

MINUTES OF BUDGET AND CONTROL BOARD MEETING

OCTOBER 12 1971

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The Budget and Control Board met in the Conference Room of the State Auditor's Office at 10:30 a. m. on Tuesday, October 12, 1971, for the purpose of conducting budget hearings. All Board members and Mr. P. C. Smith, Secretary to the Board, were in attendance.

The heads of the following Departments appeared before the Board to present their budget requests.

Department of Corrections
Probation, Parole & Pardon Board
Department of Juvenile Corrections
Board of Juvenile Placement & Aftercare

After the budget hearings, the Board received and approved a petition of the governing body of Edgefield county for the issuance of \$1,500,000 of industrial revenue bonds. The proceeds of these bonds are designated for Star Fibers, Inc.

There being no further business, the meeting was adjourned.

AGENDA MATERIALS
AND SUPPORTING DOCUMENTS
FOR THE MEETING OF
OCTOBER 12, 1971

PROCEEDING OF THE STATE BUDGET
AND CONTROL BOARD OF SOUTH CAROLINA
Re: \$1,500,000
FIRST MORTGAGE INDUSTRIAL REVENUE
Bonds
(STAR FIBERS, INC. - LESSEE)
OF EDGEFIELD COUNTY, SOUTH CAROLINA

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AND CONTROL BOARD OF SOUTH CAROLINA
Re: \$1,500,000
FIRST MORTGAGE INDUSTRIAL REVENUE
Bonds
(STAR FIBERS, INC. - LESSEE)
OF EDGEFIELD COUNTY, SOUTH CAROLINA

FOR DENSITY TESTING PURPOSES ONLY

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McNAIR, KONDUROS & CORLEY

ROBERT E. McNAIR
JAMES S. KONDUROS
O. WAYNE CORLEY

LAW OFFICES
SUITE ONE - NINTH FLOOR
JEFFERSON SQUARE
COLUMBIA, SOUTH CAROLINA 29201
803-779-5026

October 14, 1971

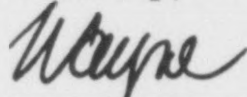
Sir Patrick Pickens Smith
State Auditor
State Budget and Control Board
Wade Hampton Office Building
Columbia, South Carolina

Dear Sir Patrick:

I am enclosing the documents in connection with
the Star Fibers, Inc. bond issue.

Once again, thank you for your assistance in
helping to get the documents properly executed by Governor
West and the other members of the Budget and Control Board.

Sincerely,



O. Wayne Corley

OWC/abt
Enclosure

E- 437

Columbia, South Carolina

October 12, 1971

The State Budget and Control Board of South Carolina (the "Board") convened in called session at the regular meeting place of the Board at the office of the State Auditor, in the Wade Hampton Building, in the City of Columbia, South Carolina at 10:30 o'clock A.M., on October 12, 1971 with the following members present:

John C. West,	Governor of the State of South Carolina and Chairman of the Board
Grady L. Patterson, Jr.	State Treasurer
John Henry Mills	Comptroller General
Edgar A. Brown,	Chairman, Senate Finance Committee
Robert J. Aycock	Chairman, House Ways and Means Committee

ABSENT: None

There was also present, P. C. Smith, State Auditor and Secretary to the Board.

After the meeting had been duly called to order by the Chairman and the roll called with the above result, and after the minutes of the preceding meeting had been read and approved, the Chairman announced that one purpose of the meeting was to consider the adoption of a resolution approving the proposed issuance by Edgefield County, South Carolina, of \$1,500,000 principal amount First Mortgage Industrial Revenue Bonds, Series A (Star Fibers, Inc. - Lessee).

Thereupon, the following resolution was introduced in written form by Mr. Patterson, was read in full, and after due discussion, pursuant to motion made by Mr. Patterson

and seconded by Mr. Mills, was adopted by the following vote:

Aye: John C. West
Grady L. Patterson, Jr.
John Henry Mills
Edgar A. Brown
Robert J. Aycock
Nay: None

The resolution was thereupon signed by the Chairman in evidence of his approval, was attested by the Secretary and was declared to be effective. The resolution is as follows:

A RESOLUTION approving the issuance by Edgefield County, South Carolina, of \$1,500,000 principal amount First Mortgage Industrial Revenue Bonds, Series A (Star Fibers, Inc. - Lessee) pursuant to the provisions of Act No. 103 of the Acts of the General Assembly of the State of South Carolina for 1967 (Chapter 8, Title 14, Code of Laws of South Carolina, 1962, 1970 Cumulative Supplement).

WHEREAS the Edgefield County Council of Edgefield County, South Carolina (the "County Council") has heretofore, by submitting a petition under and pursuant to the provisions of Section 14 of Act No. 103 of the Acts of the General Assembly of the State of South Carolina for 1967 (Chapter 8, Title 14, Code of Laws of South Carolina, 1962, 1970 Cumulative Supplement) (the "Act"), requested the approval by the State Budget and Control Board of the issuance by Edgefield County pursuant to the Act of its First Mortgage Industrial Revenue Bonds, Series A (Star Fibers, Inc. - Lessee) in the aggregate principal amount of \$1,500,000 (the "Bonds"); and

WHEREAS the County proposes to issue the Bonds for the purpose of financing the acquisition, construction and equipping of an industrial development project under the Act, consisting

of certain land and buildings located in Edgefield County and a manufacturing plant addition, machinery, equipment and related facilities to be constructed and equipped thereon (collectively referred to as the "Project"); and

WHEREAS the Project is to be leased to Star Fibers, Inc., a Delaware corporation at a rental sufficient to pay the principal of and interest on the Bonds and the costs and expenses related to the issuance of the same; and

WHEREAS it is proposed that the Bonds will be secured by a pledge of the revenues to be derived from the leasing of the Project, and in addition by a pledge of the Lease of the Project and a first mortgage on the real property and improvements constituting the Project; and

WHEREAS the County has submitted with said petition, for review by the State Budget and Control Board, drafts of (i) Agreement of Intent dated September 7, 1971 by and between the County and Star Fibers, Inc., (ii) Preliminary Offering Prospectus, and (iii) a certified copy of a resolution adopted by the Edgefield County Council of the County on September 30, 1971, and this Board has reviewed and considered each of said documents in its consideration of said petition by the County;

NOW THEREFORE, BE IT RESOLVED by the State Budget and Control Board of the State of South Carolina, as follows:

Section 1. That this Board has made an independent investigation of the matters set forth in the petition of the County Council referred to in the preamble hereto, and on the basis of such investigation it is hereby found, determined and declared:

(a) That the facts set forth in said petition, and in the preamble hereto, are in all respects true and correct;

(b) That the petition filed by the County Council con-

tains all matters required by law and the rules of this Board to be set forth therein, and that in consequence thereof the jurisdiction of this Board has been properly invoked under and pursuant to Section 14 of the Act; and

(c) That the Project referred to in the petition of the County Council and in the preamble hereto is intended to promote the purposes of the Act and is reasonably anticipated to effect such result.

Section 2. That in consequence of the foregoing, the proposal of the County to acquire, construct and equip the Project, to lease the Project to Star Fibers, Inc. and to finance the cost thereof and expenses incidental thereto by the issuance of Bonds secured by a pledge of the revenues to be derived from the leasing of the Project, and in addition by a pledge of the Lease of the Project, the Guaranty Agreement of Allen Industries, Inc. and a first mortgage on the real property and improvements constituting the Project, be and the same is hereby in all respects approved.

Section 3. That the Secretary of the State Budget and Control Board is hereby directed to publish one time in _____ THE RIDGE CITIZEN, a newspaper having general circulation in Edgefield County, the following notice of approval by this Board:

NOTICE PURSUANT TO ACT NO. 103 OF THE ACTS OF THE GENERAL ASSEMBLY OF THE STATE OF SOUTH CAROLINA FOR 1967 (CHAPTER 8, TITLE 14, CODE OF LAWS OF SOUTH CAROLINA, 1962. 1970 CUMULATIVE SUPPLEMENT)

Notice is hereby given pursuant to the provisions and requirements of Section 14 of Act No. 103 of the Acts of the General Assembly of the State of South Carolina for 1967 (Chapter 8, Title 14, Code of Laws of South Carolina, 1962, 1970 Cumulative Supplement), that the State Budget and Control Board of South

Carolina, pursuant to petition duly filed by the Edgefield County Council of Edgefield County, has given its approval to the following undertaking by Edgefield County, South Carolina:

The issuance by Edgefield County of \$1,500,000 aggregate principal amount of its First Mortgage Industrial Revenue Bonds, Series A (Star Fibers, Inc. - Lessee) to finance the acquisition of certain land and buildings and the construction and equipping thereon of a manufacturing plant addition and related facilities (the "Project"), to be located within the County of Edgefield. The Project will be leased to Star Fibers, Inc., a Delaware corporation, which will unconditionally covenant to pay rentals sufficient to pay the principal of, premium, if any, and interest on the Bonds. Allen Industries, Inc., a Delaware corporation, has guaranteed to the County the payment of all such rentals by Star Fibers, Inc. The Bonds will be payable solely and exclusively out of revenues to be derived from the leasing of the Project to Star Fibers, Inc., and are to be additionally secured by a pledge of the Lease of the Project and a first mortgage on the Project property.

