of the lease. LESSEE shall not be required to surrender the Property until the reimbursements described above have been paid to LESSEE in full.
4. LESSEE may surrender this lease at any time, either during the original term or any extension of the original term by giving written notice to LESSOR. If LESSEE had previously recorded this lease in the parish conveyance records, then LESSEE shall file a written release in the parish conveyance records and shall provide LESSOR a certified copy thereof. Surrender of this lease shall not affect any obligations provided herein as to the liability of LESSEE to LESSOR, or any obligation of LESSEE to hold LESSOR harmless for, any claim as specifically set forth herein, but such surrender will serve to terminate this LEASE and all other obligations contained herein as of the date of surrender.
5. Upon termination of this lease, LESSEE will *ipso facto* forfeit any right of recourse against LESSOR for return of all or part of the consideration paid.

6. In the event of cancellation or termination for any reason, LESSEE, or its assigns, hereby agree to remove at their sole risk, cost and expense, any or all constructions or obstacles, to include hazardous material and/or hazardous wastes, placed on the Property during the Lease term, or any extension thereof, except for "permanent improvements" to the Property under La. R.S. 41:1217, and which were existing on the property ("Existing Permanent Improvements"). LESSEE further agrees to restore the Property to its original condition, reasonable wear and tear excepted, as improved by such Existing Permanent Improvements within ninety (90) days of lease termination. Should LESSOR undertake the removal of any or all constructions or obstacles and restoration of the property by reason of LESSEE or its assigns failure or refusal to do so, then LESSEE and its assigns expressly consent and agree to reimburse LESSOR for the full costs incurred for such removal and restoration .

Any Permanent Improvements LESSEE adds after the execution of this lease shall not be treated as an Existing Permanent Improvement unless otherwise agreed by both the LESSOR and LESSEE in writing.

7. Should LESSOR allow or permit LESSEE to remain on the Property after the expiration or termination of this lease, this shall not be construed as reconduction of this lease.

EFFECT OF LAW

The parties to this lease understand and agree that the provisions herein shall, between them, have the effect of law, but in reference to matters not provided herein, this lease shall be governed by the laws of the State of Louisiana.

THUS, EFFECTIVE at Webster Parish, Louisiana, in triplicate, on the day aforesaid.

WITNESSES:

Robert F. Gray
Robert F. Gray

STATE OF LOUISIANA
 MILITARY DEPARTMENT

By: [Signature]

Its: STATE CONTRACTING OFFICER

BEFORE ME personally appeared the above representative of the State of Louisiana, Military Department, who subscribed this Lease before me this 17th day of January, 2008.

[Signature]

Notary Public
 Print Name: JOHN F. PUGH JR
 Notary/Bar Roll #: 10893

Encl 2
 pg 8

WITNESSES:

EXPLO SYSTEMS, INC.

Marty Higgins
Jonny Bluff

By: Albert P. Hill
Its: PRESIDENT

BEFORE ME personally appeared the above representative of Explo Systems, Inc., who subscribed this Lease before me this 16th day of January, 2008.

Eddy Bos
Notary Public
Print Name: Eddy Bos
Notary/Bar Roll #: 55228

BEFORE ME personally appeared the above representative of Explo Systems, Inc., who subscribed this Lease before me this 16th day of January, 2008.

Encl 2
p99

LA08-L-003

EXHIBIT A
Buildings and Structures

1. Area W Building 2900, 2901, 2902, 2903, 2904, 2905, and 2906 8,167 Sq. Ft.

EXHIBIT B
TENANT USE FEE

Tenant Use Fee (Ref. 3 B1)

Building Summary:

<u>Area</u>	<u>Buildings</u>	<u>Total Sq. Ft.</u>	<u>Total/Mo.</u>	<u>Total/Yr.</u>
1. Area W	Building 2900, 2901, 2902, 2903, 2904, 2905, and 2906	8,167 Sq. Ft.	\$1,361.17	\$16,334
2. Equipment	See attached list		\$2,368.00	\$28,416
	Total		\$3,729.17	\$44,750

Utilities:

Electricity = \$800/month until meter is installed

Water Rate = \$1.95/1000 gallons

Sewer Rate = \$1.95/1000 gallons (based on metered water usage)

Encl 2
Pg 10

ENCL 3

073696

AMENDMENT NO. 2

To

Commercial Lease (L3 Effective 1 May 2009)

Between

Louisiana Military Department

And

Explo Systems, Inc.

This Amendment is entered into this 1 March, 2011, by and between the Louisiana Military Department ("Lessor") and Explo Systems, Inc. ("Tenant").

The agreement shall be amended as follows:

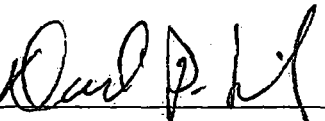
- 1) Amend the Commercial lease for Area L3 to include:
 - A. Igloos 2317 and 2318 with a maximum weight restriction of 300,000 pounds of 1.3 or 1.1 explosive class in each igloo.
 - B. Igloos 2319, 2320, 2321, 2328 and 2329 with restrictions to maximum allowable weight for 1.3 or 1.1 explosive class as mandated by ATF and LSP.
 - C. Include additional square footage of 12,292 at a annual rate of \$2.00 a square foot. The change is reflected in Exhibit A.

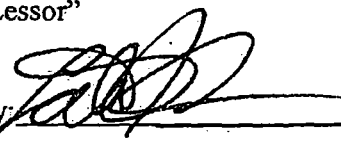
All other terms of this Agreement remain unchanged.

IN WITNESS WHEREOF, intending to be legally bound hereby, the parties hereto have caused this lease to be executed by their duly authorized representatives the day and year first written above.

Explo Systems, Inc.
"Tenant"

Louisiana Military Department
"Lessor"

By: 
David Fincher
President

By: 
COL (Ret) Lester Schmidt
State Contracting Officer

Eddy B...
Eddy B...
55228

Encl 3
A9 1

LA09-L-009
 AMD #2
 Eff: 1 Mar 2011

EXHIBIT A
 TENANT USE FEE
 Area L3

Tenant Use Fee
 Building Summary:

<u>Igloo Building</u>	<u>Sq. Ft.</u>	<u>Annual Rate</u>	<u>Monthly Rate</u>	<u>Total/Mo.</u>	<u>Total/Yr.</u>
L-3					
2324-2327	6904	\$2.50/ Sq. Ft.	\$0.2083/ Sq. Ft.	\$1438.33	\$17,260.00
2306, 2310	3512	\$2.50/Sq. Ft.	\$0.2083/Sq. Ft.	\$731.66	\$8780.00
2317-2321					
2328-2329	12,292	\$2.00/Sq. Ft.	\$0.16666/Sq. Ft.	\$2048.66	\$24,584.00
				Total/Mo.	Total/Yr.
				\$4218.65	\$50,624.00

Utilities
 Water/Sewer Rate=\$3.90 per
 1000 gallons

Encl 3
 pg 2

AMENDMENT NO. 1

To

Commercial Lease (L3 Effective 1 May 2009)

Between

Louisiana Military Department

And

Explo Systems, Inc.

This Amendment is entered into this 2 December, 2010, by and between the Louisiana Military Department ("Lessor") and Explo Systems, Inc. ("Tenant").

The agreement shall be **amended** as follows:

- 1) Amend the Commercial lease for Area L3 to include igloos 2306 and 2310 for an additional square footage of 3512 square feet. The change is reflected in Exhibit A.

All other terms of this Agreement remain **unchanged**.

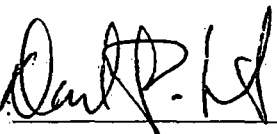
IN WITNESS WHEREOF, intending to be legally bound hereby, the parties hereto have caused this lease to be executed by their duly authorized representatives the day and year first written above.

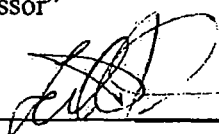
Explo Systems, Inc.

Louisiana Military Department

"Tenant"

"Lessor"

By:  _____

By:  _____

David Fincher

COL (Ret) Lester Schmidt

President

State Contracting Officer



Eddy Be...

55228

Encl 3

p9 3

LA09-L-009
AMD #1
EFF: 2 Dec 2010

EXHIBIT A
TENANT USE FEE
Area L3

Tenant Use Fee
Building Summary:

<u>Igloo Building</u>	<u>Sq. Ft.</u>	<u>Annual Rate</u>	<u>Monthly Rate</u>	<u>Total/Mo.</u>	<u>Total/Yr.</u>
L-3					
2324-2327	6904	\$2.50/ Sq. Ft.	\$0.2083/ Sq. Ft.	\$1438.33	\$17,260.00
2306, 2310	3512	\$2.50/Sq. Ft.	\$0.2083/Sq. Ft.	\$731.66	\$8780.00
				Total/Mo. \$2169.99	Total/Yr. \$26,040

Utilities
Water/Sewer Rate=\$3.90 per
1000 gallons

Encl 3
894

STATE OF LOUISIANA
MILITARY DEPARTMENT
COMMERCIAL LEASE

STATE OF LOUISIANA
PARISH OF WEBSTER

*03 Not
June*

This contract of lease is effective on the 1st day of ~~May~~^{June}, 2009 by and between Explo Systems, Inc., 1600 Java Rd., Minden, LA 71055, by and through its authorized agent, David Fincher ("LESSEE") and the State of Louisiana, Military Department, Camp Beauregard, LA 70136 ("LESSOR"), through its authorized representative, Lester Schmidt. This lease will become binding on LESSOR only after execution by LESSOR and delivery to LESSEE. Deposit of LESSEE's first rental payment into any account of LESSOR does not constitute acceptance of this lease by LESSOR.

