

The Depository Trust Company
IMPORTANT

B#: 3333
DATE: May 22, 2002
TO: All Participants
CATEGORY: Dividends
FROM: Anthony Capizzi, Domestic Tax Services, Dividend Dept.
ATTENTION: Managing Partner/Officer, Cashier, Dividend Mgr. Tax Mgr.
SUBJECT: VRDO Montgomery RV AL D03/16/98 0.010%
CUSIP# G88653103
2002 Tax Information

The attached correspondence containing tax information was received by the Depository Trust Company. If applicable please consult your tax advisor to assure proper treatment of this event.

Attachment

ADDENDUM NO. 1 TO OFFICIAL STATEMENT

The Industrial Development Board
of the City of Montgomery
\$3,190,000
Variable/Fixed Rate
Industrial Development Revenue Bonds
(Knox Kershaw, Inc. Project)

Original Date of Bonds: March 16, 1998
Date of Addendum No. 1: April 4, 2002

CUSIP 613052 QB8

The Industrial Development Board of the City of Montgomery (the "Issuer"), the issuer of the above-referenced bonds (the "Bonds") has entered into an agreement with SouthTrust Bank (formerly, SouthTrust Bank, National Association) as Trustee for the Bonds (the "Trustee") and SouthTrust Bank, as issuer of the Letter of Credit providing security for the Bonds, and certain other parties amending the documents relative to the issuance of and security for the Bonds (the "Financing Documents") so as to eliminate those provisions of the Financing Documents which require or provide that the interest on the Bonds shall be excludable from gross income for federal income tax purposes, and as a result thereof on and after April 4, 2002, such interest will become subject to federal income taxation. Interest on the Bonds, however, will remain exempt from Alabama income taxes.

The attached Official Statement of the Issuer relative to the Bonds is hereby amended so as to delete all references to the excludability from gross income for federal income taxation purposes including, without limitation, the definitions of "Determination of Taxability" and "Taxable," the subsection entitled "THE BONDS - Redemption Before Maturity - Mandatory Redemption," and "THE LEASE AGREEMENT - Obligation of User if Interest on Bonds Becomes Taxable." In addition, the first paragraph on the cover page is amended to read:

"In the opinion of Bond Counsel, under existing law, interest on the Bonds is subject to federal income taxation and is exempt from present State of Alabama income taxation."

and the Section entitled "TAX EXEMPTION" is amended to read:

"TAX EXEMPTION

In the opinion of Bond Counsel interest on the Bonds is subject to Federal income taxation. Also, in the opinion of Bond Counsel, interest on the Bonds is exempt from state income taxation under the laws of the State of Alabama."

This Addendum No. 1 to Official Statement and the distribution thereof has been approved by the Issuer.

**THE INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF MONTGOMERY**

B# 3333

**AMENDMENT NO. 1
TO BOND AND CREDIT DOCUMENTS**

This Amendment No. 1 to Bond and Credit Documents (the "Amendment") is entered into by and among The Industrial Development Board of the City of Montgomery (the "Board"), Knox Kershaw, Inc. (the "Company"), SouthTrust Bank (formerly, SouthTrust Bank, National Association), as Trustee (in such capacity, the "Trustee"), SouthTrust Bank, as issuer of the hereinafter referenced Letter of Credit (in such capacity, the "Bank"), SouthTrust Bank, as owner of the hereinafter referenced Bonds (in such capacity, the "Bondholder"), John Knox Kershaw II ("Kershaw") and Merchant Capital, L.L.C. (the "Remarketing Agent").

Recitals

- A. The Board has heretofore issued \$3,190,000 aggregate principal amount of its Variable/Fixed Rate Industrial Development Revenue Bonds (Knox Kershaw, Inc. Project) (the "Bonds") pursuant to a Trust Indenture dated as of March 1, 1998 (the "Indenture") between the Board and the Trustee.
- B. The proceeds of the Bonds were used by the Board to finance the cost of a manufacturing plant and related improvements and equipment (the "Project"). The Board has leased the Project to the Company pursuant to a Lease Agreement dated as of March 1, 1998 (the "Lease"). The Company has guaranteed the payment of the Bonds pursuant to a Bond Guaranty Agreement (the "Bond Guaranty") dated as of March 1, 1998.
- C. Pursuant to a Credit Agreement dated as of March 1, 1998 (the "Credit Agreement") between the Bank and the Company, the Bank has issued its irrevocable letter of credit (the "Letter of Credit") in favor of the Trustee as security for the Bonds, and the Company has agreed to reimburse the Bank for all drawings made by the Trustee under the Letter of Credit.
- D. As security for the Company's obligations under the Credit Agreement, the Board and the Company have granted the Bank a Mortgage, Security Agreement and Assignment of Rents and Leases (the "Mortgage") dated as of March 1, 1998 on the Project and Kershaw has personally guaranteed the Company's obligations to the Bank pursuant to a Credit Guaranty Agreement (the "Credit Guaranty") dated as of March 1, 1998.
- E. The Company, the Board and the Remarketing Agent have entered into a Remarketing Agent Agreement (the "Remarketing Agreement") dated as of March 1, 1998 pursuant to which the Remarketing Agent has agreed to remarket those of the Bonds tendered to the Trustee by the holders thereof.
- F. On the effective date hereof, the Bondholder is the beneficial owner of all of the Bonds.
- G. The Bonds were sold pursuant to an Official Statement (the "Official Statement") of the Board dated March 4, 1998.