In addition, Star Fibers, Inc. has agreed to pay, as additional rentals, to Edgefield County, the school district or school districts, and all other political units wherein the Project is located, in lieu of taxes, such amounts as would result from taxes levied on the Project by Edgefield County, said school district or school districts and other political units wherein the Project is located, if the Project were owned by Star Fibers, Inc., but with appropriate reductions similar to the tax exemptions, if any, which would be afforded to Star Fibers, Inc. if it were the owner of the Project.

Notice is further given that any interested party may


at any time within twenty (20) days after the date of the publication of this notice, challenge the validity of the State Budget and Control Board's approval of the Project and the issuance of the Bonds by Edgefield County to finance the same, by action de novo instituted in the Court of Common Pleas for Edgefield County, South Carolina.

STATE BUDGET AND CONTROL BOARD

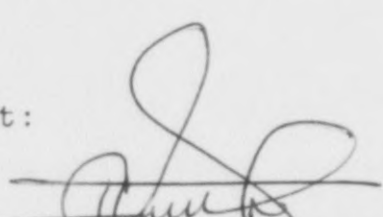
By P. C. Smith, Secretary

Section 4. That all orders and resolutions and parts thereof in conflict herewith are to the extent of such conflict hereby repealed, and this resolution shall take effect and be in full force from and after its passage and approval.

Passed and approved October 12, 1971

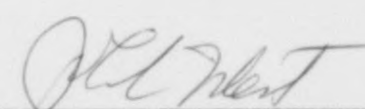

Chairman, State Budget and
Control Board

Attest:



Secretary, State Budget and
Control Board

(Other business not pertinent to the above appears in the minutes of the Meeting.)

Pursuant to motion duly made and carried, the meeting was adjourned.


Chairman

Attest:


Secretary

STATE OF SOUTH CAROLINA)
)
COUNTY OF RICHLAND)

I, P. C. Smith, do hereby certify that I am the duly qualified and acting Auditor of the State of South Carolina and Secretary to the State Budget and Control Board. I further certify, according to the records of said board in my official possession, as follows:

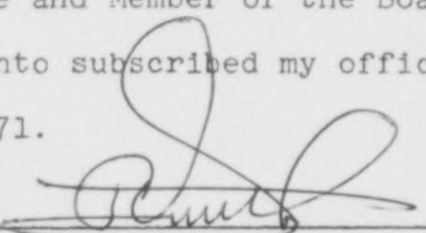
1. That the above and foregoing constitutes a true and correct copy of excerpts from the minutes of a meeting of the State Budget and Control Board held on October 12, 1971 and of a resolution adopted at said meeting, as said minutes and resolution are officially of record in my possession.

2. That attached hereto is a true and correct copy of a petition filed with the State Budget and Control Board of the Edgefield County Council of Edgefield County, South Carolina, which petition is the same petition referred to in the foregoing resolution of the State Budget and Control Board.

3. That the names of the members of the State Budget and Control Board, in office on the date of adoption of the foregoing resolution and on the date hereof, are as follows:

<u>Name</u>	<u>Office</u>
John C. West	Governor of the State of South Carolina and Chairman of the Board
Grady L. Patterson, Jr.	State Treasurer and Member of the Board
John Henry Mills	Comptroller General of South Carolina and Member of the Board
Edgar A. Brown	Chairman of the Senate Finance Committee and Member of the Board
Robert J. Aycock	Chairman of the House Ways and Means Committee and Member of the Board

IN WITNESS WHEREOF, I have hereunto subscribed my official signature this 12th day of October, 1971.


Secretary

STATE OF SOUTH CAROLINA)
)
COUNTY OF EDGEFIELD)

TO THE STATE BUDGET AND CONTROL)
 BOARD OF SOUTH CAROLINA) PETITION

I

Statement of facts

1. Jurisdiction of State Budget and Control Board.

Edgefield County, South Carolina (the "County"), acting by and through its Edgefield County Council (the "County Council"), respectfully submits this petition to the State Budget and Control Board (the "State Board") under and pursuant to the provisions and requirements of Act No. 103 of the Acts of the General Assembly of the State of South Carolina for 1967 (Chapter 8, Title 14, Code of Laws of South Carolina, 1962, 1970 Cumulative Supplement) (the "Act") and in particular Section 14 thereof, and respectfully requests the approval by the State Board of the issuance by the County of its First Mortgage Industrial Revenue Bonds, Series A (Star Fibers, Inc. - Lessee) in the aggregate principal amount of \$1,500,000 (the "Series A Bonds").

The following documents are submitted herewith as exhibits to the Petition:

EXHIBIT 1 - Agreement of Intent dated September 7, 1971 by and between the County and Star Fibers, Inc.

EXHIBIT 2 - Resolution of the Edgefield County Council adopted September 30, 1971.

EXHIBIT 3 - Preliminary Offering Prospectus

It is expected that the transaction as finally consummated will conform in all substantive respects with summary thereof contained in the enclosed Preliminary Offering Prospectus; however, it may be anticipated that formal changes will occur as is usual in cases of this sort; matters of maturities, interest rates,

redemption premiums and the like which depend upon marketing factors will not be finally determined until shortly before the Series A Bonds are delivered.

2. The County and its Governing Body. The County, one of the forty-six counties of the State of South Carolina, is a body politic and corporate and a political subdivision of the State of South Carolina. Pursuant to Section 3, Article No. 1104 of the Acts of the General Assembly of the State of South Carolina for 1966, the County Council is the governing body of the County and, as such, is the "County Board" referred to and defined in Section 2(2) of the Act.

3. Statutory Authority. The County, subject to the approval of the State Board and to compliance in all other respects with the terms and provisions of the Act, is authorized and empowered by the Act to acquire, own, lease, dispose of and mortgage industrial development "projects" and to issue revenue bonds to finance the cost of acquisition or construction of such projects and expenses incidental thereto.

4. The Proposed Lessee. Star Fibers, Inc. a Delaware corporation with its principal office now located in the City of New York, New York, and duly authorized to conduct business in the State of South Carolina presently owns and operates a manufacturing plant and related facilities located on certain land in the County and has determined that it is necessary to expand its manufacturing capacity and facilities through the construction and equipping of a substantial addition to the existing facilities (the land, buildings, equipment and machinery located and to be constructed thereon is hereinafter collectively referred to as the "Project") provided that the Project and expenses incidental thereto may be financed by the issuance by the County of its revenue bonds under and pursuant to the Act.

5. The Agreement of Intent. Star Fibers, Inc. and the County have agreed, subject to the conditions set forth herein and in the Act, that the County will issue its revenue bonds pursuant to the Act to finance the Project, and that Star Fibers, Inc. will lease the Project from the County at rentals sufficient to pay principal of and interest on the Series A Bonds.

6. Findings of the County Council. By resolution duly adopted on September 30, 1971, a certified copy of which is submitted herewith as Exhibit 2, the County Council has formally found, determined and declared:

(a) That the Project will constitute a "project" as said term is referred to and defined in Section 2(3) of the Act, and that the issuance of the Series A Bonds in the aggregate principal amount of \$1,500,000 to finance the acquisition, construction and equipping of the Project will subserve the purposes and in all respects conform to the provisions and requirements of the Act;

(b) That neither the Project, the Series A Bonds proposed to be issued by the County to finance the cost thereof, nor any documents or agreements entered into by the County in connection therewith will constitute or give rise to any pecuniary liability of the County or a charge against its general credit or taxing power;

(c) That the issuance of the Series A Bonds by the County in the aggregate principal amount of \$1,500,000 will be required to finance the cost of the Project;

(d) That the amount necessary in each year to pay the principal of and interest on the Series A Bonds proposed to be issued by the County is presently estimated at approximately \$ 122,985.00-----, said amount to be fixed shortly prior to the

issuance of the Series A Bonds when the maturities and interest rate or rates shall have been finally determined in accordance with market conditions prevailing at that time, and to be set forth in the proceedings of the Edgefield County Council authorizing the issuance of the Series A Bonds;

(e) That inasmuch as Star Fibers, Inc. is a corporation with established credit, the establishment of reserve funds in connection with the retirement of the Series A Bonds and the maintenance of the Project is deemed unnecessary;

(f) That the Project will be leased by the County to Star Fibers, Inc. upon terms which will require Star Fibers, Inc. at its own expense, to maintain the Project in good repair and to carry all proper insurance with respect thereto, and will require Star Fibers, Inc. to make the payments in lieu of taxes referred to in Section 6 of the Act.

II

Additional Information Furnished Pursuant to Section 14 of the Act

1. Brief Description of the Project. The Project will consist of land, buildings, equipment and machinery constituting a plant for the manufacturing of synthetic fibers and/or other products which may be lawfully manufactured or processed at the Project.