AUTHORITY

By virtue of the provisions of La. R.S. 41:1211 to 1221, inclusive, and pursuant to the terms, conditions and considerations hereinafter set forth, LESSOR does hereby lease and let unto LESSEE, without any warranty of title whatsoever, but with full subrogation of all rights thereto, the following described property owned by the State of Louisiana, and situated in the Parish of Webster, to wit:

PROPERTY

A portion of land located at Camp Minden, Louisiana, being more particularly described on Exhibit "A" attached hereto, hereinafter referred to as "the Property."

TERM

This lease is granted for an initial term of ten (10) years, commencing on 1 May, 2009 and ending at 12:00 noon on 30 April, 2019. LESSOR may renew and extend the lease in accordance with the provisions of La. R.S. 41:1217.

PURPOSE

It is understood and agreed that this lease is made and executed by LESSOR to LESSEE for the sole purpose of storing on the Property.

RENTAL

- LESSOR agrees to waive the provision of La. R.S. 41:1217 (A), which requires that rent be paid on a yearly basis, and accept rent on a monthly basis from LESSEE. The rental payment in the sum of \$1,438.34 per month will be paid monthly, in advance, and is due on the first day of each month during the term of the lease.

*Encl 3
pg 5*

2. In the event of late payment and at LESSOR's option, LESSEE may be granted up to an additional thirty (30) days to make payment. During this thirty (30) day period, any late rental payments tendered by LESSEE must include an additional late penalty payment equal to 15% of the monthly lease payment for each late month.
3. LESSOR reserves the right, at LESSOR's sole option, to annually adjust the rental to reflect the percentage of increase or decrease in the cost of living index as established by the Consumer Price Index for Urban Wage Earners and Clerical Workers published by the Bureau of Labor Statistics of the U.S. Department of Labor or any revision or equivalent to any such index published by the U.S. Government, which has occurred from date of this instrument to the date of adjustment provided however, that in no event shall consideration of such renewal be less than the consideration paid herein for the original term.

REPAIRS AND IMPROVEMENTS

Lessee shall have the right to make, upon execution of this Lease, at LESSEE's expense, any and all repairs to the Property which, in LESSEE's discretion, are necessary and proper in order that LESSEE may occupy and use the Property for the purposes for which LESSEE entered into this lease agreement, which purposes include, but are not limited to, the reprocessing explosive material from demilitarized ordinance. Thereafter LESSEE shall not make any additions, alternations removals or reconstruction of any nature whatsoever to the Property, including improvements, without prior written permission of LESSOR, whose permission shall neither be unreasonably delayed nor denied. Thirty (30) days shall be a reasonable time for the consideration of a request for such permission, and if no response is received within thirty (30) days, approval will be deemed given. Any such improvements shall revert to the ownership of the LESSOR in the event of termination of this lease. LESSEE is required to obtain all permits for such repairs and improvements from local, State and Federal agencies if necessary prior to commencing such work.

CONDITIONS

1. This lease is granted subject to all existing surface leases, mineral leases, servitudes, rights-of-way, permits or any other contracts, whether recorded or unrecorded, affecting the Property.
2. LESSEE shall comply with all federal, state and local rules, regulations and ordinances for sewer, sanitation, fire, safety, transportation, environmental compliance and any other regulated activities.
3. LESSEE agrees to use the Property as a good and careful administrator. This includes maintaining the Property in a neat, clean and orderly manner at all times. No hazardous waste materials shall be placed or stored by LESSEE on or under the Property. Underbrush must be cleared from the Property. The tenant should ensure that the Property is compliant with the LAC Title 55, Part 1, Chapter 15, Explosive Code. No interior or exterior building maintenance or ground maintenance will be provided by

LESSOR on the Property. LESSEE is required to maintain the Property, which includes all rights of ingress and egress, in good and safe condition. The grounds will be maintained by LESSEE in such a condition as to preclude the spread of grass fires. LESSEE will be responsible for all normal and routine maintenance or repair to the Property, as well as, any maintenance or repair to the Property or elsewhere on the installation required due to acts or omissions of LESSEE and its employees, agents, contractors, subcontractors, licensees or invitees. Maximum explosives stored in each magazine will be as follows:

2324 – 165,000 # 1.1 or 300,000 1.3

2325 – 233,000 # 1.1 or 300,000 1.3

2326 – 300,000 # 1.1 or 1.3

2327 – 300,000 # 1.1 or 1.3

4. LESSEE agrees to abide by all of the rules, regulations and orders of the Commander, Camp Minden as published from time to time. These regulations include but are not limited to safety, security, credentialing, ingress and egress, environmental compliance, emergency procedures and the like. To the extent required by law or regulation or as required by the Commander, Camp Minden, the Commander, Camp Minden is the approval authority for any and all safety plans, environmental compliance plans or security plans of the LESSEE. In approving or disapproving such plans, the Commander, Camp Minden is acting in his capacity as an Officer of the State's Organized Military Forces as defined by La.R.S. 29:1, et.seq. and is performing a discretionary act as defined by La.R.S. 9:2798.1 and is entitled to indemnification under La.R.S. 29:24.
5. LESSEE agrees to contract with existing utility providers and pay all utilities for its operation on the property. Water and sewage is not provided in L-3.
6. Should an agent or attorney be employed to give special attention to the enforcement or protection of any claim of LESSOR arising from this lease, LESSEE shall pay as fees and compensation to such agent or attorney such sum as will constitute a reasonable fee including all court costs, together with all other costs, charges and expenses or reimbursement for actual costs occasioned by LESSOR, at LESSOR's discretion.

RESERVATIONS

LESSOR reserves the full use and enjoyment of the Property, both surface and subsurface, for any and all purposes except those particular uses granted hereinabove to LESSEE. LESSOR's reservation includes, but is not limited to, the following rights:

1. LESSOR reserves all rights of whatever nature and kind in and to all minerals on or under the Property. These rights include, but are not limited to, all operations which are necessary, useful or convenient for the exploration, exploitation, drilling, mining, production, development, storage and transportation of all oil, gas, sulphur and other minerals, on or under the Property or any other lands under the control of LESSOR.

2. LESSOR reserves all rights of whatever nature and kind in and to all other surface or subsurface uses of the Property. These rights include, but are not limited to, all operations which are necessary, useful or convenient for the exploration, exploitation, mining, production and development of all sand, gravel or shell deposits; issuance of servitudes and rights-of-way; and issuance of permits and leases.
3. LESSOR reserves all rights of whatever nature and kind in and to all timber and forest products on the Property. These rights include, but are not limited to, rights of access, management and/or removal of timber and forest products.

LESSOR may exercise the rights reserved herein without LESSEE's consent, so long as the exercised rights do not interfere with LESSEE's use of the Property. LESSEE hereby expressly agrees and declares that LESSOR shall not be liable to LESSEE for damages from the exercise of any rights reserved herein, provided, however, that said damage is not caused by the gross negligence or intentional act of LESSOR.

ASSIGNMENT/SUBLEASE

This agreement shall be binding upon LESSOR and LESSEE, their respective successors and assigns. This lease may not be assigned, subleased or otherwise transferred in whole or in part without the prior written permission of LESSOR, provided, however, that such consent shall not be necessary in the event of a transfer of the lease resulting from a corporate merger, consolidation or change of name of LESSEE.

HOLD HARMLESS

LESSEE accepts the Property as is and in its present condition, and LESSOR shall not be responsible for damage of any kind to any person or property on the Property, except if such damage is caused by a third party or by LESSOR's gross negligence or intentional conduct. LESSEE further agrees to indemnify and hold LESSOR harmless against any loss or liability for injury to or death of persons or damage to property of others, including costs and expenses incident thereto, arising from or in connection with LESSEE's use or occupancy of the Property or of any of the rights granted herein. LESSEE will, at LESSOR's request, appear and defend any suit arising from any such loss or liability at its own sole cost and expense and will pay any judgment that may be entered against LESSOR therein when said suit is finally determined. LESSEE agrees to hold LESSOR harmless from any fines levied by governmental authorities for noncompliance of LESSEE's operations with Local, State or Federal laws.

EXPLOSION OR FIRE

In the event that the LESSEE experiences a fire or explosion on the Property which damages all or part of the property, LESSEE shall be responsible for any and all consequential damages suffered by LESSOR or any third party and LESSEE agrees to indemnify and hold LESSOR harmless for any such consequential damages or injury to third parties including, but not limited to, other tenants of LESSOR at Camp Minden, except to the extent caused by LESSOR, or a third party. LESSEE shall furnish and install such safety devices, such as spark arresters,

lightning rods, and static electricity suppressors, as are generally installed in facilities in which the business of manufacturing munitions is conducted. Further, LESSEE shall carry sufficient insurance coverage (\$1,000,000), (proof of which is provided upon execution of this lease) which names LESSOR as loss payee, to remove debris and replace damaged/destroyed property.

