

LEASE AGREEMENT

AGREEMENT made and entered into this 5 day of August, 2005, by and among Northstar Industries, Inc./Best Diversified Products, Inc. ("Northstar"), and the City of Jonesboro ("City").

WITNESSETH:

WHEREAS, Northstar is the owner of certain real property located in Jonesboro, Craighead County, Arkansas; and

WHEREAS, City is desirous of leasing said real property from Northstar.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, the parties agree as follows:

1. LEASE OF THE PROPERTY. Upon the terms and subject to the conditions contained herein, Northstar hereby leases unto City and City hereby leases and lets from Northstar certain real property, with buildings and improvements thereon, located at 107 Flint Street, Jonesboro, Arkansas, 72401 ("the Property").

2. IMPROVEMENTS. It is understood and acknowledged that the City desires to make certain additional improvements to the Property. It is further understood and agreed that any and all improvements shall be made by City at its sole cost and expense and subject to approval by Northstar. Further, all improvements shall become the Property of Northstar at the end of this Lease Agreement. The following improvements have been approved as of the execution of this Lease Agreement:

- (a) installation of a fence along the west side of the Property;
- (b) enlargement or installation of an additional overhead door;
- (c) raising sprinkler heads and lights; and
- (d) adding dock doors.

3. TERM.

(a) Original Term. This lease shall begin on the 5 day of August, 2005 (the "Commencement Date") and shall end at midnight on the 31st day of July, 2006.

(b) Option to Renew. City shall have the option to renew this Lease for two (2) additional, separate, successive six (6) month periods, upon the same terms and conditions as contained herein except as set forth below, provided, however City has given Northstar written notice of the exercise of said option at least thirty (30) days prior to the expiration of the then current term. In the event of a failure to provide timely notice of the exercise of the renewal option as provided, this lease shall terminate upon the expiration of the then current term.

4. RENT. City shall pay to Northstar a monthly rental for the Property in the amount of Five Thousand and 00/100 Dollars (\$5,000.00).

The first rental payment shall be due upon execution, with each monthly rental payment due on the 1st day of each subsequent month. Rental for the month of August, 2005 shall be pro-rated on a daily basis and paid upon execution of this Lease.

Unless otherwise notified by Northstar in writing, City shall make

payments of rent to Northstar as follows:

Monthly payments as set forth above payable to Northstar and mailed to
4929 Krueger Drive, Jonesboro, AR 72401

5. CONDITION OF PROPERTY. At the commencement of occupancy, City accepts the Property in its present condition. Upon termination of this lease, City agrees to surrender the Property to Northstar in the same condition as existed on the commencement of occupancy, ordinary and normal wear and tear excepted. However, in accordance with paragraph 2 of this Lease Agreement, both parties agree that all improvements shall be left with the Property at the termination of the Lease.

6. USE OF THE PROPERTY. City agrees that this property shall be used for the purpose of service to the citizens of Jonesboro, Arkansas. City hereby covenants that the Property, including all buildings and improvements thereon, shall during the term of this lease be used only and exclusively for lawful purposes, and no part of the Property or improvements thereon shall be used in any manner whatsoever for any purpose in violation of the laws of the United States, the State of Arkansas, or the ordinances or laws of the City of Jonesboro.

7. NUISANCES. City shall not create or allow any nuisance to exist on the Property and agrees to abate any nuisance caused or created by City that may arise promptly and free of expense to Northstar.

8. INSURANCE.

(a) Property Damage. During the term of this lease, Northstar shall maintain and keep in full force and effect, at its sole cost and expense, a standard comprehensive policy of property damage insurance with respect to the Property providing a minimum aggregate limit on coverage of not less than full replacement cost of the buildings and improvements thereon, such coverage to include the perils of fire, windstorm, and earthquake. Such policy shall name both the Northstar and City as insureds and shall provide coverage against casualties and perils normally covered by a standard extended coverage insurance policy for similar properties.