2. Anticipated Effect of the Project upon Economy of the County and Adjacent Areas. In addition to the employment provided for those engaged in the construction of the Project, it is anticipated that after the Project shall have been completed and the additional manufacturing facilities placed in operation, the Project will provide permanent employment for approximately 220 persons from the County and elsewhere in said area with a resulting alleviation of unemployment, and a substantial increase

in payrolls and other public benefits flowing from the conducting of industrial operations.

3. Reasonable Estimate of Cost of Project. A reasonable estimate of the cost of the Project including necessary expenses incident thereto is \$1,500,000.

4. General Summary of the Terms and Conditions of the Proposed Lease, Guaranty Agreement and Indenture. A general summary of the terms and conditions of the proposed Lease, Guaranty Agreement and Indenture are contained in the Preliminary Offering Prospectus which is attached hereto as Exhibit 3 and incorporated herein by reference as if set forth herein in its entirety.

5. Payments in Lieu of Taxes By Lessee. As is required by Section 6 of the Act, Section 6.02 of the proposed Lease requires Star Fibers, Inc. to make payments to the County and to the school district or school districts and other political units wherein the Project is located, in lieu of taxes, in such amounts as would result from taxes levied if Star Fibers, Inc. were the owner of the Project, but with appropriate reductions similar to the tax exemptions, if any, which would be afforded Star Fibers, Inc. if it were the owner of the Project.

III

Request for Approval

WHEREFORE, the County Council respectfully prays:

1. That the State Board accept the filing of this petition;
2. That thereafter, as soon as may be practicable, the State Board make such independent investigation as it deems advisable;
3. That, on the basis of such investigation and the information submitted herewith, the State Board make a finding that the Project is intended to promote the purposes of the Act

and is reasonably anticipated to effect such result, and that the State Board, on the basis of such finding, issue its order approving the Project and the issuance of the Series A Bonds: and

4. That the State Board cause notice of its approval to be published in the manner specified in Section 14 of the Act.

Respectfully submitted,

EDGEFIELD COUNTY, SOUTH CAROLINA

By

Charles E. Lyman
Chairman, Edgefield
County Council

Attest:

Ray L. Howard
County Manager,
Edgefield County

(SEAL)

THIS CASE MAY HAVE SOME OR ALL OF THE FOLLOWING DEFECTS WHICH MAY BE QUESTIONABLE WHEN READING. IN SPECIAL PROBLEM AREAS, THIS ROLL NOTE MAY BE REFILMED BEFORE THE DOCUMENT OR DOCUMENTS IN QUESTION.

1. PHOTOCOPY NOT CENTERED PROPERLY CUTTING OFF SOME OF THE INFORMATION.
2. DOCUMENTS ARE OF POOR LEGIBILITY AND MAY NOT PHOTOGRAPH WELL.
3. DOCUMENTS DAMAGED OR TORN BEFORE ARRIVING FOR FILMING.
4. DOCUMENTS CONTAIN A DOUBLE-COPY IMAGE, THE UNDERLYING IMAGE IS IRRELEVANT TO THE READABLE INFORMATION.
5. OVERSIZED DOCUMENTS THAT COMPRISE TWO OR MORE FRAMES.
6. DOCUMENTS WITH CLIPPED INSERTS WHICH WERE OR COULD NOT BE REMOVED, INFORMATION MAY OR MAY NOT BE UNDER THE INSERT.

AGREEMENT OF INTENT

THIS AGREEMENT, made and entered into as of this 7th day of September, 1971, by and between Edgefield County, South Carolina, a political subdivision of the State of South Carolina, ("County") and Star Fibers, Inc., a Delaware corporation, duly authorized to conduct business in the State of South Carolina ("Star Fibers").

WITNESSETH:

WHEREAS, the County is authorized under and pursuant to the provisions of Act No. 103 of the Acts of the General Assembly of the State of South Carolina for 1967 (Chapter 8, Title 24, Code of Laws of South Carolina, 1962, 1969 Cumulative Supplement) (hereinafter referred to as the "Act") to acquire, own, lease and dispose of properties through which the industrial development of the State of South Carolina will be promoted and trade developed by inducing manufacturing enterprises to locate in and remain in the State of South Carolina and thus utilize and employ the manpower, agricultural products and natural resources of the State; and

WHEREAS, Star Fibers presently owns certain real property and a manufacturing plant located thereon (such real property and manufacturing plant is hereafter called the "Facility") located in Edgefield County, South Carolina and has determined that it is necessary to expand its manufacturing capacity in Edgefield County, through the construction and equipping of a substantial addition to the Facility; and

WHEREAS, in order to implement the public purposes enumerated in the Act and in furtherance thereof to induce Star Fibers to locate additional manufacturing facilities within the State of South Carolina and to remain in the State of South Carolina the County has been requested to issue approximately \$1,500,000 aggregate principal amount Industrial Revenue Bonds, Series A (Star Fibers) (the "Series A Bonds") under and pursuant to the Act to finance the cost of acquiring, constructing and equipping the manufacturing plant addition and related facilities (hereinafter collectively referred to as the "Addition") in the County of Edgefield, South Carolina and to lease the Addition to Star Fibers under and pursuant to the terms of a lease (hereinafter referred to as the "Lease");

That for and in consideration of the representations, warranties and the several and mutual covenants of the respective parties hereto, and pursuant to the provisions of Section 8 of the Act it is agreed as follows:

ARTICLE I

Star Fibers represents that it desires to operate the Addition, including machinery and equipment installed therein to be located on certain land within the County of Edgefield, South Carolina, adjacent to the Facility as hereinafter more fully described. Star Fibers further represents that it has requested the County to issue the Series A Bonds in an aggregate principal amount of approximately One Million Five Hundred Thousand (\$1,500,000) Dollars, for the purpose of financing the cost of constructing and equipping the Addition.

ARTICLE II

County represents that upon the written request of Star Fibers it will acquire certain land located within the County of Edgefield, South Carolina comprising approximately two (2) acres, more or less, which is more fully identified and described on Exhibit A to this Agreement and to erect and install thereon the aforementioned manufacturing plant addition, equipment and other facilities and improvements including necessary site preparation and parking areas, in accordance with plans prepared and approved by Star Fibers, and to lease the Addition to Star Fibers upon terms and conditions mutually satisfactory to the County and Star Fibers.

ARTICLE III

County agrees, subject to the requirements of law, that in order to finance the acquisition and construction of the Addition, it will issue its Industrial Revenue Bonds in an approximate amount of \$1,500,000 pursuant to and in accordance with the provisions of the Act. The terms, conditions and interest rate of the Series A Bonds shall be approved by County and Star Fibers.

ARTICLE IV

Star Fibers agrees to lease the Addition for a term commencing upon the date of issuance of the Series A Bonds, and terminating with the last maturity of the Series A Bonds and to pay for the use of the Addition a rental in an amount sufficient to retire the principal and interest on the Series A Bonds as they mature and such other amounts including payments in lieu of taxes as required by law and the Act. The rent shall be paid semi-annually; and the Lease shall contain options to renew and/or purchase for a nominal consideration.

ARTICLE V

County agrees, upon the written request of Star Fibers to inaugurate the procedures required of it and to prosecute them with due diligence, including but not limited to the following:

1. Issuance and sale of the Series A Bonds upon terms mutually agreeable to County and Star Fibers.
2. Upon the issuance of the Series A Bonds, to purchase the Addition site, at a price not to exceed \$ _____, free and unencumbered, except for such easements and other exceptions as are approved by County and Star Fibers.
3. Authorize Star Fibers to enter into agreements for the construction and equipping of the Addition (all in such form and with contractors and suppliers approved by County) to insure full occupancy and use of the Addition by Star Fibers in accordance with its manufacturing requirements.

County and Star Fibers hereby agree that to assure completion and availability of the Addition to Star Fibers at an early date Star Fibers is hereby authorized by County, to enter into an agreement with a reputable general contractor for the construction of the Addition and enter into such other related and necessary agreements with other contractors and suppliers for the equipping of the Addition which agreement or agreements and all of Star Fibers' right, title and interest in the Addition whether completed or in process shall be assigned to County upon issuance and sale of the Series A Bonds. Any sums expended or paid by Star Fibers to contractors and/or suppliers prior to assignment of such agreements shall be reimbursed to Star Fibers from the proceeds of the sale of the Series A Bonds.

ARTICLE VI

Star Fibers is aware of the requirements for the issuance of the Series A Bonds under the provisions of the Act, and recognizes that this Agreement of Intent is subject to the conditions and limitations therein contained. This Agreement of Intent may be terminated at any time by Star Fibers or the County in the event that the terms and provisions of the Series A Bonds, the Lease or the mortgage pursuant to which the Series A Bonds are to be secured shall not be satisfactory to Star Fibers or County.

ARTICLE VII

It is understood and agreed by County and Star Fibers that (unless otherwise specified herein) any and all costs of the Addition and equipment, bond issuance, accrued interest during construction, reasonable attorneys' fees of County and for local or national attorneys, if any, will be subject to approval of Star Fibers and will be paid from the proceeds of the sale of the Series A Bonds.