INSURANCE

In accordance with the Louisiana Office of Risk Management Insurance Requirements in Contracts (June 2004), LESSEE shall procure and maintain for the duration of the lease insurance against claims for injuries to persons or damages to property which may arise from or in connection with the LESSEE's operation and use of the leased premises. The cost of such insurance shall be borne by the LESSEE. LESSOR shall be named as an additional insured.

1. Minimum Scope of Insurance. Coverage shall be at least as broad as:
 - a. Insurance Services Office Commercial General Liability coverage "occurrence" form CG 00 01 (current form approved for use in Louisiana). **"Claims Made" form is unacceptable.**
 - b. Workers' Compensation insurance as required by the Labor Code of the State of Louisiana and Employers Liability insurance.

2. Minimum Limits of Insurance. LESSEE shall maintain limits no less than:
 - a. Commercial General Liability: LESSEE will provide a blanket insurance of \$1,000,000 Commercial General Liability for bodily injury, personal injury and property damage.
 - b. Workers' Compensation and Employers Liability: Workers' Compensation limits as required by the Labor Code of the State of Louisiana and Employers Liability coverage.
 - c. Property Insurance: Proof of \$1,000,000 property coverage, including explosion and fire.

3. Deductibles and Self-Insured Retentions. Any deductibles or self-insured retentions must be declared to and approved by the LESSOR, either 1) the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the LESSOR, its officers, officials and employees, or 2) the LESSEE shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses.

4. Other Insurance Provisions. The policies are to contain, or be endorsed to contain, the following provisions:
 - a. General Liability

- (1) The LESSOR, its officers, officials, employees and volunteers are to be covered as "additional insureds" as respects: liability arising out of the premises owned, occupied or used by the LESSEE. The coverage shall contain no special limitations on the scope of protection afforded to the LESSOR, its officers, officials, employees or volunteers.
 - (2) Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the LESSOR, its officers, officials, employees or volunteers.
 - (3) Coverage shall state that the LESSEE's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.
- b. Workers' Compensation and Employers Liability Coverage. The insurer shall agree to waive all rights of subrogation against the LESSOR, its officers, officials, employees and volunteers for losses arising from the leased premises.
- c. All Coverages. Each insurance policy required by this clause shall be endorsed to state that coverage shall not be suspended, voided, canceled, reduced in coverage or in limits except after thirty (30) days prior written notice by certified mail, return receipt requested, has been given to the LESSOR.
5. Acceptability of Insurers. Insurance is to be placed with insurers with a Best's rating of **A-VI or higher**. This rating requirement may be waived for workers' compensation coverage only.
6. Verification of Coverage. LESSEE shall furnish LESSOR with certificates of insurance affecting coverage required by this clause. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. The certificates are to be received and approved by the LESSOR before the lease commences. The LESSOR reserves the right to require complete, certified copies of all required insurance policies, at any time.

TERMINATION/CANCELLATION

1. Should LESSEE at any time violate any of the conditions of this lease, file for Bankruptcy protection or discontinue the use of the Property, payments or other expenses assumed under this lease, and should LESSEE fail to remedy such matter within thirty (30) days of written notice from LESSOR, LESSOR shall have the option to immediately cancel this lease without putting LESSEE in default, LESSEE to remain responsible for all damages or losses suffered by LESSOR, LESSEE hereby assenting thereto and expressly waiving the legal notices to vacate the Property.
2. Should LESSEE at any time use the Property or portion thereof for any illegal or unlawful purpose, or should LESSEE permit or tolerate the commission of any act made punishable by fine or imprisonment under the laws of the United States or the State of

Louisiana, or any ordinance of the Parish, and should LESSEE fail to remedy such matter within thirty (30) days of written notice from LESSOR, the remedies set forth in the preceding paragraph shall be available to LESSOR immediately without necessity of giving any written notice or any other notice to LESSEE.

3. It is understood and agreed that should it be determined that the Property covered by this lease is required for a public purpose by the State, LESSEE shall be so notified by writing and this lease shall be canceled and terminated and the Property surrendered ninety (90) days from the date of receipt of said notice, provided, however, that in the event that LESSOR shall exercise the option to cancel this lease because of any reason other than just cause, then in such event LESSOR and/or the State of Louisiana shall reimburse LESSEE for all costs and expenses incurred by LESSEE in connection with the repair of the Property as is set forth in the paragraph titled REPAIRS AND IMPROVEMENTS, hereinabove. However, the LESSOR will only reimburse the depreciated value of the repairs and improvements at the time of the cancellation of the lease. LESSEE shall not be required to surrender the Property until the reimbursements described above have been paid to LESSEE in full.
4. LESSEE may surrender this lease at any time, either during the original term or any extension of the original term by giving written notice to LESSOR. If LESSEE had previously recorded this lease in the parish conveyance records, then LESSEE shall file a written release in the parish conveyance records and shall provide LESSOR a certified copy thereof. Surrender of this lease shall not affect any obligations provided herein as to the liability of LESSEE to LESSOR, or any obligation of LESSEE to hold LESSOR harmless for, any claim as specifically set forth herein, but such surrender will serve to terminate this LEASE and all other obligations contained herein as of the date of surrender.
5. Upon termination of this lease, LESSEE will *ipso facto* forfeit any right of recourse against LESSOR for return of all or part of the consideration paid.
6. In the event of cancellation or termination for any reason, LESSEE, or its assigns, hereby agree to remove at their sole risk, cost and expense, any or all constructions or obstacles placed on the Property during the Lease term, or any extension thereof, except for "permanent improvements" to the Property under La. R.S. 41:1217, and which were existing on the property ("Existing Permanent Improvements"). LESSEE further agrees to restore the Property to its original condition, reasonable wear and tear excepted, as improved by such Existing Permanent Improvements within ninety (90) days of lease termination. Should LESSOR undertake the removal of any or all constructions or obstacles and restoration of the property by reason of LESSEE or its assigns failure or refusal to do so, then LESSEE and its assigns expressly consent and agree to reimburse LESSOR for the full costs incurred for such removal and restoration .

Any Permanent Improvements LESSEE adds after the execution of this lease shall not be treated as an Existing Permanent Improvement unless otherwise agreed by both the LESSOR and LESSEE in writing.

7. Should LESSOR allow or permit LESSEE to remain on the Property after the expiration or termination of this lease, this shall not be construed as reconduction of this lease.

EFFECT OF LAW

The parties to this lease understand and agree that the provisions herein shall, between them, have the effect of law, but in reference to matters not provided herein, this lease shall be governed by the laws of the State of Louisiana.

THUS, EFFECTIVE at Webster Parish, Louisiana, in triplicate, on the day aforesaid.

STATE OF LOUISIANA MILITARY DEPARTMENT

By: [Signature]

Its: CONTRACTING OFFICER

BEFORE ME personally appeared the above representative of the State of Louisiana, Military Department, who subscribed this Lease before me this 1 day of June, 2009.

[Signature] Eddy, Bosco
Notary Public 55228
Print Name: _____
Notary/Bar Roll #: _____

EXPLO SYSTEMS, INC.
By: [Signature]

Its: PRESIDENT

BEFORE ME personally appeared the above representative of Explo Systems, Inc., who subscribed this Lease before me this _____ day of _____, 2009.

Notary Public
Print Name: _____
Notary/Bar Roll #: _____

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pg 12

LA09-L-009

Lease

Eff: 1 May 2009

EXIHIBIT A
Tenant Use Fee

Building	Sq. Ft.	Annual Rate \$/sq.ft.	Monthly Rate \$/sq.ft.	Total/Mo.	Total/Yr.
L-3 2324-2327	6,904	\$2.50	\$0.2083	\$1,438.33	\$17,260.00

Enc 3
pg 13

AMENDMENT NO. 1

To

FACILITY USE AGREEMENT

Between

Louisiana Military Department

And

Explo Systems, Inc

This Amendment is entered into this ^{th 2010} 27 October, 2005, by and between the Louisiana Military Department ("Lessor") and Explo Systems, Inc. ("Tenant") concerning the Facility Use Agreement dated 4 November, 1999⁸ for property listed in exhibit A and B and all amendments thereafter.

Amend the Facility Use Agreement to reflect:

1. The change of the Lessor to be the Louisiana Military Department,
2. Change of the name of the facility from the Louisiana Army Ammunition Plant to Camp Minden,
3. Removal of two (2) lift trucks (\$2,400/year each rental cost)
4. Inclusion of Building 1726 (7,500 sq. ft.) as reflected in the Facility Use Agreement signed 6 March 2001. An additional 21,412, sq. ft. was added to reflect the lease of the entire building at no additional cost.

All other terms of this Agreement remain **unchanged**.

~~CONFIDENTIAL~~

Encl 4
pg 1

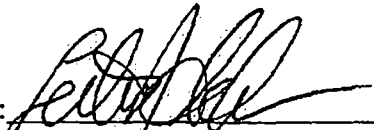
10/27/05


DS
BSS

IN WITNESS WHEREOF, intending to be legally bound hereby, the parties hereto have caused this lease to be executed by their duly authorized representatives the day and year first written above.