(b) Contents Damage. During the term of this lease, City shall be responsible for maintaining and keeping in force and effect, at its sole cost and expense, any policy of insurance on the City's personal property located in, at or on the Property

(c) Certificate of Insurance. Both parties shall furnish to each other upon request, and if not requested, at least annually, if applicable, (i) a certificate of insurance showing such insurance to be in full force and effect and (ii) proof that the premiums necessary to keep said insurance in full force and effect have been timely paid.

(d) Miscellaneous. Insurance required hereunder shall be with such companies and in such form as is reasonably satisfactory to Northstar. No such policy shall be cancelable or subject to reduction of coverage or other

modification except after ten (10) days' prior written notice to Northstar. City shall, within ten (10) days prior to the expiration of such policies, furnish Northstar with renewals or binders for renewal coverage.

9. RIGHT OF FIRST REFUSAL. In the event Northstar, during the term of this Lease, desires to sell the Property or receives an offer from a third-party for the purchase of the Property, Northstar shall give City the first opportunity to purchase the Property. In this regard, Northstar shall provide City notice of any terms and conditions of said sale/purchase of the Property and City shall have a period of fifteen (15) days to notify Northstar of its intention to purchase the Property on said terms and conditions or of its decision to not purchase the Property. If City desires to purchase the Property, then City shall have a period of thirty (30) days after such acceptance to close the transaction.

10. MAINTENANCE AND REPAIRS. City shall, at its sole cost and expense, maintain the Property in good order, condition, and repair, including, but not limited to, the interior and exterior walls, roof, electrical, heating, air conditioning, water and plumbing systems. Unless set forth in writing to the contrary, Northstar shall not have any obligation of any kind whatsoever in connection with the maintenance or repair of the Property.

11. UTILITIES. After the Commencement Date and during City's occupancy of the Property, City shall maintain and pay all utility services utilized on or with respect to the Property, including, but not limited to, utilities

relating to the electricity, gas, water, sewage, trash pickup, and telephone service.

12. REAL PROPERTY TAXES AND SPECIAL ASSESSMENTS.

Northstar shall be responsible for and shall pay all real property taxes and special assessments with respect to the Property during the term of this lease and any renewal hereof.

13. DAMAGES. City agrees to hold Northstar harmless from any and all claims for damages, accidents, or injuries to persons or property caused by City or resulting from or in connection with the City's use and occupancy of the Property during the term of this lease or any renewal thereof or while the City is otherwise occupying the Property.

14. RIGHT OF ENTRY. Northstar reserves the right during the term of this lease to enter the Property at reasonable hours and upon reasonable notice to City, which notice shall be waived in case of emergency, for the purpose of inspecting the Property and to make such repairs as Northstar may deem necessary for the protection and preservation of the Property.

15. EVENTS OF DEFAULT. Any one or more of the following events shall be deemed an event of default by City under this lease:

(a) failure by City to timely pay any installment of rent provided herein as and when due and payable or within ten (10) days thereof;

(b) City failing to comply with any term, provision, or covenants of this lease, other than the payment of rent, for a period of thirty (30) days after

written notice thereof has been given by Northstar;

(c) the breach of any representation or warranty of City contained herein;

(d) City deserting or vacating all or any substantial portion of the Property for a period of ten (10) days or more;

(e) City (I) suspending or discontinuing its business, (ii) making an assignment for the benefit of creditors, (iii) generally not paying its debts as they become due, (iv) becoming insolvent, (vii) filing any petition or answer seeking for itself any reorganization, arrangements, composition, readjustment of its debts or for liquidation, dissolution or other similar relief, (viii) petitioning or applying to any court for any receiver, custodian, or trustee for all or substantially all of its property or assets or by the subject of any such proceeding filed against it, (ix) filing an answer admitting or not contesting the material allegations or any such petition filed against it or any order, judgment or decree approving such petition in any such proceeding, (x) seeking, approving, consenting to, or acquiescing in any such proceeding for the appointment of any such trustee, receiver, custodian, liquidator or agent for it or any substantial part of its property or if an order is entered appointing any such trustee, receiver, custodian, liquidator or agent, or (xi) taking any formal action for the purpose of effectuating any of the foregoing;