IN WITNESS WHEREOF, County and Star Fibers have caused this Agreement to be executed in their respective names, have caused their Seals to be affixed hereunto, have caused this Agreement to be attested, all by their duly authorized officers, in a number of counterparts, each of which is deemed an original, all being done on the day and the date first above written.

EDGEFIELD COUNTY, SOUTH CAROLINA

BY *Archie E. Lyman*

ATTEST:

P. L. Howard
County Clerk

STAR FIBERS, INC.

BY *Peter G. Casabonne*
Peter G. Casabonne
Executive Vice President

ATTEST:

Charles K. Jones, Jr.
Treas.

Edgefield, South Carolina

September 30, 1971

The Edgefield County Council of Edgefield County, South Carolina, convened in public session at the regular meeting place of the Council in the County Courthouse in the City of Edgefield, South Carolina, at 1:00 o'clock P.M. on September³⁰, 1971, with the following members present:

Charles E. Lybrand, Chairman

E. G. Huiet, Councilman

Walter E. Morgan, Councilman

There were also present Perry L. Howard, County Manager and Charles W. Coleman, County Attorney.

After the meeting had been duly called to order by the Chairman and the roll called with the above result, and after the minutes of the preceding meeting had been read and approved, the Chairman announced that one purpose of the meeting was to consider the adoption of a resolution making application to the State Budget and Control Board (the "State Board") for the approval by the State Board of the issuance by Edgefield County of its First Mortgage Industrial Revenue Bonds, Series A (Star Fibers, Inc. - Lessee) in the aggregate principal amount of \$1,500,000.

Thereupon, the following resolution was introduced in written form by Councilman Charles E. Lybrand, was read in full, and, after due discussion, pursuant to motion made by Councilman E. G. Huiet and seconded by Councilman Charles E. Lybrand, was adopted by the following vote:

Aye:

Charles E. lybrand

E. G. Huiet

Walter E. Morgan

Nay: *None*

The resolution was thereupon signed by the Chairman of the Edgefield County Council in evidence of his approval, was attested by the County Manager and was declared to be effective.

The resolution is as follows

A RESOLUTION making application to the State Budget and Control Board of South Carolina for the approval by the Board of the issuance by Edgefield County, South Carolina, of its First Mortgage Industrial Revenue Bonds, Series A (Star Fibers, Inc. - Lessee) in the aggregate principal amount of \$1,500,000 pursuant to the provisions of Act No. 103 of the Acts of the General Assembly of the State of South Carolina for 1967 (Chapter 8, Title 14, Code of Laws of South Carolina, 1962, 1970 Cumulative Supplement)

WHEREAS, Edgefield County, South Carolina (the "County") is authorized and empowered under and pursuant to the provisions of Act No. 103 of the Acts of the General Assembly of the State of South Carolina for 1967 (Chapter 8, Title 14, Code of Laws of South Carolina, 1962, 1970 Cumulative Supplement) (hereinafter referred to as the "Act") to acquire, own, lease and dispose of properties through which the industrial development of the State of South Carolina will be promoted and trade developed by inducing manufacturing enterprises to locate in and remain in the State of South Carolina and thus utilize and employ the manpower, agricultural products and natural resources of the State; and

WHEREAS, the County is further authorized by the Act to issue revenue bonds payable solely from the lease rentals, revenues and receipts from any such project and secured by a pledge of said lease rentals, revenues and receipts and by a mortgage on the land, buildings, improvements, machinery and equipment so acquired; and

WHEREAS, Star Fibers, Inc., a Delaware corporation, presently owns and operates a manufacturing plant and related facilities located on certain real property in Edgefield County, South Carolina, and has determined that it is necessary to expand its manufacturing capacity in Edgefield County, South Carolina, through the construction and equipping of a substantial addition to its existing facilities; and

WHEREAS, in order to implement the public purposes enumerated in the Act and in furtherance thereof to induce Star Fibers, Inc. to locate additional manufacturing facilities within the State of South Carolina and to remain in the State of South Carolina, the County proposes to issue approximately \$1,500,000 aggregate principal amount First Mortgage Industrial Revenue Bonds, Series A (Star Fibers, Inc. - Lessee) (the "Series A Bonds") under and pursuant to the Act to finance the cost of acquiring the real property and manufacturing plant and constructing and equipping the manufacturing plant addition and related facilities (hereinafter collectively referred to as the "Project") in the County of Edgefield, South Carolina and to lease the Project to Star Fibers, Inc. under and pursuant to the terms of a lease to be entered into between the County and Star Fibers, Inc; and

WHEREAS it is now deemed advisable by this Edgefield County Council to file with the State Budget and Control Board of South Carolina, in compliance with Section 14 of the Act, the petition of the County requesting approval of the proposed financing by the State Budget and Control Board;

NOW, THEREFORE, BE IT RESOLVED by the Edgefield County Council of Edgefield County, South Carolina, as follows:

Section 1. That it is hereby found, determined and declared by this Edgefield County Council, as follows:

(a) That the Project will constitute a "project" as said term is referred to and defined in Section 2(3) of the Act, and that the issuance of the Series A Bonds in the aggregate principal amount of \$1,500,000 to finance the acquisition, construction and equipping of the Project will subserve the purposes and in all respects conform to the provisions and requirements of the Act;

(b) That neither the Project, the Series A Bonds proposed to be issued by the County to finance the cost thereof, nor any documents or agreements entered into by the County in connection therewith will constitute or give rise to any pecuniary liability of the County or a charge against its general credit or taxing power;

(c) That the issuance of the Series A Bonds by the County in the aggregate principal amount of \$1,500,000 will be required to finance the cost of the Project;

(d) That the amount necessary in each year to pay the principal of and interest on the Series A Bonds proposed to be issued by the County is presently estimated at approximately \$ 122,985.00---, said amount to be fixed shortly prior to the issuance of the Series A Bonds when the maturities and interest rate or rates shall have been finally determined in accordance with market conditions prevailing at that time, and to be set forth in the proceedings of this Edgefield County Council authorizing the issuance of the Series A Bonds;

(e) That inasmuch as Star Fibers, Inc. is a corporation with established credit, the establishment of reserve funds in connection with the retirement of the Series A Bonds and the maintenance of the Project is deemed unnecessary;

(f) That the Project will be leased by the County to

Star Fibers, Inc. upon terms which will require Star Fibers, Inc. at its own expense, to maintain the Project in good repair and to carry all proper insurance with respect thereto, and will require Star Fibers, Inc. to make the payments in lieu of taxes referred to in Section 6 of the Act.

(g) That the Project will consist of land, buildings, equipment and machinery constituting a plant for the manufacturing of synthetic fibers of _____ and/or other products which may be lawfully manufactured or processed at the Project.

(h) That a reasonable estimate of the cost of the Project including necessary expenses incident thereto is \$1,500,000.

(i) In addition to the employment provided for those engaged in the construction of the Project, it is anticipated that after the Project shall have been completed and the additional manufacturing facilities placed in operation, the Project will provide permanent employment for approximately 220 persons from the County and elsewhere in said area with a resulting alleviation of unemployment, and a substantial increase in payrolls and other public benefits flowing from the conducting of industrial operations.

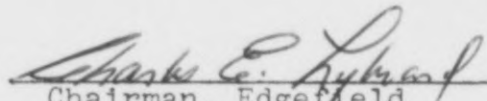
Section 2. That there be and there is hereby authorized and directed the submission, on behalf of Edgefield County, of a petition by this Edgefield County Council requesting the approval of the proposed financing by the State Budget and Control Board of South Carolina pursuant to the provisions of Section 14 of the Act said petition, which constitutes and is hereby made a part of this authorizing resolution, to be in substantially the form attached hereto as Exhibit A.

Section 3. That the Chairman of the Edgefield County Council be and is hereby authorized and directed to execute said

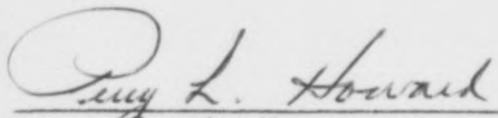
petition in the name and on behalf of the Edgefield County Council; and that the County Manager be and is hereby authorized and directed to affix the seal of the Edgefield County Council to said petition and to attest the same and thereafter to submit an executed copy of said petition, together with a properly certified copy of this resolution, to the State Budget and Control Board, in Columbia, South Carolina.

Section 4. That all orders and resolutions and parts thereof in conflict herewith are to the extent of such conflict hereby repealed, and this resolution shall take effect and be in full force from and after its passage and approval.

Passed and approved September 30, 1971.

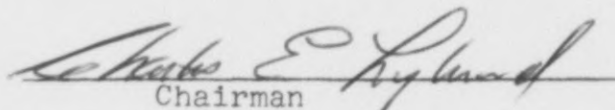

Chairman, Edgefield
County Council

Attest:


County Manager,
Edgefield County

(Other business not pertinent to the above appears in the minutes of the meeting.)

Pursuant to motion duly made and carried, the meeting was adjourned.