Louisiana Military Department
"Lessor"

Explo Systems, Inc.
"Tenant"

By: 
COL Lester Schmidt
State Contracting Officer

By: 
David Smith
Vice-President

Encl 4
pg 2
10/27/05
RSJ

Exhibit A
Buildings and Structures

Facility Use Agree
Between LWD
and Explo
Effe 27 Oct 20

- | | |
|----------------------|---|
| 1. Area E | Building 1702 Line Offices
1703 Change House/Boiler room
1704 Change House
1705 Sewerage Pump Station
1715 Shipping Platform
1717 Rest Rooms
1719 Melt/Pour Building
1730 Hot Water Heater Building
1731 Vacuum Pump House
1743 Electric Power Plant
1744 Red Water Filter Building |
| 2. Magazine Area L-2 | 2401-2443; 2461-2478 |
| 3. Magazine Area L-3 | 2361-2364 |
| 4. Equipment Rental | See attached list |

Encl 4
pg 3

10/27/05 As AG

EXHIBIT B
TENANT USE FEE

Facility Use Agreement
Between HMD
and Explo
Eff 27 Oct 2005

Building Summary:

<u>Building</u>	<u>Sq. Ft.</u>	<u>Annual Rate</u>	<u>Monthly Rate</u>	<u>Total/Mo.</u>
1. Area E 1702-1705, 1715, 1717, 1719, 1730, 1731, 1743, 1744, 1726	74,127	\$1.82/sq.ft.	\$0.1517/ sq.ft.	\$11,250.00
2. Area L-2 2401-2443, 2465- 2478	114,302	\$0.699/sq.ft.	\$0.057/sq.ft.	\$6,666.66
Area L-3 2361-2364				
3 L-2 2461-2464	6846	\$0.500/sq. ft.	\$0.042/sq.ft.	\$285.25
4. Equipment Rental	See list	\$20,400.00		\$1,700.00
5. ARMS				\$2,387.92
			Total	\$22,289.83

Water Rate for building 1726 only = \$1.40/1000 gallons

Enc 4
pg 4
10/27/2005
ACS

LEASE AGREEMENT

THIS LEASE AGREEMENT is entered into this 4th day of November, 1998, by and between the **U.S. ARMY, INDUSTRIAL OPERATIONS COMMAND** ("hereinafter "Lessor") acting through **VALENTEC SYSTEMS INC.**, Lessor's Facility Contract Leasing Representative (hereinafter "Representative") and **DEMILEX INTERNATIONAL, LLC** (hereinafter "Lessee").

1. PROPERTY DESCRIPTION AND CONDITION

a. Property Description. Representative, as Lessor's Facility Contract Leasing Representative, represents that it has authority to, and warrants and agrees to lease to Lessee the real property located at the Louisiana Army Ammunition Plant (hereinafter "LAAP"), which real property is more particularly described on Exhibit "A" attached hereto and made a part hereof, together with all rights, privileges, easements, rights-of-ways and appurtenances belonging to or in any way pertaining thereto (the "Land"), together with the building and all appurtenant facilities serving the Land and/or said buildings exclusively, and all other improvements located on the Land (collectively the "Building") (hereinafter the Land and the Building being collectively referred to as the "Demised Premises").

b. Use. The Lessee shall use the Demised Premises to demil or reclaim obsolete munitions and for any other purpose permitted under applicable laws, ordinances, rules, regulations and this Agreement. Representative will provide the use of the Demised Premises to the Lessee immediately upon full execution of this Agreement. Representative warrants that the Lessee will have use of the Demised Premises twenty-four (24) hours a day, seven (7) days a

Encl 4
095

week, including holidays and predetermined shutdowns of the LAAP. Lessor or the Representative shall give Lessee at least forty eight (48) hours notice of any scheduled shutdown of the LAAP.

c. Condition of Demised Premises. Lessee agrees to accept said property on an "as is", "where is" basis. Representative's responsibility for maintenance and other services do not extend beyond those described in this Agreement. Lessee, as an independent contractor and not a representative of Lessor or Representative, agrees to conduct all activities in its own name and not to hold itself out as a representative of either Lessor or Representative.

2. LEASE TERM

a. Base Period. The term of this Agreement shall be for a base period of 10 years beginning at 12:01 a.m. on 1 January, 1999 and ending at 12:00 a.m. on 31 December, 2008.

b. Extension. This Agreement, at Lessee's option, may be renewed for an additional period of two (2) five (5) year periods. Lessee must advise Representative in writing, at least (120) days prior to the base period expiration date, of Lessee's intent to extend the lease.

c. Right to Terminate. Notwithstanding anything to the contrary contained herein, Lessee shall have the right, at any time during the term of this lease or any extensions thereto, to terminate this lease upon ninety (90) days' prior written notice to Representative.

d. Vacating of Premises. At the expiration or earlier termination of the Agreement, including any extensions thereto, Lessee must leave the Demised Premises in good condition, less reasonable wear and tear, with respect to cleanliness, fixtures, contents and state of repair.

ENC 14
pg 6

Any personal property left by Lessee upon vacating the Demised Premises will be deemed abandoned and will be disposed of by Lessor or Representative as either sees fit.

e. Assignment and Subletting. This Agreement shall not be assigned nor shall the Demised Premises be sublet, without the prior written consent of Representative. Such consent shall not be unreasonably withheld or delayed. Lessee shall remain the primary obligor in the event of an assignment or subletting.

3. LEASE RATE AND FEES

a. Security Deposit. Lessee shall deposit with the Lessor a security deposit in the amount of \$18,166.00 (the "Deposit"): upon execution of this Agreement. To the extent not applied on account of a default, Representative shall return the Deposit to Lessee, at the expiration or earlier termination of this Agreement. This Deposit will not be used to pay any portion of Lessee's last month's Lease Fee, as defined below.

b. Lease Fee.

1) Lessee shall pay Representative a rent based on the square feet leased per each twelve (12) month period as set forth on Exhibit B (hereinafter the "Lease Fee").

2) The Lease Fee will be paid monthly, in advance, and is due on the first day of each month during the Term.

3) A grace period of ten (10) days will be allowed. Thereafter, a late charge of five percent (5%) will be assessed.

c. Taxes. Lessee shall be responsible for any and all taxes on Lessee's income that are due to local, state and federal governments and any other taxes associated with Lessee's operation as a result of Lessee's activities.

Enc 14
p97

d. Payment Address. All Lease Fees are payable to: Valentec Systems Inc., P.O. Box 710369, Cincinnati, Ohio 45271-0369.

4. UTILITIES AND INFRASTRUCTURE

a. Electricity/Gas. Lessor agrees to maintain the Demised Premises' infrastructure in a state of readiness and repair to permit uninterrupted service by Lessee of electricity, and natural gas. Electricity and natural gas fee will be metered usage at actual local utility supplier rates, plus 5% administrative handling fee.

b. Telephone. If Lessee does not contract directly with a private provider, Lessee agrees to pay a monthly fee for use of the Building's telephone equipment. This fee covers local area and internal calls. Lessee agrees to pay actual charges for all long distance calls. The monthly fee, additional equipment installation, and optional services will be billed at actual costs plus 5%.

c. Roads. Lessor shall maintain access roads to the Demised Premises in a condition that will permit use for normal vehicle traffic.

d. Refuse Removal. No refuse removal service will be provided. Lessee shall arrange for removal of its wastes from the Demised Premises and shall ensure that such wastes are disposed of in accordance with applicable federal, state and local laws, regulations and/or ordinances.

5. MAINTENANCE, FACILITY ACCESS, ENTRY, AND SAFETY

a. Maintenance and Other Services.

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1) Except for maintenance of the access roads as provided in Paragraph 4c, no exterior building maintenance or ground maintenance will be provided by Lessor or Representative.

2) Lessee is required to maintain the Demised Premises in good condition. This includes the implementation of good housekeeping and good grounds keeping practices. Lessee will be responsible for all normal and routine maintenance within the Demised Premises.

3) Lessee shall have no responsibility for abnormal maintenance, defined as those maintenance actions exceeding \$10,000 per occurrence. If an abnormal maintenance action is required for Lessee to continue business, Lessor and/or Representative will attempt to obtain ARMS Funding to cover the action. If Lessor and/or Representative is unable to obtain ARMS Funding, Lessee may, at its election:

- a.) Accept the condition and continue business on the Demised Premises;
- b.) Terminate the lease for convenience and vacate the Demised Premises; or
- c.) Move to an alternate mutually agreeable site on the LAPP.

b. Badges and Vehicle Registration for Facility Access. Lessee's employees are required to obtain photo badges and vehicle permits to enter the LAAP facility. Normal badging/registration hours are 7:00 a.m. to 4:30 p.m., Monday through Thursday, excluding holidays and predetermined shutdowns. There is a ten dollar (\$10.00) charge to issue the initial badge. Lessee is responsible for all badges issued to its employees. Lost or stolen badges must be reported to Lessor immediately. Temporary badges are available to Lessee's employees for a period of up to two (2) days. After two (2) days, a replacement photo badge must be obtained

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for a charge of \$30.00 each. When an employee is terminated, the badge must be returned to Representative's Security Department. Under no condition may a badge issued to one employee be used by another employee.

c. Plant Entry.

