

facilities for manufacture, processing, and distribution of spinning tubes and related products for the textile industry pursuant to the Act. The Lessee estimates that the cost of the Project which it must finance with borrowed money will amount to \$1,000,000 and the Lessee has agreed that it will bear all expenses in excess of the amount of the proceeds derived from the sale of the Note. On that basis the County now proposes to issue the Note in the form of a single fully registered Note in the aggregate principal amount of \$1,000,000, dated as of the date of delivery thereof, which will mature and bear interest, and which will be subject to prepayment on the occasions and conditions as provided in the Note Ordinance, in order to finance a portion of the cost of acquiring, constructing and equipping the Project.

**SECTION 2.2. Representations by the Lessee.** The Lessee makes the following representations as the basis for the undertaking on its part herein contained:

(a) The Lessee is a corporation duly incorporated under the laws of the State in good standing under its Articles of Incorporation and the laws of South Carolina, and has power to enter into this Agreement and by proper corporate action has been duly authorized to execute and deliver this Agreement.

(b) Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Agreement, conflict with or result in a breach of any of the terms, conditions or provisions of any corporate restriction or any agreement or instrument to which the Lessee is now a party or by which it is bound, or constitute a default under any of the foregoing, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Lessee under the terms of any instrument or agreement.

(c) This Lease Agreement, under which the County acquires the Project, leases and hereafter conveys the Project to the Lessee, is the method employed by the Lessee in financing the acquisition of the Project and in effecting the payment of the Note.

(d) Substantially all of the proceeds derived from the sale of the Notes will be used to acquire the Project, which consists entirely of land and property of a character subject to the allowance for depreciation as prescribed in Section 103(b)(6)(A) and (D) of the Code and no part of the Note proceeds will be used to finance inventory or for working capital.

**ARTICLE III  
DEMISING CLAUSES**

**SECTION 3.1. Demise of the Leased Land, Building and the Leased Equipment.** The County demises and leases to the Lessee, and the Lessee leases from the County, the Leased Land and the Building, at the rental set forth in Section 5.3 hereof, and in accordance with the provisions of this Agreement.

**SECTION 3.2. Warranty of Title.** The County warrants that it has acquired a good and marketable fee simple title to the Leased Land, free from all encumbrances other than Permitted Encumbrances, and the County will furnish, at the time of the delivery of the Note, a written opinion of Independent Counsel acceptable to the Bank and to the Authorized Lessee Representative that it has good and marketable fee simple title to the Leased Land, subject to Permitted Encumbrances.

**SECTION 3.3. Title Insurance.** At the time of the delivery of the Note, the County will provide a Mortgagee Title Insurance Policy (or an appropriate Binder) upon the Leased Land and Building issued by a company approved by the Bank insuring the lien of the Mortgage upon the Leased Land and Building, when completed, subject to no encumbrances other than Permitted Encumbrances, in the amount of \$1,000,000. Any Net Proceeds therefrom shall be paid to the Lessee and to the Bank and shall be applied to the curing of the defect resulting in the payment of such proceeds, if such can be accomplished, and otherwise to be applied in partial payment of the Notes.

**ARTICLE IV  
COMPLETION OF THE PROJECT ISSUANCE  
OF THE NOTE; CONSTRUCTION FUND**

**SECTION 4.1. Agreement to Construct the Building on the Leased Land.** The County has acquired the Leased Land by deed of the Lessee. The Lessee agrees that it will exercise the authorizations given to it by the County as set forth in Section 2.1(b) and will cause the Building to be constructed on the Leased Land and will cause to be acquired and installed therein and on the Leased Land such items of machinery and

equipment and any transportation facility and equipment used as an integral part of the Project, which in Lessee's judgment may be necessary for operation of the Project.

The Lessee agrees to complete the construction of the Building as promptly as practicable after receipt of the proceeds derived from the sale of the Note, but in no event later than August 1, 1980.

**SECTION 4.2. Agreement to Issue Note; Application of Note Proceeds.** In order to provide funds for payment of the costs of the Project, the County agrees that it will on or before thirty days from the date hereof, execute and deliver such Note and cause it to be delivered to the Bank and it will thereupon deposit in the Construction Fund the proceeds received from said sale.

**SECTION 4.3. Establishment of Construction Fund; Disbursements from the Construction Fund.** Not later than the occasion of the delivery of the Note, the County will establish the Construction Fund with the Depository. Withdrawals from the Construction Fund shall be made only upon the signature of the Authorized Lessee Representative. The moneys in the Construction Fund may be used only for any or all of the following purposes and, subject to the provisions of Section 4.9 hereof for no other purposes:

(a) The fees for recording any deed whereby the Leased Land is conveyed to the County, this Agreement, the Mortgage and any title curative documents that either the Bank, the Lessee or Independent Counsel may deem desirable to file for record in order to perfect or protect the title of the County to the Leased Land or to perfect or protect the lien of the Mortgage on the Project; and the fees and expenses in connection with any actions or proceedings that either the Bank, the Lessee or Independent Counsel may deem desirable to bring in order to perfect or protect the title of the County to the Leased Land or to perfect the lien of the Mortgage on the Project.

(b) Payment to the Lessee and the County, as the case may be, of such amounts, if any, as shall be necessary to reimburse the Lessee and the County in full for advances and payments made by them or either of them prior to or after the delivery of the Note for expenditures subsequent to the County resolution authorizing the execution of or inducement letter to Lessee and approving the issuance, in principle of industrial revenue bonds for the Project, in connection with (i) the acquisition by the County of title to the Leased Land, the preparation of plans and specifications for the Project (including any preliminary study or planning of the Project or any aspect thereof) and (ii) clearing the Leased Land, the construction of the Building and all construction, acquisition and installation expenses required to provide utility services or other facilities, and all real or personal properties deemed necessary in connection with the Project (including architectural, engineering and supervisory services with respect to any of the foregoing).

(c) Payment of the cost of title insurance, legal, financing and accounting fees and expenses and printing and engraving costs, if any, incurred in connection with the authorization, sale and issuance of the Note, the preparation of this Agreement, the Mortgage and all other documents in connection therewith and in connection with the acquisition of title to the Leased Land and Building.

(d) Payment for labor, services, materials and supplies used or furnished in site improvement and in the construction of the Building, payment for all costs incident to the acquisition and installation of the Leased Equipment, payment for the cost of the construction, acquisition and installation of utility services or other facilities, and all real and personal property deemed necessary in connection with the Project and payment for the miscellaneous expenses incidental to any of the foregoing items including the premium on any surety bond.

(e) Payment of the fees or out-of-pocket expenses, if any, for architectural, engineering and supervisory services with respect to the Project.

(f) To such extent as they shall not be paid by a contractor for construction with respect to any part of the Project, payment of the premium on all insurance required to be taken out and maintained during the Construction Period under this Agreement, or reimbursement thereof if paid by the Lessee.

(g) Payment of the taxes, assessments and other charges, if any, referred to in Section 6.3 hereof that may become payable during the Construction Period, or reimbursement thereof if paid by the Lessee.

(h) Payment of expenses incurred with approval of the Lessee in seeking to enforce any remedy against any contractor or subcontractor in respect of any default under a contract relating to the Project.

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