

MINUTES OF

Budget and
Control Board
Meeting

November 20, 1978

MINUTES OF BUDGET AND CONTROL BOARD MEETING

NOVEMBER 20, 1978 10:30 A. M.

The Budget and Control Board met at 10:30 a.m. on November 20, 1978 in the Governor's Conference Room with the following members in attendance:

Governor James B. Edwards
Mr. Earle E. Morris, Jr.
Senator Rembert C. Dennis
Representative Tom G. Mangum

Also attending were Executive Director William T. Putnam, A. E. Reiser of the Governor's staff, and Donna K. Clark and William A. McInnis of the Executive Director's staff.

MINUTES OF PREVIOUS MEETINGS - Draft versions of the minutes of a poll completed on October 27 and of a meeting held on October 31, 1978 previously had been furnished to Board members.

Upon a motion by Mr. Morris, seconded by Representative Mangum, the Budget and Control Board approved the referenced minutes as written.

POLL AGENDA - At the suggestion of Executive Director Putnam, poll items 1 and 2, relating to A&E selection approval requests by the Department of Parks, Recreation and Tourism and the Department of Mental Health, respectively, were carried over for consideration at a future meeting.

Also at the suggestion of Mr. Putnam, the Budget and Control Board approved a York County petition to issue industrial revenue bonds on the condition that the Attorney General's Office review of the legal documents be completed with satisfactory results.

All other items included on the poll agenda, which are identified as such in these minutes, were approved by the Board.

PARKS, RECREATION AND TOURISM - A&E SELECTION APPROVAL REQUEST (POLL

ITEM 1) - Board consideration of the referenced request, relating to the Lynches River State Park project (No. 4500-7-80), was postponed to a future meeting. Information relating to this matter has been retained in these files and is identified as Exhibit I.

DEPARTMENT OF MENTAL HEALTH - A&E SELECTION APPROVAL REQUEST (POLL

ITEM 2) - Board consideration of the referenced request, relating to a 300-bed long-term care facility project, was postponed to a future meeting. Information relating to this matter has been retained in these files and is identified as Exhibit II.

HIGHWAYS AND PUBLIC TRANSPORTATION - CONSULTANT SERVICES CONTRACT

(POLL ITEM 3) - The Budget and Control Board without objection approved a consultant contract between the Department of Highways and Public Transportation and Carter, Goble, Roberts, Inc., involving a maximum of \$30,000, 100% State funds, with a November 20, 1978 - June 30, 1979 project period to provide consultant services in carrying out the Public Transportation Pilot Project provided for in Part II, Section 26, of the 1978 Appropriation Act. Consultant services will include technical assistance, development of an evaluation program and design and the design of a computer information system.

Information relating to this matter has been retained in these files and is identified as Exhibit III.

INDUSTRIAL REVENUE BONDS - YORK COUNTY (POLL ITEM 4) - The Budget

and Control Board was presented with a Petition from York County for the issuance of \$3,500,000 Industrial Revenue Bonds on behalf of Champion Laboratories, Inc. The proposed project, when completed, will provide additional employment for about 80 persons in the manufacture of air and oil filters and related automotive products.

After being advised that the State Auditor's Office review of the financial information submitted had been completed with satisfactory results but that the Attorney General's Office review of the legal documents had not been completed, the Budget and Control Board, upon a motion by Representative Mangum, seconded by Mr. Morris, adopted a Resolution approving the York County proposal to issue \$3,500,000 Industrial Revenue Bonds on behalf of Champion Laboratories, Inc., pursuant to 1976 Code Sections 4-29-10 et seq, on the condition that the Attorney General's Office review be completed with satisfactory results.

(Secretary's Note: Subsequent to the meeting, the Attorney General's Office advised that the Petition and other documents submitted appear to be in order and the project was approved.)

Information relating to this matter has been retained in these files and is identified as Exhibit IV.

GENERAL SERVICES/HOUSING AUTHORITY - GRANT OF RIGHT-OF-WAY TO DUKE POWER (POLL ITEM 5) - The Budget and Control Board without objection approved the granting of a right-of-way to the Duke Power Company for the purpose of providing electric service to the State Housing Authority Cowpens project for the elderly, as requested by the Authority. The right-of-way granted is as shown on drawings by Blackwood Associates, Inc., dated November 5, 1976, revised May 12, 1977 and by Carlisle and Love Architects dated February 22, 1978.

Information relating to this matter has been retained in these files and is identified as Exhibit V.

GENERAL SERVICES - GRANT OF RIGHT-OF-WAY TO CITY OF COLUMBIA (POLL ITEM 6) - The Budget and Control Board without objection approved the granting of a right-of-way to the City of Columbia for a new water line across State property adjacent to Bull Street between Confederate Avenue

and the Harden Street Extension. In recommending approval of this action, the Division of General Services advised that the referenced water line has been recommended by Improved Risk Mutual Insurance Companies and by the City fire department to upgrade and provide adequate fire protection for State agency facilities located in this area.

Information relating to this matter has been retained in these files and is identified as Exhibit VI.

PERSONNEL DIVISION - AGENCY DIRECTORS' CONFERENCE EXPENSES (POLL ITEM 7) - The Budget and Control Board without objection approved the expenditure of up to \$325 for expenses related to the agency directors' conference to be held December 6, 7 and 8 at Myrtle Beach.

AGENDA ADDITION - 1979-80 BUDGET MATTERS - Upon a motion by Mr. Morris, seconded by Senator Dennis, the Budget and Control Board agreed to add to the agenda for the present meeting the consideration of 1979-80 budget matters.

DEPARTMENT OF LABOR - CIVIL CONTINGENT FUND REQUEST - Department of Labor Commissioner Edgar L. McGowan appeared before the Budget and Control Board to advise that his Department's investigation of the collapse of the cofferdam in Keowee Lake has proceeded as far as the expertise available within his agency will permit and that, in order to reach a conclusion as to what occurred in that collapse, he needs additional assistance from outside experts. Commissioner McGowan further advised that proposals had been solicited from several engineering firms and that the Pittsburgh Testing Laboratory had responded with a somewhat open-ended proposal and that Law Engineering Testing Company had responded with a closed-end proposal to conduct the investigation for \$54,000.

Commissioner McGowan also pointed out that half of the costs of the study could be financed from federal sources but that the remaining

\$27,000 would have to be State funds. He also noted that this investigation may not establish what caused the cofferdam collapse but that the investigation is needed in order to determine if citations should be issued or if any rules or regulations are needed to prevent future accidents of this sort.

Following a brief discussion, upon a motion by Senator Dennis, seconded by Mr. Morris, the Budget and Control Board approved an advance of \$27,000 to the Department of Labor for the referenced purpose from the Civil Contingent Fund on the condition that the Department of Labor reimburse that Fund at the end of this fiscal year if it is in position to do so.

(Secretary's Note: Although the Board did not act on the proposed consulting contract with Law Engineering Testing Company specifically, that approval was considered implied in the action to advance the Civil Contingent funds requested.)

Information relating to this matter has been retained in these files and is identified as Exhibit VII.

WILDLIFE AND MARINE RESOURCES - HELICOPTER LEASE/PURCHASE - Executive Director Timmerman advised the Board by letter that an agreement had been developed between the Wildlife and Marine Resources Department and the Coastal Council under which the Coastal Council would transfer funds to cover the costs of aerial law enforcement support to Wildlife and Marine Resources upon the approval of the Budget and Control Board. Dr. Timmerman also noted that the agreement would enable the Wildlife and Marine Resources Department to lease a helicopter through competitive bids for a five-year period and that the funds to pay for the lease costs would be those transferred from the Coastal Council. He further noted that his Department would provide the funds required for pilots and maintenance costs.

Executive Director Putnam expressed the view that the referenced agreement reflects a legitimate situation and recommended its approval.

Governor Edwards pointed out that, if a helicopter is needed, two are on hand which could be made available but he noted that helicopters are generally more expensive to operate than airplanes.

Senator Dennis noted that Dr. Timmerman had pointed out that the helicopter proposed would be a replacement for one of his Department's Cessna 180's soon due for replacement.

Following this discussion, and after State Auditor Vaughn and Finance Committee staff-member Johnston inquired further into the matter, the Budget and Control Board agreed to carry over its consideration of this request to a future meeting.

Information relating to this matter has been retained in these files and is identified as Exhibit VIII.

DEPARTMENT OF CORRECTIONS - POSITIONS ABOVE NUMBER AUTHORIZED -
Executive Director Putnam advised the Board that a Department of Corrections request for authorization to establish two Food Supervisor III, grade 18, positions above the number authorized in the 1978-79 Appropriations Act to be funded entirely from State funds had been withdrawn.

Information relating to this matter has been retained in these files and is identified as Exhibit IX.

MOTOR VEHICLE MANAGEMENT - VEHICLE IDENTIFICATION REQUIREMENTS
EXEMPTION REQUESTS - Division Director Allan Spence appeared before the Board on these matters and Executive Director Putnam advised the Board that the protest procedure adopted by the Board at its November 10 meeting could not be followed on these requests because of inadequate time.

The Board was advised that, in addition to the exemption requests of nine agencies included in the agenda material, three other agencies (Wildlife and Marine Resources, 5 vehicles; Juvenile Placement and Aftercare, 8 vehicles; and Attorney General's Office, 2 vehicles) had filed exemption

requests. Upon a motion by Senator Dennis, the Budget and Control Board agreed to consider the requests of these three additional agencies.

Governor Edwards indicated his strong feeling that any exemption from the identification requirements granted by the Board should be confined strictly to those vehicles used for law enforcement purposes as provided in the law. He also indicated that he knew when the Board opened the door on granting exemptions that a flood of requests could have been anticipated and he questioned in particular the necessity of granting the Tax Commission request for an exemption for 31 vehicles and the Employment Security Commission request for exemptions for five vehicles. Governor Edwards commented further that every time an exemption is granted it is an invitation for misuse of State vehicles and reiterated his strong opposition to exempting any vehicles other than those used in law enforcement activities.

Senator Dennis called Governor Edwards' attention to the staff's indication that the Chief of the State Law Enforcement Division had concurred in the requests now before the Board and noted that an exemption avenue had been provided for in the law. Senator Dennis also expressed the view that the State in recent years had clamped down considerably on abuses in this area.

Governor Edwards, in response to Senator Dennis, expressed the view that the Chief of SLED is making a mistake in recommending approval of all of the exemption requests before the Board.

Because of the nearness of the license plate renewal deadline, Senator Dennis suggested that the Board approve the requests now before it with notice that a special study committee of the Board will scrutinize future requests and noted that, at this late hour, the Board has little choice but to act on the advice of the Chief of SLED.

Governor Edwards again expressed the view that the intent of the

legislation was that exemptions be granted only for cases truly involved in law enforcement and Senator Dennis pointed out that it takes a while to get these matters completely in hand.

Upon a motion by Senator Dennis, seconded by Representative Mangum, the Budget and Control Board agreed to consider each agency request individually.

With regard to the Tax Commission request for the exemption of 31 vehicles, Mr. Morris indicated that he is convinced of the appropriateness of an exemption for the vehicles used by the Criminal Intelligence Department of the Tax Commission and Mr. Putnam expressed the view that some of the exemptions requested by the Tax Commission do not appear necessary.

Executive Director Putnam suggested the possibility of granting the exemptions requested on the assumption that, if further study indicates a need to reverse that decision, changing from non-SG to SG plates would not be too difficult. Governor Edwards expressed a preference for approaching the matter the other way by giving SG license plates to all pending the results of any further investigation.

In response to Governor Edwards' query, Division Director Spence indicated that he could not add anything further to the justification presented by the Employment Security Commission in support of their exemption requests.

In the ensuing discussion, Senator Dennis expressed his opposition to any abuses which may accompany the granting of exemption requests and his support for the intent of the law and he strongly emphasized that he would not be party to any action which would result in exposing unduly or in any way jeopardizing any officer in the discharge of his duties.

Division Director Spence noted that most of the requests before the Board are for renewals of non-SG plates and that some 400 to 450 vehicles presently carry such plates.

In the further discussion which ensued, Executive Director Putnam expressed the view that the Criminal Intelligence group within the Tax Commission does need unmarked vehicles and Representative Mangum observed that he could not support some of the requests presented and suggested that Director Spence and others secure additional details on each of the proposals.

Following this discussion, upon a motion by Senator Dennis, seconded by Mr. Morris, the Budget and Control Board delegated to Governor Edwards and/or his designee the responsibility to review the identification exemption requests of the 12 agencies now before the Board with SLED Chief Strom and to act on those requests and to report those actions to the Board.

Information relating to these matters has been retained in these files and is identified as Exhibit X.

[Secretary's Note: Pursuant to the Board action described above, on November 24 the following actions were taken on the referenced requests: (1) Tax Commission, requested 31, granted 7 for the Criminal Intelligence Department; (2) Employment Security Commission, requested 5, granted none; (3) Board of Medical Examiners, requested 2, granted none; (4) Public Service Authority, requested 1, granted 1; (5) DSS, requested 9, granted 9; (6) General Services/Fire Marshal, requested 1, granted 1; (7) B&CB, Division of Local Government, requested 1, granted none; (8) Youth Services, requested 3, granted 2, one for Chief of Public Safety and one for Youth Field Investigator; (9) Department of Corrections, requested 10, granted 7, including one for Commissioner, three for Deputy Commissioners, one for Chief Investigator, and two for Wardens; (10) Wildlife and Marine Resources, requested 5, granted 5; (11) Juvenile Placement and Aftercare, requested 8, granted none; and (12) Attorney General's Office, requested 2, granted 2.]

GENERAL SERVICES - ASHLEY CENTER OFFICE LEASE AMENDMENT - General

Services Division Assistant Director Rudy Counts appeared before the Board to present a proposed amendment of the original lease between the State and Ashley Center, dated December 20, 1976, designed to reflect several changes which have occurred and to accurately reflect conditions as of this time.

The proposed amendment to the lease embodied the following:

(1) The description of the premises contained in Section One of the December 20, 1976 lease is amended to show that the five floors leased thereunder shall be floors three through seven inclusive.

(2) A July 29, 1977 agreement (which, among other things, provided for the lease by the State of 13,448 net square feet of additional office space on the first floor and 6,452 net square feet of additional office space on the second floor) is deleted and in lieu thereof the State agrees to lease all of the first floor, 1,500 square feet (net) on the second floor east and 10,900 square feet (net) on the eighth floor, all under the terms and conditions of Paragraph 4 of the Lease.

(3) The State's first right of refusal contained in Section Four of the Lease is waived for the tenth floor until June 1, 1979.

(4) A provision in Section Four of the Lease relating to the right of the State to take over complete management of the building in the event it should occupy 100% of the building is deleted in its entirety and is of no further force or effect.

(5) State approval of and agreement to the relocation of the drive-way on Parcel "B" with such relocation being accomplished by Ashley Square.

Following a brief discussion, upon a motion by Senator Dennis, seconded by Mr. Morris, the Budget and Control Board approved the referenced lease amendment, as recommended by the Division of General Services.

Information relating to this matter has been retained in these files and is identified as Exhibit XI.

GRANTS AND CONTRACTS REVIEW SUBCOMMITTEE - GRANT AND CONTRACT REQUESTS - Grants Services Administrator George F. Oliver appeared before the Budget and Control Board to present a project listing dated November 6, 1978 which includes 60 projects involving \$7,874,530 federal funds, \$1,544,827 State funds and \$81,777 other funds, for a total of \$9,501,134.

Following a brief discussion, upon a motion by Mr. Morris, the Budget and Control Board approved the recommendations of the subcommittee on the referenced 60 projects.

Information relating to this matter has been retained in these files and is identified as Exhibit XII.

1979-80 BUDGETARY MATTERS - State Auditor Edgar A. Vaughn, Jr., and Budget Development Director E. C. Garvin were in attendance during Board consideration of these matters.

Executive Director Putnam noted that a \$175,000 increase is included in the schedule of materials distributed for the Department of Insurance and that this amount is to be reimbursed by insurance companies.

With regard to State employee pay increases, Mr. Putnam noted that the Board had agreed at its last meeting to include a 6% base pay increase in its recommendations but that since that meeting a number of questions have been raised on the issue of compliance with President Carter's guidelines for controlling inflation. Mr. Putnam pointed out that at that last meeting he had expressed his opinion on whether or not continuing programs such as the merit pay program were to be included within the limitations announced by President Carter. Mr. Putnam pointed out that Personnel Division staff had asked federal officials whether or not President Carter had frozen merit increment pay to federal civil service employees and that the answer

given was that there had been no indication that such a freeze was intended.

(Secretary's Note: Governor Edwards left the meeting for a few minutes and Senator Dennis assumed the chair.)

Mr. Putnam further noted that in a somewhat similar situation about ten years ago the merit increment pay of federal civil servants had not been frozen and he took the position that the Board is on solid ground in its prior position on employee pay for 1979-80 and that those recommendations appear to be in accord with the President's guidelines as they are presently understood.

Mr. Putnam then referred to the materials distributed which reflected a revised revenue estimate for 1979-80 in the amount of \$1,534,513,000. He noted that, after providing \$1,474,080,747 for budget requests and \$29,976,493 to cover the estimated costs of a 6% base pay increase for agency heads and State employees, a balance of \$30,280,760 remains. Against that balance, the materials distributed presented a list of tentative recommendations amounting to \$22,082,867 which, if adopted, would leave a balance of about \$8.2 million.

Mr. Putnam emphasized that a number of things have not yet been included in the recommendations presented to the Board.

Representative Mangum noted that funds necessary to provide an average 5% merit increment, to be awarded on a 4%, 6% and 8% basis, have already been built into the budget recommendations which, with the 6% base pay increase, would result in an overall average 11% increase for those entitled to receive it.

(Secretary's Note: At this point, Governor Edwards returned to the meeting and reassumed the chair.)

Mr. Putnam reiterated that the staff of the Personnel Division have been advised by federal officials that no freeze of federal civil service merit pay increases is envisioned and that federal employees

presumably will receive a 5.5% base pay increase. Mr. Putnam also stated again that what the Board has agreed to do appears to be in line with what the federal government plans to do insofar as he knows.

Mr. Putnam then identified a number of items not included in the list of tentative recommendations. With respect to higher education institutions, he pointed out that various information indicates that South Carolina is a leader among the states in its support of higher education relative to its overall budget, personal income and other indicators and that in all of these measures South Carolina ranks toward the top.

In response, Senator Dennis expressed interest in seeing data on how South Carolina ranks among other states in its support of elementary and secondary education.

Mr. Putnam then recommended that, excluding the two medical schools, no new personnel and no new programs be funded for higher education institutions and that, although the higher education institutions have cut equipment funding in order to cover the costs of inflation to some extent, he recommended that no additional funds be recommended for higher education institutions at this time. He did urge that serious consideration be given to the equipment needs of these institutions during deliberations on any supplemental appropriations.

Mr. Putnam also expressed his hope that the new Commission on Higher Education would work in the areas of what additional dollars are needed to support programs rather than in terms of broad formula allocations to the higher education institutions. He concluded his comments on higher education by noting that no additional funding had been included in the tentative recommendations for higher education institutions except to cover the Medical University's rental costs in Ashley Center.

Following a brief discussion, in which Senator Dennis asked that

any additional information developed by the staff or by higher education institutions be brought to the Budget and Control Board for consideration and recommendation to the Legislature rather than to the Legislature directly, upon a motion by Senator Dennis, seconded by Representative Mangum, Executive Director Putnam's recommendations on higher education funding were adopted.

Mr. Putnam pointed out that \$8,000,000 identified as inflationary costs related to the Title XIX Medicaid Program are not yet included in the tentative recommendations. He indicated an intention to deal with this matter during the ensuing week and to poll the Board for its determination.

Mr. Putnam pointed out that approximately \$5,000,000 requested for school bus equipment is not yet included in the tentative recommendations. He noted that part of this need can legitimately come from a supplemental appropriation since part of the need is for a one-time expansion of the fleet but that most of the requirement is to put bus replacement on a ten-year cycle basis. He indicated that the staff will continue its work on this matter.

Mr. Putnam pointed out that the \$1,000,000 for the day care program which the Board had voted to direct the State Department of Education to reinstate by cutting its budget in other places is not included in the tentative recommendations. He indicated that this matter has not yet been reviewed with the Department of Education but that his hope is that it can be handled on a one-for-one trade-off basis.

Mr. Putnam also stated that a \$500,000 to \$600,000 request by the School for the Deaf and the Blind has not yet been included in the tentative recommendations.

Mr. Putnam pointed out that a difference of opinion exists between the Comptroller General's Office and the Division of Research and Statistical

Services on the amount necessary to fund the Homestead Exemption Reimbursement requirement. He reported that the staff of the Comptroller General's Office believes that about \$1,000,000 additional will be required. He also commented that the so-called open-ended appropriations are diligently approached in the budget preparation process.

Mr. Putnam then briefly reviewed the list of tentative recommendations which Board members previously had reviewed to some degree.

With reference to the gradual provision of State funding for positions presently funded by CETA funds, Governor Edwards suggested that this be accomplished over a three-year period and the Board approved that approach without objection.

Senator Dennis and Mr. Morris expressed support for an increase of \$250,000 for DHEC's perinatal care program and asked that the staff give further consideration to that matter.

With regard to the \$649,450 included in the list of tentative recommendations to provide 71 Youth Counselor positions for the Department of Youth Services, Mr. Putnam expressed the view that this represents a substantial increase in personnel and that the amount indicated in the list probably can be cut to provide for as few as 35 positions.

Following a brief discussion, upon a motion by Senator Dennis, seconded by Mr. Morris, the Budget and Control Board tentatively approved the list of recommendations presented by Executive Director Putnam.

Mr. Putnam indicated that he expects the Budget and Control Board's budget report to be in the hands of the Ways and Means Committee when the General Assembly convenes in January and that the Board's version of the appropriations bill, allowing some leeway on the provisos, can be delivered to the Ways and Means Committee no later than two weeks after the Legislature convenes.

Information relating to this matter has been retained in these files and is identified as Exhibit XIII.

FUTURE MEETING - The Budget and Control Board agreed to meet on December 7, 1978 during the Agency Head Conference which is to be held in Myrtle Beach. Mr. Putnam reminded the Board that hearings on permanent improvement funding requests have been scheduled for December 12 and 13.

(Secretary's Note: Governor Edwards left the meeting at this point and Senator Dennis assumed the chair.)

EXECUTIVE SESSION - Executive Director Putnam announced that a proposed legal settlement agreement had been proposed for consideration in Executive Session. The Budget and Control Board without objection agreed to consider this matter in Executive Session whereupon the meeting was declared in Executive Session.

RATIFICATION OF EXECUTIVE SESSION ACTION - Following the Board's consideration of the Executive Session item, the meeting was opened and the following action taken by the Board in Executive Session was ratified without objection:

Approved a settlement agreement recommended by the Attorney General's Office in a case involving Clemson University.

The meeting was adjourned at 12:15 p.m.

[Secretary's Note: In compliance with Section 9 of Act 593 of 1978 (the Freedom of Information Act), public notice of and the agenda for this meeting were posted on bulletin boards in the Office of the Governor's Assistant for Public Affairs in the State House and near the Board Secretary's office in the Wade Hampton Building on November 17, 1978.]

STATE BUDGET AND CONTROL BOARD

EXHIBIT I
11/20/78

POLL OF November 20, 1978

POLL ITEM NUMBER

1

Agency: Parks, Recreation and TourismSubject: A&E Selection Approval Request

PRT Engineering and Planning Coordinator Pearce Thomson advises that the following firms, listed in preference order, have been selected for the Lynches River State Park project (#4500-7-80):

<u>Firm</u>	<u>Location</u>	<u>Reported State Work in Prior Two Years</u>
(1) Wilkins-Wood & Associates	Florence	\$12,263,000
(2) Anderson Associates	Columbia	4,000 (fee)
(3) James T. Barnes Associates, Ltd.	Florence	-0-

Mr. Thomson indicates that the over-riding reason for selecting Wilkins-Wood & Associates was "...because they have an established reputable office in Florence, which is near Lynches River State Park, and they displayed knowledge of and experience with pool/bathhouse construction, and attractive use of natural materials in a rustic setting."

The required selection procedure has been followed.

Board Action Requested:

Approve the selection of Wilkins-Wood & Associates for the referenced project, as requested by PRT.

Vote Of Board Member: (Please indicate by initialing appropriate line below.)

_____ I approve of the above action.
_____ I disapprove of the above action.
_____ Hold for regular meeting.

Attachments:

Thomson 11/6/78 letter to McPherson, plus attachments



November 6, 1978

Mr. John A. McPherson, Jr., Chief Engineer
S. C. State Budget and Control Board
P. O. Box 11333
Columbia, South Carolina 29211

Re: Architect Selection/Lynches River State Park/Project 45-00-7-80

Dear Mr. McPherson:

The attached advertisement was placed in the Columbia STATE and the FLORENCE MORNING NEWS on the following dates:

1. Wednesday, September 20, 1978
2. Thursday, September 21, 1978
3. Sunday, October 1, 1978

Resumes from seventeen architectural firms were received in response and of those, the following three firms were interviewed and are listed in order of preference:

1. Wilkins-Wood & Associates
Florence, S. C.
2. Anderson Associates
Columbia, S. C.
3. James P. Barnes Associates, Ltd.
Florence, S. C.

In selection of these firms, consideration was given to the amount of State work done by each firm in the past two years.

Wilkins-Wood and Associates was selected as first choice because they have an established reputable office in Florence, which is near Lynches River State Park, and they displayed knowledge of and experience with pool/bathhouse construction, and attractive use of natural materials in a rustic setting.

South Carolina Department of Parks, Recreation & Tourism

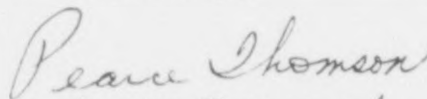
Suite 113, Edgar A. Brown Building • 1205 Pendleton Street • Columbia, South Carolina 29201

Mr. John A. McPherson, Jr.
November 6, 1978
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The South Carolina Parks, Recreation and Tourism Commission at their November 4, 1978 meeting approved the staff selection of Wilkins-Wood and Associates for this project and recommends that the Budget and Control Board also approve this choice.

Should there be any questions, please let me know.

Sincerely,

A handwritten signature in cursive script that reads "Pearce Thomson".

Pearce Thomson *et*
Engineering & Planning Coordinator

BPT/rcb
Attachment

cc: Mr. Fred Brinkman, Executive Director

NOTICE TO ARCHITECTS

Submittal of a resume of qualifications of architects will be received by the South Carolina Department of Parks, Recreation and Tourism, Division of State Parks, 1205 Middleton Street, Columbia, S. C. 29201 until 5:00 P.M. EDT Wednesday, October 11, 1978 for the design development and construction phases necessary to fully complete a swimming pool/bathhouse complex to be located at Lynches River State Park, Florence County, South Carolina. Resumes and/or inquiries should be directed to Pearce Thomson at the above address (telephone 803/755-3634).

Firms submitting resume of qualifications shall include a list of all contracts, including construction cost, the firm has executed on State work in the past two years. PEARCE THOMSON ENGINEERING & PLANNING COORDINATOR S.C. DEPARTMENT OF PARKS, RECREATION AND TOURISM

COLUMBIA NEWSPAPERS, INC.