Chairman

Attest:

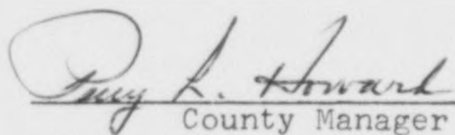

County Manager

STATE OF SOUTH CAROLINA)
)
COUNTY OF EDGEFIELD)

I, Perry L. Howard, do hereby certify that I am the
duly qualified and acting County Manager of Edgefield County,
South Carolina.

I further certify that the above and foregoing constitutes
a true and correct copy of excerpts from the minutes of a meeting
of the Edgefield County Council of Edgefield County held on Septem-
ber 30, 1971, and of a resolution, together with Exhibit A annexed
thereto, adopted at said meeting, as said minutes, resolution and
exhibit are officially of record in my possession.

IN WITNESS WHEREOF, I have hereunto subscribed my official
signature and impressed hereon the official seal of the Edgefield
County Council this 30th day of September, 1971.


County Manager

(Affix)
(Seal)
(Here)

OFFERING PROSPECTUS

In the opinion of Bond Counsel (i) interest on the Bonds will be excludable from the gross income of the recipients thereof for Federal income tax purposes under existing statutes, regulations and court decisions, except possibly as provided by Section 103(c) of the Internal Revenue Code of 1954, as amended, as to any Bond during such period when such Bond is held by a "person" who is a substantial user of the Project, or by a "related person", and (ii) interest on the Bonds will be exempt from all taxation in the State of South Carolina except for inheritance, estate or transfer taxes.

\$1,500,000

COUNTY OF EDGEFIELD, SOUTH CAROLINA

FIRST MORTGAGE INDUSTRIAL REVENUE BONDS, SERIES A

(STAR FIBERS, INC. - LESSEE)

Payable solely from and secured by the Trust Estate, which includes lease rentals and other revenues and receipts derived under a Lease with Star Fibers, Inc. and the Project deeded in trust to the Trustee.

The payment of all amounts due under the Lease and the performance and observance of all other obligations of Star Fibers, Inc., under the Lease have been unconditionally guaranteed by Allen Industries, Inc.

Dated: October 1, 1971

Due: October 1, 1973 to 1996,
inclusive.

Principal and semi-annual interest (October 1 and April 1) are payable at the principal office of Michigan Bank, National Association, as Trustee. The Bonds are issuable as coupon bonds in the denomination of \$5,000, registrable as to principal only, and as fully registered bonds registrable as to both principal and interest in the denomination of \$5,000 and any multiple thereof.

The Bonds are subject to redemption prior to maturity as more fully described herein.

MATURITY SCHEDULE

<u>Maturity</u> <u>October 1,</u>	<u>Amount</u>	<u>Rate</u>	<u>Maturity</u> <u>October 1,</u>	<u>Amount</u>	<u>Rate</u>
--------------------------------------	---------------	-------------	--------------------------------------	---------------	-------------

(Plus accrued interest from October 1, 1971)

These Bonds are offered when, as and if issued and subject to the approval of legality by Marvin W. Leiter, Esq., Chicago, Illinois, Bond Counsel and Messrs. McNair, Konduros & Corley, Columbia, South Carolina, Bond Counsel and certain other conditions. It is expected that the Bonds in definitive form will be available for delivery on or about October 15, 1971. The date of this Offering Prospectus is September 15, 1971.

The Bonds have not been registered under the Securities Act of 1933 nor has the Indenture been qualified under the Trust Indenture Act of 1939 in reliance upon exemptions contained in such Acts. The Bonds have not been registered under the Blue Sky or securities laws of any state in reliance upon various exemptions contained in such laws.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Offering Prospectus, and, if given or made, such other information or representations must not be relied upon as having been authorized by Edgefield County, South Carolina (the "County"), Star Fibers, Inc. (the "Company"), or Allen Industries, Inc. (the "Guarantor"). This Offering Prospectus does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any State in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the County, the Company, the Guarantor and other sources which are believed to be reliable, but it is not guaranteed as to the accuracy or completeness thereof. This information and expressions of opinion herein are subject to change without notice and neither the delivery of this Offering Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County, the Company or of the Guarantor since the date hereof.

General . . . . .	.
The County . . . . .	.
The Bonds . . . . .	.
The Project . . . . .	.
The Lease . . . . .	.
The Guaranty Agreement . . . . .	.
The Indenture . . . . .	.
Tax Exemption . . . . .	.
Legal Matters . . . . .	.
Financial Statements . . . . .	.

\$1,500,000

COUNTY OF EDGEFIELD, SOUTH CAROLINA
FIRST MORTGAGE INDUSTRIAL REVENUE BONDS, SERIES A

(STAR FIBERS, INC. - LESSEE)

GENERAL

This Offering Prospectus is provided to furnish information regarding the County of Edgefield, South Carolina (the "County") First Mortgage Industrial Revenue Bonds, Series A of \$1,500,000 (the "Bonds") to be issued under and pursuant to resolution duly adopted by the County and pursuant to an Indenture of Mortgage and Deed of Trust dated as of October 1, 1971 (the "Indenture"), between the County and Michigan Bank, National Association, as Trustee (the "Trustee").

The Bonds are to be issued for the purpose of providing funds to defray the cost of acquiring certain real property in Edgefield County, South Carolina, together with a manufacturing and equipping additional manufacturing and related facilities thereon (the "Project"), described below under "The Project". The Project will be utilized by Star Fibers, Inc., a Delaware corporation (the "Company"), in the manufacture of synthetic fibers and related materials. The cost of the Project is estimated to be \$1,500,000, including (1) expenses incurred in connection with the issuance and sale of the Bonds, and (2) the cost of acquiring, constructing and equipping the Project. The Company is obligated to complete the Project and to pay any costs therefor in excess of the proceeds from the sale of the Bonds.

The Project will be leased by the County to the Company pursuant to a Lease dated as of October 1, 1971 (the "Lease"), between the County, as lessor, and the Company, as lessee (the lessee under the Lease herein called the "Lessee").

Allen Industries, Inc., a Delaware corporation (the "Guarantor"), has unconditionally guaranteed the performance and observance by Lessee of Lessee's obligations, covenants and agreements contained in the Lease including the unconditional guarantee of the payment of rental and other sums due or to become due thereunder, pursuant to a Guaranty Agreement dated as of October 1, 1971 (the "Guaranty Agreement").

The Bonds are payable solely from the "Trust Estate" consisting of the County's interests in the real estate (including the manufacturing plant and related facilities, machinery and equipment to be financed from the proceeds of the Bonds) in the Lease (including the rentals payable by the Lessee) and certain other rights, privileges and property, assigned, conveyed and deeded in trust to the Trustee under the Indenture. The Lease provides for the payment directly to the Trustee by the Lessee of rentals in amounts sufficient to pay the principal, interest and premium, if any, on the Bonds as the same shall become due and payable.

Brief descriptions of the County, the Bonds, the Project, the Lease, the Guaranty Agreement, the Indenture and the Guarantor,

including its financial statements, are included hereafter in this Offering Prospectus. Such descriptions do not purport to be comprehensive or definitive and all references herein to the Lease, the Guaranty Agreement and the Indenture are qualified in their entirety by reference to each such document, copies of which are available from the County or from the Company. All references to the Bonds are qualified in their entirety by the definitive forms thereof and the information with respect thereto included in the Lease and the Indenture.

THE COUNTY

The County is a body politic and corporate and a political subdivision of the State of South Carolina and is authorized under Act No. 103 of the Acts of the General Assembly of the State of South Carolina for 1967 (Chapter 8, Title 14, Code of Laws of South Carolina, 1962, 1969 Cumulative Supplement) (hereinafter called the "Act") to acquire, own, lease and dispose of properties, through which the industrial development of the State of South Carolina will be promoted and trade developed by inducing manufacturing and commercial enterprises to locate in and remain in the State of South Carolina, and thus utilize and employ the manpower, agricultural products and natural resources of the State.

THE BONDS

These Bonds are issued pursuant to and in full compliance with the Constitution and laws of the State of South Carolina, particularly the Act, and pursuant to resolution of the County duly adopted and approved, which resolution authorizes the execution and delivery of the Indenture. The Bonds and the interest coupons appertaining hereto are limited obligations of the County and shall never constitute an indebtedness of the County within the meaning of any state constitutional or statutory provision or limitation, but are payable solely out of the revenues and other amounts derived from the leasing of the Project financed through the issuance of the Bonds. The Bonds and the interest coupons appertaining thereto do not now and shall never constitute nor give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers. (Sections 2.01, 2.02 and 2.10 of Indenture).

The Bonds will bear interest at the rates and mature in the amounts and on the dates set forth on the cover page of this Offering Prospectus. Interest on the Bonds will be payable semi-annually on October 1 and April 1 of each year, first interest payable April 1, 1972. The Bonds are issuable as coupon bonds in the denomination of \$5,000, registrable as to principal only, and as fully registered bonds in the denomination of \$5,000 or any multiple thereof. Principal, interest and premium, if any, are payable at the principal office of the Trustee. (Sections 3.01 and 2.02 of Indenture).