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- H. The Bonds, the Indenture, the Lease, the Credit Agreement, the Letter of Credit, the Bond Guaranty, the Credit Guaranty, the Remarketing Agreement, the Mortgage, the Official Statement and all other documents heretofore entered into by or among any of the parties hereto relating to the Bonds or the financing of the Project are herein called the "Financing Documents."
- I. The Company proposes to enter into a Sublease and Shared Use Agreement (the "Sublease") and a Transition Services Agreement (the "Transition Agreement") between the Company and Balfour Beatty Rail Maintenance, Inc., a Delaware corporation ("Balfour") providing for the sublease and shared use of a portion of the Project and the furnishing of certain services from the Project, as described therein, by the Company to Balfour.
- J. Pursuant to this Agreement, the parties hereto wish to amend the Financing Documents (i) to eliminate those provisions of the Financing Documents which require or provide that the interest on the Bonds shall be excludable from gross income for federal income taxation purposes or otherwise relate to the tax-exempt status of the Bonds and (ii) to provide for the remarketing of the Bonds as taxable bonds.

NOW, THEREFORE, for value received and in consideration of the premises, it is hereby agreed as follows:

1. Indenture
 - (a) Section 10.09 Tax Exempt Status of Bonds of the Indenture is hereby deleted.
 - (b) Section 14.11 Opinion of Bond Counsel of the Indenture is hereby deleted.
2. Lease Agreement
 - (a) Section 8.01 Provisions Relating to Assignment and Subleasing is hereby amended by putting a period after the word "applicable" and deleting the words ", and deliver to the Trustee an Opinion of Bond Counsel acceptable to the Trustee to the effect that such assignment or sublease will not cause the interest on the Bonds to be Taxable." appearing at the end of subsection (2) thereof.
 - (b) Article 12 Internal Revenue Code is hereby deleted in its entirety.
3. The Bonds
 - (a) The word "Taxable" shall be inserted in the form of the caption of the Bonds before the words "Industrial Development Revenue Bonds."
 - (b) Subsection (3) Mandatory Redemption Upon Determination of Taxability under the section of the Bond entitled "Redemption" is hereby deleted in its entirety and subsection (4) thereof is renumbered "(3)".

4. Bond Guaranty

(a) Section 5.10 Maintenance of Tax Exemption is hereby deleted in its entirety.

5. Official Statement

(a) The Official Statement is hereby amended by Addendum No. 1 to Official Statement, substantially in the form of Exhibit A hereto, which addendum shall be attached to all Official Statements hereafter used in connection with the remarketing and sale of the Bonds.

6. Sublease and Transition Agreement

The execution and delivery by the Company of the Sublease and the Transition Agreement is hereby approved.

7. Mortgage

(a) The Mortgage is hereby amended so as to delete the personal property described on Exhibit B hereto (the "Personal Property") from the terms thereof.

(b) The parties hereby acknowledge that none of the proceeds of the Bonds were used to purchase any of the Personal Property and therefore the Personal Property is not subject to the terms of the Lease or the Indenture. However, the Trustee and the Board hereby release from the terms of the Lease and the Indenture any interest in the Personal Property that they may otherwise have for any reason.

(c) The Bank shall execute all necessary UCC-3 Partial Termination Statements to reflect the release of the Personal Property from the terms of the Mortgage.

8. Other Documentation

All other documents, certificates and opinions given or rendered in connection with the issuance of the Bonds are hereby amended so as to delete references therein to the exclusion of the interest on the Bonds from gross income for federal income tax purposes; provided, however, nothing contained in this Amendment shall in any way relieve any party hereto for any obligation or liability which shall have accrued prior to the effective date hereof, or which though accruing after the effective date hereof, shall relate to a time prior to the effective date hereof.

All of the terms and conditions of the Financing Document, including, without limitation, the Bond Guaranty and the Credit Guaranty, except as specifically amended herein, are hereby ratified and confirmed and remain in full force and effect.

9. Effective Date

This Agreement shall be effective on April 4, 2002.