Columbia, South Carolina

Publishers of

The State

Mornings and Sunday

AND

The Columbia Record

Evenings except Sunday



STATE OF SOUTH CAROLINA
COUNTY OF RICHLAND

Personally appeared before me Carl M. Regal, Retail Advertising Manager
of THE STATE, and makes oath that the advertisement,

Notice to Architects - Lynches River State Park
Swimming Pool and Bath House

a clipping of which is attached hereto, was printed in THE STATE,
a daily newspaper of general circulation published in the City
of Columbia, State and County aforesaid, in the issues of

September 20, 1978 and October 1, 1978

Carl M. Regal

Subscribed and sworn to before me
this 2nd day of October 1978.

Emma Leck Saundlin Notary Public

THE AMERICAN INSTITUTE OF ARCHITECTS



AIA Document B141

Standard Form of Agreement Between Owner and Architect

THIS DOCUMENT HAS IMPORTANT LEGAL CONSEQUENCES; CONSULTATION WITH
AN ATTORNEY IS ENCOURAGED WITH RESPECT TO ITS COMPLETION OR MODIFICATION

AGREEMENT

made this Fifteenth day of November in the year of Nineteen
Hundred and Seventy-Eight.

BETWEEN the Owner: South Carolina Department of
Parks, Recreation & Tourism
Columbia, South Carolina

and the Architect: Wilkins, Wood & Associates
Florence, South Carolina

For the following Project:

(Include detailed description of Project location and scope)

Lynches River Pool/Bathhouse Complex
Lynches River State Park
Florence County, South Carolina

The Owner and the Architect agree as set forth below.

FIXED FEE

- I. THE ARCHITECT shall provide professional services for the Project in accordance with the Terms and Conditions of this Agreement.
- II. THE OWNER shall compensate the Architect, in accordance with the Terms and Conditions of this Agreement.
 - A. FOR BASIC SERVICES, as described in Paragraph 1.1, Basic Compensation shall be computed on the basis of a FIXED FEE
TWENTY-FIVE THOUSAND and no/100-----dollars (\$ 25,000.00-----).
 - B. FOR ADDITIONAL SERVICES, as described in Paragraph 1.3, compensation computed as follows:
 1. Principals' time at the fixed rate of Thirty-Five dollars (\$35.00-----) per hour.
For the purpose of this Agreement, the Principals are:
Richard I. Wilkins
 2. Employees' time (other than Principals) at a multiple of \$20.00 per hour
(-----) times the employees' Direct Personnel Expense as defined in Article 4.
 3. Services of professional consultants at a multiple of one and four-tenths
(1.4) times the amount billed to the Architect for such services.
 - C. AN INITIAL PAYMENT of none required
dollars (\$)
shall be made upon the execution of this Agreement and credited to the Owner's account.
 - D. FOR REIMBURSABLE EXPENSES, amounts expended as defined in Article 5.
- III. THE OWNER AND ARCHITECT agree in accordance with the Terms and Conditions of this Agreement that:
 - A. IF SCOPE of the Project is changed materially, compensation shall be the subject to renegotiation.
 - B. IF THE SERVICES covered by this Agreement have not been completed within-----
----- (-----) months of the date hereof, the amounts of compensation, rates and multiples set forth in Paragraph II shall be subject to renegotiation.
- IV. FEE ADJUSTMENT
 - A. The above quotation is based upon the assumption that the cost of construction will be \$375,000.00, with the understanding that if the scope of the project varies one way or the other by more than 5%, then the compensation would be appropriately adjusted.

ATTACHMENT III

LIST OF FIRMS RESPONDING TO ADVERTISEMENT AND THE TOTAL AMOUNT OF STATE WORK EACH HAS DONE IN THE PAST TWO YEARS

- | | |
|---|--|
| 1. Paul E. Allen
Columbia, S. C.
No State Work | 13. Odell Associates, Inc.
Greenville, S. C.
\$47,500.00 |
| 2. Anderson Associates
Columbia, S. C.
\$4,000.00 fee | 14. Prather, Thomas, Campbell,
Pridgeon, Inc.
Spartanburg, S. C.
\$550,338.00 |
| 3. Archizign Architects/Planners
Columbia, S. C.
No State Work | 15. Thomas & Denzinger, Architects
Beaufort, S. C.
No State Work |
| 4. James Paul Barnes Assocs., Ltd.
Florence, S. C.
No State Work | 16. Wilkins-Wood Associates
Florence, S. C.
\$12,263,000.00 |
| 5. Marshall Clarke Architects, Inc.
Greenville, S. C.
No State Work | 17. Avery Wood Associates
Greenville, S. C.
No State Work |
| 6. Columbia Architectural Group, Inc.
Columbia, S. C.
No State Work | |
| 7. Ben G. Compton
West Columbia, S. C.
\$850,000.00 | |
| 8. Johnson-Pace Associates
Columbia, S. C.
No State Work | |
| 9. Lee & Partners, Architects
Hilton Head Island, S. C.
Under current contract,
construction budget undetermined | |
| 10. Robert E. Marvin & Associates
Walterboro, S. C.
\$210,000.00 | |
| 11. McDuffie & Associates, Inc.
Orangeburg, S. C.
No State Work | |
| 12. W. Powers McElveen & Assocs.
Columbia, S. C.
\$828,708.38 | |

ATTACHMENT IV

LIST OF ALL ARCHITECTURAL & ENGINEERING CONTRACTS
AWARDED IN THE PAST THREE YEARS

1. September 1976

Alexander-Moormann & Associates
Aiken, S. C.

Renovation of community building
Barnwell State Park
Construction cost - \$215,000

2. March 1976

Johnny T. Johnson & Associates
West Columbia, S. C.

Upgrading sewage treatment facilities at
four state parks
Construction cost - \$330,000

3. October 1978

Neal Architects
Greenville, S. C.

Community Building
Table Rock State Park
\$250,000

4. October 1978

Wilbur Smith & Associates
Columbia, S. C.

Advise and consult on the planning for
development and use of Hampton Plantation
Architectural fee - \$7,500.00
Contract not yet signed

'STATE' BUDGET AND CONTROL BOARD

POLL OF November 20, 1978

POLL ITEM NUMBER

EXHIBIT II
11/20/78
2

Agency: Department of Mental Health

Subject: A&E Selection Approval Request

Commissioner William S. Hall advises that the following firms, listed in preference order, have been selected for the 300-bed long-term care facility project:

	<u>Firm</u>	<u>Location</u>	<u>Reported State Work in Prior Two Years</u>
(1)	Stevens & Wilkinson	Columbia	\$ -0-
(2)	Carlisle Associates, Inc.	Columbia	\$ 115,000
(3)	McNair, Gordon, Johnson and Karasiewicz	Columbia	part of \$8,000,000 + 750,000

The required selection procedure has been followed.

Architectural and engineering studies relating to a 300-bed intermediate care facility project were authorized in Section 4 of Act 646 of 1978 (the Capital Improvement Bond Act) along with a study of Crafts-Farrow and South Carolina State Hospital facilities to determine the improvements needed to meet Medicaid requirements. A study of a new recreation facility at the South Carolina State Hospital also was authorized. All of these studies are to be financed by excess patient fee reserves.

Board Action Requested:

Approve selection of Stevens & Wilkinson for the referenced project.

Vote Of Board Member: (Please indicate by initialing appropriate line below.)

_____ I approve of the above action.
_____ I disapprove of the above action.
_____ Hold for regular meeting.

Attachments:

Hall 10/16/78 letter to McPherson plus attachments



South Carolina Department of Mental Health

P.O. Box 485 / 2414 Bull Street / Columbia, South Carolina 29202 / (803) 758-8090

William S. Hall, M.D.
State Commissioner of Mental Health

October 16, 1978

RECEIVED
OCT 20 1978

Mr. John A. McPherson, Jr., P. E.
State Engineer
S. C. State Budget and Control Board
P. O. Box 11333
Columbia, South Carolina 29211

**S. C. BUDGET AND
CONTROL BOARD**

RE: Project No.
300 Bed Long Term Care Facility

Dear Mr. McPherson:

In compliance with Article 1 of Chapter 5 of the Code of Laws, I am enclosing the Mental Health Commission's selection of Architectural Consultant for the above referenced project. The Mental Health Commission during a meeting of October 3, 1978 selected the firm of ⁽¹⁾Stevens and Wilkinson. Other firms considered by the Commission were Carlisle Associates, Inc.; and McNair, Gordon, Johnson and Karasiewicz. ⁽²⁾

I am enclosing a tentative contract negotiated with Stevens and Wilkinson, a list of all firms submitting resumes or letters of interest, a statement of construction projects undertaken in the preceding two years, and certificate that project was duly advertised requesting resumes of interested architectural or engineering firms.

The following additional information that you have requested is furnished below:

- A. 1. List of firms interviewed.
 - a. McMillan Associates
 - b. Carlisle Associates
 - c. Clark Associates, Inc.
 - d. Renshaw-Heilman & Associates
 - e. McNair, Gordon, Johnson and Karasiewicz
 - f. Lockwood-Greene
 - g. William Bailey Kauric
 - h. Stevens & Wilkinson
 - i. LaFaye Associates
 - j. Robert Opshal Architect
2. Names of firms in order of preference.
 - a. Stevens & Wilkinson
 - b. Carlisle Associates
 - c. McNair, Gordon, Johnson & Karasiewicz

3. In selecting and recommending to the Mental Health Commission, consideration was given to the amount of State projects each firm submitting a resume' had contracted in the past two years.
 4. The selection of Stevens and Wilkinson was based upon professional ability of Mr. Robert Lyles and Mr. Lesesne Monteith; the firm being in a position to begin work on the project immediately and commitment to complete Design Development Phase and portions of Construction Document Phase to determine, as accurate as possible, the project cost by May 1979; and the amount of State contracts. The consideration for Carlisle in the second position was Mr. William Carlisle and staff's ability; the company's position to begin work on the project; and amount of State contracts. The consideration of McNair, Gordon, Johnson and Karasiewicz placing it in third position was the amount of State contracts.
- B. 1. A copy of the advertisement is enclosed.
2. The following listed firms responded to the advertisement:

Blume, Cannon and Otts
Paul E. Allen, AIA
MBTB Architects/Engineers
Fred J. Parrish Architectural Associates
William Anderson AIA Architects/Planners
Carlisle Associates, Inc.
Westmoreland, McGarity, Pitts Architects
Clark Associates, Inc.
Lee and Prathers Architects
Architectural Design Environmental Planning
Lambert, Yates and Associates
Columbia Architectural Group, Inc.
Odell Associate
Architects Boudreaux, Ltd.
Design Collaborative
The Tarleton-Tankersley Architectural Group, Inc.
McNair, Gordon, Johnson & Karasiewicz
Wilbur Smith & Associates
Johnson-Pace Associates
Lockwood-Greene Architects/Engineer
Comprehension Architects
K. S. Espedahl Architect
Lucas & Stubbs
J. E. Sirrine Company
Archizign
William Bailey Kauric, Architect
Enwright Associates, Inc.
Gill, Wilkins & Wood
Stevens & Wilkinson
LaFaye
Rosenblum Architect

October 16, 1978

Robert Opshal Architect
Fellers
Craig, Gaulden & Davis, Architects
Pertus Engineers, Inc.

I would appreciate your review of this request and recommending to Mr. William T. Putnam, Executive Director of the Budget and Control Board, for the Board's approval of the Mental Health Commission's selection of Stevens and Wilkinson as the Architectural Consultant for the referenced project

Sincerely,



William S. Hall, M. D.
State Commissioner of Mental Health

WSH:rsh

Enclosures

THE AMERICAN INSTITUTE OF ARCHITECTS



RECEIVED
OCT 20 1978

S. C. BUDGET AND
CONTROL BOARD

AIA Document B141

Standard Form of Agreement Between Owner and Architect

1977 EDITION

THIS DOCUMENT HAS IMPORTANT LEGAL CONSEQUENCES; CONSULTATION WITH
AN ATTORNEY IS ENCOURAGED WITH RESPECT TO ITS COMPLETION OR MODIFICATION

AGREEMENT

made as of the ____ day of ____ in the year of Nineteen
Hundred and ____

BETWEEN the Owner: SOUTH CAROLINA DEPARTMENT OF MENTAL HEALTH

and the Architect: STEVENS & WILKINSON
ARCHITECTS ENGINEERS PLANNERS INC.

For the following Project:

(Include detailed description of Project location and scope.)

A 300 Bed Intermediate Care Facility located in Columbia, South Carolina, essentially the same as the existing C M Tucker Human Resources Center, as delineated in the Construction Documents originally prepared by L. B. C. & W. Architects, Engineers & Planners Inc. in 1968.

The Owner and the Architect agree as set forth below.

Copyright 1917, 1926, 1948, 1951, 1953, 1958, 1961, 1963, 1966, 1967, 1970, 1974, © 1977 by The American Institute of Architects, 1735 New York Avenue, N.W., Washington, D.C. 20006. Reproduction or the material herein or substantial quotation of its provisions without permission of the AIA violates the copyright laws of the United States and will be subject to legal prosecution.

ARTICLE 14
BASIS OF COMPENSATION

The Owner shall compensate the Architect for the Scope of Services provided, in accordance with Article 6, Payments to the Architect, and the other Terms and Conditions of this Agreement, as follows:

14.1 AN INITIAL PAYMENT of N/A dollars (\$)
shall be made upon execution of this Agreement and credited to the Owner's account as follows:

14.2 BASIC COMPENSATION 4.104% of Construction Cost

14.2.1 FOR BASIC SERVICES, as described in Paragraphs 1.1 through 1.5, and any other services included in Article 15 as part of Basic Services, Basic Compensation shall be computed as follows:

(Here insert basis of compensation, including fixed amounts, multiples or percentages, and identify Phases to which particular methods of compensation apply, if necessary.)

N/A

14.2.2 Where compensation is based on a Stipulated Sum or Percentage of Construction Cost, payments for Basic Services shall be made as provided in Subparagraph 6.1.2, so that Basic Compensation for each Phase shall equal the following percentages of the total Basic Compensation payable:

(Include any additional Phases as appropriate.)

Schematic Design Phase:	percent (9.0%)
Design Development Phase:	percent (21.0%)
Construction Documents Phase:	percent (35.0%)
Bidding or Negotiation Phase:	percent (5.8%)
Construction Phase:	percent (29.2%)

14.3 FOR PROJECT REPRESENTATION BEYOND BASIC SERVICES, as described in Paragraph 1.6, Compensation shall be computed separately in accordance with Subparagraph 1.6.2. A full time project representative will be assigned to the project during the construction phase. All cost and expenses

14.4 COMPENSATION FOR ADDITIONAL SERVICES

- 14.4.1 FOR ADDITIONAL SERVICES OF THE ARCHITECT, as described in Paragraph 1.7, and any other services included in Article 15 as part of Additional Services, but excluding Additional Services of consultants, Compensation shall be computed as follows:

(Here insert basis of compensation, including rates and/or multiples of Direct Personnel Expense for Principals and employees, and identify Principals and classify employees, if required. Identify specific services to which particular methods of compensation apply, if necessary.)

2.5 X Direct Personnel Expense

- 14.4.2 FOR ADDITIONAL SERVICES OF CONSULTANTS, including additional structural, mechanical and electrical engineering services and those provided under Subparagraph 1.7.21 or identified in Article 15 as part of Additional Services, a multiple of ONE (1.0) times the amounts billed to the Architect for such services.

(Identify specific types of consultants in Article 15, if required.)

Food Service Consultant and Landscape Architectural Consultant

- 14.5 FOR REIMBURSABLE EXPENSES, as described in Article 5, and any other items included in Article 15 as Reimbursable Expenses, a multiple of ONE (1.0) times the amounts expended by the Architect, the Architect's employees and consultants in the interest of the Project.

Topographical Surveys, Soils Investigation, Testing

- 14.6 Payments due the Architect and unpaid under this Agreement shall bear interest from the date payment is due at the rate entered below, or in the absence thereof, at the legal rate prevailing at the principal place of business of the Architect.

(Here insert any rate of interest agreed upon.) 6% per annum commencing 45 days after date of billing.

(Usury laws and requirements under the Federal Truth in Lending Act, similar state and local consumer credit laws and other regulations at the Owner's and Architect's principal places of business, the location of the Project and elsewhere may affect the validity of this provision. Specific legal advice should be obtained with respect to deletion, modification, or other requirements such as written disclosures or waivers.)

- 14.7 The Owner and the Architect agree in accordance with the Terms and Conditions of this Agreement that:

- 14.7.1 IF THE SCOPE of the Project or of the Architect's Services is changed materially, the amounts of compensation shall be equitably adjusted.

- 14.7.2 IF THE SERVICES covered by this Agreement have not been completed within

() months of the date hereof, through no fault of the Architect, the amounts of compensation, rates and multiples set forth herein shall be equitably adjusted.

ARTICLE 15

OTHER CONDITIONS OR SERVICES

STEVENS & WILKINSON ARCHITECTS ENGINEERS PLANNERS INC. AGREES TO HOLD HARMLESS BOTH THE S. C. DEPARTMENT OF MENTAL HEALTH AND L.B.C. & W. ARCHITECTS ENGINEERS PLANNERS INC. FOR POSSIBLE DEFECTS IN THE PROJECT ARISING FROM CHANGES TO OR INADEQUACIES IN THE CONSTRUCTION DOCUMENTS FOR THE C M TUCKER HUMAN RESOURCES FACILITY.

SEE ADDITIONAL CONDITIONS OR SERVICES UNDER ARTICLE 15 ATTACHED.

NOTICE TO ARCHITECTS/ENGINEERS

The S.C. Department of Mental Health requests submission of resumes from professional architects, engineers, or planners duly licensed in the State of South Carolina and interested in providing professional services for the following projects:

1. A study of existing S.C. State Hospital facilities for future use, especially for compliance with Medicaid requirements.
2. A study of existing Craftsman State Hospital facilities for future use, especially for compliance with Medicaid requirements.
3. The design of a three hundred bed Intermediate Care Facility.
4. The design of a recreational facility for the S.C. State Hospital, William S. Hall Psychiatric Institute, and the C. M. Tucker, Jr. Human Resources Center.

Interested firms may submit on any or all of the above listed projects. Resumes and/or inquiries should be directed to the attention of Mr. Robert B. Price, P.E., Director of Engineering and Planning, S.C. Department of Mental Health, P.O. Box 485, Columbia, S.C. 29202 (803-758-8924). Resumes shall be received by C.O.B. September 8, 1978. Firms submitting resumes shall include a list of all State of South Carolina contracts including construction cost or estimates executed the past two years.

FIRMS SUBMITTING RESUMES OR LETTERS OF INTEREST

Blume, Cannon and Otts
Paul E. Allen, AIA
MBTB Architects/Engineers
Fred J. Parrish Architectural Associates
William Anderson AIA Architects/Planners
Carlisle Associates, Inc.
Westmoreland, McGarity, Pitts Architects
Clark Associates, Inc.
Lee and Prathers Architects
Architectural Design Environmental Planning
Lambert, Yates and Associates
Columbia Architectural Group, Inc.
Odell Associate
Architects Boudreaux, Ltd.
Design Collaborative
The Tarleton-Tankersley Architectural Group, Inc.
McNair, Gordon, Johnson & Karasiewicz
Wilbur Smith & Associates
Johnson-Pace Associates
Lockwood-Greene Architects/Engineer
Comprehension Architects
K. S. Espedahl Architect
Lucas & Stubbs
J. E. Sirrine Company
Archizign
William Bailey Kauric, Architect
Enwright Associates, Inc.
Gill, Wilkins & Wood
Stevens & Wilkinson
LaFaye
Rosenblum Architect
Robert Opshal Architect
Fellers
Craig, Gaulden & Davis, Architects
Pertus Engineers, Inc.

COLUMBIA NEWSPAPERS, INC.

Columbia, South Carolina

Publishers of

The State
Mornings and Sunday

AND

The Columbia Record
Evenings except Sunday

STATE OF SOUTH CAROLINA
COUNTY OF RICHLAND

Personally appeared before me Carl M. Regal, Retail Advertising Manager
of THE STATE, and makes oath that the advertisement,

Notice to Architects/Engineers

a clipping of which is attached hereto, was printed in THE STATE,
a daily newspaper of general circulation published in the City
of Columbia, State and County aforesaid, in the issues of

August 24, 27, 1978

Carl M. Regal

Subscribed and sworn to before me
this 28th day of August 19 78.

Emma Leaudha Notary Public

AUG 29 1978

Finance Division

PROJECT NUMBER	PROJECT	DATE OF CONSTRUCTION CONTRACT	CONSTRUCTION CONTRACT	DATE OF PROFESSIONAL CONTRACT	ARCHITECTURAL/ENGINEER
26-83	Air Conditioning Two Buildings (CFSH)	May 5, 1975	J. A. Metz & Sons, Inc. (\$439,563.00)	May 29, 1974	McMillan/Bunes/Townsend/Bowen
26-84	Air Conditioning Four Buildings (SCSH)	October 1, 1975	Poole & Kent Company (\$1,357,558.00)	May 29, 1974	McMillan/Bunes/Townsend/Bowen
26-85	Supply and Laundry Center (CFSH)	August 4, 1976	Power Construction Co. (\$456,992.00)	July 15, 1975	William Bailey Kauric
26-d6	Warehouse Renovation & Addition SCDMH	June 24, 1976	George A. Creed & Son, Co. (\$1,151,682.00)	March 27, 1975	Jackson-Miller-Wilds
26-87	Upgrade Electrical Service Connections (CFSH)	August 26, 1976	Gregory Electric Co. (\$120,660.00)	November 21, 1975	Tectonics, Inc.
26-92	Additional A/C for Brynes Clinical Center	March 7, 1977	Walker Plumbing & Heating (\$84,237.00)	May 4, 1976	Bruce Flemming & Associates
26-94	Village "B"			September 9, 1976	MBTB Architects/Engineer
26-97	Thompson Building Renovation and A/C			August 22, 1977	Reed-Shealy & Associates
26-98	Mills Buildings			August 1, 1978	Odell & Associates

STATE PROJECTS AWARDED
IN THE PAST TWO YEARS

<u>FIRMS</u>	<u>AMOUNT OF CONTRACT</u>
Blume, Cannon and Otts	Contract amount not listed 600,000
Paul E. Allen, AIA	\$ 93,912.00
MBTB Architects/Engineers	1,308,000.00 8,659.000
Fred J. Parris Architectural Assoc.	No state projects
William Anderson AIA	Contract amount not listed 4,000 Fee
Westmoreland, McGarity, Pitts	2,000,000.00
Clark Associates, Inc.	285,000.00 (Const. Cost)
Lee and Prathers Architects	Contract amount not listed
Architectural Design Environmental Plan.	No state projects
Lashley, Yates and Associates	No state projects
Columbia Architectural Group, Inc.	No state projects
Odell Associates, Inc.	47,500.00
Architects Boudreaux, Ltd.	564,200.00
Design Collaborative	No state projects
The Tarleton-Tankersley Arch. Group	3,800,000.00
McNair, Gordon, Johnson & Karasiewicz	No state projects (Part of 8,000,000
Carlisle Associates, Inc.	115,000.00 +750,000
Wilbur Smith & Associates	1,500,000.00 (21,000,000
Johnson-Pace Associates	No state projects
Lockwood-Greene Architects/Engineers	323,725.00
Comprehension Architects	No state projects
K. S. Espedahl Architect	No state projects
Lucas & Stubbs	One state project - N/A
J. E. Sirrine Company	2,300,000.00
Archizign	No state projects
William Bailey Kauric	1,000,000.00
Enwright Associates, Inc.	4,000,000.00
Gill, Wilkins & Wood	5,640,000.00
① Steven & Wilkinson	No state projects
LaFaye	No state projects
Rosenblum Architect	No state projects
Robert Opshal Architect	No state projects
Fellers	10,000.00 (Part of 8,000,000
Craig, Gaulden & Davis Architects	4,962,000.00
Pertus Engineers, Inc.	6,143,104.00

STATE BUDGET AND CONTROL BOARD

POLL OF November 20, 1978

POLL ITEM NUMBER 3

EXHIBIT III
10/20/78
3

Agency: Highways and Public Transportation

Subject: Consultant Services Contract

Consultant: Carter, Goble, Roberts, Inc., Columbia

Maximum Dollars: \$30,000, 100% State

Project Period: 11/20/78 - 6/30/78⁹

Purpose: "To provide consultant services in carrying out the Public Transportation Pilot Project provided for in Part II, Section 26 of the 1978 Appropriations Act. Consultant services will include Technical Assistance, development of an Evaluation Program and Design and the design of a Computer Information System."

Board Action Requested:

Approve

Vote Of Board Member: (Please indicate by initialing appropriate line below.)

_____ I approve of the above action.

_____ I disapprove of the above action.

_____ Hold for regular meeting.

Attachments:

"Report on Consultants" form

STATE AUDITOR'S OFFICE

REPORT ON CONSULTANTS

Name of State Agency: S. C. Department of Highways and Public Transportation

Date of Report: November 9, 1978 Prepared by: Donald N. Tudor

Name of Consultant or Firm: Carter-Goble-Roberts, Inc.

Address of Consultant or Firm: P. O. Box 11287, Columbia, South Carolina 29211

Terms of Consultant Contract:

Beginning Date: November 20, 1978 Ending Date June 30, 1978 ⁹

Rate of Pay: \$ per ; Maximum under this contract: \$ 30,000.00

Source of Funds: State (100%); (%); (%).

Purpose or Goal of Consultant:

To provide consultant services in carrying out the Public Transportation Pilot Project provided for in Part II, Section 26 of the 1978 Appropriations Act. Consultant services will include Technical Assistance, development of an Evaluation Program and Design and the design of a Computer Information System.

Was this Individual or Firm Selected through the Submission of Bids or Proposals?

Yes X No

If yes, How many Bids or Proposals were Received? Two

Newspaper advertisement and direct requests to eight firms were made to insure open bidding. Only two (2) firms responded. They were G. E. Lohr Company and Carter-Goble-Roberts, Inc. Written proposals and oral presentation were required. A selection committee of five members recommended the firm of Carter-Goble-Roberts, Inc., to the South Carolina Interagency Council on Public Transportation and in turn the Interagency Council recommended this firm to the Department of Highways and Public Transportation Commission.

The State of South Carolina



Office of the Attorney General

KAREN LeCRAFT HENDERSON
ASSISTANT ATTORNEY GENERAL

WADE HAMPTON OFFICE BUILDING
POST OFFICE BOX 11549
COLUMBIA, S. C. 29211
TELEPHONE 803-758-3970

DANIEL R. McLEOD
ATTORNEY GENERAL

November 21, 1978

Honorable William T. Putnam
State Auditor
Wade Hampton State Office Building
Columbia, South Carolina

Re: \$3,500,000 York County, South
Carolina, Industrial Revenue
Bonds, Series 1978 (Champion
Laboratories, Inc. Project)

Dear Mr. Putnam:

Regarding the above-referenced bonds, we have reviewed the Petition and other documents submitted to the State Budget and Control Board for its approval pursuant to Section 4-29-10 et seq., CODE OF LAWS OF SOUTH CAROLINA, 1976, and the same appear, in our opinion, to be in order.