Redemption Provisions

The Bonds maturing on October 1, 1982 and thereafter are redeemable at the option of the County, in whole or in part, in inverse numerical order on October 1, 1981, and on any interest payment date thereafter at the principal amount of the Bonds to

be redeemed, and accrued interest thereon to the date of redemption, plus a premium of 4 percent of such principal amount less 1/2 of 1 percent for each one year period elapsed from and including the first day of October in 1981 to the date of redemption, but in no event at less than the principal amount thereof plus accrued interest to the date of redemption.

The Bonds are subject to mandatory redemption, at any time, in whole and not in part, at the principal amount of the Bonds to be redeemed and accrued interest thereon to the date of redemption, plus a premium of 5 percent of such principal amount, in the event that Lessee or any "related person" takes or omits to take any action and as a result thereof the interest on the Bonds becomes subject to Federal income taxes. (Section 5.05 of Indenture.)

The Bonds are also redeemable in the event of:

(1) receipt by the Trustee of payment under the mortgage title insurance policy insuring the Trustee for the benefit of the holders of the Bonds as provided in Section 4.06 of the Indenture;

(2) condemnation of all or substantially all of the Project, or the taking by eminent domain of such use or control of the Project as to render the remainder of the Project unsatisfactory to the Lessee for its business purposes;

(3) condemnation of less than a material part of the Project, to the extent of any excess condemnation award proceeds, as provided in Section 11.03 of the Lease; or

(4)(a) purchase of the Project by the Lessee pursuant to Section 12.02 of the Lease which stipulates (i) that the Lessee shall be obligated to purchase the Project prior to full payment of the Bonds if the Project has been damaged or destroyed and the Lessee elects not to rebuild, repair or restore the Project, and (ii) that the Lessee shall have an option to purchase the Project prior to full payment of the Bonds if the Project has been damaged or destroyed to such an extent that the restoration cost would exceed the proceeds of insurance, and (b) purchase of the Project by Lessee pursuant to Section 22.01 of the Lease, which stipulates that the Lessee shall be obligated to purchase the Project prior to full payment of the Bonds as a result of changes in the law or a judgment of any court, the Lease shall have become void or unenforceable or impossible of performance.

Upon the happening of one of the events described in (2) or (4) above the Bonds are redeemable as a whole, and upon the happening of one of the events described in (1) or (3) above the Bonds are redeemable either as a whole or in part in inverse numerical order at any time at the principal amount of the Bonds to be redeemed and accrued interest thereon to the date of redemption plus a premium of 4 percent of such princi-

pal amount less (in the case of any redemption after October 1, 1981) 1/2 of 1 percent for each one year period elapsed from and including the first day of October in 1981 to the date of redemption, but in no event at less than the principal amount thereof plus accrued interest to the date of redemption. (Section 5.04 of Indenture).

At the request of the Lessee, the County will use its best efforts to issue at one time or from time to time one or more subsequent series of additional parity Bonds (the "Additional Bonds") for the purpose of paying the cost of making additions, alterations of, and improvements to the Project, structural or otherwise, and of constructing and equipping additional industrial buildings as a part of the Project. Before any Additional Bonds are issued, the Lessee must enter into a supplemental lease, whereby it agrees to pay additional rentals sufficient to pay the principal of and the interest on the Additional Bonds.

THE PROJECT

The manufacturing plant, plant addition and related facilities to be acquired, constructed and equipped for lease to the Company is to be located in Edgefield County, South Carolina on a parcel of land containing approximately 24 acres. The manufacturing plant including the plant addition and related facilities will contain approximately 180,000 square feet of office and production facilities.

The manufacturing plant will employ approximately 220 persons and will be utilized by the Company in the manufacture of synthetic fibers and related materials.

The total cost of the Project including acquisition of the existing manufacturing plant, construction and equipping of the manufacturing plant addition and expenses relating to the sale of the Bonds, is estimated by the Company at approximately \$1,500,000 as follows:

Purchase of existing facilities	\$ 450,000
Construction, site preparation and architect fees	260,000
Equipment	770,000
Miscellaneous Expenses	<u>20,000</u>
TOTAL ESTIMATED COST	\$1,500,000

The Lessee will be responsible for the construction and equipping of the Project according to the specifications approved by the Lessee and the County. If the proceeds of this Bond offering are insufficient, the Lessee has agreed to complete the Project at its own expense in which event Lessee will not be entitled to any reimbursement or any diminution of the rents payable under the Lease. Any surplus of Bond proceeds not required for the purposes set forth above will be applied by the Trustee as a credit on the then next succeeding installments of Basic Rent payable by the Lessee. (Section 4.04 of the Indenture).

THE LEASE

The following is a summary of certain provisions of the Lease.

Term and Rentals

The Lease will become effective upon its delivery which will occur at the time of or prior to the issuance of the Bonds but the term of the Lease shall commence on October 1, 1971, the date from which the Lessee's obligation to make rental payments for the account of the County accrues, and, subject to certain conditions therein, will expire at midnight on September 30, 1996, with optional renewal periods at the election of the Lessee not to exceed a total of twenty additional years. (Sections 3.01 and 3.02 of Lease.)

The Lessee agrees to pay rent semi-annually, directly to the Trustee for the account of the County, in amounts which will be sufficient in the aggregate to enable the Trustee to make the required payments of principal of and interest on the Bonds as and when the same fall due. The obligation of the Lessee to make rental payments is unconditional (whether or not the Project is completed) and, until such time as all of the Bonds have been paid in full or provision therefor is made, the Lessee may not terminate the Lease for any cause. The Lessee is permitted to prepay all or any part of the rentals, such amounts, at the election of the Lessee, to be used for the redemption of Bonds to the extent provided in the Indenture (see "The Bonds"). (Sections 4.01 and 4.02 of the Lease.)

Obligation to Construct and Complete Project

The Company will construct and equip the Project in accordance with such plans and specifications, as may be from time to time prepared, amended and approved by the Company.

The County and the Company have agreed to use their best efforts to cause such construction to be completed as promptly as practicable. In the event, however, that the costs of the Project should exceed the proceeds from the sale of the Bonds deposited in the Construction Fund Account (to be held and disbursed by the Michigan Bank, National Association, as Depositary under a Construction Deposit Agreement), the Company has agreed to complete the Project and to pay all the costs of the Project in excess of the moneys available from the Construction Fund Account. In such event the Lessee will not be entitled to any reimbursement therefor from the County, the Trustee or the holders of any of the Bonds, nor will it be entitled to any diminution of the rentals payable under the Lease.

Maintenance and Insurance

During the term of the Lease, the Lessee shall keep the Project in good repair at its own cost.

The Lessee will insure the Project, under valid and enforceable policies issued by insurers of recognized responsibility, to the full insurable value (actual replacement

value or an amount equal to "All Unpaid Installments of Rent" as defined in the Lease, whichever shall be less) of the Project, with customary deductible provisions, against loss or damage by fire, with extended coverage endorsement covering loss or damage by explosion, vandalism, malicious mischief and such other hazards as are normally covered by such endorsement. The Lessee further agrees to carry public liability insurance with reference to the Project in the amounts specified in the Lease. (Section 9.01 et seq. of Lease.)

Net Lease

The Lease is a "Net Lease", and the Lessee agrees to pay all utility charges in connection with the Project and all taxes and other governmental charges which may be lawfully levied or assessed against or with respect to the Project or any interest of the Lessee or the County therein or in the Lease, or on any property of the Lessee (as long as any Bonds are outstanding), or on the revenues or income of the County from the Project. In addition, the Lessee has agreed to make certain payments in lieu of taxes to certain taxing authorities as required by the Act. (Sections 6.01, 6.02, 6.04 and 6.05 of the Lease). The Lessee is not, however, required to pay any such taxes or charges as long as it contests the same in good faith, if the lien of the Indenture will not be materially endangered or any part of the Project subjected to loss. The Lessee also agrees to pay the fees and expenses of the Trustee.

Modifications, Improvements, Additions and Removal

The Lessee may, at its own expense (unless Additional Bonds shall be issued for such purpose by the County, at the Lessee's request), make additions, modifications or improvements that do not materially decrease the value of the Project. All such additions, modifications and improvements shall become the property of the County upon the expiration or termination of the Lease unless removed by the Lessee without damage to the Project (or repair by the Lessee of any damage caused by such removal). (Section 13.01 of the Lease).

The Lessee shall have the further privilege from time to time, at its own expense and without damage to the Project, of installing machinery, equipment, fixtures or personal property which shall remain the property of the Lessee and which may be removed at any time by the Lessee.

The Lessee may remove any item of equipment leased from the County which it determines is inadequate, obsolete or worn out, provided that either (a) such equipment is replaced by other equipment having equal or greater value, or (b) the Lessee pays into the Bond Redemption Account created by the Indenture the proceeds from the sale of such equipment or scrap value thereof or trade-in value. No such payment into the Bond Redemption Account need be made by the Lessee until the amount of all such sales, trade-ins, or other dispositions reported aggregate at least \$100,000. (Section 13.04 of the Lease).