1) All employees must display an approved personnel badge and vehicle permit upon entry to the LAAP. All visitors must obtain a Temporary Visitor Badge and Car Pass at the entrance gate.

2) Entry to, and exit from, the LAAP will normally be via Gate 4. Normal gate hours are Monday through Friday from 6:00 a.m. to 5:30 p.m., excluding holidays and predetermined weekly shutdowns. Entry or exit at any other time may be accomplished by calling the guard on duty from the gate security telephone.

3) No firearms of any kind are permitted on the plant site. Cameras, with prior consent, may be used for Lessee related business.

4) All personnel will be subject to a vehicle search (for contraband, weapons, etc.) upon entering and exiting the LAAP.

d. Rules and Regulations – Safety and Security.

1) All applicable safety and security rules and regulations of the facility will apply to Lessee's employees while on the facility.

2) Lessor/Representative will furnish to Lessee a copy of these rules and regulations and it will be the responsibility of Lessee to provide a copy to Lessee's employees and ensure that Lessee's employees adhere to them. Repeated violations by

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Lessee or Lessee's employees may bar such employee or employees from further entry to the LAAP.

3) Lessee shall inform Lessee's employees of the above requirements and that failure to adhere to such requirements may bar Lessee and Lessee's employees from further entry to the LAAP.

e. Building Security/Emergency Service. Lessee is responsible for securing the Demised Premises. Lessor maintains twenty-four (24) hour security on the LAAP perimeter. Law enforcement, fire fighting and emergency medical service will not be provided by Lessor/Representative. Lessor/Representative represents and warrants that community provided fire fighting and emergency medical service will be provided immediate and unrestricted access to the LAAP and the Demised Premises in the event of an emergency.

f. Safety.

1) Lessee's employees shall observe and obey all posted traffic rules while on the facility.

2) Lessee is responsible for compliance with all federal, state and local safety regulations.

3) Lessee will comply with all applicable Occupational Safety and Health Standards Act (OSHA) requirements and with all federal and state safety regulations.

6. ENVIRONMENTAL REQUIREMENTS

a. Clean Air and Clean Water Acts. Lessee agrees to comply with all the requirements of Section 114 of the Clean Air Act (42 U.S.C. 7414) and section 308 of the Clean Water Act (33

U.S.C. 1318) relating to inspection, monitoring, entry, reports and information, as well as other requirements specified in Section 114 and Section 308 of the Clean Air and Water Acts, and all regulations and guidelines which implement these provisions.

b. Fines and Penalties. Lessee agrees that all work performed under this Agreement will be in compliance with federal, state and local environmental and pollution abatement laws.

c. Violation. If it is determined that Lessee is violating an environmental law, Lessee will immediately suspend the operation causing the violation. Any fines, penalties and/or remediation costs resulting from Lessee's violation of federal, state or local laws will be the responsibility of Lessee.

7. **MODIFICATION/PROTECTION OF GOVERNMENT BUILDINGS,
SURROUNDING ENVIRONMENT AND WILDLIFE**

Lessee may make modifications to the property to meet business operation requirements. However, all leasehold improvements must be approved by Representative prior to the start of any modifications. Such approval shall not be unreasonably withheld or delayed. Further, all such modifications become the property of Lessor at the expiration or earlier termination of the lease, and shall remain with the Demised Premises. Lessee will use reasonable care to avoid damage to or destruction of buildings, equipment, wildlife and vegetation on the Demised Premises. If Lessee fails to use reasonable care and damages or destroys the property, replacement or repair cost will be the responsibility of the Lessee.

8. **INDEMNIFICATION**

a. Generally. Subject to Paragraph 8b below, Lessee shall indemnify and hold harmless Lessor/Representative from and against any and all claims, liabilities, obligations,

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damages, penalties, costs, charges and expenses, including reasonably attorneys' fees, which may be imposed upon or incurred by or asserted against Lessee/Representative and/or its authorized agents or employees by reason of any of the following which shall occur during the Term of this lease:

- 1) any work or act done in, on or about the Demised Premises or any part thereof at the direction of Lessee, its agents, contractors, subcontractors, employees, licensees or invitees, except if such work or act is done or performed by Lessor/Representative or their agents or employees;
- 2) any negligence or other wrongful act or omission on the part of Lessee or any of its agents, contractors, subcontractors, employees, subtenants, licensees or invitees;
- 3) any accident, injury or damage to any person or property occurring in, on or about the Demised Premises or any part thereof, unless caused by the gross negligence or willful misconduct of Lessor or Representative, their employees or agents; and
- 4) any failure on the part of Lessee to perform or comply with any of the covenants, agreements, terms, provisions, conditions or limitations contained in the lease on its part to be performed or complied with.

If any action or proceeding is brought against Lessor/Representative by reason of any of the above, Lessee upon notice from Lessor/Representative, shall defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor/Representative.

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b. Known Environmental Conditions from an Environmental Assessment.

Lessor/Representative and Lessee acknowledge that Remedial Investigation Report for the Preliminary Ground Water Site Investigations at Eight Load/Assembly/Pack Lines and three test areas, Initial Draft dated July 1997 and prepared by International Technology Corporation, a copy of which has been furnished to Lessee by Lessor/Representative, with respect to the Demised Premises discloses certain environmental conditions, including but not limited to minimal explosives contamination of soil and groundwater (herein after "Environmental Condition"). Lessor/Representative represents and warrants that there are no other Environmental Conditions on the Demised Premises at the time of the commencement of this Lease. Lessor/Representative shall indemnify and hold Lessee harmless from and against any and all claims, judgments, costs or damages which arise out of or with respect to matters disclosed in said Phase I/Limited Phase II Environmental Assessment and/or a breach of this representation and warranty.

c. Fees and Expenses. Each party shall be entitled to reasonable attorney's fees and expenses incurred in asserting or enforcing the indemnities granted herein. Each party shall further be entitled to any indemnity available at law in excess of or in addition to the indemnities contained herein.

d. Survival of Indemnification Obligations. The indemnity obligations contained in this Agreement shall inure to the benefit of the parents, subsidiaries, affiliates, and interrelated firms, companies, and corporations of the parties, whether now in existence or formed later, their respective officers, directors, representatives, and employees, and all references to "Lessor", "Representative", "Lessor/Representative" and "Lessee" in this Agreement shall be deemed to include all parents, subsidiaries, affiliates, and interrelated firms, companies, and corporations of

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such parties, whether now in existence or formed later. The terms and conditions of this Paragraph 8 shall survive the termination or expiration of this lease.

9. INSURANCE

Lessee shall, for the duration of this Agreement, obtain and maintain in full force and effect, at its own cost, Worker's Compensation, Automobile Liability, Comprehensive General Liability (including Contractual Liability), Umbrella Liability and Fire Insurance with limits and conditions as set forth in "Exhibit C", attached hereto and made a part hereof. Such insurance shall name Representative as an additional insured, grant waiver of subrogation, and provide Representative with thirty (30) days' prior notice of cancellation, material change, or non-renewal. All insurance shall be primary and not contributory with any other insurance maintained by Representative, and all premiums, retention, and/or deductibles shall be at the sole cost and expense of Lessee. All insurance shall be evidenced annually on a Certificate of Insurance and provided to Representative.

10. DEFAULTS, REMEDIES

a. Act of Default. During the Term of this lease, any one or more of the following acts or occurrences shall constitute a default (hereinafter an "Event of Default"):

- 1.) Lessee shall default in making any payment of the Lease Fee or any other payment due under the lease, when the same shall become due and payable, and such default shall continue for a period of thirty (30) days after written notice from Lessor or Representative that such payment is due and unpaid; or

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2.) Lessee shall default in the performance of or compliance with any of the other covenants, agreements, terms or conditions of this lease to be performed by Lessee (other than any default curable by payment of money), and such default shall continue for a period of forty-five (45) days after written notice thereof from Lessor or Representative to Lessee, or, in the case of a default which cannot with due diligence be cured within forty-five (45) days, Lessee shall fail to proceed promptly (except for unavoidable delays) after the giving of such notice and with all due diligence to cure such default and thereafter to prosecute the curing thereof with all due diligence (it being intended that as to a default not susceptible of being cured with due diligence within forty-five (45) days, the time within which such default may be cured shall be extended for such period as may be reasonably necessary to permit the same to be cured with all due diligence).

b. Lessor's Remedies. If, during the Term, an Event of Default shall have occurred and be continuing beyond all applicable notice and cure periods, Lessor shall have the right at its option, in addition to all other rights and remedies provided at law or in equity, by written notice to Lessee designate a date, not less than thirty (30) days after the giving of such notice, on which this lease shall terminate; and thereupon, on such date the Term of this lease and the estate hereby granted shall expire and terminate upon the date specified in such notice, with the same force and effect as if the date specified in such notice was the date hereinbefore fixed for the expiration of the Term of this lease, and all rights of Lessee hereunder shall expire and terminate.