With kind regards,

A handwritten signature in cursive script that reads "Karen LeCraft Henderson".

Karen LeCraft Henderson
Senior Assistant Attorney General

KLH/jvh

EXHIBIT IV
11/20/78

ORIGINAL
11/20/78

A RESOLUTION APPROVING THE ISSUANCE BY YORK COUNTY, SOUTH CAROLINA OF NOT EXCEEDING \$3,500,000 PRINCIPAL AMOUNT FIRST MORTGAGE INDUSTRIAL REVENUE BONDS, 1978 SERIES (CHAMPION LABORATORIES, INC., PROJECT) PURSUANT TO THE PROVISIONS OF SOUTH CAROLINA CODE ANNOTATED, TITLE 4, CHAPTER 29 (1976)

WHEREAS, the County Council of York County, South Carolina (the "County Board") has heretofore, by submitting a petition (the "Petition"), under and pursuant to the provisions of Section 4-29-140 of South Carolina Code Annotated, Title 4, Chapter 29 (1976) (the "Act"), requested the approval by the State Budget and Control Board of the issuance by York County (the "County") pursuant to the Act of its First Mortgage Industrial Revenue Bonds (as defined in the Act), 1978 Series (Champion Laboratories, Inc., Project), in the aggregate principal amount of not exceeding \$2,500,000 (the "Bonds"); and

WHEREAS, the County proposes to issue the Bonds for the purpose of defraying the costs of acquiring by construction and purchase, certain land and buildings and improvements thereon, and thereon a building or certain other machinery, apparatus, equipment, office facilities and furnishings (the "Project") to be used for manufacturing air and oil filters; and

WHEREAS, the Project is to be leased to Champion Laboratories, Inc., (the "Corporation") at a rental sufficient to pay the principal of and premium (if any) and interest on the Bonds and the costs and expenses related to the issuance of the Bonds; 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 Project; and

WHEREAS, the County has submitted with the Petition (i) drafts of the documents to be entered into by the County in connection with the issuance of the Bonds, for review by the State Budget and Control Board, (ii) an Assistance Agreement by and between the Corporation and the County executed by the Corporation on July 17, 1978, and executed by the County Board, on July 17, 1978, and (iii) a certified copy of a resolution adopted by the County Board on November 6, 1978, 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. The Board has made an independent investigation of the matters set forth in the Petition, and on the basis of such investigation it is hereby found, determined and declared:

(a) The facts set forth in the Petition, and in the preamble hereto, are in all respects true and correct;

(b) The Petition filed by the County Board contains 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 4-29-140 of the Act; and

(c) The Project subject of the Petition of the County Board is intended to promote the purposes of the Act and is reasonably anticipated to effect such result.

Section 2. In consequence of the foregoing, the proposal of the County to acquire and construct the Project, to lease the Project to the Corporation, to finance the cost thereof and expenses incidental thereto by the issuance of Bonds, as defined in the Act, 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 Project, be and the same is hereby in all respects approved.

Section 3. Notice of the action taken by this Board in approving the above described undertaking of the County shall be published in the State which is a newspaper having general circulation in York County.

Section 4. The Notice, required in Section 3 above to be published, shall be in substantially the form set forth in Exhibit "A" of this Resolution.

Section 5. This Resolution shall take effect immediately.

EXHIBIT A

NOTICE PURSUANT TO THE PROVISIONS
OF SOUTH CAROLINA CODE ANNOTATED,
TITLE 4, CHAPTER 29

Notice is hereby given pursuant to the provisions and requirements of Section 4-29-140 of South Carolina Code Annotated, Title 4, Chapter 29 (1976) (the "Act"), that the State Budget and Control Board of South Carolina, pursuant to a Petition filed by the County Council of York County, South Carolina, has given its approval to the following undertaking by York County, South Carolina:

The issuance by York County of its First Mortgage Industrial Revenue Bonds (as defined in the Act), Series 1978 (Champion Laboratories, Inc., Project), in the aggregate principal amount of not exceeding \$3,500,000 (the "Bonds"), to defray the costs of acquiring, by construction and purchase, certain land and buildings and improvements thereon, and certain other machinery, apparatus, equipment, office facilities and furnishings (the "Project") to be used as an industrial facility for manufacturing air and oil filters to be located in York County. The Project will be leased to Champion Laboratories, Inc., a Delaware corporation, which will unconditionally covenant to pay rentals sufficient to pay the principal of, premium (if any) and interests on the Bonds. The Bonds will be payable solely and exclusively out of revenues to be derived from the leasing or sale of the Project to Champion Laboratories, Inc., and are to be additionally secured by a pledge of the Lease of the Project and a first mortgage on the Project.

In addition Champion Laboratories, Inc., has agreed to pay, as additional rentals, to York 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 York County, said school district or school districts and other political units wherein the Project is now located, as if the Project were owned by Champion Laboratories, Inc., but with appropriate reductions similar to the tax exemptions, if any, which would be afforded to it if it were the owner of the Project.

Notice is further given that any interested party may, within twenty (20) days after the date of the publication of this notice, but not afterwards, challenge the validity of the State Budget and Control Board's approval of the Project and the issuance of the Bonds by York County to finance the same, by action de novo

instituted in the Circuit Court for York County, South Carolina.

STATE BUDGET AND CONTROL BOARD

BY: WILLIAM T. PUTNAM, Secretary

Dated: November 20, 1978.

RESOLUTION

A RESOLUTION MAKING APPLICATION TO THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA FOR APPROVAL OF THE ISSUANCE BY YORK COUNTY, SOUTH CAROLINA, OF ITS FIRST MORTGAGE INDUSTRIAL REVENUE BONDS, 1978 SERIES (CHAMPION LABORATORIES, INC., PROJECT) AS DEFINED IN AND PURSUANT TO THE PROVISIONS OF SOUTH CAROLINA CODE ANNOTATED, TITLE 4, CHAPTER 29 (1976) IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT EXCEEDING \$3,500,000.

WHEREAS, York County, South Carolina (the "County") acting by and through its County Council is authorized and empowered under and pursuant to the provisions of South Carolina Code Annotated, Title 4, Chapter 29 (1976) (the "Act") to acquire and lease properties through which the industrial development of the State of South Carolina will be promoted and trade developed by inducing industrial 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 acquired from the proceeds thereof; and

WHEREAS, the County and Champion Laboratories, Inc., a Delaware corporation (the "Tenant"), entered into an Assistance Agreement (the "Assistance Agreement") executed by the Tenant on July 17, 1978, and executed by the County Council on July 17, 1978, pursuant to which and in order to implement the public purposes enumerated in the Act and in furtherance thereof to comply with the undertakings of the County pursuant to the Assistance Agreement, the County proposes to issue not exceeding \$3,500,000 aggregate principal amount First Mortgage Industrial Revenue Bonds, Series 1978 (Champion Laboratories, Inc., Project) (the "Series 1978 Bonds") under and pursuant to the Act to defray the costs of acquiring by construction and purchase certain land, buildings and improvements thereon, and other machinery, apparatus, equipment, office facilities and furnishings (the "Project") to be located in York County, and, subject to the approval of the State Budget and Control Board of South Carolina, to lease the Project to the Tenant under and pursuant to the terms of a Lease Agreement to be entered into between the County and the Tenant; and

WHEREAS, it is now deemed advisable by the County Council to file with the State Budget and Control Board of South Carolina, in compliance with Section 4-29-140 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 County Council of York County, South Carolina, as follows:

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

(a) The Project will constitute a "project" as said term is referred to and defined in Section 4-29-10 of the Act, and the issuance of the Series 1978 Bonds in the aggregate principal amount of not exceeding \$3,500,000 to finance the Project will subserve the purposes and in all respects conform to the provisions and requirements of the Act.

(b) Neither the Project, the Series 1978 Bonds proposed to be issued by the County to finance the Project, nor any documents or agreements entered into by the County in connection therewith will constitute or give rise to a pecuniary liability of the County or a charge against its general credit or taxing power.

(c) The issuance of the Series 1978 Bonds by the County in the aggregate principal amount of \$3,500,000 will be required to defray the cost of the Project.

(d) Inasmuch as the Tenant is a corporation with established credit, and the payment of the principal of, interest and premium, if any, on the Series 1978 Bonds will be unconditionally guaranteed by United Industrial Syndicate, Inc., a New York Corporation with established credit, the establishment of reserve funds in connection with the retirement of the Series 1978 Bonds and the maintenance of the Project is deemed unnecessary.

(e) The Project will be leased by the County to the Tenant upon terms which will require the Tenant, at its own expense, to maintain the Project in good repair and to carry all proper insurance with respect thereto, and will require the Tenant to make the payments in lieu of taxes referred to in Section 4-29-60 of the Act.

(f) The Project will consist of the items described on Exhibits A and B to the Lease Agreement and Indenture submitted with the Petition.

(g) A reasonable estimate of the cost of the Project including necessary expenses incident thereto is \$3,500,000.

(h) In addition to the employment provided for those engaged in the construction of the Project, it is anticipated that after the Project has been completed and the industrial facility placed in operation, the industrial facility will provide permanent employment for approximately eighty (80) persons from the County and areas adjacent thereto with a resulting alleviation of unemployment, and a substantial increase in payrolls and other public benefits incident to the conducting of industrial operations.

Section 2. There be and is hereby authorized and directed the submission on behalf of York County, of a Petition by this 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 4-29-140 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 County Council of York County and the County Manager be and are hereby authorized and directed to execute said Petition in the name and on behalf of York County; and that the Clerk be and is hereby authorized and directed to affix the seal of the County to said Petition and to attest the same and thereafter to submit an executed 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 November 6, 1978.

Bayles Mack, Chairman
County Council of York County,
South Carolina

ATTEST:

J. E. Klugh, County Manager
County Council of York County,
South Carolina

STATE OF SOUTH CAROLINA)
)
COUNTY OF YORK)

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

P E T I T I O N

This Petition of York County, South Carolina (the "County"), pursuant to South Carolina Code Annotated, Title 4, Chapter 29 (1976) (the "Act"), and specifically Section 4-29-140 thereof, respectfully shows:

1. The County Council of York County (the "County Council") is the governing body of the County and as such is the "County Board" of the County referred to in the Act.

2. The Act, among other things, empowers the County, subject to obtaining the approval of the State Budget and Control Board, pursuant to Section 4-29-140 of the Act: (i) To acquire, and, in connection with such acquisition, to enlarge, improve and expand, whether by construction, purchase, gift or lease, one or more projects which shall be located within the County; (ii) to lease to others any or all of its projects for such rentals and upon such terms and conditions as the county board may deem advisable and as shall not conflict with the provisions of this chapter; and (iii) to issue revenue bonds for the purpose of defraying the cost of acquiring, by construction and purchase, and in connection with any such acquisition, to enlarge, improve and expand any project, and to secure the payment of such bonds all as in the Act provided.

3. The County has agreed to assist Champion Laboratories, a Delaware corporation, qualified to do business as a foreign corporation in South Carolina (the "Tenant") by issuing its revenue bonds for the purpose of defraying the cost of acquiring certain facilities more fully described in Exhibits A and B to the Lease Agreement and Indenture of Mortgage and Deed of Trust attached hereto, located in the County (the "Project").

4. The County has been advised by the Tenant that the estimated cost of the Project will be \$3,500,000 and it has requested the County to issue and sell not exceeding \$3,500,000 First Mortgage Industrial Revenue Bonds, Series 1978 (Champion Laboratories, Inc., Project) (the "Bonds") to defray such costs.

5. Pursuant to Section 4-29-60 of the Act, the County Council has made the requisite findings that: (i) the Project will subserve the purposes of the Act; (ii) the Project will give rise to no pecuniary liability of the County or a charge against its general credit or taxing power; (iii) the amount of Bonds required to finance the Project is \$3,500,000; (iv) the amount necessary in each year to pay the principal of and the interest on the Bonds proposed to be issued to finance the Project is as set forth in Schedule A attached hereto; (v) the County does not deem it necessary to establish any reserve funds in connection with the retirement of the proposed bonds and the maintenance of the Project; and (vi) the terms under which the Project is to be leased provide that the Tenant shall maintain the Project and carry all proper insurance with respect thereto.

6. Pursuant to Section 4-29-140 of the Act, the County sets forth the following information:

(a) The Project, described in detail on Exhibits A and B to the Lease Agreement and Indenture of Mortgage and Deed of Trust submitted herewith, consists of land, buildings, improvements thereon and certain other machinery, apparatus, equipment, office facilities and furnishings to be used as an industrial facility to manufacture air and oil filters. It is anticipated that, upon completion, the Project will provide directly eighty (80) additional full time jobs in the County and that the Project will provide stimulation to the economy of the County and areas adjacent thereto by increased payrolls, capital investment and tax revenues.

(b) It is estimated that the cost of the Project, including the items of cost authorized in the Act, will be \$3,500,000.

(c) Copies of the Lease Agreement and the Indenture of Mortgage and Deed of Trust are being submitted herewith. The following summary of terms and the basis for payments in lieu of interest is in no wise intended to affect or alter the actual terms of the documents themselves:

(i) The proposed Lease Agreement between the Tenant and the County provides in general:

(A) Proceeds derived from the sale of the Bonds, except accrued interest paid by the purchasers thereof, will be used and applied by the County upon request of the Tenant solely for the payment of the costs (as that

term is defined in the Act) incident to the acquisition, by construction and purchase, of the Project).

(B) Under the terms of the Lease Agreement, the Tenant obligates itself: to effect the completion of the Project if the proceeds derived from the sale of the Bonds prove insufficient therefor without diminution of any payments to the County required by the Lease Agreement; to pay rental in the amount necessary to meet the payments of principal of, interest and premium, if any, on the Bonds as the same become due; to pay the cost of maintaining and insuring the Project to the extent and in the manner provided in the Lease Agreement; and to make payments to the County, school district or districts, and other political subdivisions in lieu of taxes as more fully described below.

(C) The Lease Agreement contains no provision imposing any pecuniary liability upon the County or which would create a charge upon its general credit or taxing powers.

(ii) The proposed Indenture of Mortgage and Deed of Trust between the County and First Union National Bank, Charlotte, North Carolina, as Trustee (the "Trustee"), provides in general:

(A) An irrevocable pledge and assignment for the benefit of the holders of the Bonds of the County's right, title and interest in and to the Project, the Lease Agreement and all payments, receipts and revenues which the County has a right to receive under the Lease Agreement or any other lease or the sale of the Project (except payments and rights to payments of certain indemnification payments and administration expenses), and all the moneys and securities in funds created under the Indenture.

(B) The terms of the Bonds, the provisions for transfer of the Bonds, the redemption provisions, the means of disbursement and investment of the Bond proceeds, provisions for issuance of additional parity bonds, default provisions and remedies therefor and various other matters relating to the Bonds.

(C) The execution of the Indenture imposes no pecuniary liability on the County and does not create a charge upon the general credit or taxing power of the County.

(D) The Series 1978 Bonds shall bear interest at the rates per annum and shall mature on

December 1 in each of the years and in the amounts set forth below:

<u>Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
1980	\$ 150,000	5.8 %	1983	\$ 150,000	5.8 %
1981	150,000	5.8	1984	150,000	5.8
1982	150,000	5.8	1998	2,750,000	6-7/8

The Series 1978 Bonds maturing in the year 1998 are, additionally, subject to mandatory redemption through the operation of a Sinking Fund as provided in the Indenture on December 1 in each of the years and in the amounts set forth below:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
1989	\$ 200,000	1994	\$ 280,000
1990	215,000	1995	300,000
1991	225,000	1996	320,000
1992	245,000	1997	340,000
1993	260,000	1998 (maturity)	365,000

The Series 1978 Bonds are also subject to redemption prior to maturity at the prices and under the conditions specified in the Indenture.

(iii) In the Lease Agreement, the Tenant has agreed to make payments in lieu of taxes as required by the Act. The Lease Agreement specifies that the Tenant and the County shall cooperate in having the Project appraised for such purposes and in making payments to the taxing authorities of the County and any school district or districts and other political units wherein the Project is located.

(d) In addition to the obligation of the Tenant, payment of the principal of the interest and premium, if any, on the Series 1978 Bonds will be unconditionally guaranteed by United Industrial Syndicate, Inc., a New York corporation under the terms of a Guaranty Agreement in substantially the form submitted herewith.

Upon the basis of the foregoing, the County respectfully prays that the State Budget and Control Board (i) accept the filing of this Petition and the documents submitted herewith, (ii) make such investigation as it deems advisable, (iii) if it finds that the Project is intended to promote the purposes of the Act and may be reasonably

anticipated to effect such result, that it approve the Project and the proposed financing of the cost thereof by the County through the issuance of the Bonds pursuant to the Act (including changes in any details of the said financing as finally consummated which do not materially affect the undertaking of the County), and (iv) give published notice of its approval in the manner set forth in Section 4-29-140 of the Act.

Respectfully submitted,

YORK COUNTY, SOUTH CAROLINA

By _____
Bayles Mack, Chairman
York County Council

Dated: November 17, 1978.

(SEAL)

ATTEST:

J. E. Klugh, County Manager
York County, South Carolina

SCHEDULE A

PAYMENTS OF PRINCIPAL AND INTEREST
for
YORK COUNTY, SOUTH CAROLINA,
FIRST MORTGAGE INDUSTRIAL REVENUE BONDS,
1978 SERIES

(CHAMPION LABORATORIES, INC., PROJECT)

<u>Date</u>	<u>Principal Amount</u>	<u>Interest Payment</u>	<u>Annual Totals</u>
1979	\$ - 0 -	\$ 232,562.50	\$ 232,502.50
1980	150,000	232,562.50	382,562.50
1981	150,000	223,862.50	373,862.50
1982	150,000	215,162.50	365,162.50
1983	150,000	206,462.50	356,462.50
1984	150,000	197,762.50	347,762.50
1985	- 0 -	189,062.50	189,062.50
1986	- 0 -	189,062.50	189,062.50
1987	- 0 -	189,062.50	189,062.50
1888	- 0 -	189,062.50	189,062.50
1989	200,000	189,062.50	389,062.50
1990	215,000	175,312.50	390,312.50
1991	225,000	160,531.25	385,531.25
1992	245,000	145,062.50	390,062.50
1993	260,000	128,218.75	388,218.75
1994	280,000	110,343.75	390,343.75
1995	300,000	91,093.75	391,093.75
1996	320,000	70,468.75	390,468.75
1997	340,000	48,468.75	388,468.75
1998	365,000	25,093.75	390,093.75

ORDINANCE

AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF \$3,500,000 PRINCIPAL AMOUNT FIRST MORTGAGE INDUSTRIAL REVENUE BONDS, SERIES 1978 (CHAMPION LABORATORIES, INC., PROJECT) OF YORK COUNTY, SOUTH CAROLINA; THE APPLICATION OF THE PROCEEDS OF THE BONDS TO PAY THE COSTS OF ACQUIRING, BY CONSTRUCTION AND PURCHASE, AN INDUSTRIAL FACILITY; THE ENTERING INTO OF CERTAIN COVENANTS AND AGREEMENTS AND THE EXECUTION AND DELIVERY OF CERTAIN INSTRUMENTS RELATING TO THE ISSUANCE OF THE AFORESAID BONDS INCLUDING; (i) AN INDENTURE OF MORTGAGE AND DEED OF TRUST DATED AS OF DECEMBER 1, 1978, BETWEEN YORK COUNTY AND FIRST UNION NATIONAL BANK, AS TRUSTEE, SECURING THE BONDS AND PRESCRIBING MATTERS RELATED THERETO; (ii) A LEASE DATED AS OF DECEMBER 1, 1978, BETWEEN YORK COUNTY, AS LESSOR, AND CHAMPION LABORATORIES, INC., AS LESSEE, PURSUANT TO WHICH THE PROJECT WILL BE LEASED BY YORK COUNTY, SOUTH CAROLINA; AND (iii) A BOND PURCHASE AGREEMENT; AND OTHER MATTERS RELATING THERETO.

WHEREAS, York County, South Carolina (hereinafter referred to as the "County") acting by and through its County Council is empowered under and pursuant to the provisions of South Carolina Code Annotated, Title 4, Chapter 29 (1976) (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 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 of South Carolina; and

WHEREAS, the County, subject to the approval of the State Budget and Control Board of South Carolina, is authorized by the Act to issue its revenue bonds for the purpose of defraying the cost of acquiring, by construction and purchase, a Project (as defined in the Act), such revenue bonds to be payable solely from the lease rentals, revenues and receipts from such Project and to be further secured by a pledge of said lease rentals, revenues and receipts and by a mortgage on the land, building, equipment and improvements so acquired; and

WHEREAS, Champion Laboratories, Inc. a Delaware corporation (the "Tenant"), in accordance with the provisions of an Assistance Agreement by and between the Tenant and the County executed by the Tenant on July 17, 1978, and executed by the County Council of York County,

South Carolina, on July 17, 1978, has determined that it desires to locate an industrial facility in York County, South Carolina; and

WHEREAS, in order to implement the public purposes enumerated in the Act and in furtherance thereof to assist the Tenant in locating an industrial facility within the State of South Carolina, the County has agreed to issue and sell \$3,500,000 aggregate principal amount First Mortgage Industrial Revenue Bonds, Series 1978 (Champion Laboratories, Inc., Project) under and pursuant to the Act to defray the costs of acquiring certain land, buildings and improvements, machinery, apparatus, equipment, office facilities and furnishings constituting an industrial facility (the "Project") and in connection therewith to lease the Project to the Tenant under and pursuant to the terms of a lease to be entered into between the County and the Tenant; and

WHEREAS, the County Council, having determined that the Project will provide permanent employment for approximately eighty (80) persons from the County and areas adjacent thereto with a resulting alleviation of unemployment, and a substantial increase in payrolls and other public benefits incident to the conducting of industrial operations, proposes to issue and sell \$3,500,000 aggregate principal amount of its revenue bonds, to be designated "York County, South Carolina, First Mortgage Industrial Revenue Bonds, Series 1978 (Champion Laboratories, Inc., Project)" (herein referred to as the "Series 1978 Bonds"), to defray the costs of acquiring the Project; and

WHEREAS, the County Council, having determined as aforesaid that it will be of substantial public benefit to do so, proposes to lease the Project to the Tenant under and pursuant to the provisions of a Lease Agreement dated as of December 1, 1978 (the "Lease Agreement"); and

WHEREAS, the acquisition of the Project, the issuance of the Series 1978 Bonds by the County, and the execution of the Lease Agreement as herein recited and provided have been duly approved by the State Budget and Control Board of South Carolina, by resolution duly adopted on November __, 1978, and will serve the intended purposes and in all respects conform to the provisions and requirements of the Act; and

WHEREAS, it has been determined that the estimated amount necessary to defray the cost of acquiring the Project, including expenses incidental thereto and to the Series 1978 Bonds, requires that Series 1978 Bonds of the

County in the principal amount of \$3,500,000 be authorized as hereinafter provided; and

WHEREAS, the County Council has caused to be prepared and presented to this meeting the following documents which the County proposes to execute and deliver:

1. The form of Lease Agreement;
2. The form of the Indenture of Mortgage and Deed of Trust dated as of December 1, 1978, by and between the County and First Union National Bank of Charlotte, North Carolina, as Trustee (the "Trustee"); and

WHEREAS, it appears that each of the instruments above referred to, which are now before this meeting, is in appropriate form and is an appropriate instrument to be executed and delivered by the County for the purposes intended.

NOW, THEREFORE, BE IT ORDAINED by the County Council of York County, South Carolina, as follows:

Section 1. In order to promote industry, develop trade and utilize and employ the manpower, agricultural products and natural resources of the State of South Carolina by assisting the Corporation to locate an industrial facility in the State of South Carolina, the acquisition of certain land and construction thereon of a building and construction of the Project is hereby authorized, ratified and approved.

Section 2. Pursuant to the authority of the Act, and for the purpose of defraying the cost of acquiring the Project, including necessary expenses incidental thereto, there is hereby authorized to be issued, and shall be issued, revenue bonds of the County in the aggregate principal amount of Three Million Five Hundred Thousand Dollars (\$3,500,000), to be designated "York County, South Carolina, First Mortgage Industrial Revenue Bonds, Series 1978 (Champion Laboratories, Inc., Project)." The Series 1978 Bonds shall be issuable in bearer form registrable as to principal only and with coupons for interest attached, and in fully registered form without coupons. The Series 1978 Bonds shall be payable as to principal, interest and premium, (if any) in any coin or currency of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts, at the office of First Union National Bank, Charlotte, North Carolina, as Trustee, or its successor in trust under the provisions of the Indenture.

The coupon Bonds or the fully registered Series 1978 Bonds initially issued shall be dated as of December 1, 1978, 1978, and shall bear interest from such date payable on the first days of June and December of each year with the first interest payment being made on June 1, 1979. All other Bonds shall be dated as of and bear interest from the next preceding interest payment date to which interest has been paid (unless issued prior to June 1, 1979, in which case they shall be dated as of and bear interest from December 1, 1978, or unless issued on an interest payment date to which interest has been paid or provided for, in which case they shall be dated as of and bear interest from said payment date). The Series 1978 Bonds shall bear interest from the date thereof at the respective rates per annum as set forth in the schedule below and shall mature on December 1 in each of the years and in the principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
1980	\$150,000	5.8 %	1983	\$150,000	5.8 %
1981	150,000	5.8	1984	150,000	5.8
1982	150,000	5.8	1998	2,750,000	6-7/8

The Series 1978 Bonds maturing in the year 1998 are, additionally, subject to mandatory redemption through the operation of a Sinking Fund as provided in the Indenture on December 1 in each of the years and in the amounts set forth below:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
1989	\$ 200,000	1994	\$ 280,000
1990	215,000	1995	300,000
1991	225,000	1996	320,000
1992	245,000	1997	340,000
1993	260,000	1998(maturity)	365,000

Section 3. The Series 1978 Bonds shall be limited obligations of the County, the principal of and interest and premium (if any) on which shall be payable solely out of the revenues derived from the Project. The Series 1978 Bonds and interest thereon shall never constitute an indebtedness of the County within the meaning of any state constitutional provision or statutory limitation and shall never constitute nor give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers. Such limitation shall be plainly stated on the face of each Series 1978 Bonds.

Nothing in this ordinance, the Lease Agreement or Indenture shall be construed as an obligation or commitment by the County to expend any of its funds other than (i) the proceeds of the sale of the Series 1978 Bonds, (ii) the rents and revenues derived from the Project, (iii) any proceeds accruing to the County on account of insurance on the Project, (iv) any moneys accruing to the County on account of any taking or condemnation of title to all or part of the Project, and (v) any moneys arising out of the investment or reinvestment of said proceeds, rents, revenues or moneys.