Damage to the Project

Unless the Lessee has elected to exercise its option

to purchase or it obligated to purchase the Project pursuant to the provisions of Section 12.02 of the Lease, if, prior to full payment of the Bonds (or provisions for payment thereof having been made in accordance with the provisions of the Indenture), the Project shall be damaged or partially or totally destroyed, all net insurance proceeds resulting from loss or damage exceeding \$150,000 in the aggregate shall be paid to the Trustee, whereupon

(1) the Lessee will proceed promptly to rebuild, restore and repair the Project to at least the value thereof immediately prior to such destruction, and

(2) the Trustee will apply so much as may be necessary of the net insurance proceeds to the payment of the costs of such rebuilding, restoration or repair.

In the event the net insurance proceeds are insufficient, the Lessee will nonetheless complete the work and the Lessee will pay the portion of the cost in excess of the amount of such net proceeds.

Any balance of the net insurance proceeds remaining after the payment of all costs shall be paid into the Bond Redemption Account created by the Indenture and used for the redemption of Bonds.

Condemnation

Unless the Lessee is obligated to purchase the Project pursuant to Section 11.02 of the Lease, in the event that title to, or the temporary use of, any part of the Project shall be taken under the exercise of the power of eminent domain, any net proceeds received by the County and the Lessee from any award in such proceeding will be paid to and held by the Trustee, whereupon

(1) the Lessee shall either (a) promptly and diligently restore and rebuild the Project to such condition as shall be reasonable in view of the nature of the taking and the then intended use of the Project by the Lessee (without diminution of the rentals otherwise payable under the Lease), or (b) furnish the Trustee with a certificate executed by an authorized representative of the Lessee that such restoration and rebuilding is not required, and

(2) the Trustee will apply so much as may be necessary of the net proceeds of such award (after the payment of collection expenses) to the costs, if any, of such restoration and rebuilding.

Any balance of the net proceeds of the award in such eminent domain proceedings shall be paid into the Bond Redemption Account created by the Indenture and used for the redemption of Bonds. If the Bonds have been fully paid (or provision therefor has been made in accordance with the provisions of the Indenture), all net proceeds shall be paid to the Lessee. (Section 11.03 of the Lease.)

Options to Purchase

The Lessee shall have the option to purchase the Project (thereby terminating the Lease) prior to full payment of the Bonds (or provision therefor having been made in accordance with the provisions of the Indenture) upon the conditions set forth in (4)(a)(ii) of the fifth full paragraph under the heading "The Bonds" above. The purchase price shall be equal to the sum of (1) the amount, if any, which when added to the amount then held by the Trustee and available for such purpose will be sufficient to redeem the outstanding Bonds in accordance with the provisions of the sixth full paragraph under the heading "The Bonds" above, plus (2) an amount equal to the Trustee's fees and expenses accrued and to accrue until final payment and redemption of the Bonds. (Section 22.02 of the Lease.)

The Lessee also has the option exercisable on or after October 1, 1981 to purchase the Project for a price equal to the sum of (1) the amount, if any, which when added to the amount then held by the Trustee and available for such purpose will be sufficient to redeem the outstanding Bonds in accordance with the provisions of the third full paragraph under the heading "The Bonds" above, plus (2) an amount equal to the Trustee's fees and expenses accrued and to accrue until final payment and redemption of the Bonds, plus (3) the sum of \$100.00. (Section 22.03 of the Lease.)

Upon compliance with conditions set forth in the Lease the Lessee will have the option to purchase at any time or from time to time any part of the unimproved land on which no part of the industrial building or equipment leased from the County other than transportation or utility facilities is located. The proceeds derived from such purchase or purchases will be deposited in the Bond Redemption Account. (Section 22.04 of the Lease.)

Obligations to Purchase

The Lessee is obligated to purchase the Project prior to full payment of the Bonds (or provision therefor having been made in accordance with the provisions of the Indenture) upon the happening of any of the events set forth in the fourth full paragraph under the heading "The Bonds" above and in (2) and (4)(a)(i) of the fifth full paragraph under the heading "The Bonds" above. The purchase price in any such event shall be equal to the sum of (1) the amount, if any, which when added to the amount then held by the Trustee and available for such purpose will be sufficient to redeem the outstanding Bonds in accordance with the respective provisions of the fourth and sixth full paragraph under the heading "The Bonds" above, plus (2) an amount equal to the Trustee's fees and expenses accrued and to accrue until final payment and redemption of the Bonds. (Sections 22.01 and 22.02 of the Lease.)

Easements, Dedications, Annexation

Upon compliance with conditions set forth in the Lease the Lessee shall have the right to cause the County, at any time or from time to time, to (1) grant easements affecting

the Project, (ii) to dedicate portions of the Project for road, highway, and other public purposes, and (iii) to execute petitions to have the Project or portions thereof annexed to any municipality or included within any utility, highway or other improvement or service district.

Default

The Lease provides that the happening of one or more of the following events will constitute an "Event of Default":

(1) failure of the Lessee to pay when due the rentals required to be paid under the terms of the Lease, continued for a period of five days,

(2) assignment, mortgaging, encumbrance or subletting by the Lessee of the Project, the Lease or the Lessee's estate, except as permitted by the Lease,

(3) failure to observe and perform certain covenants under the Lease,

(4) failure of the Lessee to observe and perform any other of its covenants, conditions or agreements under the Lease, continued for a period of 60 days (or such longer period as might be required by the Lessee diligently to cure such default) after written notice given by the County,

(5) certain events of bankruptcy, liquidation or reorganization by the Lessee,

(6) breach of representation or warranty, and

(7) abandonment of the Project by the Lessee, if the Project shall remain uncared for, for more than 30 days.

Remedies

Upon the happening of an Event of Default, the County may,

(1) pursuant to 20 days' notice to the Lessee, terminate the Lease, thereby terminating the rights (but not the obligations) of the Lessee under the Lease;

(2) re-enter and take possession of the Project, with or without terminating the Lease, and hold the Lessee liable for the rent and other payments due under the Lease on each rental date; and

(3) after retaking possession of the Project and whether or not the Lease has been terminated, re-let the Project to another for the account of the Lessee, holding the Lessee liable for all rent and other payments due up to the effective date of such re-letting and for the difference in the amounts payable by such new lessee (after payment of all expenses of re-letting) and the amounts payable by the Lessee under the Lease.

As an alternative to the collection of the rent and other amounts due under the Lease (less the net proceeds of any re-letting) from the Lessee on the due dates thereof, (or if the Lease has been terminated, on the dates when the same would have fallen due absent such termination), the County may (i) declare an amount sufficient to redeem the outstanding Bonds to be immediately due and payable (but, under the United States Bankruptcy Act, the claim provable in respect thereof may be limited to one year's rent in the case of the bankruptcy of the Lessee and three years' rent in the case of the reorganization of the Lessee), or (ii) if the amount realized by the Trustee would be greater, declare all installments of rent and other amounts payable for the remainder of the term of the Lease, less the fair net rental value of the Project for the same period, to be immediately due and payable.

The Trustee, as assignee of the County's rights under the Lease, has the right to pursue the remedies accorded to the County under the Lease.

Assignment and Merger

Under certain conditions the Lessee may assign the Lease or sublet the Project, but such assignment or subletting will not operate to relieve the Lessee of its primary liability under the Lease. The Lessee may consolidate or merge with, or transfer all or substantially all of its business and assets to, another corporation which shall succeed to and be substituted for the Lessee under the Lease, provided that the surviving corporation, after giving effect to such consolidation, merger or transfer of business and assets, shall have a net worth equal to not less than the net worth of the Lessee immediately prior thereto.

Modification of the Lease

Pursuant to the provisions of the Indenture, the Lease may be amended or modified only with the written approval or consent of the holders of at least two-thirds of the principal amount of all Bonds then outstanding, except that amendments, changes or modifications (1) required by the provisions of the Lease and the Indenture or (2) in connection with (a) the issuance of Additional Bonds, or (b) the curing of ambiguities or formal defects or omissions, or (c) in connection with the release of real estate or equipment leased from the County pursuant to the provisions of the Lease (see "Options to Purchase" above), may be made with the concurring consent of the Trustee only.

THE GUARANTY AGREEMENT

The following is a summary of certain provisions of the Guaranty Agreement:

Obligations of Guarantor

The Guarantor unconditionally guarantees to the County and the Trustee the full and prompt payment by the Lessee, as and when the same shall become due and payable under the Lease,

of all rents payable from time to time by the Lessee under the Lease and, in the event of any failure to pay such rents so payable, as and when the same shall become due and payable, the Guarantor will pay upon proper notice to the persons entitled thereto, amounts equal thereto, whether or not the Lease shall have been terminated under bankruptcy or similar laws or otherwise. The Guarantor also unconditionally guarantees to the County and the Trustee the full and prompt payment and performance by the Lessee of all its other covenants and obligations under the Lease. If Lessee fails to perform any condition or agreement (other than payment of rent) contained in the Lease, the Guarantor will upon proper notice perform or cause the Lessee to perform such conditions or agreements.

Amendments to Guaranty Agreement

The Guaranty may not be amended by the parties thereto without the consent of the Trustee. The Trustee may not consent to any amendment without the consent of the holders of at least two-thirds of the outstanding Bonds except (1) as required by the Guaranty, the Indenture or the Lease or (2) in connection with (a) the issuance of Additional Bonds or (b) the curing of an ambiguity, formal defect or omission.