11. SUCCESSOR FACILITY CONTRACTOR

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Representative has been granted authorization to lease the above-described property and facilities under Facility Use Contract DAAA09-97-G-0005 dated December 3, 1997. In the event that this contract is terminated for any reason by either the U.S. Army Industrial Operations Command or by Valentec System Inc., the obligations of the Facility Contracting Leasing Representative will transfer to and be assumed by the U.S. Government, or, at the Government's option, a substitute contractor as directed by the Government.

12. MISCELLANEOUS

a. Contract Amendments and Adherence. This Agreement represents the entire agreement between the parties hereto concerning this subject matter, and supersedes all other understanding, commitments, and agreements, whether oral or in writing. This Agreement shall be amended only in writing executed by authorized individuals of both parties. No waiver of the terms and conditions hereof at any time or instance shall constitute a general waiver or preclude subsequent or prior enforcement.

b. Severability. Each provision contained in this lease shall for all purposes be construed to be separate and independent and the breach of any such provision by either party to this lease shall not discharge or relieve the other from its obligation to observe and perform each provision of this lease. If any term or provision of this lease, or the application thereof to any person or circumstance, shall to any extent be determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this lease, and the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each such invalid or unenforceable provision of this lease shall be deemed amended only to such extent as shall be necessary to render it valid and enforceable.

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c. Notices. Any notice, communication, request, reply or advice (heretofore and hereinafter severally and collectively, for convenience, called "notice") in this lease provided or permitted to be given, made or accepted by either party to the other must be in writing, and may be given or be served by depositing the same in the United States mail, postage prepaid and certified and addressed to the party to be notified, with return receipt requested, or by delivering the same in person to such party, or, if the party or parties to be notified be incorporated, to an officer of such party, or by prepaid telegram, when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner herein described shall be effective, unless otherwise stated in this lease, from and after the expiration of three (3) days after 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 a party shall, until changed as herein provided, be the addresses indicated for such party listed below. However, the parties hereto and their respective heirs, successors, legal representatives and permitted assigns shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address upon not less than fifteen (15) days' written notice to the other party.

To Lessor:

To Representative: Valentec Systems,
Inc. 2618 York Avenue
Minden, LA 71055

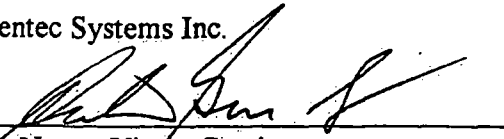
To Lessee: Demilex, International, LLC
1702 Fourth Street
Minden, LA 71055

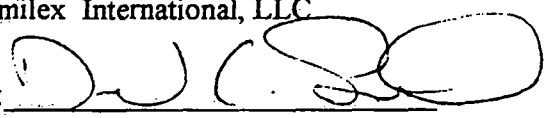
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d. Captions. The captions appearing in this lease are inserted and included solely for convenience and shall never be considered or given any effect in construing this lease, or any provision or provisions hereof, or in connection with the duties, obligations or liabilities of the respective parties hereto or in ascertaining intent, if any question of intent exists.

e. Force Majeure. Neither party shall be liable for its failure to perform under this Agreement, if such failure to perform is due to causes beyond its control, including, but not limited to, fires, floods, wind storms, ice storms, labor disputes, court orders, and any acts or demands of any person or agency exercising governmental control.

IN WITNESS WHEREOF, intending to be legally bound hereby, the parties hereto have caused this lease to be executed by their duly authorized representatives the day and year first written above.

Valentec Systems Inc.
By: 
Print Name: Victor Guadagno
Title: President

Demilex International, LLC
By: 
David Smith
Managing Director

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Lease Agreement
Between US Army
and DEMILEX
eff 4 Nov 1998

EXHIBIT A
Buildings and Structures

1. Area E

- Building 1701 Change House/Cafeteria
- 1702 Line Offices
- 1703 Change House / Boiler Room
- 1704 Change House
- 1705 Sewerage Pump Station
- 1717 Rest Rooms
- 1719 Melt / Pour Building
- 1730 Hot Water Heater House
- 1731 Vacuum Pump House
- 1743 Electric Power Plant
- 1744 Red Water Filter Building

2. Magazine Area L-2

43 Igloos @ 1756 Sq. Ft.

75,508 Sq. Ft.

4 17 Igloos @ 2282 Sq. Ft.

38,794 Sq. Ft. 31,000

114,302 Sq. Ft. 7,500

3. Equipment See Attached

47,000
116,500

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**EXHIBIT B
LEASE FEE**

Proposal for the lease of buildings and selected equipment located in E Line, Louisiana AAP.

Term: Ten (10) Years with Two (2), Five (5) Year options. Annual payments constant for the initial 5 years, then escalated based upon the CPI.

Total square footage of space within E Line	60,000
Current Rental \$2.00 per square foot.	
Annual least cost	\$120,000
Total square footage of Igloo space requested	114,302
Annual lease cost	\$80,000
Equipment rental	\$18,000
Total annual lease	\$218,000

Water and sewage are included in lease price. Electricity and Natural Gas will be at metered rate plus 5% administrative handling fee. We recommend you obtain your own telephone service, however, we can provide service for actual cost plus 5% handling fee.

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EXHIBIT C

Insurance Requirements

Each Lessee leasing property must have its insurance representative or broker give Representative each year upon insurance renewal, evidence of the following listed minimal insurance coverages, limits, and amounts on a Certificate of Insurance form:

1. Worker's Compensation

Benefits – Statutory for State of Hire

Employers Liability (Coverage B) - \$100,000

Voluntary Compensation Endorsement

Stop-Gap Endorsement

Alternate Employers Endorsement

Waiver of Subrogation

2. Comprehensive General Liability

Combined Single Limit per occurrence

Contractual Liability including coverage for indemnity provisions of all contracts between Lessee and Lessor

Personal Injury

Bodily Injury

Products and Completed Operations

Broad Form Property Damage

Additional Insured

Waiver of Subrogation

3. Comprehensive Automobile Liability

\$500,000 Combined Single Limits per occurrence

Coverage including:

- a) All owned vehicles
- b) Non-owned vehicles
- c) Hired vehicles

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Additional insured
Waiver of Subrogation

4. Fire Insurance

Fire insurance in the amount of \$

Additional Insured

Waiver of Subrogation

(Lessee will be responsible for increasing value in an amount equal to leasehold improvements)

5. Excess/Umbrella/Bumbershoot Liability

5,000,000 Combined Single Limit per occurrence

Excess above all requirements 1 (Employers Liability), 2 and 3

It is required that the insurance's described above provide Representative thirty (30) days' prior written notice by certified mail if any of the insurance is canceled or materially changes prior to the expiration date stated.

Except for Worker's Compensation, Representative and its directors, officers, authorized representatives, and employees, while acting with the scope of their authority, are named as additional insureds, but only as respects all operations of the Lessee on the Demised Premises. The above insurance shall be primary and not contributing with any other Insurance maintained by any additional insureds.

In the event of one insured incurring liability to any other of the insureds, the policy covers the insured against whom claim is or may be made in the same manner as if separate policies had been issued to each insured. It being understood that such inclusion shall not operate to increase the Insurance Company's limits of liability.

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Contractual liability coverage applies to "hold harmless" provisions of any agreement(s) or contracts(s) between Lessee and Representative, such agreement(s) or contract(s) being incorporated herein by reference.

The above described insurance policies have been endorsed to waive any right of subrogation against Lessor, Representative, and their authorized officers, directors, employees, and insurers.

General Conditions

Regarding the above policies, in those cases where the Lessee does not have the required limits provided by any required policies, but does have Umbrella coverage or Excess coverage, then the combined primary and excess coverage must be equal to or exceed the required limits.

All insurance coverages set forth in this Agreement shall be at the sole cost and expense of the Lessee and all deductibles shall be assumed by, fully payable by, for the account of, and at Lessee's sole risk

The requirement by Representative that certificates of insurance be furnished as evidence of certain minimum insurance coverages shall in no way whatsoever be interpreted as limiting the liability of any party, nor does Representative, by requiring or approving certain minimum insurance coverages, assume or intend to assume any liability that it would not otherwise have in the absence of such requirement or approval.

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All insurance will be written on an occurrence form.

All underwriting companies must be rated in Best's Key Rating Guide as A or A+ Class IX or higher. Policies written with other companies will not be accepted.

Representative has the right under this Agreement to request and be furnished by Lessee's insurance representative or broker a certified copy of all policies required by Lessor. Failure to provide Representative with these policies of insurance within four (4) weeks from date of Representative's request will cause this Agreement to automatically terminate.