Section 4. Each of the Series 1978 Bonds shall be executed in the name of the County with the manual or facsimile signatures of the Chairman of the County Council shall be attested by the manual signature of the County Manager, shall have the seal of the County Council impressed or imprinted thereon and shall be authenticated by the endorsement of First Union National Bank, Charlotte, North Carolina, as Trustee, under the Indenture. Interest coupons attached to the Series 1978 Bonds shall be executed with the facsimile signatures of the Chairman and County Manager and such facsimile signatures shall have the same force and effect as if such officers had manually signed each of such coupons.

Section 5. The Series 1978 Bonds, the coupons attached thereto, and the endorsement to appear on the reverse side of each Bond shall be in substantially the forms set forth in the Indenture, with necessary or appropriate variations, omissions and insertions as permitted or required by the Indenture.

Section 6. The Series 1978 Bonds shall be issued in compliance with and under authority of the provisions of the Act, this ordinance and the Indenture.

Section 7. While any of the Series 1978 Bonds shall remain outstanding and unpaid, the County hereby covenants and agrees with the holders from time to time of such Bonds that it will not issue any additional bonds or incur any obligations of any sort secured by a lien prior to the lien of such Bonds.

Section 8. It is hereby found, determined and declared by this County Council, as follows:

(a) The Project will constitute a "project" as said term is referred to and defined in Section 4-29-10 of the Act, and that the issuance of the Series 1978 Bonds in the aggregate principal amount of \$3,500,000 to defray the cost of the Project will subserve the purposes and in all

respects conform to the provisions and requirements of the Act;

(b) Neither the Project, the Series 1978 Bonds proposed to be issued by the County to finance the costs 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) The issuance of Series 1978 Bonds by the County in the aggregate principal amount of \$3,500,000 will be required to defray a portion of the cost of the Project;

(d) Inasmuch as the Tenant is a corporation with established credit, and the payment of the principal of, interest, and premium, if any, on the Series 1978 Bonds will be unconditionally guaranteed by United Industrial Syndicate, Inc., a New York Corporation with established credit, the establishment of reserve funds in connection with retirement of the Series 1978 Bonds and the maintenance of the Project is deemed unnecessary;

(e) The Project will be leased by the County to the Tenant upon terms which require the Tenant, at its own expense, to maintain the Project in good repair, to carry all proper insurance with respect thereto, and to make the payments in lieu of taxes referred to in Section 4-29-60 of the Act; and

(f) The amount necessary in each year to pay the principal of and interest on the Series 1978 Bonds is as set forth on Schedule A hereto.

Section 9. The form, terms and provisions of the Lease Agreement presented to this meeting and filed with the Clerk of the County Council be and they are hereby approved and all of the terms, provisions and conditions thereof are hereby incorporated herein by reference as if the Lease Agreement were set out in this ordinance in its entirety. The Chairman of this County Council and the County Manager be and they are hereby authorized, empowered and directed to execute, acknowledge and deliver the Lease Agreement in the name and on behalf of the County, and thereupon to cause the Lease Agreement to be delivered to the Tenant and cause the said Lease Agreement to be recorded in the Office of the Register of Mesne Conveyance of York County. The Lease Agreement is to be in substantially the form now before this meeting and hereby approved, or with such minor changes therein as shall be approved by the officials of the County executing the same, their execution thereof to constitute conclusive evidence of their approval of any and all changes

or revisions therein from the form of Lease Agreement now before this meeting.

Section 10. To provide for the authorization of and to secure the Series 1978 Bonds under the Act, and to prescribe the terms and conditions upon which the Series 1978 Bonds are to be issued, secured, executed, authenticated, accepted and held, and for the purpose of making effective a first mortgage lien upon the Project, the form, terms and provisions of the Indenture which is before this meeting and filed with the Clerk of the County Council be and they are hereby approved and all of the terms, provisions and conditions thereof are hereby incorporated herein be reference as if the Indenture were set out in this ordinance in its entirety. The Chairman of the County Council and the County Manager be and they are hereby authorized, empowered and directed to execute, acknowledge and deliver the said Indenture to the Trustee therein named and cause the said Indenture to be recorded in the office of the Register of Mesne Conveyance for York County. The Indenture is to be in substantially the form now before this meeting and hereby approved, or with such minor changes therein as shall be approved by the officials of the County executing the same, their execution thereof to constitute conclusive evidence of their approval of any and all changes or revisions therein from the form of Indenture now before this meeting.

Section 11. There is hereby authorized the sale of the Series 1978 Bonds to The Robinson-Humphrey Company, Inc., at a price of \$3,408,965 which is determined to be most advantageous to the interests of the County. The form, terms and provisions of the Bond Purchase Agreement which is before this meeting and filed with the Clerk of the County Council be and they are hereby approved and all of the terms, provisions and conditions thereof are hereby incorporated herein by reference as if the Bond Purchase Agreement were set out in this ordinance in its entirety. The Chairman of the County Council and the County Manager be and they are hereby authorized, empowered and directed to execute, acknowledge and deliver the said Bond Purchase Agreement to The Robinson-Humphrey Company, Inc. The Bond Purchase Agreement is to be in substantially the form now before this meeting and hereby approved, or with such minor changes therein as shall be approved by the officials of the County executing the same, their execution thereof to constitute conclusive evidence of their approval of any and all changes or revisions therein from the form of Bond Purchase Agreement before this meeting.

Section 12. The Chairman of this County Council and the County Manager, for and on behalf of the County, are

hereby each authorized and directed to do any and all things necessary to effect the execution and delivery of the Lease Agreement, the Indenture and the Bond Purchase Agreement and the performance of all obligations of the County under and pursuant to the Lease Agreement, the Indenture and the Bond Purchase Agreement and the execution and delivery of the Series 1978 Bonds; and First Union National Bank, as Trustee, is hereby authorized to receive and receipt for the proceeds of the Series 1978 Bonds on behalf of the County and to hold, invest and disburse said proceeds in accordance with the provisions of the Indenture.

Section 13. The provisions of this ordinance are hereby declared to be separable and if any section, phrase or provision shall for any reason be declared by a court of competent jurisdiction to be invalid or unenforceable, such declaration shall not affect the validity of the remainder of the sections, phrases and provisions hereunder.

Section 14. All orders, resolutions, ordinances and parts thereof in conflict herewith are, to the extent of such conflict, hereby repealed and this Ordinance shall take effect and be in full force from and after its passage and approval.

Passed and approved this 4th day of December, 1978.

COUNTY COUNCIL OF YORK COUNTY,
SOUTH CAROLINA

BY

Bayles Mack, Chairman
of the County Council

(SEAL)

ATTEST:

J. E. Klugh, County Manager
York County, South Carolina

SCHEDULE A

PAYMENTS OF PRINCIPAL AND INTEREST
for
YORK COUNTY, SOUTH CAROLINA

FIRST MORTGAGE INDUSTRIAL REVENUE BONDS,
1978 SERIES
(CHAMPION LABORATORIES, INC., PROJECT)

DRAFT

11/15/78

YORK COUNTY, SOUTH CAROLINA

TO

FIRST UNION NATIONAL BANK,

TRUSTEE

INDENTURE OF MORTGAGE AND DEED OF TRUST

DATED AS OF DECEMBER 1, 1978

RELATING TO YORK COUNTY, SOUTH CAROLINA

FIRST MORTGAGE INDUSTRIAL REVENUE BONDS

(CHAMPION LABORATORIES, INC., PROJECT)

Table Not Revised

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THIS INDENTURE OF MORTGAGE AND DEED OF TRUST (hereinafter referred to as the "Indenture") made and entered into as of the 1st day of December, 1978, by and between YORK COUNTY (hereinafter referred to as the "County"), a body politic and corporate and a political subdivision of the State of South Carolina, and First Union National Bank, in Charlotte, North Carolina, duly organized, existing and authorized to accept and execute trusts of the character herein set out, under and by virtue of the laws of the United States, as trustee (hereinafter together with such successors as from time to time are trustee hereunder referred to as the "Trustee").

WITNESSETH:

WHEREAS, Title 4, Chapter 29, Code of Laws of South Carolina, 1976, as amended (hereinafter referred to as the "Act") empowers the several counties of the State of South Carolina to acquire, enlarge, improve, and expand one or more projects (as defined in the Act), to lease any or all of such projects in furtherance of the purposes of the Act, and to issue their revenue bonds secured by a pledge of the revenues derived from the leasing of projects to defray the cost of acquiring, enlarging, improving or expanding such projects by construction and purchase; and

WHEREAS, the County has agreed to assist Champion Laboratories, Inc. (hereinafter referred to as the "Tenant"), to locate or remain in South Carolina by issuing revenue bonds of the County for the purpose of defraying the costs of acquiring certain land and improvements located in the County constituting a project (hereinafter referred to as the "Project"); and

WHEREAS, the County by due corporate action has

authorized the execution and delivery of a lease agreement between the County and the Tenant dated as of the first day of December, 1978, (hereinafter referred to as the "Lease") pursuant to which the County shall acquire and lease to the Tenant the Project; and

WHEREAS, the County by due corporate action has authorized the issuance of Three Million Five Hundred Thousand Dollars (\$3,500,000) aggregate principal amount of its First Mortgage Industrial Revenue Bonds, Series 1978 (Champion Laboratories, Inc., Project) (hereinafter referred to as the "Series 1978 Bonds") pursuant to the Act in order to defray the costs of acquiring by construction and purchase the Project; and

WHEREAS, the County by due corporate action has authorized the execution and delivery of this Indenture mortgaging the Project, pledging the revenues to be derived from the lease or sale thereof, including the revenues derived under the Lease, as security for the purchasers of the Series 1978 Bonds subject to the terms and conditions hereinafter set forth; and

WHEREAS, all acts and things have been done and performed which are necessary to make the Series 1978 Bonds, when executed and issued by the County, authenticated by the Trustee and delivered, the legal, valid and binding limited obligations of the County in accordance with their terms and to make this Indenture a valid and binding agreement for the security of the Bonds authenticated and delivered under this Indenture; and

WHEREAS, the \$3,500,000 aggregate principal amount of Series 1978 Bonds to be issued hereunder, the Trustee's Certificate of Authentication to be endorsed thereon, the

certificate of registration of such Bonds, shall be in substantially the forms set forth in Article XII hereof with necessary and appropriate variations, omissions and insertions as are permitted by said Article;

NOW, THEREFORE, THIS INDENTURE FURTHER WITNESSETH:

The County, in consideration of the premises, the acceptance by the Trustee of the trusts hereby created, the purchase and acceptance of the Bonds issued and secured here-under by the purchasers and holders thereof, and the sum of One Dollar (\$1.00) lawful money of the United States of America to it duly paid by the Trustee at or before the execution and delivery of these presents, and for other good and valuable consideration, the receipt whereof is hereby acknowledged; and in order to secure payment of the principal of, premium, if any, and interest on all Bonds at any time issued and outstanding hereunder according to their tenor and effect and performance and observance by the County of all the provisions and covenants expressed or implied herein and in the Bonds has granted, bargained, sold, warranted, alienated, remised, released, conveyed, assigned, pledged, transferred, mortgaged, set over and confirmed and granted a security interest in, and does by these presents hereby grant, bargain, sell, warrant, alienate, revise, release, convey, assign, pledge, transfer, mortgage, set over, confirm and grant a security interest, to First Union National Bank, in Charlotte, North Carolina, as Trustee, and to its successors in the trusts hereby created, and to it and its assigns forever, in all and singular the following property, real and personal, (said property being herein sometimes referred to as the "mortgaged property," "trust estate" or "Trust Estate"), to wit:

ITEM A

Subject to Permitted Encumbrances as hereinafter defined, the parcel of real property located in the County, consisting of the land described in Exhibit A hereto, together with all right, title and interest of the County in and to all buildings, structures, improvements and appurtenances now standing, or at any time hereafter constructed or placed upon said property or any part thereof, and the reversion or reversions, remainder or remainders, in and to said real property and each and every part thereof, and together with the entire interest of the County in and to all and singular the tenements, hereditaments, easements, rights, privileges and appurtenances to said real property belonging or in any wise appertaining thereto, and all the estate, right, title, interest, claim or demand whatsoever of the County either in law or in equity, in possession or expectancy, of, in and to said real property, subject, however, to the right reserved to the Tenant and the County in Sections 8.07 and 8.08 of the Lease to release and remove certain real property from the Lease and this Indenture upon compliance with the terms and conditions of said Sections 8.07 and 8.08 of the Lease;

ITEM B

Subject to Permitted Encumbrances as hereinafter defined, the items described in Exhibit B hereto, together with all other machinery, equipment, other fixtures or personal property (a) the acquisition of which was financed in whole or in part from the proceeds of the Bonds, or (b) which is installed in the Project in substitution or replacement of machinery, equipment, fixtures or personal property described in the preceding subparagraph (a) or which was installed in the Project in substitution for or replacement of other such substitutions or replacements.

ITEM C

(1) The Lease by and between the County and the Tenant covering the property described in Items A and B above (such property, as aforesaid being hereinafter defined and herein referred to as the "Project"), all right, title and interest of the County in, under and to the Lease; and all rents, revenues, issues, profits, income and other sums due and to become due to the County under and pursuant to or by reason of the Lease (excluding, however, amounts paid by the Tenant thereunder to the County and other local taxing authorities as assessments or taxes or in lieu of taxes pursuant to the provisions of Sections 6.03 and 6.04 thereof and amounts paid by the Tenant to the County pursuant to Section 8.09 thereof), it being the intent and purpose hereof that the assignment and transfer to the Trustee of the rents and other sums due and to become due under the Lease shall be effective and operative immediately and shall continue in force and effect, and the Trustee shall have the right to collect and receive said rents and other sums for application in accordance with the provisions hereof at all times during the period from and after the date of execution of this Indenture until the indebtedness hereby secured shall have been fully paid and discharged, including without limitation, at all times after the institution and during the pendency of foreclosure proceedings and after any sale on foreclosure; and

(2) any other lease by the County of the Project, whether in writing or by operation of law; all right, title and interest of the County in, under and to any such other lease; and all rents, revenues, issues, profits, income or other sums due and to become due to the County under and pursuant to or by reason of any such other lease;

ITEM D

The rights of the County under any construction contracts entered into by or on behalf of the County with respect to the Project;

ITEM E

Until used and applied in accordance with the provisions hereof, all moneys (and the securities in which such moneys may from time to time be invested) held by the Trustee hereunder, including, without limiting the generality of the foregoing, the proceeds of the Bonds, proceeds of insurance, condemnation awards, receipts from the sale of all or part of the Project and the earnings on and income from the investment of moneys held hereunder;

ITEM F

Subject to Permitted Encumbrances as hereinafter defined, all rights, privileges, licenses, permits, immunities and easements of the County of every kind and nature appurtenant to the properties and estates described in the foregoing Items or appurtenant to any property covered by any instrument at any time hereafter conveying, mortgaging, pledging or assigning any property of any kind to the Trustee to be held hereunder as part of the mortgaged property; and also all and singular the tenements, hereditaments or appurtenances belonging to said properties or any part thereof or in any wise appertaining thereto and the reversions, remainders, rents, issues and profits thereof (including, but without limitation of the present assignment, pledge and transfer of the rents, income and other sums due and to become due under and pursuant to the Lease which is provided for in Item C above, the rents,

income and profits during any period allowed by law for the redemption of the mortgaged property after any foreclosure or other sale); and all the estate, right, title and claim whatsoever, at law as well as in equity, which the County now has or may hereafter acquire in and to the property and estates described in the foregoing Items or any part thereof, whether now owned or hereafter acquired; and

ITEM G

All other property which, by the express provisions of the Indenture, is required to be subjected to the lien hereof and any additional property that may, from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien hereof, by the County or by anyone in its behalf, and the Trustee is hereby authorized to receive the same at any time as additional security hereunder;

TO HAVE AND TO HOLD, all and singular, the trust estate, including all additional property which by the terms hereof has or may become subject to the encumbrance of this Indenture, unto the Trustee and its successors and assigns, forever;

IN TRUST, however, for the equal and proportionate benefit and security of the holders from time to time of the Bonds authenticated and delivered hereunder and issued by the County and outstanding, without preference, priority or distinction as to lien or otherwise of any one of said Bonds over any other or others of said Bonds to the end that each holder of such Bonds has the same rights, privileges and lien under and by virtue of the Indenture; and conditioned, however, that if the County shall well and truly pay or cause to be paid fully and promptly when due all indebtedness, liabilities, obligations and sums at any time

secured hereby, including interest and attorney's fees, and shall promptly, faithfully and strictly keep, perform and observe or cause to be kept, performed and observed all of its covenants, warranties and agreements contained herein, then and in such event this Indenture shall cease, determine and be void and of no further force and effect, otherwise the same shall remain in full force and effect and upon the trusts and subject to the covenants and conditions hereinafter set forth.

ARTICLE I

DEFINITIONS; RULES OF CONSTRUCTION; CERTIFICATES AND OPINIONS

SECTION 1.01. Definitions. In addition to words and terms elsewhere defined in the Indenture, the following words and terms as used herein and in the preambles hereto shall have the following meanings, unless the context or use indicates another or different meaning or intent:

"Act" shall mean Title 4, Chapter 29, Code of Laws of South Carolina, 1976, and all future acts supplemental thereto or amendatory thereof.

"Additional Bonds" shall mean any Bond, some of the Bonds or all of the Bonds issued pursuant to Section 2.03 of the Indenture from time to time outstanding.

"Authorized County Representative" shall mean the person at the time designated to act in behalf of County by written certificate furnished to Tenant and the Trustee containing the specimen signature of such person and signed on behalf of the County by the Chairman of the County Council. Such certificate may designate an alternate or alternates.

"Authorized Newspaper" shall mean a financial newspaper of general circulation in the City of New York, New York, printed in the English language and customarily published on each business day, whether or not published on Saturdays, Sundays or holidays.

"Authorized Tenant Representative" shall mean the

person at the time designated to act in behalf of Tenant by written certificate furnished to County and the Trustee containing the specimen signature of such person and signed on behalf of Tenant by its Chairman, Vice Chairman, President, any Vice President or Treasurer or Assistant Treasurer. Such certificate may designate an alternate or alternates.

"Basic Rent" shall mean the rental payable pursuant to Section 5.02 of the Lease.

"Bonds" shall mean any Bond, some of the Bonds or all of the Bonds issued under and secured by the terms of the Indenture from time to time outstanding and shall include the Additional Bonds and the Series 1978 Bonds.

"Bondholder" and "holder" shall mean the registered owner of any Bond.

"Bond Fund" shall mean the fund created and established hereunder with the Trustee in Section 6.01 hereof.

"Completion Date" shall mean the date on which the acquisition by construction and purchase of the Project is completed as certified in Section 4.04 of the Lease.

"Cost of the Project" shall mean and be deemed to include (a) obligations incurred for land, labor and materials and other expenses to contractors, builders and materialmen in connection with the acquisition, construction and installation of the Project; (b) the costs of contract bonds and of insurance of all kinds that may be required or necessary during the course of construction of the Project which are not paid by the contractor or contractors or

otherwise provided for; (c) the expenses for test borings, surveys, test and pilot operations, estimates, plans and specifications and preliminary investigations therefor, and for supervising construction, as well as for the performance of all other duties required by or reasonably necessary for the acquisition, construction and installation of the Project; (d) legal, accounting, financial and printing expenses, fees and all other expenses incurred in connection with the issuance of the Bonds; (e) all other costs required to be paid under the terms of any contract or contracts for the acquisition, construction and installation of the Project; and (f) any sums required to reimburse the Tenant for advances made by it for any of the above items, or for any other work done by, and costs incurred by, the Tenant which are properly chargeable to a capital account with respect to the Project.

"County" shall mean York County, South Carolina, a body politic and corporate and a political subdivision of the State of South Carolina, and its successors and assigns.

"Default" shall mean any one or more of the events enumerated in Section 11.02 hereof.

"Facilities" shall mean (i) all buildings and appurtenances now or hereafter located on the Leased Land including the building and appurtenances which are presently under construction or are to be constructed on the Leased Land from the proceeds of the Bonds, as they may at any time exist, including any air conditioning and heating systems (which shall be deemed fixtures); and (ii) all machinery, equipment, other fixtures or personal property including the machinery and equipment set forth in Exhibit B attached hereto (a) the acquisition of which was financed in whole or in part from the proceeds of the Bonds, or (b) which is

installed in the foregoing buildings or on the Leased Land in substitution or replacement of machinery, equipment, fixtures or personal property described in the immediately preceding clause (a), or which was installed in the foregoing buildings or on the Leased Land in substitution for or replacement of other such substitutions or replacements.

"Guaranty" shall mean the Guaranty Agreement, dated as of December 1, 1978, executed by United Industrial Syndicate, Inc., as Guarantor, to the Trustee.

"Indenture" shall mean this instrument as originally executed and as from time to time amended or supplemented.

"Independent Architect" or "Independent Engineer" shall mean an architect or firm of architects or a registered engineer, firm of engineers or engineering corporation being in fact independent, having no substantial financial interest in the Tenant or the County and not being regularly employed by either.

"Independent Counsel" shall mean an attorney duly admitted to practice law before the highest court of any state and not an employee of either the County or the Tenant.

"Interest Payment Date" shall mean any date on which the interest on any Bonds shall be payable, whether such date is a regular payment date prescribed by the Indenture or the result of a redemption pursuant to the terms of the Indenture.

"Lease" shall mean the lease dated as of December

1, 1978, executed by the County, as lessor and the Tenant, as lessee, as from time to time amended and supplemented.

"Leased Land" shall mean the real property described in Exhibit A attached hereto.

"IRC" shall mean the Internal Revenue Code of 1954 as amended.

"Officer's Certificate" shall mean: (i) with reference to the Tenant, a certificate in writing signed by the Chairman, Vice Chairman, President or any Vice President and attested to by the Secretary or any Assistant Secretary of the Tenant, and (ii) with reference to the County, a certificate in writing signed by the Chairman or Vice Chairman of the County Council and attested to by the Clerk or Acting Clerk to the County Council.

"Opinion of Counsel" shall mean a written opinion of an attorney or firm of attorneys, who may be counsel for the Tenant, the County or the Trustee.

"Outstanding" whether such word commences with an upper case or a lower case letter, shall mean when used with reference to any Bond and as of any particular item, all the Bonds authenticated and delivered by the Trustee under the Indenture except: (i) Bonds theretofore cancelled by the Trustee, delivered to the Trustee for cancellation or subject to cancellation by it; (ii) Bonds no longer deemed to be outstanding hereunder by reason of the provisions of Section 13.01 hereof; and (iii) for the purpose of Section 5.14 hereof only, Bonds deemed not to be outstanding by reason of the provisions of that section.

"Permitted Encumbrances" shall mean as of any

particular time: (i) liens for ad valorem taxes and special assessments not then delinquent; (ii) the Lease and the Indenture; (iii) utility, access and other easements and rights of way, flood rights, leases, restrictions and exceptions that an Independent Engineer and the Authorized Tenant Representative certify will not interfere with or impair the operations being conducted in the Project (or, if no operations are being conducted therein, the operations for which the Project was designed or last modified); (iv) such minor defects, irregularities, encumbrances, easements, rights of way and clouds on title as normally exist with respect to properties similar in character to the Project and do not in the opinion of an Independent Counsel, materially impair the property affected thereby for the purposes for which it was acquired or is held by the County; (v) mechanic's and materialmen's liens not filed or perfected in the manner prescribed by law in effect on the date of execution hereof or otherwise; and (vi) any mortgage, lease or security interest with respect to furnishings, machinery, equipment and apparatus installed in but not a part of the Project.

"Permitted Investments" shall mean any one or more of the following, if and to the extent the same are then legal investments under the applicable laws of South Carolina for the moneys then proposed to be invested therein: (i) direct and general obligations of the United States of America, or obligations for which the United States of America has unconditionally guaranteed or assumed the obligation of the payment of the principal of and interest thereon; (ii) obligations of the Federal Land Bank, Federal Home Loan Banks, Federal National Mortgage Association, Federal Intermediate Credit Corporation, Federal Bank for Cooperatives, International Bank for Reconstruction and Development, Asian Development Bank, and

direct and general obligations of any agencies of the United States of America not included in the foregoing listing; (iii) direct and general full faith and credit obligations of the State of South Carolina; (iv) direct and general full faith and credit obligations of any political unit in the State of South Carolina; (v) obligations of Savings and Loan Associations to the extent that the same are insured by the Federal Savings and Loan Insurance Corporation; (vi) certificates of deposit of any bank or trust company if such certificates of deposit are collaterally secured by securities of the type described in clauses (i), (ii), and (iii) above held by another bank or trust company as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; and (vii) certificates of deposit or other obligations of banks or trust companies, including the Trustee, organized under the laws of the United States of America or of any state thereof, which have a combined capital and surplus of at least \$2,500,000.

"Plans and Specifications" shall mean the plans and specifications prepared for and on file at the Project, as the same may be implemented and detailed from time to time and as the same may be revised from time to time prior to the Completion Date in accordance with the terms hereof.

"Principal Payment Date" shall mean any date on which the principal of any Bonds shall become due whether by maturity, redemption, acceleration or purchase or any date on which amounts are required to be deposited in the Sinking Fund Account created under Section 6.01 of the Indenture.

"Project" shall mean the Leased Land and the Facilities.

direct and general obligations of any agencies of the United States of America not included in the foregoing listing; (iii) direct and general full faith and credit obligations of the State of South Carolina; (iv) direct and general full faith and credit obligations of any political unit in the State of South Carolina; (v) obligations of Savings and Loan Associations to the extent that the same are insured by the Federal Savings and Loan Insurance Corporation; (vi) certificates of deposit of any bank or trust company if such certificates of deposit are collaterally secured by securities of the type described in clauses (i), (ii), and (iii) above held by another bank or trust company as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; and (vii) certificates of deposit or other obligations of banks or trust companies, including the Trustee, organized under the laws of the United States of America or of any state thereof, which have a combined capital and surplus of at least \$2,500,000.

"Plans and Specifications" shall mean the plans and specifications prepared for and on file at the Project, as the same may be implemented and detailed from time to time and as the same may be revised from time to time prior to the Completion Date in accordance with the terms hereof.

"Principal Payment Date" shall mean any date on which the principal of any Bonds shall become due whether by maturity, redemption, acceleration or purchase or any date on which amounts are required to be deposited in the Sinking Fund Account created under Section 6.01 of the Indenture.

"Project" shall mean the Leased Land and the Facilities.

"Series" or "Series of Bonds" shall mean all of the Bonds authenticated and delivered upon original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds, pursuant to the provisions of the Indenture, regardless of variations in maturity, interest rate or other provisions.

"Registered Owner" whether such words begin with upper case or lower case letters, shall mean the person or persons in whose name or names a Bond shall be registered on the books of registry kept for that purpose in accordance with the terms of this Indenture.

"Series 1978 Bonds" shall mean any Bond, some of the Bonds or all of the Bonds issued pursuant to Section 2.01 of the Indenture from time to time outstanding.

"Tenant" shall mean (i) Champion Laboratories, Inc., a Delaware corporation, and its successors and assigns, and (ii) any surviving, resulting or transferee corporation of either as provided in Section 9.08 of the Lease.

"Trustee" shall mean First Union National Bank, Charlotte, North Carolina, or its successor or successors as such Trustee under the Indenture.