(f) an order for relief being entered under the United States bankruptcy laws, or if any other decree or order is entered by a court having

jurisdiction (i) adjudging City as bankrupt or insolvent, (ii) approving as properly filed a petition seeking reorganization, liquidation, arrangements, adjustment or composition of City or its property under the United States bankruptcy laws or any other applicable federal or state law, (iii) appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) for City or for any substantial part of City's property, or (iv) ordering the winding up or liquidation of City's affairs; or

(g) any judgment or decree against City remaining unpaid, unstayed on appeal, undischarged, unbonded, or undismitted for a period of thirty (30) days or more.

16. **REMEDIES.** Upon the occurrence of any event of default as provided herein, Northstar shall have the option to pursue any one or more of the following remedies without notice or demand, and without prejudice to any rights or remedies otherwise available at law or in equity:

(a) to re-enter and repossess the Property and expel and remove City and any other person who may be occupying the Property, by force if necessary, without being liable for trespass or any damages thereof;

(b) to terminate this lease by giving written notice thereof to the City, as of a date to be specified in such notice which shall be at least thirty (30) days after the date on which such notice is given, in which event this lease and the term, but not the City's continued liability hereunder, as hereinafter provided, shall expire and terminate upon the date specified in such notice as aforesaid,

as fully and as completed as if the date specified in such notice were the date definitely fixed in this lease for the expiration of the term, and the City shall quit and surrender the Property to the Northstar on or before the said date, without cost or charge to the Northstar;

(c) to relet any or all of the Property for the City's account for any or all of the remainder of the term as hereinabove defined, or for a period exceeding such remainder.

(d) to cure such event of default in any other manner (after giving the City written notice of the Northstar's intention to do so except in the case of emergency), in which event the City shall reimburse the Northstar for all expenses incurred by the Northstar in doing so, plus interest thereon at the lesser of the default rate or the highest rate then permitted on account thereof by applicable law, which expenses and interest shall be additional rent and shall be payable by the City immediately upon demand thereof by the City; and/or

(e) to exercise any other right or remedy available at law or in equity or otherwise.

17. ASSIGNMENT OR SUBLETTING. City shall not assign or sublet the Property nor any part thereof without the written consent of Northstar, but such written consent shall not be unreasonably withheld. In no event shall the subletting or assignment of this lease relieve the City of any of the covenants, agreement and obligations imposed upon City in this Lease Agreement.

18. DAMAGE OR DESTRUCTION OF THE PROPERTY.

(a) Total Destruction. If the improvements on the Property shall be totally or substantially destroyed by fire or other casualty so that the Property shall be untenable or unsuitable for the conduct of City's business, then either party shall have the right to terminate this Lease by giving notice to the other party of its election within fifteen (15) days following the occurrence of such damage or destruction, and all rents and other charges shall be adjusted and prorated as of the date of such destruction. As used in this Section, the term "substantially destroyed" shall mean damage to the Property in excess of twenty-five percent (25%) of the fair market value thereof prior to such destruction.

(b) Partial Destruction. In the event that the Property shall be partially damaged or destroyed by fire or other casualty, so that the same are still reasonably tenantable and fit for the continued conduct of City's business Northstar shall with all reasonable diligence repair the damage and restore the Property to substantially their condition immediately prior to the happening of such event. In the event that the Property are not restored and repaired within sixty (60) days of the date of the occurrence, City may, at its option, terminate this Lease by written notice to Northstar, which termination shall be effective upon receipt by Northstar.

(c) Abatement of Rent During Reconstruction. If the Property is destroyed or damaged as aforesaid and action is undertaken by Northstar to

repair or restore the Property, the rent payable pursuant to this lease for the period during which such damage, repair, or restoration continues shall be abated in proportion to the degree to which City's use of the Property is impaired (except as provided by the loss of rents coverage). The aggregate amount of abatement hereunder shall not exceed the full monthly rental provided hereunder. Except for abatement of rent, if any, City shall have no claim against Northstar for any liability, cost, obligation, or expense caused by reason of such damage, destruction, repair or restoration.