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Demilex Equipment Listing

Building Number	Building Designation	Property Number
1703	Change House & Boiler Room	
	Compressor, Air	49047
	Compressor, IR 261	65861
	Compressor, Air, KLE2	41125
	Tower, Cooling, Delta	68987
	Pump, Boiler Feed	81924
	Pump, Boiler Feed	81926
	Pump, Boiler Feed	81927
	Pump, Chemical Inject	81928
	Pump, Chemical Inject	81930
	Pump, Chemical Inject	81931
	Pump, Scot E251	81932
	Pump, Chemical Inject	81968
	Cleaning, Sys, Boiler	92237
	Fan, 24'	36082
1705	Sewer Pump Station	
	Pump, Sewage, Gorman	87764
1707	Loading and Packing Building	
	Heater, Water Pick	49425
	Fan, 48'	76376
	Fan, 48'	76378
	Fan, 48'	76381
	Fan, 48'	76382
	Fan, 36', Window	76298
1712	Fan, 36', Window	76317
	Fan, 36', Window	76318
	Fan, 36', Window	76319
	Fan, 36', Window	76320
1716	Fan, 36' Window	57293
	Fan, Attic, 60'	76282
	Fan, 36', Window	76308
	Fan, 36', Window	76309
1719	Melt and Pour Building	
	Recorder, Temp Control	2148
	Recorder, Temp Control	14491
	Separator, Hoffman	22373
	Vacuum, Port, Hoff	41829
	Washer, Air Amer. Blwr	47810
	Motor, 10 HP	48924.
	Blower, American #245	48968

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Demilex Equipment Listing

Building Number	Building Designation	Property Number

	Washer, Air, Amer Blwr	48976
	Cooler, Water, Fir Mtd	55509
	Motor, 15 HP	56403
	Feeder, AF-34-A	60282
	Feeder, AF-34-A	60283
	Exhauster, Hoffman 15	60508
	Separator, Hoffman	60724
	Separator, Hoffman	60725
	Power Unit, Dover	61074
	Scale	61339
	Tester, Load cell sys	61358
	Tester, Load cell sys	61359
	Hoist, Air, Thor, 1T	62556
	Kettle, 350 Ga; Mlt	63638
	Kettle, 350 Gal Mlt	63639
	Kettle, 350 Gal Mlt	63640
	Kettle, 350 Gal Mlt	63641
	Drive, Rel, 2 HP	63692
	Recorder, PH Honeywell	64088
	Recorder, PH Honeywell	64089
	Vacuum, Steam Alroy	64491
	Vacuum, Steam Alroy	64492
	Vacuum, Steam Alroy	64493
	Vacuum, Steam Alroy	64494
	Pump, Stainless Steel	64766
	Pump, Stainless Steel	64770
	Motor, 20 HP	64884
	Receiver, Manchester	66530
	Fan, NYB 12519scfm	66806
	Fan, NYB 19scfm	66807
	Fan, 36" window	76279
	Canister, Stretcher	76280
	Pump, Water B & G	76281
	Pump, Water B & G	76287
	Pump, Water B & G	76288
	Clock, Wall Electric 110 V	76289
	Crane, Jib	76449
	Crane, Jib	76450
	Pump, Sump, Cleco	81706
	Pump, Vacuum Sihi	81922

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Demilex Equipment Listing

Building Number	Building Designation	Property Number
	Pump, Vacuum Sihi	81923
	Stand, Terminal	85635
	Fan, NYB, 1251SCFM	66806
	Fan, NYB, 1251SCFM	66807
	Fan, 36' Window	76279
1720	Fan, Amer Std	38220
1724	Fan, Bar-Brook, 20'	76472
	Fan, 36', Window	76517
1726	Fan, 36' Window	76291
	Fan, 36' Window	76293
	Fan, 36' Window	76504
1730	Hot Water Heater House	
	Compressor, Quincy	64383
	Dryer Air, Puregas	64401
	Fan, 36' window	76501
	Cabinet, Wood, Shopmade	88925
	Fan, 36' Window	76501
1731	Vacuum Pump House	
	Exhauster, Hoffman 10	8320
	Separator, Hoffman	22374
	Separator, Hoffman	22376
	Exhauster, Hoffman 15	56402
1743	Electric Power Plant	
	Dryer Air, Refig.	66868
1744	Red Water Filter Building w/Equipment	
	Sampler, W. Flowmeter	84844
1726	Assembly Building	
	Scales	64514
E-Line	Emergency Generators	
	Conveyors 200 meters	
S-1608	Cleaning & Preparation Building	
	Truck, Jacklift	61377
	Truck, Jacklift	61379
	Truck, Jacklift	61381
	Truck, Jacklift	61383
	Truck, Jacklift	61396
	Truck, Jacklift	61400
S-1610	Melt Pour Building	
	Truck, Hopper, 4 wheel	28832
	Truck, Hopper, 4 wheel	28834

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Demilex Equipment Listing

Building Number	Building Designation	Property Number
	Truck, Hopper, 4 wheel	38836
	Truck, Hopper, 4 wheel	28837
	Truck, Hopper, 4 wheel	28840
	Truck, Hopper, 4 wheel	28841
	Truck, Hopper, 4 wheel	28842
	Truck, Hopper, 4 wheel	28843
	Truck, Hopper, 4 wheel	28844
	Truck, Hopper, 4 wheel	28845
	Truck, Hopper, 4 wheel	28847
	Truck, Hopper, 4 wheel	28849
	Melt, Unit TNT	66618
	Melt, Unit TNT	66619
	TNT, Crusher	60186
	TNT, Crusher	60246
	Fans, Overhead (6)	
	Chillers (4)	
S-1619	Second Pour Cooling & Funnel Building	
	Melt Unit, w/Reservoir	66625
	Melt Unit, w/Reservoir	66626
	Kettle, Melt, Groen #2	66627
	Kettle, Melt Groen #1	66628
	Double Wall Pipe 100MM, 150MM, 100 meters	
	Air Ducts	
B-1454	Mobile Equipment Repair Shop	
	Press Arbor # 3 - 12" travel	31461
B-1433	Allied Trades Building	
	Press, Arbor	71895
L-2	Igloo Storage Area	
	Copper Loy Ramp	83468
	Copper Loy Ramp	83187
	Dock Board	75538
	Dock Board	80968
Y-2630	Machine Shop	
	Press Arbor	25332

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DISTANCE	MAX WT	CUR WT	MATERIAL	COUNT	MAGAZINE	AREA
			128 BLACK POWDER			2471 L-2
			128 BLACK POWDER Total			
150	65,000		120,960 CBI	1		2419 L-2
150	65,000		114,336 CBI	1		2432 L-2
150	65,000		85,594 CBI	1		2471 L-2
			320,890 CBI Total			
150	65,000		261,000 FLAMMABLE SOLID	1		2412 L-2
			253,800 FLAMMABLE SOLID			2468 L-2
150	65,000		158,400 FLAMMABLE SOLID	1		2470 L-2 ✓
			246,300 FLAMMABLE SOLID			2472 L-2
			221,400 FLAMMABLE SOLID			2473 L-2
			219,600 FLAMMABLE SOLID			2475 L-2
			54,000 FLAMMABLE SOLID			2476 L-2
150	65,000		255,600 FLAMMABLE SOLID			2477 L-2
150	65,000		146,700 FLAMMABLE SOLID	1		2463 L-2
			1,816,800 FLAMMABLE SOLID Total			
>385	300,000		109,200 M-30 PROPELLANT	1		2421 L-2
			109,200 M-30 PROPELLANT Total			
>385	300,000		15,600 M-6 100# BRL	1		2317 L-3
212	120,000		8,400 M-6 100# BRL	1		2362 L-3
			3,000 M-6 100# BRL			2414 L-2 ✓
150	65,000		7,200 M-6 100# BRL	1		2439 L-2
			600 M-6 100# BRL			2443 L-2
150	65,000		18,000 M-6 100# BRL	1		2469 L-2 ✓
			52,800 M-6 100# BRL Total			
			4,320 M-6 120# BRL			2439 L-2
			4,320 M-6 120# BRL Total			
			13,794 M-6 121# BRL			2317 L-3
			726 M-6 121# BRL			2362 L-3
			726 M-6 121# BRL			2414 L-2 ✓
150	65,000		62,436 M-6 121# BRL	1		2428 L-2 ✓
			76,230 M-6 121# BRL			2439 L-2
			2,178 M-6 121# BRL			2443 L-2
			2,904 M-6 121# BRL			2469 L-2 ✓
			158,994 M-6 121# BRL Total			
>385	300,000		242,760 M-6 140# BRL	1		2306 L-3
212	120,000		53,760 M-6 140# BRL	1		2310 L-3
			155,400 M-6 140# BRL			2317 L-3
>385	300,000		188,160 M-6 140# BRL	1		2318 L-3
>385	300,000		204,480 M-6 140# BRL	1		2324 L-3
>385	300,000		203,280 M-6 140# BRL	1		2326 L-3
>385	300,000		217,560 M-6 140# BRL	1		2327 L-3
212	120,000		124,320 M-6 140# BRL	1		2328 L-3
212	120,000		124,320 M-6 140# BRL	1		2329 L-3
212	120,000		79,800 M-6 140# BRL	1		2361 L-3
			48,720 M-6 140# BRL			2362 L-3