"Trust Estate" whether such words begin with upper case or lower case letters, or "mortgaged property" shall mean the real and personal property listed and described in Items A through G of the Granting Clauses hereof.

"Written Request" shall mean: (i) with reference to the County, a request in writing signed by the Chairman or

Vice Chairman of the County Council and attested to by the Clerk or Acting Clerk to the County Council; and (ii) with reference to the Tenant, a request in writing signed by the Chairman, Vice Chairman, President or any Vice President and attested to by the Treasurer or any Assistant Treasurer or the Secretary or any Assistant Secretary of the Tenant.

SECTION 1.02. Rules of Construction. Unless the context clearly indicates to the contrary, the following rules shall apply to the construction of the Indenture:

(a) Words importing the singular number shall include the plural number and vice versa.

(b) Words importing the redemption of Bonds shall include the prepayment thereof.

(c) Words importing the redemption or calling for redemption of Bonds shall not include or connote the payment of Bonds at their stated maturity.

(d) Unless otherwise indicated, all references herein to particular Articles or sections are references to Articles or sections of the Indenture.

(e) The words "hereof," "herein," "hereunder" and other words of similar import refer to this Indenture as a whole.

(f) The headings of articles, sections and subdivisions hereof and any table of contents or index attached hereto are for convenience of reference only and shall not affect the meaning, construction or effect of the Indenture or define or limit the provisions hereof.

SECTION 1.03. Concerning Certificates and Opinions. Any certificate or opinion made or given by an officer of the County may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such officer knows that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should have known that the same were erroneous. Any certificate or opinion made or given by counsel may be based, insofar as it relates to factual matters with respect to which information is in the possession of the County, upon the certificate or opinion of or representations by an officer or officers of the County, unless such counsel knows that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should have known that the same were erroneous.

ARTICLE II

AUTHORIZATION, AUTHENTICATION AND DELIVERY OF BONDS; USE OF PROCEEDS THEREOF

SECTION 2.01. Description of Bonds, Authorization and Details of Series 1978 Bonds.

(a) Description. The Bonds may, at the election of the County, be issued in one or more Series and, except as hereinafter provided, shall be designated generally as "First Mortgage Industrial Revenue Bonds (Champion Laboratories, Inc., Project)" with such further appropriate and particular designations added to or incorporated in such title for the Bonds of any particular Series as the County may determine. Each Bond shall bear upon the face thereof the designation so selected for the Series to which it belongs.

(b) Authorization, Issue, Maturities, and Interest Rates. There are hereby authorized to be issued and secured by this Indenture a series of the Bonds in the aggregate principal amount of \$3,500,000 to be entitled and designated as "First Mortgage Industrial Revenue Bonds, Series 1978 (Champion Laboratories, Inc., Project)" (hereinafter referred to as the "Series 1978 Bonds"). The Series 1978 Bonds shall be issuable solely in fully registered form without coupons. The Series 1978 bonds in fully registered form shall be dated as of the June 1 or December 1 next preceeding the date of authentication and delivery of each Series 1978 Bond to which interest has been paid (except that if any Series 1978 Bond is authenticated on June 1 or December 1 to which interest has been paid it shall be dated as of such date or if it shall be authenticated prior to June 1, 1978, it shall be dated December 1, 1978); shall be

in the denomination of \$5,000 or any integral multiple thereof; shall be issued only with respect to principal amounts maturing on the same day; and shall be numbered from R-1 upwards, in order of their issuance. The Series 1978 Bonds shall bear interest from the date thereof at the respective rates per annum as set forth in the schedule below, payable semi-annually on December 1 and June 1 of each year and shall mature on December 1 in each of the years and in the principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
1980	\$150,000	5.8%	1983	\$ 150,000	5.8%
1981	150,000	5.8	1984	150,000	5.8
1982	150,000	5.8	1998	2,750,000	6-7/8

The Series 1978 Bonds maturing in 1998 are subject to and shall be redeemed prior to the stated maturity thereof from time to time in part, in direct numerical order from money required to be paid into the Bond Fund and credited to the Sinking Fund Account therein pursuant to Article VI hereof, which shall be accumulated in the Sinking Fund Account in amounts sufficient to redeem on December of each year at a redemption price equal to the principal amount of the Series 1978 Bond or Bonds to be redeemed, the principal amount of such Series 1978 Bonds maturing in 1998 specified for each of the years shown below:

<u>Year</u>	<u>Principal Amount To Be Redeemed</u>	<u>Year</u>	<u>Principal Amount To Be Redeemed</u>
1989	\$ 200,000	1994	\$ 280,000
1990	215,000	1995	300,000
1991	225,000	1996	320,000

1992	245,000	1997	340,000
1993	260,000	1998(maturity)	365,000

Prior to each of the aforesaid dates the Trustee shall give notice in accordance with the provisions of Section 4.03 hereof of the redemption on such date of Series 1978 Bonds in the respective amounts set forth above for such date, and shall give such notice even though at the time of the giving of such notice the moneys then on credit to said Sinking Fund Account and available therefor shall be insufficient to redeem on such date Series 1978 Bonds in such amount.

(c) Redemption Prior to Maturity. The Series 1978 Bonds shall also be subject to redemption prior to the stated maturities thereof:

(i) in whole or in part in inverse numerical order, at a redemption price equal to the principal amount redeemed at any time in the event of condemnation of all or any part of the Project or a defect (other than a Permitted Encumbrance) in the title to the Leased Land;

(ii) in whole at any time, at a redemption price equal to the principal amount redeemed, in the event the Tenant purchases the Project pursuant to either the provisions of Section 7.01 of the Lease, pertaining to the destruction of all or part of the Project, or the provisions of Section 10.01 of the Lease, pertaining to certain circumstances whereby the Lease shall become void, unenforceable or impossible or performance as expressed therein or the provisions of Section ____ of the Lease pertaining to certain changes rendering the continued operation of the Project uneconomic;

(iii) in whole at any time upon the occurrence of an Event of Taxability at a redemption price equal to the principal amount redeemed plus a redemption premium equal to the interest paid or payable on such bonds from and after the date of the Event of Taxability until the date of redemption. "Event of Taxability" means the date of the occurrence of the circumstances described in IRC Section 103(b)(6)(D) under which circumstances a Determination of Taxability shall have been found to have occurred with the result that the interest payable on the Series 1978 Bonds becomes includible in the gross income of the holders of the Bonds other than a holder who is a "substantial user" of the Project or a "related person" as such terms are used in IRC Section 103. "Determination of Taxability" means (a) the issuance of a statutory notice of deficiency by the Internal Revenue Service which holds in effect that the interest paid or payable on any of the Series 1978 Bonds is includible in the gross income of a holder or former holder thereof as a result of the limitations prescribed in IRC Section 103(b)(6)(D) having been exceeded or (b) the issuance of a statement by the Tenant to the effect that it has exceeded or intends to exceed the maximum amount of capital expenditures permitted under IRC Section 103(b)(6)(D). Such a Determination of Taxability shall be deemed for all purposes of this Indenture to have occurred on the date borne by said statutory notice of deficiency or the date borne by said statement as the case may be.

(iv) With the written consent of the Tenant on December 1, 1988, or any interest payment date thereafter in whole or in part from time to time in inverse numerical order at the redemption prices with respect to each Series 1978 Bond, expressed as a

percentage of the principal amount of the Series 1978 Bonds to be redeemed, set forth below:

<u>If Redeemed</u>	<u>Redemption Price</u>
December 1, 1988	103.00%
June 1 and December 1, 1989	102.70%
June 1 and December 1, 1990	102.40%
June 1 and December 1, 1991	102.10%
June 1 and December 1, 1992	101.80%
June 1 and December 1, 1993	101.50%
June 1 and December 1, 1994	101.20%
June 1 and December 1, 1995	100.90%
June 1 and December 1, 1996	100.60%
June 1 and December 1, 1997	100.30%
Thereafter at	100.00%

In the event of any redemption of Series 1978 Bonds under this section there shall also be paid the interest accrued on any such Bond to the redemption date, and notice of the redemption of such Bond shall be given and have the effect as is provided in Article IV hereof.

(d) Reference to Other Sections. The Series 1978 Bonds shall be in the forms, shall be executed in the manner provided in Article XII hereof and shall be payable as is provided in Section 5.03 hereof.

SECTION 2.02. Authentication of Series 1978 Bonds; Application of Proceeds Thereof. The Trustee shall without any further action on the part of the County authenticate the Series 1978 Bonds upon the execution and delivery of the Indenture and the delivery to it by the County of \$3,500,000 principal amount Series 1978 Bonds executed as herein provided. The Trustee shall deliver the Bonds so authenticated

to the County or upon the Written Request of the County to the purchasers of said Bonds set forth in said Written Request upon payment to the Trustee of the amount set forth in said Written Request. The Trustee shall apply the amount so paid to it as follows:

(a) the Trustee shall deposit in the Bond Fund an amount equal to the interest accrued on the Series 1978 Bonds from date thereof, to the date of delivery of and payment for the Series 1978 Bonds, and

(b) the Trustee shall pay the balance of such amount into the Construction Fund created under the provisions of Article III of this Indenture.

SECTION 2.03. Additional Bonds. At any time while an Event of Default does not exist or is not continuing under the Indenture, the County may issue Additional Bonds for any purpose then permitted by the Act upon compliance with the following conditions:

(a) The issuance of such Additional Bonds shall then be authorized by law.

(b) The issuance of such Additional Bonds shall not result in the inclusion of the interest on the Series 1978 Bonds, or any other Additional Bonds theretofore issued as "tax exempt" bonds, in the gross income of the recipients thereof under the IRC.

(c) The Lease shall be amended to the extent necessary so as to provide for changing or extending the rentals payable thereunder to include amounts sufficient to pay the principal of, the interest and any premium on such Additional Bonds as and when the same become due and any

Trustee's and paying agent's fees and expenses with respect to such Additional Bonds.

(d) The Additional Bonds shall be authorized by action of the governing body of the County and shall be issued under an indenture supplemental hereto (hereinafter referred to as the "Supplemental Indenture") by and between the County and Trustee, which Supplemental Indenture shall designate such Bonds with the designation set forth in Section 2.01(a) hereof:

(i) the purpose for which such Additional Bonds are to be issued;

(ii) the authorized principal amount of such Additional Bonds; and

(iii) The series designation, date, denomination or denominations, numbers (or method of numbering), interest rate or rates, interest payment dates (which dates shall occur on June 1 and December 1 and the first of which interest payment dates shall be not later than one year from the day of issuance of such Additional Bonds); the maturity date or dates (which date or dates shall be either on December 1 or on June 1 and December 1); the sinking fund installment date or dates, if any (which date or dates shall be either December 1 or June 1 and December 1); the place or places of payment of principal of, and interest and premium (if any) on, such Additional Bonds; the provisions, if any, for the redemption of such Additional Bonds prior to the maturity thereof, whether such Additional Bonds are to be issued in coupon form with or without privileges of registration, or in fully registered form, or both; the place or places of registration; the privileges, if any of conversion from one form to another; and any other matters

pertaining to such Additional Bonds not inconsistent with the provisions of the Indenture which the County may deem necessary or advisable.

(e) The Supplemental Indenture referred to in the immediately preceding subparagraph shall subject to the Indenture any and all property paid for from the proceeds of such Additional Bonds to the extent such property shall not then already be subject hereto, and, to the extent not then already assigned and pledged hereunder, shall assign and pledge to the Trustee any amendment to the Lease entered into pursuant to subparagraph (c) above of this section and all right, title and interest of the County thereunder, including the additional rentals payable thereunder.

SECTION 2.04. Authentication of Additional Bonds; Application of Proceeds Thereof. Additional Bonds shall be executed by the County in accordance with the provisions of Section 12.02 of this Indenture and delivered to the Trustee for authentication and delivery. The Trustee shall authenticate and deliver such Additional Bonds only upon the receipt by it of the following:

(a) An Officer's Certificate from the County that no Event of Default, as defined in the respective instruments, exists under the Indenture or the Lease and to his knowledge there does not exist any event which after the passage of time would become such an Event of Default;

(b) An Officer's Certificate from the Tenant approving the issuance and terms of the Bonds;

(c) a Certified Resolution or Ordinance of the County authorizing (i) the execution and delivery of any amendment to the Lease entered into pursuant to Section 2.03

(c) hereof; (ii) the execution and delivery of the Supplemental Indenture; and (iii) the issuance, sale, execution and delivery of such Additional Bonds;

(d) An original executed counterpart of any amendment to the Lease entered into pursuant to paragraph (c) of Section 2.03 hereof;

(e) an original executed counterpart of the Supplemental Indenture;

(f) an Opinion of Counsel or Counsels to the effect that any amendment to the Lease entered into pursuant to paragraph (c) of Section 2.03 hereof and the Supplemental Indenture have been duly authorized, executed, delivered and recorded;

(g) If all or any part of the proceeds of such Additional Bonds are to be used to acquire or improve real property, a copy of a mortgagee title insurance binder or policy increasing the amount of title insurance on the Project by an amount satisfactory to the County and the Trustee;

(h) An Opinion of Counsel to the effect that, based on his examination of the title to any real property to be acquired or improved from the proceeds of such Additional Bonds or his examination of the title insurance binder or policy referred to in paragraph (g) above, the County has good and marketable fee simple title (subject to Permitted Encumbrances) to such real property and that the Indenture constitutes a valid first mortgage lien thereon free and clear of all liens and encumbrances except Permitted Encumbrances; and

(i) A Written Request from the County to the Trustee to authenticate and deliver such Additional Bonds to the person or persons named therein upon payment to the Trustee for the account of the County of the sum specified therein plus accrued interest on such Additional Bonds to the date of delivery thereof.

The proceeds of the Additional Bonds shall be applied by the Trustee as is provided in the Supplemental Indenture providing for their issuance.

SECTION 2.05. All Bonds Equally and Ratably Secured. All Bonds from time to time authenticated and delivered under the Indenture shall be equally and ratably secured as to principal, interest and premium (if any) by the Indenture, without preference, priority or distinction of any Bond over any other Bond.

ARTICLE III

CONSTRUCTION FUND; APPLICATION OF MONEYS THEREIN

SECTION 3.01. Construction Fund. There is hereby created and established hereunder with the Trustee a separate special trust fund of the County, to be known and designated as the "York County, South Carolina, Industrial Revenue Construction Fund (Champion Laboratories, Inc., Project)." The moneys on deposit from time to time in the Construction Fund and the securities in which such moneys may from time to time be invested shall be held by the Trustee until used and applied as hereinafter provided in this Article. Pending such application (i) all moneys in the Construction Fund which are not invested shall be secured in the manner provided by law, and (ii) all such moneys and the securities in which such moneys may from time to time be invested shall be held in trust for the equal and ratable benefit and security of all the Bonds and shall be subject to the liens, pledges and charges created hereby in favor of the holders of the Bonds.

There shall be deposited into the Construction Fund (i) the amount referred to in Section 2.02 of the Indenture, and (ii) such amounts as may be designated by the proceedings authorizing Additional Bonds, if any.

Moneys on deposit in the Construction Fund shall continuously be invested and reinvested by the Trustee at the direction of the Tenant in Permitted Investments maturing in the amounts and at the times so that such moneys may be applied in accordance with the provisions of this Article.

In determining when it may need to make payments and what amounts theretofore can be invested or reinvested hereunder, the Trustee shall be entitled to rely upon a schedule of anticipated payments of construction costs provided by the Tenant. Any interest or profit on such investments shall be credited to the Construction Fund and any loss on such investments shall be charged to the Construction Fund. The Trustee shall not be obligated to invest any moneys held by it in the Construction Fund except as directed by the Tenant and justified by the foregoing schedule of anticipated payments and shall not be obligated to pay interest on any moneys not invested pursuant to the terms hereof. The Trustee may sell or present for redemption any investment purchased by it whenever it shall be necessary in order to provide moneys to meet any payments hereunder, and the Trustee shall not be liable or responsible for any loss resulting from such investment, sale or redemption.

SECTION 3.02. Specifications; Changes in Specifications. The County will keep or cause to be kept on deposit at the Project, the Plans and Specifications as defined in the Lease which provide for the acquisition by construction and purchase of the Project (or any portion thereof) for the use of the Tenant and shall deposit with the Trustee evidence of "builders risk" insurance on the Project during the course of construction or required by Section 6.06 of the Lease. Changes in and additions to the Plans and Specifications may be made by the Tenant provided that in the event such changes or additions render inaccurate the description of the Facilities contained in Exhibit B to the Indenture, the County shall cause the Tenant to prepare and file for record any amendments or supplements to Exhibit B required to render the description of the facilities therein accurate.

SECTION 3.03. Costs of Construction; Withdrawals from Construction Fund. The moneys on deposit from time to time in the Construction Fund shall be held under and subject to the Indenture; shall be subject to the liens, pledges, charges, assignments and trusts created hereby for the security and benefit of the holders of the Bonds; and shall be used and applied solely to the payment of the Cost of the Project, in accordance with the remaining provisions of this section.

Withdrawals of moneys on credit to the Construction Fund shall be made only in accordance with applicable law and upon a written requisition for such payment signed by the Tenant which requisition shall in each case be accompanied by an Officer's Certificate of the Tenant stating: (i) the amount to be paid and the name of the person to whom payment is due; (ii) that an obligation in the stated amount has been incurred by or on behalf of the County and has not theretofore been paid; (iii) that the payment of such amount is a proper charge against the Construction Fund and specifying the purpose and circumstances of such obligation in reasonable detail, accompanied by a bill or statement of account for such obligation; (iv) that the signer or signers have no notice of any vendor's, mechanic's or other liens or rights to liens, or conditional sales contracts, or other contracts or obligations, which have not been released or will not be released simultaneously with such payment and which should be satisfied or discharged before such payment is made; (v) that such requisition contains no item representing payment on account of any retained percentages which the County is, as of the date of such requisition, entitled to retain; and (vi) with respect to any such requisition for payment for labor, services, materials, supplies, furnishings, apparatus or equipment, that such labor or services were actually

performed or such materials, supplies, furnishings, apparatus or equipment were actually used in or about the construction of the Project or delivered at the site thereof for such purpose, or delivered for storage or fabrication at a place or places approved by the signer or the signers and under the control of the County, or if not so used or delivered, that an advance payment therefor is required by the supplier thereof.

Whenever the Cost of the Project to be paid from the Construction Fund has been paid in full, or the amount necessary for such payment has been set aside in such Construction Fund for such purpose, the balance of the moneys credited to such Construction Fund shall be transferred to the Bond Fund and used solely for the payment of the principal of the Bonds.

ARTICLE IV

REDEMPTION OF BONDS

SECTION 4.01. Redemption of Bonds. The Series 1978 Bonds shall be subject to prior redemption (i) only as set forth in Section 2.01(c) hereof, and (ii) upon compliance with the provisions of this Article. Additional Bonds shall be subject to such redemption only in accordance with the provisions of the Supplemental Indenture providing for their issuance, and upon compliance with the provisions of this Article.

SECTION 4.02. Mandatory Redemption of Bonds. Without further authorization or direction from the County the Trustee shall redeem the Series 1978 Bonds from money deposited in the Bond Fund and credited to the Sinking Fund Account therein in the manner, at the times, in the amounts and at the prices set forth in Section 2.01 hereof. Subject to the provisions of Section 6.04 hereof as to the purchasing of Bonds, the Bonds shall also be redeemed to the extent possible from moneys deposited in the Bond Fund pursuant to Section 5.03 of the Lease or paid to the Trustee to be applied to the redemption of Bonds pursuant to Section 7.01 and Section 7.02 of the Lease. The Bonds shall also be redeemed in accordance with their terms in the event of the purchase by the Tenant of (i) a condemnation award pursuant to the provisions of Section 7.02 of the Lease, or (ii) the Project, or any remainder thereof pursuant to Sections 7.01, 7.02, 8.19, 10.01 and 10.02 of the Lease.

With respect to the redemption required by Section 2.01(c)(iii) the Trustee shall fix the date for such redemption and such date shall not be later than forty-five

(45) days after (i) any Bondholder notifies the Trustee of the occurrence of such Determination of Taxability as defined in Section 2.01(c)(iii) hereof or (ii) the Tenant shall have received or been given notice of such occurrence, whichever shall be earlier.

SECTION 4.03. Notice to the Trustee. Except for redemption of Bonds required by the provisions of Section 4.02 hereof, the County, in the event it shall elect to redeem Bonds, shall notify the Trustee in writing at least forty-five (45) days prior to the proposed redemption date (or such shorter time as may be acceptable to the Trustee) of any election by it to redeem Bonds, which notice shall specify the redemption date and the aggregate principal amount of Bonds to be redeemed.

SECTION 4.04. Notice of Redemption. Notice of redemption of Bonds shall be given by the Trustee in the name of the County. Such notice shall also be mailed by first-class mail, postage prepaid, to the registered owner thereof not less than thirty (30) days prior to the redemption date; but if notice of the redemption of such Bond is given by publication as aforesaid, then neither failure to mail such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Bond. If all the Bonds to be redeemed are registered as to principal (except to bearer) or fully registered, notice of redemption shall be given by mail in the manner above specified and notice by publication need not be given.

Each notice of redemption of Bonds shall include the following information: the title and series designation of the Bonds to be redeemed; the redemption date; the place of redemption; the redemption price; and a statement that on

the redemption date the Bonds to be redeemed (or the principal amount to be redeemed if less than all of the principal amount of a Bond is to be redeemed) shall become due and payable at such redemption price, together with the interest accrued on the principal amount redeemed to the redemption date, and that interest on the Bonds to be redeemed (or on the principal amount to be redeemed if less than all of the principal amount of a Bond is to be redeemed) shall cease to accrue from and after such redemption date and that the coupons (if any) for such interest shall be void from and after the redemption date. If less than all the outstanding Bonds of a series are to be redeemed, the notice of redemption shall also state the numbers and maturities of the Bonds to be redeemed. Notices of redemption may also contain such other matters as the County or the Trustee may deem necessary or advisable.

SECTION 4.05. Redemption of Less Than All of a Fully Registered Bond. Portions only of fully registered Bonds of a denomination greater than \$5,000 may be redeemed, such portions to be in a multiple of \$5,000. In the event of the redemption of a Bond in fully registered form of a denomination greater than \$5,000, if less than all of the Bonds then outstanding of the series of which such Bond is one are to be redeemed, then for all purposes in connection with the selection of Bonds for redemption the Trustee shall assign to each \$5,000 of face value of such fully registered Bond one of the numbers assigned to such fully registered Bonds pursuant to the provisions of Section 5.08 hereof, and shall treat each such \$5,000 of face value as though it were a separate Bond bearing such number. If upon the selection of Bonds for redemption it shall be determined that less than all of the principal amount of such fully registered Bonds shall be called for redemption, payment of the principal amount to be redeemed of such fully registered

Bond shall be made only upon the surrender of such fully registered Bond to the Trustee for payment of the principal amount thereof to be redeemed at the then applicable redemption price and the interest accrued on such principal amount to the redemption date. Upon the surrender of such fully registered Bond as aforesaid, there shall be delivered to the registered owner thereof without charge Bonds of like series, interest rate and maturity as the fully registered Bond surrendered and in an aggregate principal amount equal to the unredeemed amount of the fully registered Bond surrendered. At the option of the registered owner, the Bonds delivered pursuant to the preceding sentence may be in coupon form, bearing numbers assigned pursuant to Section 5.08 hereof, or a fully registered Bond or several Bonds, in aggregate principal amount not exceeding, in any case, the aggregate principal amount not redeemed of the fully registered Bond surrendered. If the owner of a fully registered Bond less than all of the principal sum of which is to be redeemed shall fail to surrender such Bond to the Trustee as aforesaid, the amount of such fully registered Bond to be redeemed shall, nevertheless, become due and payable on the date fixed for the redemption thereof; interest shall cease to accrue from and after the redemption date on the principal amount to be redeemed; and such Bond to the extent of the principal amount to be redeemed shall be subject to the provisions of Section 4.06 hereof.

SECTION 4.06. Effect of Redemption. In the event of the redemption of Bonds, if notice of such redemption shall have been given as provided in this article and moneys for the payment of the redemption price of the Bonds (or portions thereof) to be redeemed, together with the interest accrued on such Bonds (or portions thereof) to the redemption date shall be held by the Trustee hereunder: (i) the Bonds (or portions thereof) so called for redemption shall

become due and payable on the redemption date at the applicable redemption price and the interest accrued on such Bonds (or portions thereof) to the redemption date; and (ii) the interest on such Bonds (or portions thereof) shall cease to accrue from and after the redemption date.

SECTION 4.07. Cancellation of Redeemed Bonds. All Bonds surrendered to the Trustee or any paying agent upon the redemption thereof (or of portions thereof) shall be cancelled.

ARTICLE V

CONCERNING THE BONDS AND THE BONDHOLDERS

SECTION 5.01. Bonds Limited Obligations of County; Limitations on County's Liability Hereunder. The Bonds shall be limited obligations of the County, the principal of and interest and premium (if any) on which shall be payable solely out of the revenues derived by the County from leasing the Project including, without limiting the generality of the foregoing, all moneys included or to be included in the Trust Estate. The Bonds and the interest and premium thereon shall never constitute an indebtedness of the County within the meaning of any state constitutional or statutory provision or limitation or a pecuniary liability of the County or a charge against its general credit or taxing powers. The principal of and interest and premium (if any) on the Bonds shall be secured solely by the aforesaid revenues and by the Indenture, including, without limiting the foregoing, by the pledge to the Trustee made herein of the said revenues and the Lease.

No breach by the County of the Indenture or of any provision or condition hereof or of any agreement herein contained shall impose any pecuniary liability upon the County or any charge upon its general credit or against its taxing power. The liability of the County under the Indenture or any provision or condition hereof or of any agreement herein contained or of any warranty herein included or for any breach or default by the County of any of the foregoing shall be limited solely and exclusively to the Trust Estate. The County shall not be required to effect any of its duties, obligations, powers or covenants hereunder except to the extent of the Trust Estate available

therefor.

The provisions of this section shall control over every other provision of the Indenture, anything in such other provision to the contrary notwithstanding.

SECTION 5.02. Authentication of Bonds. The Bonds shall bear a Trustee's Certificate of Authentication, substantially in the form set forth in Section 12.01 hereof, duly executed by the Trustee. Only Bonds authenticated by the endorsement thereon of such certificate executed by the Trustee by one of its authorized officers shall be valid or become obligatory for any purpose or be secured by the Indenture or be entitled to any right or benefit hereunder. Every such certificate of the Trustee upon any Bond purporting to be secured hereby shall be conclusive evidence that such Bond so authenticated has been duly authenticated and delivered hereunder, is secured hereby, and that the holder thereof is entitled to the benefit of the trusts hereby created.

SECTION 5.03. Method and Place of Payment of Bonds and Interest. As provided in Section 2.01 hereof, the Series 1978 Bonds may be issued solely in fully registered form. Additional Bonds may be in coupon form with or without privilege or registration or in fully registered form, or both, as shall be set forth in the indenture supplemental hereto providing for their issuance.