THE INDENTURE

The following is a summary of certain provisions of the Indenture.

Application of Bond Proceeds

The proceeds from the sale of the Bonds shall be applied as follows: the accrued interest will be deposited in the Interest Account, which is the source of payment of all interest thereafter accruing on the Bonds, and will constitute a credit to the Lessee on the next succeeding payment or payments of rentals falling due under the Lease; the amount of \$_____ will be deposited in an Expense Account for the payment of the expenses incurred in connection with the issuance and sale of the Bonds; the sum of \$_____ will be paid to the Lessee as the purchase price of the real property and manufacturing facilities; and the balance of the Bond proceeds will be deposited in a Construction Fund Account held by the Depositary under a Construction Deposit Agreement, and applied to the cost of acquiring, constructing and equipping the Project. The Construction Deposit Agreement prescribes the procedures and showings required for the disbursement of moneys in the Construction Fund Account. (Section 3.02 of Indenture.)

Upon completion of the Project, any surplus moneys remaining in the Construction Fund Account will be paid into the Revenue Account and will constitute a credit to the Lessee on its next succeeding payment or payments of rentals under the Lease. (Section 4.04 of Indenture.)

Application of Funds

The semi-annual rental payments derived from the Project will be deposited in a special account maintained

with the Trustee and designated the Revenue Account. Moneys will be withdrawn by the Trustee from the Revenue Account not less than three business days prior to each interest payment date on the Bonds and deposited (a) in the Interest Account for the payment of interest on the Bonds falling due on such interest payment date, and (b) in the Bond Retirement Account for the payment of the principal amount of any Bonds maturing on such interest payment date. (Section 4.03 of the Indenture.)

A Bond Redemption Account is also created by the Indenture, into which all moneys earmarked for the redemption of Bonds by any of the provisions of the Lease or Indenture are deposited, and out of which is paid the principal of and premium, if any, and interest on any Bonds called for redemption prior to maturity. (Section 5.01 of the Indenture.)

Investment

Any moneys held as a part of the Construction Fund Account or in any of the accounts created by the Indenture (except the Bond Redemption Account) shall, at the request of the County and the Lessee (so long as the Trustee shall not have knowledge of any default by the Lessee under the Lease), be invested or reinvested by the Trustee in

(1) obligations issued or guaranteed by the United States of America;

(2) obligations issued by any person, corporation or association controlled or supervised by and acting as an instrumentality of the United States of America pursuant to authority granted by the Congress of the United States; and

(3) certificates of deposit where such certificates of deposit are collaterally secured by securities of the type described in (1) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; or

(4) to the extent such investments are not prohibited by law for investment of bond proceeds by the County, certificates of deposit of banks or trust companies, including the Trustee, organized under the laws of the United States or any state thereof, which have a combined capital and surplus of at least \$10,000,000.

Any moneys held as a part of the Bond Redemption Account shall be invested or reinvested by the Trustee in direct obligations of the United States of America maturing not later than the date on which the Bonds for which such moneys are held are redeemable.

Any interest, profit or loss on any investments made by the Trustee shall be credited or charged to the Revenue Account (and hence either constitute a credit to the Lessee on the next succeeding rental payments under the Lease or an additional charge to be made up by the Lessee, as the case may be).

Defaults and Remedies

Upon the occurrence of any of the following events, the Trustee may, and upon the written request of the holders of not less than 25 percent in aggregate principal amount of the Bonds then outstanding shall, declare the principal and accrued interest on all outstanding Bonds immediately due and payable, subject to waiver of such default (except a default in the payment of principal of or interest on the Bonds) and rescission and annulment of such declaration by the holders of at least two-thirds in aggregate principal amount of the Bonds then outstanding under the conditions stated in the Indenture, if all sums due except unmatured principal are paid and all defaults remedied:

- (1) default in the due and punctual payment of any principal of or interest or premium on any Bonds;
- (2) default in the performance of any other covenant, condition or agreement of the County contained in the Indenture or the Bonds, continued for a period of 60 days after written notice given to the County by the Trustee, or to the County and the Trustee given by the holders of not less than 25 percent in aggregate principal amount of the Bonds then outstanding; and
- (3) default by the Lessee under the Lease or the Guarantor under the Guaranty Agreement and the continuance of such default for the applicable period for the remedy thereof.

Upon the occurrence of an Event of Default, the Trustee may, and upon the written request of not less than a majority in principal amount of the Bonds then outstanding shall:

- (1) take possession of the Project and operate and manage the same, and
- (2) pursue any available remedy to enforce the payment of the Bonds, including the bringing of a suit in equity, the appointment of a receiver and foreclosure on and sale of the Project.

Modifications

The Indenture may not be modified or amended without the approval of the holders of 66-2/3 percent or more in principal amount of the Bonds outstanding, except

- (1) to cure any ambiguity or formal defect or omission,
- (2) to grant to the Trustee additional rights for the benefit of the holders of the Bonds,
- (3) to subject, describe or redescribe any property or collateral subjected or to be subjected to the lien and pledge of the Indenture,

(4) to qualify the Indenture under the Trust Indenture Act of 1939, and

(5) in connection with the issuance of Additional Bonds.

In any event, no such modification or amendment of the Indenture shall be made which will

(1) permit an extension of the maturity of the principal or interest on any Bond, or a reduction in the amount of principal, interest or redemption premium,

(2) reduce the percentage of holders of Bonds required for consent to such supplemental indentures, or

(3) permit the creation of any lien prior to or on a parity with the lien of the Indenture.

TAX EXEMPTION

In the opinion of Bond Counsel, interest on the Bonds is exempt from all present Federal income taxes under existing statutes and court decisions and existing regulations and rulings of the Internal Revenue Service. The existence and continuation of such tax exemption is subject to two qualifications presently contained in Section 103(c) of the Code which provides generally that interest upon the obligations of a state or political subdivision thereof is not includable in the gross income of the recipient and is therefore exempt from Federal income taxes. Section 103(c) thereof declares that an "industrial development bond" (therein defined) shall be treated as an obligation not described in Section 103(a). While the Bonds fall within the definition of industrial development bonds set forth in Section 103(c), paragraph (6) of Section 103(c) continues tax exemption for certain industrial development bond issues the aggregate authorized face amount of which is \$5,000,000 or less and, as applied to the Bonds, provides in effect that in determining the aggregate authorized face amount of the Bonds (an industrial development bond issue) there will be taken into account certain prior issues of obligations outstanding as of the date of issuance of the Bonds (the "outstanding obligations") if, among other requirements, (a) the proceeds of the outstanding obligations and those of the Bonds (whether or not the issuer of each such issue is the same) are or will be used primarily with respect to facilities located in the same incorporated municipality or located in the same county (but not in any incorporated municipality) and (b) the principal user of such facilities is or will be the same person or two or more related persons (defined in Section 103(c)(6)(C)). The face amount of any such outstanding obligations at the time the Bonds are issued will be taken into account in determining compliance with the \$5,000,000 limitation as if such outstanding obligations were a part of the issue of Bonds. In addition, there will be added to the face amount of such issue of Bonds the aggregate amount of certain capital expenditures (financed otherwise than out of the proceeds of outstanding obligations)

with respect to the type of facilities mentioned above paid or incurred during the six-year period beginning three years before the date of such issue of Bonds and ending three years after such date, as if the aggregate amount of such capital expenditures during such six-year period constituted an addition to the face amount of the Bonds.

The second qualification with respect to tax exemption presently contained in Section 103(c) is, in effect, that the tax exemption accorded to industrial development bond issues of less than \$5,000,000 will not apply with respect to any Bond for any period during which it is held by a person who is a substantial user of the Project or a related person (as defined in said subsection (c)).

The Lessee has covenanted under the Lease that the aggregate amount of (a) the principal amount of the Bonds and (b) capital expenditures with respect to any land and interests therein, buildings, structures, machinery, equipment and other facilities of which the Lessee or a related person as defined in Section 103(c)(6)(D) of the Internal Revenue Code of 1954 is the principal user and located within the corporate limits of the County of Edgefield, as such corporate limit existed at the date of issuance of the Bonds, paid or incurred during the six-year period beginning three years before the date of issue of the Bonds and ending three years after such date of issue (and financed otherwise than out of the proceeds of the Bonds), shall not exceed \$5,000,000 or such lesser or greater amount as may from time to time be permitted by federal statute or regulations and which does not affect the exemption from federal income taxation of the interest paid on the Bonds.

LEGAL MATTERS

All legal matters incident to the authorization and issuance of the Bonds are subject to the unqualified approving opinion of Marvin W. Leiter, Esq., Chicago, Illinois, Bond Counsel and Messrs. McNair, Konduros & Corley, Columbia, South Carolina, Bond Counsel and the approval of certain legal matters by Messrs. _____, New York, New York, Counsel to Star Fibers, Inc. and Allen Industries, Inc.

Copies of the approving opinions of Bond Counsel will be available at the time of the delivery of the Bonds.

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