AS OF 4/30/13

ENCL #5

DISTANCE	MAX WT	CUR WT	MATERIAL	COUNT	MAGAZINE	AREA
			66,360 M-6 140# BRL			2362 L-3
212	120,000		124,320 M-6 140# BRL	1		2363 L-3
150	65,000		124,320 M-6 140# BRL	1		2404 L-2
>385	300,000		234,360 M-6 140# BRL	1		2414 L-2
			47,880 M-6 140# BRL			2421 L-2
			21,280 M-6 140# BRL			2428 L-2
			41,160 M-6 140# BRL			2428 L-2
>385	300,000		172,200 M-6 140# BRL	1		2430 L-2
			23,520 M-6 140# BRL			2430 L-2
>385	300,000		166,320 M-6 140# BRL	1		2435 L-2
>385	300,000		240,240 M-6 140# BRL	1		2437 L-2
			13,440 M-6 140# BRL			2439 L-2
			23,520 M-6 140# BRL			2439 L-2
			1,120 M-6 140# BRL			2443 L-2
			96,600 M-6 140# BRL			2443 L-2
			32,480 M-6 140# BRL			2469 L-2
			71,400 M-6 140# BRL			2469 L-2
			124,960 M-6 140# BRL			2470 L-2
150	65,000		124,080 M-6 140# BRL	1		2472 L-2
150	65,000		33,600 M-6 140# BRL	1		2474 L-2
150	65,000		52,920 M-6 140# BRL	1		2475 L-2
			3,478,640 M-6 140# BRL Total			
	111,000		293,760 M-6 60# BOX	1		501 L-4
			293,760 M-6 60# BOX			502 L-4
	111,000		295,920 M-6 60# BOX	1		503 L-4
	111,000		172,800 M-6 60# BOX	1		504 L-4
	111,000		172,800 M-6 60# BOX	1		505 L-4
	111,000		285,120 M-6 60# BOX	1		506 L-4
	111,000		293,760 M-6 60# BOX	1		507 L-4
	111,000		298,080 M-6 60# BOX	1		508 L-4
	111,000		295,920 M-6 60# BOX	1		509 L-4
			155,520 M-6 60# BOX			2301 L-3
			170,640 M-6 60# BOX			2303 L-3
			166,320 M-6 60# BOX			2304 L-3
			168,480 M-6 60# BOX			2308 L-3
			235,440 M-6 60# BOX			2311 L-3
>385	300,000		259,200 M-6 60# BOX	1		2312 L-3
212	120,000		54,000 M-6 60# BOX	1		2319 L-3
212	120,000		53,640 M-6 60# BOX	1		2320 L-3
			54,000 M-6 60# BOX	1		2321 L-3
>385	300,000		168,480 M-6 60# BOX	1		2322 L-3
>385	300,000		291,600 M-6 60# BOX	1		2323 L-3
>385	300,000		168,480 M-6 60# BOX	1		2325 L-3
>385	300,000		170,640 M-6 60# BOX	1		2401 L-2
150	65,000		239,760 M-6 60# BOX	1		2402 L-2
150	65,000		170,640 M-6 60# BOX	1		2403 L-2

AS OF 4/30/13

DISTANCE	MAX WT	CUR WT	MATERIAL	COUNT	MAGAZINE	AREA
150	65,000		138,240 M-6 60# BOX	1	2407	L-2 ✓
150	65,000		159,840 M-6 60# BOX	1	2410	L-2 ✓
150	65,000		84,240 M-6 60# BOX	1	2415	L-2 ✓
150	65,000		54,000 M-6 60# BOX	1	2416	L-2 ✓
>385	300,000		250,560 M-6 60# BOX	1	2417	L-2 ✓
150	65,000		54,000 M-6 60# BOX	1	2420	L-2 ✓
150	65,000		54,000 M-6 60# BOX	1	2423	L-2 ✓
>385	300,000		259,200 M-6 60# BOX	1	2429	L-2 ✓
150	65,000		54,000 M-6 60# BOX	1	2431	L-2 ✓
>385	300,000		299,376 M-6 60# BOX	1	2436	L-2 ✓
150	65,000		54,000 M-6 60# BOX	1	2440	L-2 ✓
>385	300,000		116,424 M-6 60# BOX	1	2443	L-2 ✓
			71,280 M-6 60# BOX		2475	L-2 ✓
			30,240 M-6 60# BOX		2477	L-2 ✓
			6,608,160 M-6 60# BOX Total			
111,000			1,760 M-6 880# BULK	1	502	L-4 ✓
			74,800 M-6 880# BULK		504	L-4 ✓
			82,720 M-6 880# BULK		505	L-4 ✓
212	120,000		94,160 M-6 880# BULK	1	2234	L-1 ✓
212	120,000		124,960 M-6 880# BULK	1	2249	L-1 ✓
212	120,000		124,960 M-6 880# BULK	1	2250	L-1 ✓
>385	300,000		63,360 M-6 880# BULK	1	2301	L-3 ✓
>385	300,000		145,200 M-6 880# BULK	1	2302	L-3 ✓
>385	300,000		72,160 M-6 880# BULK	1	2303	L-3 ✓
>385	300,000		72,160 M-6 880# BULK	1	2304	L-3 ✓
>385	300,000		72,160 M-6 880# BULK	1	2308	L-3 ✓
			70,400 M-6 880# BULK		2310	L-3 ✓
>385	300,000		17,600 M-6 880# BULK	1	2311	L-3 ✓
			70,400 M-6 880# BULK		2319	L-3 ✓
			70,400 M-6 880# BULK		2320	L-3 ✓
212	120,000		70,400 M-6 880# BULK	1	2321	L-3 ✓
			68,640 M-6 880# BULK		2322	L-3 ✓
			68,640 M-6 880# BULK		2325	L-3 ✓
			17,600 M-6 880# BULK		2403	L-2 ✓
150	65,000		124,080 M-6 880# BULK	1	2405	L-2 ✓
150	65,000		120,560 M-6 880# BULK	1	2406	L-2 ✓
			17,600 M-6 880# BULK		2407	L-2 ✓
150	65,000		146,080 M-6 880# BULK	1	2408	L-2 ✓
150	65,000		145,200 M-6 880# BULK	1	2409	L-2 ✓
			42,240 M-6 880# BULK		2410	L-2 ✓
150	65,000		124,080 M-6 880# BULK	1	2411	L-2 ✓
150	65,000		124,960 M-6 880# BULK	1	2413	L-2 ✓
			38,720 M-6 880# BULK		2415	L-2 ✓
150	65,000		70,400 M-6 880# BULK	1	2416	L-2 ✓
>385	300,000		36,960 M-6 880# BULK	1	2417	L-2 ✓
>385	300,000		146,080 M-6 880# BULK	1	2418	L-2 ✓

AS OF 4/30/13

DISTANCE	MAX WT	CUR WT	MATERIAL	COUNT	MAGAZINE	AREA
150	65,000	70,400	M-6 880# BULK	1	2420	L-2 ✓
		39,600	M-6 880# BULK		2421	L-2 ✓
>385	300,000	135,520	M-6 880# BULK	1	2422	L-2 ✓
150	65,000	70,400	M-6 880# BULK	1	2423	L-2 ✓
150	65,000	124,960	M-6 880# BULK	1	2424	L-2 ✓
150	65,000	124,960	M-6 880# BULK	1	2425	L-2 ✓
150	65,000	124,960	M-6 880# BULK	1	2426	L-2 ✓
150	65,000	124,960	M-6 880# BULK	1	2427	L-2 ✓
150	65,000	70,400	M-6 880# BULK	1	2431	L-2 ✓
150	65,000	124,960	M-6 880# BULK	1	2433	L-2 ✓
150	65,000	116,160	M-6 880# BULK	1	2438	L-2 ✓
150	65,000	70,400	M-6 880# BULK	1	2440	L-2 ✓
150	65,000	124,960	M-6 880# BULK	1	2441	L-2 ✓
>385	300,000	146,080	M-6 880# BULK	1	2442	L-2 ✓
150	65,000	124,960	M-6 880# BULK	1	2467	L-2 ✓
150	65,000	103,840	M-6 880# BULK	1	2468	L-2 ✓
		35,200	M-6 880# BULK		2471	L-2 ✓
150	65,000	96,800	M-6 880# BULK	1	2473	L-2 ✓
		89,760	M-6 880# BULK		2474	L-2 ✓
150	65,000	124,960	M-6 880# BULK	1	2476	L-2 ✓
		74,800	M-6 880# BULK		2477	L-2 ✓
150	65,000	124,960	M-6 880# BULK	1	2478	L-2 ✓
			4,763,440 M-6 880# BULK Total			
			200,380 NITROCELLULOSE		2361	L-3
150	65,000	95,638	NITROCELLULOSE	1	2462	L-2 ✓
150	65,000	67,160	NITROCELLULOSE	1	2463	L-2 ✓
150	65,000	139,556	NITROCELLULOSE	1	2465	L-2 ✓
150	65,000	155,696	NITROCELLULOSE	1	2466	L-2 ✓
			658,430 NITROCELLULOSE Total			
150	65,000	2,250	NITROCELLULOSE (fil	1	2462	L-2 ✓
			2,250 NITROCELLULOSE (fiber barrels) Total			
150	65,000		NO POUNDAGE LISTI	1	2434	L-2 ✓
			0 NO POUNDAGE LISTED Total			
212	120,000	147,044	TYPE 4 ¹	1	2364	L-3 ✓
			147,044 TYPE 41 Total			