Series 1978 Bonds in fully registered form and, unless or except as may otherwise be set forth in the indenture supplemental hereto providing for their issuance, Additional Bonds in fully registered form shall be dated as of the authentication and delivery thereof unless such date of authentication and delivery is an Interest Payment Date

to which interest has been paid, in which case such Bonds shall be dated as of such date or unless the date of authentication between and delivery proceeds the initial Interest Payment Date with respect to such series of Bonds in which case such Bonds shall be dated as of and bear interest in accordance with the terms hereof or of the Supplemental Indenture providing for the issuance thereof and shall bear interest from the date thereof. Interest on fully registered Bonds shall be paid by check or draft of the Trustee drawn on any bank in which it may lawfully deposit money (including the Trustee) and mailed to the registered owner thereof at his address as it appears upon the books of registry. Payment of principal of all bonds of whatever form shall be made only upon the presentation and surrender of such Bonds.

The Bonds as to principal, interest and premium (if any) shall be payable at the principal office of the Trustee, as paying agent of the Bonds of the County, in such coin or currency of the United States of America which at the time of payment shall be legal tender for public and private debts. The County may, however, in the indenture supplemental hereto providing for the issuance of Additional Bonds, appoint an additional paying agent or agents for such Bonds.

SECTION 5.04. The Registrar and Books of Registry.
The Trustee is hereby appointed as registrar of the County for the registration of Bonds as provided in the Indenture. The registrar shall maintain suitable books of registry on which Bonds may be registered, transferred and released from registration as herein provided.

SECTION 5.05. Transfer of Fully Registered Bonds.
Bonds in fully registered form may be transferred by the

surrender thereof to the Trustee accompanied by a written instrument or instruments of transfer duly executed and in form satisfactory to the Trustee. Upon such surrender the County shall execute and the Trustee shall authenticate and deliver a new fully registered Bond or Bonds registered on the books of registry in the name of the transferee, which new Bond or Bonds shall be of the same series, interest rate and maturity and equal in aggregate principal amount to the fully registered Bond surrendered. The Trustee shall assign to the fully registered Bond or Bonds delivered the same numbers assigned to the fully registered Bond surrendered. No transfers of fully registered Bonds shall be made within fifteen (15) days preceding an interest payment date or within fifteen (15) days preceding a date fixed for the selection of Bonds for redemption.

The Trustee may charge a sum not exceeding the cost thereof for each new fully registered Bond delivered upon any such transfer, and shall require the payment of any tax or other governmental charge required with respect thereto.

All fully registered Bonds surrendered pursuant to this section shall be cancelled.

SECTION 5.06. Assignment of Certain Numbers to Fully Registered Bonds. Upon the issuance of a fully registered Bond hereunder, for the purposes of selection of such fully registered Bonds for redemption and the transfer and exchange of such fully registered Bonds hereunder, the Trustee shall assign to each fully registered Bond a number for each \$5,000 principal amount thereof. Such numbers need not be endorsed upon such Bond but the Trustee shall keep a record of the numbers so assigned. If a fully registered Bond shall be issued in transfer for another fully

registered bond as provided in Section 5.06 hereof, the number or numbers to be assigned to the fully registered Bond or Bonds delivered upon such transfer shall be those assigned to the fully registered Bond surrendered upon such transfer. If a fully registered Bond shall be delivered upon the redemption of a portion only of the principal sum of a fully registered Bond as provided in Section 4.05 hereof, the number or numbers to be assigned to any fully registered Bond or Bonds delivered pursuant to said section upon such redemption shall be those numbers assigned to that principal amount not redeemed of the fully registered Bond surrendered and which are not borne by the coupon Bonds (if any) which may be delivered upon such redemption.

SECTION 5.07. Persons Treated as Owners of Bonds. The County and the Trustee may deem and treat the person in whose name any Bond shall be registered on the books of registry as the absolute owner thereof for all purposes, whether such Bond shall be overdue or not, and payment of or on account of the principal or interest on any such Bond, shall be made only to or upon the order of the registered owner thereof or his legal representative (but such registration may be changed as provided in this article). All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the County nor the Trustee shall be affected by any notice to the contrary.

SECTION 5.08. Temporary Bonds. Prior to the preparation of Bonds in definitive form the County may execute and the Trustee may authenticate and deliver temporary Bonds in registered or bearer form and in such denominations as the County may determine, but otherwise in substantially the forms set forth in Section 12.01 hereof, with appropriate variations, omissions and insertions. The

County shall promptly prepare, execute and deliver to the Trustee before the first interest payment date Bonds in definitive form and upon presentation and surrender of Bonds in temporary form, the Trustee without charge shall authenticate and deliver such definitive Bonds having the same series, interest rate, maturity and aggregate principal amount as the Bonds in temporary form surrendered. Until exchanged for Bonds in definitive form, Bonds in temporary form shall be entitled to the lien and benefit of the Indenture and the security hereof. All temporary Bonds surrendered to the Trustee shall be cancelled.

SECTION 5.09. Mutilated, Lost, Stolen or Destroyed Bonds. Subject to the provisions of any applicable law, in case any temporary or definitive Bond issued hereunder shall become mutilated, or be lost, stolen or destroyed, upon application thereto the County, in its discretion, shall execute, and the Trustee shall authenticate and deliver, a new Bond of like tenor, amount, maturity and date in exchange and substitution for, and upon cancellation of, the mutilated Bond, or in lieu of and substitution of such lost, stolen or destroyed Bond. If any such Bond shall have matured or shall be about to mature, instead of issuing a substituted Bond the County may pay such Bond without surrender thereof. In every case of destruction, loss or theft the applicant shall furnish evidence thereof satisfactory to the County and the Trustee, shall furnish indemnity satisfactory to the County and the Trustee, and shall comply with such other reasonable regulations as the County or the Trustee may prescribe. The County or the Trustee may charge for the issue of such new Bond an amount sufficient to reimburse the County or the Trustee for the expense incurred by either thereof in the issue thereof.

SECTION 5.10. Cancellation of Bonds. Whenever the

Indenture provides for the cancellation of Bonds, such cancelled Bonds shall be delivered to the County by the Trustee to the County or as it may direct. The County may authorize the Trustee to cremate or otherwise destroy such Bonds, in which event the Trustee shall cremate or destroy the same in the presence of an officer of the County if the County shall so require. The Trustee shall deliver to the County a certificate of all cremations or destructions of Bonds.

SECTION 5.11. Requests, Consents or Other Instruments of Bondholders. Any request, consent or other instrument required by the Indenture to be signed and executed by the holders of the Bonds may be in any number of concurrent writings of substantially similar tenor and may be signed or executed by such holders in person or by agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent or of the holding by any person of Bonds shall be sufficient for any purpose of the Indenture and shall be conclusive in favor of the Trustee and the County if made in the manner provided hereinafter in this section.

The fact and date of the execution by any person of any such request, consent or other instrument of writing may be proved by the affidavit of a witness to such execution or by the certificate of any notary public or other officer of any jurisdiction authorized by the laws thereof to take acknowledgements of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof. If such execution is by an officer of a corporation or association or by a member of a partnership on behalf of such corporation, association or partnership, as the case may be,

such affidavit or certificate shall also constitute sufficient proof of his authority.

The ownership of Bonds registered as to principal or fully registered shall be proved by the books of registry for such Bonds. Any request, consent or vote of the holder of any Bond shall bind every future holder of the same Bond and the holder of every Bond issued in transfer or exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the County pursuant to such request, consent or vote.

SECTION 5.12. Certain Bonds Not Considered To Be Outstanding. In determining whether the holders of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds which are owned by the County, the Tenant or by any person directly or indirectly controlling or controlled by or under common control or affiliated with the Tenant shall be disregarded and deemed not to be Outstanding for the purpose of any such determination; provided that for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver, only Bonds which the Trustee knows to be so owned shall be disregarded. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by or under common control or affiliated with the Tenant. In case of a dispute as to such right any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

ARTICLE VI

BOND FUND

SECTION 6.01. Bond Fund. There is hereby created and established hereunder with the Trustee a separate special trust fund of the County, to be designated as the York County, South Carolina, Industrial Revenue Bond Fund (Champion Laboratories, Inc., Project) (herein defined and referred to as the "Bond Fund"). Except as is otherwise provided with respect to the proceeds of the Bonds all moneys received by the Trustee hereunder shall be deposited and held in the Bond Fund.

There shall be credited to the Bond Fund: (a) the proceeds of the Series 1978 Bonds in the amount set forth in subsection (a) of Section 2.02 hereof, and the proceeds of Additional Bonds in such amount (if any) as shall be specified in the supplemental indenture, providing for the issuance of such Additional Bonds; (b) the Basic Rent or if the Lease shall then no longer be in effect and the Project leased under another lease (whether in writing or by operation of law), the amount of rentals derived under such other lease analogous to the Basic Rent; (c) the amount (if any) remaining in the Construction Fund upon the completion of the Project, its restoration, repair or rebuilding; (d) the proceeds of any sale by the County pursuant to Sections 7.01, 7.02, 8.20, 10.01 and 10.02 of the Lease of all of the Project as then constituted or of any other sale by the County of all of the Project as then constituted; (e) any other moneys not included in the foregoing received by the Trustee in the event of the condemnation of all of the Project, or a condemnation of less than all thereof which results in the termination of any leasing by the County

thereof (including the Lease), or in the event of damage to the Project resulting in the termination of any leasing by the County thereof (including the Lease); (f) moneys paid to the Trustee from the proceeds of title insurance on the Project to the extent such proceeds are not applied to cure the defect which gave rise to the receipt of such proceeds; (g) money received by the Trustee pursuant to Section 7.01 of the Lease pertaining to damage to the Project which does not result in a termination of the Lease or pursuant to Section 7.02 of the Lease pertaining to condemnation of less than all of the Project; (h) any moneys not included in the foregoing received by the Trustee (1) in the event of condemnation of less than all of the Project not resulting in the termination of any leasing by the County thereof (including the Lease) to the extent such moneys are not applied in remedying any damage caused by such condemnation, and (2) in the event of damage to the Project not resulting in the termination of any leasing by the County thereof (including the Lease), to the extent such moneys are not applied to restoring such damage; (i) any moneys received by the Trustee which constitute "additional rental" under the Lease, or, if the Lease shall then no longer be in effect in the Project leased under another lease (whether in writing or by operation of law), the amounts of rentals derived under such other lease analagous to the "additional rentals" under the Lease; and (j) all other moneys paid to the Trustee which are required to be credited to the Bond Fund by the provisions of the Indenture or the Lease or are accompanied by instructions to credit such moneys to the Bond Fund.

A Sinking Fund Account is hereby created as a separate account within the Bond Fund. The Trustee shall withdraw from the Bond Fund and deposit in the Sinking Fund Account, on each due date set forth in Section 2.01 hereof,

the amount required to be deposited on such date in the Sinking Fund Account to refund the Bonds required to be refunded in such date as and for a Sinking Fund Requirement.

The County or the Tenant may, at least 60 days prior to any date on which payment of any Sinking Fund Requirement is due, (a) deliver to the Trustee for cancellation Bonds of the Series and maturity for which such Sinking Fund Requirement is established in any aggregate principal amount desired, or (b) request a credit in respect of such Sinking Fund Requirement for any such Bonds which, prior to such Sinking Fund Requirement due date, have been redeemed (otherwise than through the operation of the Sinking Fund Account) or so delivered to the Trustee and cancelled by the Trustee and which have not theretofore been applied as a credit against any Sinking Fund Requirement, together with an Officers' Certificate or a certificate of an Authorized Tenant Representative, as the case may be, so specifying. Each such Bond so delivered or previously redeemed will be credited by the Trustee at 100% of the principal amount thereof against such Sinking Fund Requirement, and the principal amount of such Bonds to be redeemed by operation of the Sinking Fund Account on the due date of such Sinking Fund Requirement will be reduced accordingly.

Subject to and in accordance with the provisions of Article IV of this Indenture, the Trustee shall on or before the thirtieth day next preceding a Sinking Fund Requirement due date, call for redemption on the following Sinking Fund Requirement due date such amount of Bonds of the Series and maturity for which a Sinking Fund Requirement is established, selected by lot or other manner acceptable to and deemed fair by the Trustee, as will exhaust all moneys required to be deposited, on the next following Sinking Fund

Requirement due date, in the Sinking Fund Account. Accrued interest on such Bonds so redeemed shall be paid from the Bond Fund, and all expenses in connection with such redemption shall be paid by the Tenant.

Except (i) as provided in Section 6.04 hereof, for disbursements to pay the fees and expenses of the Trustee and paying agents, and (ii) as provided in the next succeeding paragraph, monies in the Bond Fund shall be used solely for the payment of the principal of, premium, if any, and interest on the Bonds and for the redemption of the Bonds prior to maturity.

The Tenant, if an event of default as defined in the Lease shall not then exist or be continuing thereunder, may provide additional funds to the Trustee for deposit into the Bond Fund for the purpose of purchasing Bonds directly from the holders thereof at such price or prices as directed by the Tenant, but solely from such additional funds so provided by the Tenant.

Whenever the aggregate of the moneys credited to the Bond Fund is sufficient to pay or redeem (or both) all Bonds then Outstanding at their maturity or such earlier date as they may practicably (as determined by the Trustee) be redeemed in accordance with their terms, together with interest thereon to the date of maturity or redemption thereof, as the case may be, and any premium payable upon any such redemptions, the Trustee without further authorization or direction shall apply such moneys to the payment or redemption, or both, of such Bonds and shall give such notices of redemption as may be necessary.

SECTION 6.02. Notice by Trustee of Failure to Pay Rent. If the Tenant shall fail to make any payment of Basic

Rent on the day such payment is due and payable under the Lease, the Trustee shall on the next succeeding business day give notice of such failure by telephone, telegram and first class registered mail to the Tenant and the County. If the County shall fail to cause any of the payments to be made to the Trustee as required by this Article, the Trustee shall give notice of such failure by first class registered mail to each registered owner (if any) of the Bonds then outstanding.

SECTION 6.03. Investment of Moneys. Subject to the provisions of Section 6.04 hereof, all moneys credited to the Bond Fund shall be invested and reinvested by the Trustee in Permitted Investments to the extent reasonably practicable; provided that if an Event of Default as defined in the Lease shall not then exist or be continuing, the Tenant may direct the Trustee as to the making of such investments, and if such an Event of Default shall exist and be continuing, the County may direct the Trustee as to the making of such investments; provided further, that if the Trustee shall not be directed by the Tenant or the County, as the case may be, as to the making of such investments, then the Trustee shall make such investments as in its discretion it deems advisable. Any such investments shall be held by or under the control of the Trustee and while so held shall be deemed a part of the account to which the moneys invested are credited. Any interest, income, profit or loss on investments made pursuant to this section shall be credited or charged to the Bond Fund. The Trustee shall sell or present for redemption any investment whenever it shall be necessary in order to provide moneys to meet any payment required hereunder, and the Trustee shall not be liable or responsible for any loss resulting from such sale.

SECTION 6.04. Disposition of Excess Moneys in Bond

Fund. Whenever there shall no longer be any Bond outstanding under the Indenture and all fees and expenses of the Trustee and paying agents and all other sums due and owing hereunder have been paid or due provision made for such payment, all moneys then remaining in the Bond Fund (exclusive of moneys, if any, held therein for the purposes of Section 13.01 hereof) shall, if an Event of Default as defined in the Lease shall not then exist or be continuing, be paid to the Tenant as an adjustment of rental or to the County if such an Event of Default shall then exist or be continuing, exclusive, however, of any moneys then credited to the Bond Fund required for payment to the parties entitled thereto.

SECTION 6.05. Report by Trustee. Not more than two months after the close of each fiscal year ending _____ the Trustee shall furnish to the County, the Tenant and to each holder of the Bonds who may request the same in writing, a complete statement of (a) all receipts, disbursements, allocations and applications for such fiscal year of moneys accruing to the Trust Estate, and (b) all other transactions relating to the operation of the Trust Estate. If requested in writing by the holders of not less than fifty per cent (50%) in principal amount of the Bonds then outstanding, any such financial statements shall be certified as of the end of such fiscal year by certified public accountants. The books and accounts of the Trustee pertaining to the Bondholder's individual account, the Indenture and the Bonds shall be available to and open for inspection by any Bondholder during normal business hours.

ARTICLE VII

PARTICULAR COVENANTS OF THE COUNTY

So long as any of the Bonds are Outstanding, each of the sections of this Article shall constitute and be a covenant by the County with the Trustee and the holders and purchasers from time to time of the Bonds, subject, however, in each and every case to the provisions of Section 5.01 hereof.

SECTION 7.01. Payment of Principal, Interest and Premium. The County shall pay, or cause to be paid, the principal of and interest and premium on each and every Bond at the place, on the dates and in the manner provided herein and in the Bonds according to the true intent and meaning hereof and thereof.

SECTION 7.02. Ownership of Land; Title Insurance. The County holds or shall acquire good and marketable fee simple title to the Leased Land described on Exhibit A hereto subject to Permitted Encumbrances.

The County shall obtain or cause to be obtained title insurance on all real property included in the Project in an amount not less than \$3,500,000 with the proceeds thereof to be payable to the Trustee. Any proceeds received from such insurance shall either be applied to curing the defect which gave rise to the receipt of such proceeds, with any excess amount thereof to be credited to the Bond Fund, or the entire amount credited to the Bond Fund.

The County will defend its title to the Project and each part thereof, subject to Permitted Encumbrances, for

the benefit of the Trustee and the holders of the Bonds against the claims and demands of all persons whomsoever.

SECTION 7.03. Authority. The county is duly authorized under the Constitution and laws of South Carolina, including particularly and without limitation the Act, to issue the Bonds; to execute the Indenture; and mortgage the property described in Items A through G of the Granting Clauses hereto; and assign the Lease and to pledge the revenues and receipts therefrom in the manner and to the extent herein set forth. All action on the part of the County for the issuance of the Bonds and the execution and delivery of the Indenture has been duly and effectively taken. The Bonds in the hands of the holders and owners thereof are and will be valid and enforceable obligations of the County according to the tenor thereof, subject to valid bankruptcy, insolvency, reorganization, moratorium and other laws affecting the enforcement of creditors' rights generally.

SECTION 7.04. No "Arbitrage". The County and the Trustee covenant that no use of the proceeds of the sale of the Bonds shall be made which, if such use had been reasonably expected on the date of issue of such Bonds would have caused the Bonds to be "Arbitrage Bonds", as defined in IRC Section 103(c)(2), subject to the provisions of IRC Section 103(c)(1), and to that end the County and the Trustee shall comply with the applicable regulations of the Treasury Department promulgated under IRC Section 103 so long as any Bonds are outstanding.

SECTION 7.05. Maintenance and Repair. The County shall cause any lessee of the Project, including the Tenant, to keep the same in good repair and promptly to make all repairs, interior and exterior, structural and

nonstructural, ordinary and extraordinary, foreseen and unforeseen, necessary to keep the Project in good and lawful order and condition, wear and tear from reasonable use excepted, whether or not such maintenance is required by any laws, rules, regulations or ordinances hereafter enacted which involve a change of policy on the part of the governmental body enacting the same.

SECTION 7.06. Payments of Taxes and Other Charges.

The County shall cause any lessee of the Project, including the Tenant, to pay and discharge punctually as and when the same shall become due and payable without penalty, all real estate taxes, personal property and income taxes (including income taxes on the income derived by the County from the Project or under the Indenture), business and occupational taxes, occupational license taxes, water charges, sewage charges, assessments (including but not limited to, assessments for public improvements or benefits) and all other governmental taxes, impositions and charges of every kind and nature, extraordinary or ordinary, general or special, foreseen or unforeseen, whether similar or dissimilar to any of the foregoing, which at any time shall be or become due and payable by the County or any lessee, including the Tenant, and which shall be levied, assessed or imposed, or which shall be or become liens, upon any of the following:

(i) the Project or any portion thereof or any interest therein of the County or any lessee, including the Tenant;

(ii) the Lease or any other lease, whether in writing or by operation of law, of the Project or any portion thereof;

(iii) any rents from the Project or any portion thereof;

(iv) the possession, operation, maintenance, alteration, repair, rebuilding, use or occupancy of the Project or any portion thereof; or

(v) this transaction or any documents to which any lessee, including the Tenant, of the Project or any portion thereof is a party, creating or transferring an interest or an estate in the Project, under and by virtue of any present or future law, statute, ordinance, regulation or other requirement of any governmental authority, whether federal, state, county, city, municipal or otherwise.

SECTION 7.07. Insurance. So long as the Lease shall not have terminated, the County shall cause the Tenant to procure and maintain all insurance required by Section 6.05 of the Lease as the same are in effect on the date of the original execution thereof. If the Lease shall have terminated, the County shall cause any other lessee of the Project to procure and maintain such insurance as would have been required by the Lease to be procured and maintained by the Tenant had the Lease not terminated, and shall cause the proceeds thereof to be applied in accordance with the Lease as though the same had not terminated, and the references therein to the "Tenant" were to such other lessee.

The County shall cause certificates evidencing the foregoing insurance to be delivered to the Trustee at the times required by the Lease, or if the Lease shall have terminated, at the times which would have been required had the same not so terminated.

All proceeds of insurance carried pursuant to this

section shall be held by the Trustee in the Bond Fund separate and apart from all other moneys held therein or in the Construction Fund until used and applied in accordance with the foregoing provisions or the next following section.

SECTION 7.08. Damage or Destruction. If all or any part of the Project shall be destroyed or damaged and the Tenant or other lessee of the Project repairs, rebuilds, replaces, restores or reconstructs the Project, the Trustee shall deposit all proceeds of insurance carried pursuant to Section 7.07 of the Indenture into the Construction Fund for payment of the Cost of the Project incurred for repairing, rebuilding, replacing, restoring or reconstructing such destruction or damage and the balance, if any, after completing such repairs, rebuilding, replacing, restoring or reconstructing shall be deposited in the Bond Fund. Such payments shall be made upon receipt of an Officer's Certificate of the Tenant or other lessee stating that the Tenant is not in default under the Lease or other lease, accompanied by an approving certificate of an Independent Engineer or Independent Architect employed by the Tenant or other lessee or the County stating that the Tenant or other lessee has repaired, rebuilt, replaced, restored or reconstructed the Project in such manner as to restore the Project, or portion thereof, to at least the value thereof prior to such damage or destruction, and that such repair, rebuilding, replacement, restoration and reconstruction has been completed, or a portion thereof has been completed and the cost of such repair, rebuilding, replacement, restoration and reconstruction.

Upon completion of such repairs, rebuilding, replacement, restoration or reconstruction, the Tenant or other lessee shall furnish to the Trustee (i) an Opinion of counsel either (A) specifying the instruments of further

assurance and supplemental indenture, if any, which will be sufficient to subject to the direct lien of the Indenture (so far as permitted by law) all of the County's right, title and interest in and to the repaired, rebuilt, replaced, restored and reconstructed Project and stating that the instruments and supplemental indenture, if any, have been recorded or filed in such a manner so as to constitute the Indenture as supplemented and amended a valid first mortgage lien upon all of the County's right, title and interest in and to all such property as against all creditors and subsequent purchasers, subject, however, to Permitted Encumbrances and to rights and interests which in the opinion of such Counsel will not weaken, diminish or impair the security intended to be given by or under the Indenture and will not interfere with the use and operation of the Project, or (B) stating that no such instruments or supplemental indentures are required for the purposes set forth in the preceding clause; and (ii) the instruments of further assurance and supplemental indenture, if any, specified in such Opinion.

If all or any part of the Project shall be destroyed or damaged while any Bonds are Outstanding and the Tenant or other lessee of the Project purchases the Project and delivers and pays to the Trustee the certificate and an amount equal to the amount required to be delivered and paid upon such purchase by the provisions of Section 7.01 of the Lease, the Trustee shall pay to the Tenant or to the persons entitled thereto in accordance with the provisions of Section 7.01 of the Lease, or to such other lessee, any insurance proceeds received and held by it on account of such damage or destruction to the Project.

SECTION 7.09. Condemnation. If the entire Project, or any part thereof which is sufficient to render

the remaining portion unsatisfactory for the Tenant's or other lessee's business purposes is taken by condemnation while any Bonds remain Outstanding and the Tenant or other lessee purchases the Project and delivers and pays to the Trustee the certificate and an amount equal to the amount required to be delivered and paid upon such purchase under the provisions of Section 7.02 of the Lease, the Trustee shall pay to the Tenant or to the person entitled thereto in accordance with the provisions of Section 7.02 of the Lease or to such other lessee any condemnation award received and held by it on account of such taking.

If a portion of the Project which is less than that referred to in the preceding paragraph is taken by condemnation while any Bonds remain Outstanding, the Trustee shall be furnished with the following: (i) an Officers' Certificate of the Tenant or other lessee of the Project stating that the Tenant or such other lessee has made the necessary adjustments in the Project suitable for its business purposes, that such adjustments have been completed and the cost thereof, or stating that no adjustments were required, as the case may be; (ii) a certificate of the County stating either that the County has incurred expenses in collecting the award and the amount of such expenses or that no such expenses have been incurred; (iii) the instruments of further assurance and supplemental indenture, if any, specified in the Opinion of Counsel referred to in the following clause (iv); and (iv) an Opinion of Counsel either (A) specifying the instruments of further assurance and supplemental indenture, if any, which will be sufficient to subject to the direct lien of the Indenture (so far as permitted by law) all of the County's right, title and interest in and to the Project and stating that the instruments and supplemental indenture, if any, have been recorded or filed in such a manner as to constitute the

Indenture as supplemented and amended a valid first mortgage lien upon all of the County's right, title and interest in and to such property as against all creditors and subsequent purchasers, subject, however, to Permitted Encumbrances and to rights and interests which in the opinion of such Counsel will not weaken, diminish or impair the security intended to be given by or under the Indenture and will not interfere with the use and operation of the Project, or (B) stating that no instruments or supplemental indentures are required for the purposes set forth in the preceding subclause (A) of this clause (iv).

Upon receiving such items the Trustee, out of any condemnation award received and held by it on account of such taking, shall: (i) pay to the County the amount of any expenses stated in the certificate of the County to have been incurred by the County in collecting such award; (ii) pay to the Tenant or such other lessee the amount of costs stated in the Officer's Certificate of the Tenant or such other lessee to have been incurred by it in making the adjustment; and (iii) deposit the balance, if any, into the Bond Fund.

SECTION 7.10. Not to Further Encumber Project or Revenues and Receipts; Not to Dispose of Project. The County shall not issue any bonds (other than the Bonds), notes or other evidences of indebtedness, or incur any indebtedness, payable prior to or on a parity with the Bonds from the revenues and receipts derived by it from the leasing and sale of the Project (including the revenues and receipts under the Lease) or ranking superior to or equally with the Bonds as to the security of the Indenture and the lien and pledge created hereunder on such revenues and receipts.

The County shall not mortgage, encumber, hypothecate, sell, transfer, assign or otherwise dispose of all or any part of the Project or the revenues and receipts thereof (other than to the Trustee hereunder and other than for dispositions of the Project permitted by the Lease) or assign, transfer or hypothecate (other than to the Trustee hereunder) any Basic Rent (or analogous payment) then due or to accrue in the future under the Lease (or under any other lease of the Project).