19. HOLDING OVER. City hereby agrees that upon the termination of this lease by expiration or by earlier termination if the City is in default hereunder, City shall peaceably deliver possession of the Property to Northstar. In the event City shall be permitted by Northstar to hold over after the expiration or termination of this lease or any renewal hereof, said holding over, in the absence of any written agreement to the contrary, shall be construed as a tenancy from calendar month to calendar month at a monthly rental equal to the rental for the last month paid under this lease. A month-to-month tenancy arising by City's holding over under this section may be terminated by written notice from either party to the other party on or before the date on which any monthly rent is due, with termination not becoming effective until the date on which the next following monthly rental would have otherwise become due.

20. QUIET ENJOYMENT. Northstar acknowledges and represents that it has the full right, power and authority to make this Lease Agreement and to

enter into this agreement. Provided that City fully and timely performs each and every one of its obligations and covenants contained herein, and is not otherwise in default hereunder, Northstar covenants that City shall peaceably and quietly have, hold and enjoy the Property during the term hereof and any renewal thereof, free from interference from Northstar and all those persons claiming by or through Northstar. In the event Northstar's interest in the Property is subject to a mortgage or mortgages, City shall have the option to terminate this Lease Agreement in the event of the entry of a final, non-appealable court-ordered foreclosures of the Northstar's interest in the Property or the voluntary conveyance of such interest to a mortgagee in lieu for foreclosure. Such option must be exercised within ninety (90) days of the event giving rise to such termination and shall specify a termination date not more than one hundred eighty (180) days of the event giving rise to such termination and shall specify a termination date not more than one hundred eighty (180) days from the date of foreclosures or conveyance.

21. REPRESENTATIONS AND WARRANTIES OF NORTHSTAR.

Northstar hereby represents and warrants to City the following:

(a) Organization and Good Standing. Northstar is a corporation duly organized, validly existing, and in good standing under the laws of the State of Arkansas, with full corporate power and authority to execute, deliver, and perform this agreement and to own and operate its properties and carry on its business as presently conducted.

(b) Authority. Northstar has the requisite corporate power and authority to enter into this agreement and to perform its obligations and covenants hereunder in the manner provided herein. The execution and delivery of this agreement by Northstar has been duly authorized by Northstar's Board of Directors, and no other corporate proceeding on the part of Northstar are necessary to authorize the execution, delivery and performance of this agreement.

(c) Validity. This agreement has been duly executed and delivered by Northstar and constitutes the legal, valid and binding obligation of Northstar, enforceable against City in accordance with its terms, except to the extent that such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting the enforcement of creditors' right or by general principles of equity.

22. REPRESENTATIONS AND WARRANTIES OF CITY. City hereby represents and warrants to Northstar the following:

(a) Organization and Good Standing. City is an incorporated municipality in good standing in the State of Arkansas, with full power and authority to execute, deliver and perform this agreement and to own and operate its properties and carry on its business as presently conducted.

(b) Authority. City has the requisite power and authority to enter into this agreement and to perform its obligations and covenants hereunder in the manner provided herein. The execution and delivery of this agreement by City

has been duly authorized by City's Mayor and/or other necessary officials, and no other proceedings on the part of City are necessary to authorize the execution, delivery and performance of this agreement.

(c) Validity. This agreement has been duly executed and delivered by City and constitutes the legal, valid, and binding obligation of City, enforceable against Northstar in accordance with its terms, except to the extent that such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting the enforcement of creditors' right or by general principles of equity.

(d) No Violations. Neither the execution and delivery of this agreement by City, nor the performance by City of its obligations and covenants hereunder, will (i) violate, conflict with, or result in a breach of any of the terms, conditions or provisions of or constitute a default under (or an event which, with notice or lapse of time or both, would constitute a default under) any note, loan, mortgage, indenture, deed of trust, license, lease, agreement, or other instrument or obligation to which City is a party or to which it or any of its properties or assets may be subject; or (ii) violate any judgment, ruling order, writ, injunction, decree, statute, rule or regulation applicable to City or any of its properties or assets.