SECTION 7.11. Concerning the Lease.

(a) The County

(i) shall not do or permit anything to be done, or omit or refrain from doing anything in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for declaring a forfeiture of the Lease;

(ii) shall perform and discharge each and every obligation, covenant and agreement of the County contained in the Lease;

(iii) shall give prompt notice to the Trustee of any notice, request, report or other document received from the Tenant together with a true and complete copy of any thereof received by the County in writing; and

(iv) shall enforce or secure the performance of each and every obligation, covenant, condition and agreement of the Tenant contained in the Lease.

(b) Except as otherwise expressly permitted hereinafter in this section, the County shall not: (i)

modify or in any way alter the terms of the Lease; or (ii) waive, excuse or in any manner release or discharge the Tenant from any obligations, covenants, conditions and agreements, including the obligation to pay rental called for in the Lease in the manner, at the place, and at the time specified therein.

(c) The County shall appear in and defend any action or proceedings arising under, growing out of, or in any manner connected with the Lease or the obligations, duties or liabilities of the County, as lessor, or Tenant, as lessee, as the case may be; and shall pay or cause to be paid all costs and expenses of the Trustee in any such action or proceeding in which the Trustee may appear.

(d) The Trustee shall at any and all times have the power to exercise and enforce any of the rights, powers or privileges of the County under the Lease, including but without limiting the generality of the foregoing, the rights (i) to grant consents, approvals or permissions, (ii) to declare an event of default as defined therein, (iii) to exercise any and all remedies provided for therein, (iv) to exercise any and all rights of entry, and (v) to perform the County's covenants as provided for therein.

(e) The County shall not amend or consent to any amendment to the Lease (i) except as is hereinafter provided in this paragraph, and (ii) without the consent of the Trustee thereto. The County and the Trustee may, without the consent of or notice to the holders of any Outstanding Bonds consent to any amendment, change or modification of the Lease (1) as may be required (A) by the provisions of the Lease and the Indenture as initially executed or as thereafter amended in accordance with the provisions hereof; (B) in connection with the issuance of Additional Bonds as

specified in Article II of the Indenture; or (C) for the purpose of curing any ambiguity or formal defect or omission therein; or (2) as may be requested by the Tenant and which in the opinion of both the County and the Trustee will not materially affect the interests of the holders of the Bonds. Except for the amendments, changes or modifications permitted by the preceding sentence, neither the County nor the Trustee shall consent to any other amendment, change or modification of the Lease without the written approval or consent of the holders of not less than two-thirds of the aggregate principal amount of the Bonds then Outstanding, provided however, that no such modification of the Lease shall result in the violation of any terms and provisions of Section 9.02 of the Indenture, provided further that in the event requested by the Tenant and consented to by the holders of all the Bonds Outstanding, the Trustee may consent to any amendment to the Lease Agreement which, in the opinion of Independent Counsel, does not impair or diminish the obligations of the Tenant to the County and such amendments may take effect immediately after notice thereof to the County.

SECTION 7.12. Default Under the Lease. In the event of a default under the Lease, the County shall use its best efforts but shall be under no obligation to obtain a new tenant or tenants for the Project and keep the same continuously rented upon the terms and provisions most favorable to the security of and payment for the Bonds.

SECTION 7.13. Trustee May Perform County's Obligations Hereunder and Under the Lease. Should the County fail to make any payment or to do any act as provided herein or in the Lease within the time permitted herein or in the Lease, then the Trustee, but without obligation so to do and without notice to or demand on the County, and

without releasing the County from any obligation contained in the Indenture, shall have the right to make or do the same in such manner and to such extent as the Trustee may deem necessary to protect the security hereof, including, specifically, without limiting its general powers: (i) the right to appear in and defend any action or proceeding proposing to affect the security hereof or the rights or powers of the Trustee; and (ii) the right to perform and discharge each and every obligation, covenant and agreement of the County contained in the Lease.

SECTION 7.14. Filing and Recording. The Trustee, forthwith upon the execution and delivery of the Indenture and thereafter from time to time, will cause the Indenture, and each supplement hereto, and all financing statements, continuation statements and other instruments required by applicable law necessary in connection therewith to be filed, registered and recorded, refiled, reregistered and rerecorded and kept filed, registered and recorded, in such manner and in such places as may be required by any present or future law in order to publish notice of and fully protect the lien hereof upon, and the title of the Trustee to, the Trust Estate and in order to entitle the Bonds then Outstanding to the benefits and security of the Indenture. The Trustee forthwith upon the execution and delivery of the Lease, and thereafter from time to time will cause the Lease and any supplement thereto to be filed, registered or recorded, refiled, reregistered or rerecorded and kept filed, registered and recorded, in such manner and in such places as may be required by law in order to publish notice and fully protect the validity thereof. The Trustee from time to time will perform or cause to be performed any other act as provided by law and will execute or cause to be executed any and all further instruments which may be necessary for such publication, protection and entitlement.

The County will pay or cause to be paid all filing, registration and recording taxes and fees incident to such filing, refiling, registration, reregistration, recording and rerecording and all expenses incidental to the preparation, execution and acknowledgment of the Indenture, the Lease, any instrument of further assurance and any supplements to any of said instruments and all federal or state stamp taxes and other taxes, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of the Indenture, the Lease, the Bonds, any instrument of further assurance, and any supplements to any of said instruments.

Promptly after any filing, registration or recording or any refiling, reregistration or rerecording of the Indenture or the Lease or any filing, registration, recording, refiling, reregistration or rerecording of any supplement to any of said instruments.

Promptly after any filing, registration or recording or any refiling, reregistration or rerecording of the Indenture or the Lease or any filing, registration, recording, refiling, reregistration or rerecording of any supplement to any of said instruments, or any instruments of further assurance as are required pursuant to the provisions hereof, the Trustee shall obtain an Opinion of Counsel to the effect that such filing, registration, recording, refiling, reregistration or rerecording has been duly accomplished and setting forth the particulars thereof.

Without limiting the generality of the foregoing provisions of this section and supplemental thereto, on or before June 30, 1983, and on or before each June 30 thereafter, the Trustee shall obtain an Opinion of Counsel addressed to the Trustee stating that no filing,

registration or recording and no refiling, reregistration or rerecording of any instrument is necessary during the annual period immediately succeeding the date of such opinion in order to comply with this section, or if such filing, registration or recording or refiling, reregistration or rerecording is necessary, setting forth the requirements with respect thereto, and the Trustee shall cause such requirements to be complied with.

SECTION 7.15. Not to Extend Time for Payment of Interest. The County will not directly or indirectly extend or assent to the extension of the time for the payment of interest or claim for interest of or upon any Bond, and will not directly or indirectly be a party to any arrangement therefor, either by purchasing or refunding or in any manner keeping alive such interest or claim for interest, or otherwise. In case the payment of any such interest or claim for interest shall be so extended with or without the consent of the County, then anything in the Indenture contained to the contrary notwithstanding, such interest or claim for interest so extended shall not be entitled, in case of default under the Indenture, to any benefit of or from the Indenture, except after the prior payment in full of the principal of all Bonds issued pursuant to the Indenture, premium, if any, thereon, and of such interest and claims for interest as shall not have been so extended.

SECTION 7.16. Not to Impair Tax Exemption of Interest on the Series 1978 Bonds. The County will not engage in any activities or take any action, or omit to take any action, which might result in the income derived by it from the Project becoming taxable to it, or in any interest on the Series 1978 Bonds becoming taxable to the recipient thereof under the Federal income tax laws.

SECTION 7.17. Performance of Indenture; Further Assurances. The County will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Indenture, in any and every Bond executed, authenticated and delivered hereunder, and in all proceedings of its County Council pertaining thereto.

The County will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such mortgages or indentures supplemental hereto and such further acts, instruments and transfers, including, without limiting the generality of the foregoing, such filing, registration, recording, refiling, reregistration or rerecording, as may be necessary or as the Trustee may reasonably require for better assuring, transferring, mortgaging, pledging, assigning and confirming unto the Trustee all and singular the Trust Estate.

ARTICLE VIII

POSSESSION, USE AND PARTIAL RELEASE OF THE PROJECT

SECTION 8.01. Subordination to Rights of the Tenant. As provided in Sections 10.02 and 12.01 of the Lease, this Indenture and the rights and privileges hereunder of the Trustee and the holders of the Bonds are specifically made subject and subordinate to the rights and privileges of the Tenant set forth in the Lease. So long as not otherwise provided in this Indenture the County shall be suffered and permitted to possess, use and enjoy the Project so as to carry out its obligations under the Lease.

SECTION 8.02. Release of Land. Reference is made to the provisions of the Lease, including without limitation specifically Sections 8.07 and 8.08 thereof, whereby the County and the Tenant have reserved the right to withdraw from the Project part of the Leased Land included therein. The Trustee, upon request of the County or the Tenant, shall certify that any real property so removed is no longer part of the Project for purposes of this Indenture upon compliance with the provisions of the Lease.

SECTION 8.03. Release of Facilities. Reference is made to the provisions of the Lease, including without limitation specifically Section 6.02 thereof, whereby the Tenant may withdraw from the Project certain items of machinery and equipment included in the Facilities, defined in the Lease as Leased Equipment. The Trustee, at the request of the County or the Tenant, shall certify that any such Leased Equipment is free from any provision of this Indenture upon compliance with the provisions of the Lease.

SECTION 8.04. Granting of Easements. Reference is

made to the provisions of the Lease, including without limitation Section 8.08 thereof, whereby the County may grant or release certain easements, licenses, rights-of-way, and other rights or privileges in the nature of easements with respect to the Project. The Trustee, upon request of the County or the Tenant, shall certify that the rights or privileges so granted or released are no longer part of the Project for purposes of this Indenture upon compliance with the requirements of the Lease.

ARTICLE IX

SUPPLEMENTAL INDENTURES

SECTION 9.01. Supplemental Indentures Not Requiring Consent of Bondholders. From time to time and at any time and without notice to or the consent of the holder of any Bond, the County and the Trustee may enter into an indenture or indentures supplemental to and not inconsistent with the Indenture for any one or more or all of the following purposes:

(a) to cure any ambiguity or formal defect or omission in the Indenture, or in regard to matters or questions arising under the Indenture; provided that such supplemental indenture shall not adversely affect the interests of the holders of the Bonds;

(b) to modify, amend or supplement the Indenture as may be required to permit the qualification thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect, and, if they so determine, to add to the Indenture such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute;

(c) to provide for Additional Bonds to the extent permitted by the Indenture;

(d) to grant to or confer upon the Trustee for the benefit of the holders of the Bonds any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the holders of the Bonds or the Trustee or any of them;

(e) to subject to the lien and pledge of the Indenture additional revenues, properties or collateral; or

(f) to modify, amend or supplement the Indenture in any other way, provided that as to any Bonds then Outstanding such modification, amendment or supplement shall not be or become effective so long as such Bonds shall remain Outstanding.

SECTION 9.02. Supplemental Indentures with Consent of Bondholders. Except as provided in Section 9.01 hereof and as hereinafter provided in this section the County and the Trustee shall not modify, amend or supplement the Indenture.

With the consent of and in the manner hereinafter provided the holders of sixty-six and two-thirds (66-2/3) percent in aggregate principal amount of the Bonds then outstanding, the County and the Trustee may from time to time and at any time enter into an indenture supplemental to the Indenture for the purpose of modifying, amending or supplementing the Indenture in any way; provided, however, that without the consent of the holder of each Bond affected thereby, whether or not such Bond is then deemed to be Outstanding hereunder, no modification hereto or amendment or supplement hereof shall (i) effect the reduction of, or the extension of the stated time of, the principal amount of any Bond or the interest thereon or of any premium payable on the redemption thereof, or (ii) create or permit the creation of any lien on the Trust Estate prior to or on a parity with the lien of the Indenture, or (iii) deprive the holder of any Bond of the lien created by Indenture on the Trust Estate, or (iv) reduce the aggregate principal amount of the Bonds required for consents to such supplemental indenture, or (v) grant a privilege to or create a priority

of any Bond or Bonds over any other Bond or Bonds.

If at any time the County shall request the Trustee to enter into any indenture supplemental hereto for any of the purposes of this section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be mailed by first class mail to each registered owner of Bonds at the address shown on the books of registry. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the principal office of the Trustee for inspection by all Bondholders. If, within sixty days following the final giving of such notice, or such longer period as may be prescribed by the County, the holders of that aggregate principal amount of the Bonds specified in the next preceding paragraph shall have consented to and approved the execution of the proposed supplemental indenture, no holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the County from executing the same or from taking any action pursuant to the provisions of this Indenture.

SECTION 9.03. Execution of Supplemental Indenture; Effect Thereof; Consent of Tenant in Certain Instances. The Trustee shall not execute any indenture supplemental to the Indenture unless there shall have been filed with the Trustee an Opinion of Counsel to the effect that (i) such supplemental indenture is permitted by the Indenture and complies with its terms; (ii) the execution of such supplemental indenture has been duly authorized in accordance with the provisions of the Indenture; and (iii)

upon execution, the supplemental indenture will be valid and binding upon the County and the Trustee in accordance with its terms.

Upon the execution of any supplemental indenture in accordance with the provisions of this Article (or at such later time as may be set forth therein), the Indenture shall be and be deemed to be modified, amended and supplemented in accordance with the provisions of such supplemental indenture; provided, however, that if an Event of Default shall not then exist or be continuing hereunder or if any event of default as defined in the Lease shall not then exist or be continuing under the Lease, no supplemental indenture shall become effective until the Tenant shall have consented to the execution of such supplemental indenture.

ARTICLE X

CONCERNING THE TRUSTEE

SECTION 10.01. Qualification of Trustee. There shall at all times be a trustee hereunder which shall be a corporation or association organized and doing business under the laws of the United States or any state and authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least

_____ (_____) and subject to supervision or examination by federal or state authority. If such corporation publishes reports of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 10.01 the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 10.01, the Trustee shall resign immediately in the manner and with the effect specified in Section 10.08 hereof.

SECTION 10.02. Duties of Trustee. The Trustee shall (a) prior to the occurrence of an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture and as a corporate trustee ordinarily would perform under a corporate mortgage, and (b) during the existence of any Event of Default (which has not been cured or waived) exercise the rights and powers vested in it by the Indenture and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of

his own affairs.

In respect to the authentication of any Bonds, the withdrawal of any cash, the release of any property or any action whatsoever within the purview of this Indenture, the Trustee shall have the right, but shall not be required, to demand, as a condition of such action, any showings, certificates, opinions, appraisals or other information, or official or corporate action or evidence thereof, in addition to that required by the terms of the Indenture, deemed desirable by the Trustee for the purpose of establishing the right of the County to the authentication of any Bonds, the withdrawal of any cash, or the taking of any other action by the Trustee.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own intentionally wrongful action or failure to act except that:

(a) prior to the occurrence of any Event of Default under the Indenture and after the curing or waiving of all Events of Default which may have occurred, (i) the duties and obligations of the Trustee shall be determined solely by the express provisions of the Indenture; and (ii) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to the Trustee and believed by it to be genuine and executed by the person or persons authorized to furnish the same; and

(b) at all times, regardless of whether or not any Event of Default shall exist (i) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Officers (as hereinafter defined in

this section) of the Trustee unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and (ii) the Trustee shall not be liable with respect to any action taken by it in good faith in accordance with the direction of the holders of not less than a majority in aggregate principal amount of all Bonds at the time outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

"Responsible Officers" of the Trustee as used herein shall mean the chairman of the board of directors, the president, every vice president, every assistant vice president, the cashier, every assistant cashier, the secretary, every assistant secretary, every trust officer, and every officer and assistant officer of the Trustee in addition to those specifically above mentioned, to whom any corporate trust matter is referred because of his knowledge of, and familiarity with, a particular subject.

SECTION 10.03. Performance by Trustee. Subject to the provisions of Section 10.02 hereof:

(a) the Trustee may rely upon the authenticity of, and the truth of the statements and the correctness of the opinions expressed in, and shall be protected in acting upon any resolution, certificate, statement, instrument, opinion, report, notice, notarial seal, stamp, acknowledgement, verification, Written Request, other request, consent, order, Bond, or other paper or document, believed by it to be genuine and to have been signed or affixed and presented by the proper party or parties;

(b) any notice, request, direction, election,

order or demand of the County mentioned herein shall be sufficiently evidenced by a Written Request or by some other instrument signed in the name of the County by the Chairman of the County Council (unless other evidence in respect thereof be herein specifically prescribed), and any resolution or ordinance of the County may be evidenced to the Trustee by a copy thereof certified to have been adopted by the Clerk of the County Council;

(c) in the administration of the trusts of the Indenture, the Trustee may execute any of the trusts or powers hereof directly or through its agents or attorneys and the Trustee may consult with counsel (who may be counsel for the County) and the opinion or advice of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel;

(d) whenever in the administration of the trusts of the Indenture, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful wrongdoing or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officer's Certificate of the County and such Officer's Certificate of the County shall, in the absence of willful wrongdoing or bad faith on the part of the Trustee, be full warrant to the Trustee for any action taken or suffered by it under the provisions of the Indenture upon the faith thereof, but in its discretion the Trustee may in lieu thereof accept other evidence of such matter or may require such further or additional evidence as it may deem

reasonable;

(e) the recitals herein and in the Bonds (except the Trustee's certificate of authentication thereon) shall be taken as the statements of the County and shall not be considered as made by, or imposing any obligation or liability upon, the Trustee except as provided in the Indenture; the Trustee makes no representation as to the value or condition of the Trust Estate or any part thereof, or as to the title of the County, or as to the security afforded thereby or hereby, or as to the validity or sufficiency of the Indenture or of the Bonds issued hereunder (other than its certificate of authentication) or of the Lease; and the Trustee shall incur no liability or responsibility in respect of any of such matters;

(f) the Trustee shall not be accountable for the use and application by the County of any of the Bonds authenticated and delivered hereunder or of the proceeds of such Bonds unless deposited with the Trustee;

(g) (i) in case of entry by it upon the Trust Estate the Trustee shall not be personally liable for debts contracted or liability or damages incurred in the management or operation of the Trust Estate; (ii) the Trustee shall not in any event be required to take, defend, or appear in any legal action or proceeding under the Indenture or to exercise any of the trusts or powers hereof unless it shall first be adequately indemnified to its satisfaction against the costs, expenses and liabilities which may be incurred thereby; and (iii) every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this subsection (g);

(h) subject to the provisions of the Lease and the Indenture, the Trustee shall not be under any obligation to give any consent, enter into any agreement, release any property or to take any other action which is discretionary with the Trustee under the provisions hereof except on written request of the holders of not less than any applicable specified percentage provided for in the Indenture or if no percentage is specified then sixty-six and two-thirds per cent (66-2/3%) in principal amount of the Bonds Outstanding hereunder;

(i) none of the provisions contained in the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if there is reasonable ground for believing that the repayment of such funds or liability is not reasonably assured to it;

(j) at any and all reasonable times the Trustee and its duly authorized agents, attorneys, experts, engineers, accountants and representatives shall have the right fully to inspect any and all of the mortgaged property and all books, papers and records of the County pertaining thereto and to the Bonds, and to take such memoranda from and in regard to such books and accounts as may be desired; and

(k) the permissive right of the Trustee to do things enumerated in the Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its willful default.

SECTION 10.04. Right of Trustee to Pay Taxes and Other Charges. In case any tax, assessment or other

governmental charge upon any part of the Trust Estate is not paid as required herein, the Trustee may pay such tax, assessment or governmental charge, without prejudice, however, to any rights of the Trustee or the Bondholders hereunder arising in consequence of such failure. Any amount at any time so paid under this section, with interest thereon from the date of payment at the rate of eight per centum (8%) per annum, shall become so much additional indebtedness secured by the Indenture, and the same shall be given a preference in payment over any of the Bonds and shall be paid out of the Trust Estate if not otherwise caused to be paid. The Trustee shall, however, be under no obligation to make any such payment unless it shall have been requested to do so by the holders of twenty-five per cent (25%) in aggregate principal amount of the Bonds then Outstanding and shall have been provided with adequate funds for the purpose of such payment.

SECTION 10.05. Intervention by Trustee. The Trustee may intervene on behalf of the Bondholders in any judicial proceeding to which the County is a party pertaining to the Lease, or the Trust Estate or any other matter which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of owners of the Bonds. Subject to Section 10.03(g)(ii) of the Indenture, the Trustee shall intervene in any such proceeding if requested by the holders of twenty-five per cent (25%) in aggregate principal amount of the Bonds then Outstanding. The rights and obligations of the Trustee under this section are subject to the approval of the court.

SECTION 10.06. Fees, Charges and Expenses of Trustee. The Trustee shall be entitled to payment of and reimbursement for reasonable fees for its services rendered hereunder and all advances, counsel fees and other expenses

reasonably and necessarily made or incurred by the Trustee in connection with such services. The Trustee shall be entitled to payment and reimbursement for the reasonable fees and charges of the Trustee as registrar and paying agent for the Bonds and coupons, if any, as hereinabove provided.

SECTION 10.07. Purchase of Bonds by Trustee; Dealing With County and Tenant. The Trustee (including, for purposes of this paragraph only, its officers, directors, employees and related corporations) may acquire, hold, own, sell and deal in or become the pledgee of Bonds, and otherwise deal with the County, in the manner and to the same extent and with like effect as though it were not Trustee hereunder. In the absence of a showing of bad faith, the Trustee shall not be deemed to have breached any obligations to the County or the holders of any Bonds, by dealing with the Tenant, or the Tenant's debtors or creditors, even if by doing so the Trustee as creditor takes action not in the best interest of the holders of the Bonds so long as such adverse action is not taken based upon knowledge acquired by the Trustee in its fiduciary capacity as Trustee. Knowledge acquired by the Trustee or its employees in the performance of its duties hereunder shall not be presumed to be known by the Trustee but only by those employees of the Trustee who actually gain such knowledge in the performance of their duties. Knowledge acquired by the Trustee in the course of any other business shall not be presumed to be known by the Trustee in its capacity as Trustee but only by those employees of the Trustee who actually gain such knowledge in the performance of their duties.

SECTION 10.08. Resignation and Removal of Trustee; Successor Trustee.

(a) The Trustee may at any time resign by giving written notice to the County and by giving to the holders of the Bonds notice by publication of such resignation. Such notice shall be published at least once in an Authorized Newspaper. Notice shall be given by mail to the registered holders of the Bonds. Upon receiving such notice of resignation, the County shall promptly appoint a successor trustee by an instrument in writing executed by order of and pursuant to a resolution of its County Council. If no substitute Trustee shall have been appointed and accepted within thirty (30) days after the publication of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, or any Bondholder who has been a bona fide holder of a Bond or Bonds for at least six months may, on behalf of himself and others similarly situated, petition any such court for the appointment of a successor Trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor Trustee.

(b) In the event that the Trustee ceases to be eligible in accordance with the provisions of Section 10.01 of the Indenture and fails to resign after written request therefor by the County or by any Bondholder who has been a bona fide holder of a Bond or Bonds for at least six months, or the Trustee becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its property is appointed, or any public officer takes charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then in such case, the County may remove the Trustee and appoint a successor Trustee by an instrument in writing executed by order of its County Council or any such Bondholder may, on behalf of himself and all others similarly situated, petition any court of competent

jurisdiction for the removal of the Trustee and the appointment of a successor Trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor Trustee.

(c) The holders of a majority in aggregate principal amount of all Bonds at the time outstanding may at any time remove the Trustee and appoint a successor Trustee by an instrument or concurrent instruments in writing signed by the Bondholders.

(d) Any successor Trustee appointed as provided in this section shall execute, acknowledge and deliver to the County and to its predecessor Trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trusts hereunder, with like effect as if originally named as Trustee herein; but, nevertheless, on the Written Request of the County or the request of the successor Trustee, the Trustee ceasing to act shall execute and deliver an instrument transferring to such successor Trustee, upon the trusts herein expressed, all the rights, powers and trusts of the Trustee so ceasing to act. Upon request of any such successor Trustee, the County shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and duties.

(e) No successor Trustee shall accept appointment as provided in this section unless at the time of such acceptance such successor Trustee shall be eligible under

the provisions of Section 10.01 of the Indenture.

(f) Upon acceptance of appointment by a successor Trustee as provided in this section, the County shall publish notice of the succession of such Trustee to the trusts hereunder. Such notice shall be published at least once in an Authorized Newspaper. If the County fails to publish such notice within ten (10) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be published at the expense of the County.

(g) Any corporation or association into which the Trustee may be merged or with which it may be consolidated, or any corporation or association resulting from any merger, or any corporation or association succeeding to the business of the Trustee, shall be the successor of the Trustee under the Indenture without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such successor Trustee shall be eligible under the provisions of Section 10.01 of the Indenture.

SECTION 10.09. Appointment of CoTrustee. In the event of the incapacity or lack of authority of the Trustee, by reason of any present or future law of any jurisdiction, to exercise any of the powers, rights or remedies herein granted the Trustee, or to hold title to the Trust Estate as herein granted, or to take any other action which may be necessary or desirable in connection therewith, the County and the Trustee shall have the power to appoint one or more individuals or additional institutions approved by the Trustee, either to act as cotrustee or cotrustees jointly with the Trustee of all or any part of the Trust Estate, or to act as separate trustee or trustees of all or any part of the Trust Estate, in either case with such rights, powers,

and duties (including retirement and removal) as may be provided in the instrument of appointment, and to vest in such individuals or institutions or as such cotrustee or separate trustee any property, title, right or power deemed necessary or desirable.

The County upon written request of the Trustee shall for such purpose join with the Trustee in the execution, delivery and performance of all instruments necessary or proper to appoint such individuals or institutions as cotrustees or separate trustees. If the County shall not join in such appointment within fifteen (15) days after the receipt by it of the request of the Trustee so to do, the Trustee shall have the power to make such appointment.

In the event of the appointment of a cotrustee or separate trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by the Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate cotrustee, but only to the extent necessary to enable such separate or cotrustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or cotrustee shall run to and be enforceable by either the Trustee or by such separate or cotrustee. Should any deed, conveyance or instrument in writing from the County be required by the cotrustee or separate trustee so appointed for more fully and certainly vesting in and confirming to him or it such properties, rights, powers, trusts, duties and obligations, any and all such deeds, conveyances and instruments in writing shall, on request, be executed, acknowledged and delivered by the County.

In case any cotrustee or separate trustee or a successor to either, shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of said cotrustee or separate trustee so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such cotrustee or separate trustee.

ARTICLE XI

EVENTS OF DEFAULT; REMEDIES ON DEFAULT

SECTION 11.01. Mandamus. In the event of default in the payment of the principal of or the interest and premium (if any) on the Bonds, or in the event of default in the performance of any agreement contained in this Indenture (whether or not such defaults shall constitute Events of Default under Section 11.02 of this Indenture), such payment and performance may be enforced by mandamus by the Trustee or any holder of the Bonds.