23. MISCELLANEOUS.

(a) Fees of Legal Counsel. In the event that either party to this agreement shall employ legal counsel to protect its rights hereunder or to

enforce any term or provision hereof, the party prevailing in any such action shall have the right to recover from the other party all of its reasonable attorneys' fees and expenses incurred in relation to such claim.

(b) Further Assurances. The parties agree that from time to time hereafter, upon request, each of them will execute, acknowledge and deliver such other instruments and documents and take such further action as may be reasonably necessary to carry out the intent of this agreement.

(c) Modification. No provision contained herein may be modified, amended or waived except by written agreement or consent signed by the party to be bound thereby.

(d) Binding Effect and Benefit. This agreement shall inure to the benefit of, and shall be binding upon, the parties hereto, their successors and permitted assigns.

(e) Headings and Captions. Subject headings and captions are included for convenience purposes only and shall not affect the interpretation of this agreement.

(f) Notice. All notices, requests, demands and other communications permitted or required hereunder shall be in writing, and shall either be (i) delivered in person, (ii) delivered by express mail or other overnight delivery service providing receipt of delivery, (iii) mailed by certified or registered mail, postage prepaid, return receipt requested, or (iv) by telex, telegraph or other facsimile transmission as follows:

If to Northstar, addressed or delivered in person to:

4929 Krueger Drive
Jonesboro, AR 72401

If to City, addressed or delivered in person to:

515 W. WASHINGTON
Jonesboro, AR 72401

or to such other address as either party may designate by notice.

Any such notice or communication, if given or made by prepaid, registered or certified mail or by recorded express delivery, shall be deemed to have been made when actually received, but not later than three (3) business days after the same was posted or given to such express delivery service, and if given or made by telex, telecopy, or other facsimile transmission, shall be deemed to have been received at the time of dispatch.

(g) Severability. If any portion of this agreement is held invalid, illegal, or unenforceable, such determination shall not impair the enforceability of the remaining terms and provisions herein.

(h) Time for Performance. Time is of the essence in this agreement.

(i) Waiver. No waiver of a breach or violation of any provision of this agreement shall operate or be construed as a waiver of any subsequent breach or limit or restrict any right or remedy otherwise available.

(j) Rights and Remedies Cumulative. The rights and remedies

expressed herein are cumulative and not exclusive of any rights and remedies otherwise available.

(k) Gender and Pronouns. Throughout this agreement the masculine shall include the feminine and neuter, and the singular shall include the plural, and vice versa, as the context requires.

(l) Entire Agreement. This document constitutes the entire agreement of the parties and supersedes any and all other prior agreements, oral or written, with respect to the subject matter contained herein.

(m) Governing Law. This agreement shall be subject to and governed by the laws of the State of Arkansas.

(n) Incorporation by Reference. All exhibits and documents referred to in this agreement shall be deemed incorporated herein by any reference thereto as if fully set out.

(o) Third-Party Beneficiaries. This agreement shall not create any rights for the benefit of any third party.

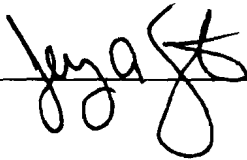
(p) Authority. Each individual signing this agreement in a representative capacity acknowledges and represents that he/she is duly authorized to execute this agreement in such capacity in the name of, and on behalf of, the designated corporation, partnership, trust, or other entity.

(q) Joint Preparation. This agreement shall be deemed to have been prepared jointly by the parties hereto, and any uncertainty or ambiguity existing herein shall not be interpreted against any party by reason of its drafting of this

agreement, but shall be interpreted according to the application of the rules of interpretation for arm's length agreements.

IN WITNESS WHEREOF, the parties have hereunto set their hands the day and year first above written.

NORTHSTAR INDUSTRIES, INC./
BEST DIVERSIFIED PRODUCTS, INC.

By:  CFO

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