SECTION 11.02. Events of Default. Each of the following events (herein defined and referred to as "Event of Default" or "Events of Default") is hereby declared to be and to constitute an Event of Default:

(a) failure to pay the interest on any Bond on the day when the same becomes due;

(b) failure to pay the principal of and premium (if any) on any Bond on the day when the same becomes due, whether by reason of stated maturity, redemption prior to maturity, by declaration or acceleration or otherwise;

(c) Failure by the County in the performance or observance of any other of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, and the continuance thereof for a period of sixty (60) days after written notice given to the County by the Trustee, or to the County and the Trustee by the holders of not less than twenty-five per cent (25%) in aggregate principal amount of the Bonds then Outstanding; provided that, if any such default cannot be corrected within such

sixty (60) day period, it shall not constitute an Event of Default if corrective action is instituted within such period and diligently pursued until the default is corrected;

(d) entry or filing of an order, judgment or decree of a court of competent jurisdiction appointing, without the consent of the County, a receiver of the Project or any other part of the Trust Estate, or of the whole or any substantial part of the Project or any other part of the Trust Estate or approval of a petition filed against the County with respect to the Project or the Trust Estate or any part thereof under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof, if such order, judgment or decree shall not be vacated or set aside or stayed within sixty (60) days from the date of the entry thereof; the assumption of custody or control of the Project or the Trust Estate by any court of competent jurisdiction under the provisions of any other law for the relief or aid of debtors and such custody or control shall not be terminated or stayed within sixty (60) days from the date of assumption of such custody or control; and

(e) the occurrence of an event of default (as defined therein) under Section 11.01 of the Lease.

SECTION 11.03. Notices of Events of Default; Tenant May Remedy the Same. Whenever pursuant to the provisions of paragraph (c) of Section 11.02 of this Indenture the Trustee shall give the County any notice contemplated by said paragraph, the Trustee at the same time as it gives such notice to the County shall mail a copy thereof by registered mail to the Tenant. Whenever any notice is given to the Trustee pursuant to the provisions of

paragraph (c) of Section 11.02 of this Indenture the Trustee shall immediately mail a copy thereof by registered mail to the Tenant.

Whenever an Event of Default shall occur the Trustee as soon as it has knowledge of the same shall mail notice by registered mail to the Tenant specifying the nature of the same.

With regard to any alleged event of default under the provisions of Section 11.01 or 11.02 of this Indenture, the County hereby grants the Tenant full authority for account of the County to perform any covenant or obligation, the non-performance of which is alleged to constitute an event of default, in the name and stead of the County and with full power to do any and all things and acts, to the same extent that the County could do and perform any such things and acts, and with power of substitution.

SECTION 11.04. Acceleration. Upon the occurrence and during the continuation of an Event of Default the Trustee may, and upon the written request of the holders of not less than twenty-five per cent (25%) in aggregate principal amount of the Bonds then Outstanding delivered to the County and the Trustee, shall, upon notice in writing to the County, declare the entire unpaid principal of, premium, if any, and interest accrued on the Bonds then Outstanding due and payable (unless the same shall have theretofore become due and payable), and thereupon the entire unpaid principal of, premium, if any, and interest on such Bonds shall immediately be and become due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding.

The provisions of this section are subject to the

condition that if at any time after the principal of the Bonds shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the County shall pay to or shall deposit with, or shall cause to be paid to or deposited with, the Trustee a sum sufficient to pay all principal on the Bonds matured, other than solely by reason of such declaration, to pay all matured installments of interest (if any) upon all the Bonds, with interest at the highest rate the Bonds shall bear on such overdue principal and premium, if any, and (to the extent legally enforceable) on such overdue installments of interest and to pay the reasonable expenses of Trustee, and if any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured or adequate provision shall have been made therefor, then and in every such case the holders of a majority in aggregate principal amount of the Bonds then Outstanding by written notice to the County and to the Trustee may, on behalf of the holders of all the Bonds, rescind and annul such declaration and its consequences. No such rescission and annulment shall, however, extend to or affect any subsequent default, or impair or exhaust any right or power consequent thereon.

SECTION 11.05. Surrender of Possession of Project.

Upon the occurrence of an Event of Default and while such Event of Default shall be continuing, but only if and to the extent then permitted by applicable law, the County, upon demand of the Trustee, shall forthwith surrender to the Trustee possession of the Project, including the County's rights under the Lease, together with the books and records of the County pertaining thereto and its rights to hold, operate and manage the same. If and to the extent then

permitted by applicable law, the Trustee personally or by its agent or attorneys may enter into and take possession of the Project and forthwith operate and manage the same and exercise all rights, powers and franchises of the County in respect thereto, including the making of all needful repairs and improvements to the Project as the Trustee may deem wise and lease the Project or any portion thereof in the name and for the account of the County, subject, however, to the Lease. The Trustee may collect and receive the rents and revenues from the Project, pay all proper costs and expenses of taking, holding and managing the same (including reasonable compensation to the Trustee, its agents and counsel, any charges of the Trustee under this Indenture, any taxes and assessments and other charges prior to the lien of the Indenture which the Trustee may deem it wise to pay, and all expenses of such repairs and improvements) and apply the remainder of the moneys so received in accordance with the provisions of Section 11.10 of this Indenture. Whenever such Event of Default shall have been corrected the Trustee shall surrender possession of the Project to the County, its successors and assigns.

SECTION 11.06. Additional Powers of Trustee. Upon the occurrence and during the continuation of an Event of Default, (a) the Trustee may exercise any of the rights and powers hereinafter set forth in this section (in addition to the powers granted to it in Sections 11.01, 11.04 and 11.05 of the Indenture), and (b) if requested to do so by the holders of twenty-five per cent (25%) in aggregate principal amount of the Bonds then Outstanding and indemnified as provided in Section 10.03(g)(ii) of the Indenture, the Trustee shall exercise such one or more of the rights and powers set forth in Section 11.05 of the Indenture and hereinafter in this section as the Trustee, upon being advised by its counsel, shall deem most expedient in the

interests of the holders of the Bonds.

Upon the occurrence and during the continuing of an Event of Default:

(a) The Trustee may declare to be immediately due and payable an amount equal to the entire principal amount of the then Outstanding Bonds together with any applicable redemption premiums specified in the Indenture and all interest accrued or to accrue on and prior to the next earliest maturity or redemption date or dates, as the case may be, on which the Trustee can pay the Bonds, or redeem the same after giving notice to the holders thereof as required by the Indenture, less moneys available for such purposes then held by the Trustee, plus any additional rental due or to become due hereunder, including, without limitation, any unpaid fees and expenses of the County or the Trustee which are then due or will become due prior to the time that the Bonds are paid in full and the trust established by the Indenture is terminated, and may enforce all rights of the County under the Lease.

(b) The Trustee may exercise any of the rights of a secured party under the Uniform Commercial Code of South Carolina, as then in effect, with respect to such part of the Trust Estate as is covered by such Code.

(c) The Trustee, as a matter of right, without notice and without giving bond to the County or anyone claiming under it, may have appointed, and shall be entitled to the appointment of, a receiver in equity with power to charge and collect rents and to apply the revenues from the Project in accordance with the provisions of the Indenture, and such other powers as the court making the appointment may confer.

(d) The Trustee may, with or without entry, foreclose the lien on the Project created and vested by the Indenture and sell the Project, either by proceedings in equity or at public auction at such place or places as may be required by law, having first given notice of such sale by publication or otherwise as may be required by law, and upon such sale may make and deliver to the purchaser a good and sufficient deed or deeds or bill or bills of sale or assignment or assignments for the same. The Trustee or the holders of any of the Bonds then Outstanding, whether or not then in default of payment of principal or interest, may become the purchaser at any foreclosure sale if the highest bidder. The County, for it and for all who may claim through or under it, if and to the extent permitted by law, hereby expressly waives and releases all rights to have the mortgaged property marshalled upon any foreclosure sale, and the Trustee or any court in which the foreclosure of the Indenture is sought shall have the right to sell the mortgaged property as an entirety and in a single parcel in the discretion of the Trustee. The County covenants that, if and to the extent permitted by law, it will not at any time insist upon or plead, claim or take any benefit or advantage of any stay or extension law or laws providing for the valuation or appraisal of the mortgaged property prior to any sale or sales thereof nor after any such sale or sales claim or exercise any right to redeem the property so sold, and the County, to the extent permitted by law, hereby expressly waives for itself and on behalf of each and every person claiming by, through or under the County all benefit and advantage of any such law or laws.

(e) The Trustee may proceed to protect and enforce its rights and the rights of the holders of the Bonds under the Indenture by a suit or suits in equity or at law, either for the specific performance of any covenant or agreement

contained herein or in aid of the execution of any power herein granted, or for the foreclosure of the Indenture, or for the enforcement of any other appropriate legal or equitable remedy, as the Trustee, being advised by counsel, may deem most effective to protect and enforce any of the rights or interests under the Notes or the Indenture or both.

SECTION 11.07. Remedies Vested in Trustee; Appointment of Trustee as Agent of County. All rights of action (including the right to file proofs of claims) under the Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding relating thereto. Any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any holders of the Bonds. Any recovery of judgment shall be for the equal benefit of the holders of the Outstanding Bonds.

If and to the extent permitted by law, in order to have the claims of the County against the Tenant allowed in any equity receivership, insolvency, liquidation, bankruptcy or other proceedings to which the Tenant shall be a party, the Trustee is hereby appointed the true and lawful attorney-in-fact of the County, with authority to make or file, in the name of the County, any proof of debt, amendment to proof of debt, petition or other document; to receive payment of all sums becoming distributable on account thereof; to execute any other papers or documents and to do and perform any and all acts and things for and in behalf of the County as may be necessary or advisable in the opinion of the Trustee. The Trustee shall have full power of substitution and delegation in respect of any such powers.

SECTION 11.08. Waiver of Event of Default. The Trustee may in its discretion waive any Event of Default and its consequences hereunder and shall do so upon the written request to it of the holders of a majority in principal amount of the Bonds; provided, however, that a default in the payment of principal of, or interest or premiums on, the Bonds may be waived only as provided in Section 11.04 of the Indenture.

SECTION 11.09. Right of Bondholders to Direct Proceedings. Except as is otherwise provided in Section 11.04 of the Indenture, anything elsewhere in the Indenture to the contrary notwithstanding, the holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or for the appointment of a receiver or any other proceedings hereunder; provided, however, that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture.

SECTION 11.10. Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee and the County in carrying out the Indenture, be deposited in the Bond Fund. All moneys credited to the Bond Fund shall be applied as follows:

- (a) Unless the principal of all the Bonds shall

have become or shall have been declared due and payable, all such moneys shall be applied: (i) to the payment to the persons entitled thereto of all installments of interest then due on the Bonds then Outstanding in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and (ii) to the payment to the persons entitled thereto the unpaid principal of and premium, if any, on any of the Bonds then Outstanding which shall have become due in order of their due dates, with interest on such Bonds from the respective dates upon which they become due and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto, without any discrimination or privilege.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds then Outstanding, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or privilege.

(c) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the

provisions of Section 11.04 of the Indenture, then, subject to the provisions of paragraph (b) of this section in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this section.

Whenever moneys are to be applied pursuant to the provisions of this section, such moneys shall be applied at such times and from time to time as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such money, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable or advisable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

SECTION 11.11. Limitation on Actions by Bondholders. Except as is otherwise provided in Section 11.01 of the Indenture, the holder of any Bond shall not have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture, or for the execution of any trust thereof, or for the appointment of a receiver, or any other remedy under the Indenture, unless (a) a default has occurred of which the Trustee has knowledge or has been notified as provided in

Section 11.02 of the Indenture; (b) such default shall have become an Event of Default and the holders of twenty-five per cent (25%) in aggregate principal amount of Bonds then Outstanding shall have offered the Trustee reasonable opportunity, either to proceed to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its own name; (c) the holders of twenty-five per cent (25%) in aggregate principal amount of the Bonds shall have offered to the Trustee indemnity as provided in Section 10.03(g)(ii) of the Indenture; and (d) the Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution or cause of action for the enforcement of the Indenture, or for the appointment of a receiver, or for any other remedy under the Indenture. It is understood and intended that no one or more holders of the Bonds if any, shall have any right in any manner whatsoever to affect, disturb or prejudice the Indenture by his or their action or to enforce any right under the Indenture except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the holders of all Bonds then Outstanding. Nothing in the Indenture contained shall, however, affect or impair the right of any Bondholder to receive payment of the principal of, premium, if any, and interest on any Bond at and after the maturity thereof and to institute suit for the enforcement of such payment, or the obligation of the County to pay the principal of, premium, if any, and interest on each of the Bonds issued pursuant to the Indenture to the respective holders thereof at the time, place, from the source and in the manner herein and in the Bonds expressed.

SECTION 11.12. Effect of Waivers and of Failure to Exercise Rights and Powers; Remedies Not Exclusive; Termination of Proceedings. No waiver of any default or Event of Default under the Indenture, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee or to the Bondholders is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bondholders hereof or now or hereafter existing at law or in equity or by statute.

In case the Trustee or the holders of the Bonds shall have proceeded to enforce any right or exercise any power under the Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee or the holders of the Bonds, then and in every case the County, the Trustee, and the Tenant shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

ARTICLE XII

FORM OF BONDS, EXECUTION THEREOF

SECTION 12.01. Form of Bonds. The Series 1978 Bonds in fully registered form, the provision for the assignment thereof, and the Trustee's certificate of authentication pertaining thereto shall be in substantially the respective forms of such Bond, provision and certificate hereinafter set forth in this section, with such insertions in said form of Bond as may be necessary to reflect the number, denomination, date of maturity and other specific details of the particular Series 1978 Bond in fully registered form.

Unless or except as may be otherwise provided in the indenture supplemental hereto providing for their issuance hereunder, Additional Bonds, the provisions (if any) for the registration or assignment thereof and the Trustee's certificate of authentication pertaining thereto, shall also be in substantially the respective forms of Bond, provision for registration or assignment and Trustee's certificate of authentication hereinafter set forth in this section for the Series 1978 Bonds with such insertions in said forms or such variations thereto or deletions therefrom as may be necessary, required or desirable to reflect (a) the series designation, date, number, denomination, interest rate, date of maturity, redemption provisions (if any), privileges of registration (if any), privileges for conversion or exchange (if any) other specific details of the particular Additional Bonds; (b) the provisions of the indenture supplemental hereto providing for the issuance of such Additional Bonds pursuant to the Indenture; or (c) applicable law.

(FORM OF SERIES 1978 BOND IN FULLY REGISTERED FORM)

No. R-_____

No. R-_____

R_____

\$_____

UNITED STATES OF AMERICA

STATE OF SOUTH CAROLINA

COUNTY OF YORK

FIRST MORTGAGE INDUSTRIAL REVENUE BOND, SERIES 1978

(CHAMPION LABORATORIES, INC., PROJECT)

KNOW ALL MEN BY THESE PRESENTS that York County, South Carolina, a body politic and corporate and a political subdivision of the State of South Carolina (hereinafter referred to as the "County") for value received hereby promises to pay but solely from the sources and as hereafter provided and not otherwise, to _____ or registered assigns, on the first day of _____, 19__, (unless this bond or any portion thereof, shall have theretofore been called for redemption and payment of the redemption price duly made or provided for), the principal sum of

_____ DOLLARS

in such coin or currency of the United States of America as at the time of payment shall be legal tender for public and private debts and to pay interest thereon, but solely from said sources and as so provided and not otherwise, at the rate of _____ per centum (_____%) per annum from the date hereof (unless the date hereof is prior to June 1, 1979, in which event from December 1, 1978, or unless the date hereof is June 1, 1979, or a June 1 or December 1

thereafter, in which event from the date hereof), payable on June 1 and December 1 of each year until payment of such principal sum, and to pay interest on overdue principal, premium, if any, and interest (to the extent legally enforceable) at the applicable rate per annum as above specified or hereinafter provided as the case may be. Payments of interest shall be by check or draft mailed by First Union National Bank, in Charlotte, North Carolina, as Trustee under the indenture hereinafter mentioned (hereinafter referred to as the "Trustee") to the registered owner without the necessity of surrendering this Series 1978 Bond and all such payments shall fully discharge the obligation of the County hereon to the extent of the payments so made. The principal of this Series 1978 Bond is payable to or upon the order of the registered owner or his legal representative at the principal office of the Trustee in Charlotte, North Carolina, upon presentation and surrender of this Series 1978 Bond.

This bond is one of a duly authorized issue of bonds of the County known as its "York County, South Carolina, First Mortgage Industrial Revenue Bonds, Series 1978 (Champion Laboratories, Inc., Project)" (hereinafter referred to as the "Series 1978 Bonds") in an aggregate principal amount of \$3,500,000. All of the Series 1978 Bonds are issued under and equally and ratably secured as to principal, premium, if any, and interest by an Indenture of Mortgage and Deed of Trust (hereinafter referred to as the "Indenture") dated as of December 1, 1978, executed by the County and the Trustee, to all of the provisions of which any holder of this bond by his acceptance hereof thereby assents and to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the trust estate, the nature and extent of the security for the Series 1978 Bonds and a statement of

the terms and conditions upon which the Series 1978 Bonds are issued and secured, the rights of the holders thereof and the Trustee thereunder, and the indebtedness which is equally secured and the other matters set forth therein. As provided in the Indenture, bonds of other series payable and secured equally and ratably with Series 1978 Bonds may be issued thereunder, and such bonds may vary in such manner as is provided and permitted in the Indenture. All bonds from time to time outstanding under the terms of the Indenture are hereinafter referred to as the "Bonds."

The Series 1978 Bonds have been issued for the purpose of acquiring certain land and buildings, machinery, equipment and other improvements located thereon in the County, constituting an industrial facility for manufacture of air and oil filters (hereinafter referred to as the "Project") and leasing the Project to Champion Laboratories, Inc., a Delaware corporation (hereinafter referred to as the "Tenant") and paying expenses incidental thereto so as thereby to promote industry and trade in South Carolina. The Project has been leased to the Tenant under and pursuant to a lease between the County and the Tenant dated as of December 1, 1978 (hereinafter referred to as the "Lease"). Under the Lease the Tenant must pay to the County such rentals as will be fully sufficient to pay the principal of, premium, if any, and interest on the Series 1978 Bonds as the same mature and become due. Under the Lease it is the obligation of the Tenant to pay the cost of maintaining the Project in good repair and to keep it properly insured. The rights of the County under the Lease and the Rentals to be paid by the Tenant for the lease of the Project have been assigned to the Trustee as further security for the Bonds. Copies of the Indenture and the Lease are on file at the principal office of the Trustee in Charlotte, North Carolina, and recorded in the Office of the Register of

Mesne Conveyance for the County.

[Material in Brackets appears only in Term Bonds]

[The Series 1978 Bonds maturing in the year 1998, including this bond, are subject to and shall be redeemed prior to the stated maturity thereof from time to time in part, in direct numerical order from money required to be paid into the Bond Fund and credited to the Sinking Fund Account therein pursuant to the Indenture, which shall be accumulated in the Sinking Fund Account in amounts sufficient to redeem on December 1 of each year at a redemption price equal to the principal amount of the Bond or Bonds to be redeemed, the principal amount of such Series 1978 Bonds specified for each of the years shown below:

<u>Year</u>	<u>Principal Amount To Be Redeemed</u>	<u>Year</u>	<u>Principal Amount To Be Redeemed</u>
1989	\$ 200,000	1994	\$ 280,000
1990	215,000	1995	300,000
1991	225,000	1996	320,000
1992	245,000	1997	340,000
1993	260,000	1998(maturity)	365,000]

The Series 1978 Bonds, including this bond, are subject to optional redemption by the County prior to maturity on or after December 1, 1988, in whole or in part on any interest payment date in inverse order of maturity at the redemption prices (expressed as percentages of principal amount) set forth in the table below plus accrued interest to date of redemption.

If Redeemed

Redemption Price

December 1, 1988	103.00%
June 1 and December 1, 1989	102.70%
June 1 and December 1, 1990	102.40%
June 1 and December 1, 1991	102.10%
June 1 and December 1, 1992	101.80%
June 1 and December 1, 1993	101.50%
June 1 and December 1, 1994	101.20%
June 1 and December 1, 1995	100.90%
June 1 and December 1, 1996	100.60%
June 1 and December 1, 1997	100.30%
Thereafter at	100.00%

As more fully set forth in the Indenture and subject to the conditions set forth therein the Series 1978 Bonds, including this bond, are also subject to redemption at any time, in whole or in part in inverse numerical order in multiples of \$5,000, at a redemption price equal to the principal amount redeemed and the interest accrued on such principal amount to the date of redemption in the event of a material defect in the title of the land within the Project or condemnation of all or part of the Project or all or part of the use thereof. Also, as more fully set forth in the Indenture and subject to the conditions set forth therein, the Series 1978 Bonds, including this bond, are subject to redemption at any time in the event of the purchase by the Tenant of the Project (a) at a redemption price equal to the principal amount redeemed and the interest accrued on such purchase is occasioned by damage to or destruction of the Project or by the Lease becoming void or unenforceable or incapable of performance, or (b) upon the occurrence of an Event of Taxability as defined in the Indenture the redemption price shall be equal to the principal amount redeemed and the interest accrued on such principal to the date of redemption together with a redemption premium equal to the interest paid or payable on such Bonds from and after

the date of the occurrence of the Event of Taxability with the date fixed for the redemption of such Bonds.

If this bond shall be called for redemption, notice of the redemption hereof shall be mailed by first class mail, postage prepaid, not less than 30 days before the redemption date to the registered owner thereof. If this bond be of a principal sum in excess of \$5,000, portions hereof in multiples of \$5,000 may be redeemed, and if less than all of such principal is to be redeemed, payment of the amount to be redeemed shall be made only upon the surrender of this bond to the Trustee and in such case upon such surrender there shall be issued to the registered owner hereof, without charge therefor, for the then unredeemed balance of the principal sum hereof, fully registered Bonds of like series, maturity and interest rate and in any of the authorized denominations provided by the Indenture. If this bond (or any portion of the principal sum hereof) shall have been duly called for redemption and notice of such redemption duly given, and if on or before the redemption date the payment of the applicable redemption price and the interest accrued on the principal sum hereof to the redemption date shall be duly made or provided for, then this bond (or the portion of the principal sum to be redeemed) shall become due and payable at such redemption price upon such redemption date and from and after such date interest on the principal amount to be redeemed shall cease to accrue.

This Series 1978 Bond is issued pursuant to and in full compliance with the Constitution and laws of the State of South Carolina, particularly Title 4, Chapter 29, Code of Laws of South Carolina, 1976, and pursuant to an ordinance of the County Council of the County duly adopted and approved, which ordinance authorized the execution and

delivery of the Indenture. Pursuant to law and the proceedings under which this Series 1978 Bond is issued, this Series 1978 Bond and the issue of which it forms a part and the interest and premium, if any, thereon 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 and exclusively out of the revenues and other amounts derived by the County from the leasing or sale of the Project financed through the issuance of the Series 1978 Bonds, and not otherwise. The Series 1978 Bonds and the interest and premium, if any, thereon do not now and shall never constitute nor give rise to a pecuniary liability of the County or to a charge against its general credit or taxing powers.

As provided in, and to the extent permitted by, the Indenture or any indenture supplemental thereto, the rights and obligations of the County and of the holders of the bonds may be modified by the County with the written consent of the holders of 66-2/3% in principal amount of the Bonds then outstanding (which written consent shall be binding upon every future holder hereof); provided, however, that no such modification shall effect the reduction or the extension of the stated time of payment of the principal hereof, or the interest hereon, or of any premium payable on the redemption hereof, or permit the creation of any lien on the trust estate prior to or on a parity with the lien of the Indenture, or deprive the holder hereof of the lien created by the Indenture on the trust estate without the consent of the holder hereof.

The principal hereof may be declared or may become due on the conditions and in the manner and at the time set forth in the Indenture upon the occurrence of an event of

default as in the Indenture provided.

This Series 1978 Bond is transferable by the registered holder hereof in person, or by his attorney duly authorized in writing, at the principal office of the Trustee, but only in the manner and subject to the limitations provided in the Indenture and upon surrender of this Series 1978 Bond. Upon such surrender a new fully registered Bond or Bonds of the same series, interest rate, and maturity and of authorized denomination or denominations in the same aggregate principal amount as the Bond surrendered, will be issued to the transferee in exchange therefor.

The County and the Trustee may deem and treat the registered holder hereof as the absolute owner hereof for the purpose of receiving payment of or on account of the principal hereof, premium, if any, hereon, and interest due hereon and for all other purposes and neither the County nor the Trustee nor any paying agent shall be affected by any notice to the contrary.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the Indenture and the issuance of this Series 1978 Bond do exist, have happened and have been performed in due time, form and manner as required by law; and that the issuance of this Series 1978 Bond and the issue of which it forms a part together with all other obligations of the County, do not exceed or violate any constitutional or statutory limitation. This Series 1978 Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until this Series 1978 Bond shall have been authenticated by the certificate of the

Trustee endorsed hereon.

IN WITNESS WHEREOF, York County, South Carolina, has caused this Series 1978 Bond to be duly executed in its name either by the manual or the facsimile signature of the Chairman of the County Council and the seal of the County Council to be impressed or imprinted hereon, and attested by the manual signature of the County Manager all as of the ____ day of _____, 19__.

YORK COUNTY, SOUTH CAROLINA

By _____
Bayles Mack, Chairman,
County Council of York
County, South Carolina

(SEAL)

ATTEST:

J. E. Klugh, County Manager
York County, South Carolina

(FORM OF PROVISION FOR ASSIGNMENT OF SERIES 1978
BONDS IN FULLY REGISTERED FORM)

For value received _____
hereby sells, assigns and transfers unto _____
the within-mentioned bond and hereby irrevocably constitutes
and appoints _____, attorney-in-
fact, to transfer the same on the books of registry with

full power of substitution in the premises.

Dated: _____, 19__.

In the Presence of:

(FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION)

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This bond is one of an issue described in the Indenture within mentionend.

FIRST UNION NATIONAL BANK,
As Trustee

By _____
Authorized Officer

SECTION 12.02. Execution of Bonds. The Series 1978 Bonds in fully registered form shall be executed, sealed and attested as set forth in the last paragraph of the respective forms of such Bonds set out in Section 12.01 of the Indenture.

Unless or except as may otherwise be provided in the indenture supplemental hereto providing for the issuance thereof, Additional Bonds shall be executed, sealed and attested, as the case may be, as is respectively provided in

the preceding paragraph for the execution, sealing and attestation of the Series 1978 Bonds.

In case any officer who has executed, sealed or attested any Bond (whether manually or by a facsimile of his signature), or whose facsimile signature appears upon any coupon, shall cease to be such officer before the Bond so executed, sealed or attested shall be authenticated, issued or delivered, such Bond may be authenticated, issued or delivered, with the same force, validity and effect as though such officer had not ceased to be such officer before the time of such authentication, issuance or delivery.

ARTICLE XIII

BONDS NO LONGER DEEMED OUTSTANDING; DISCHARGE OF INDENTURE

SECTION 13.01. Bonds No Longer Deemed Outstanding Hereunder. The obligations of the County under the Indenture and the liens, pledges, charges and trusts and the covenants and agreements of the County herein made or provided for, shall be fully discharged and satisfied as to any Bond and such Bond shall no longer be deemed to be Outstanding hereunder when:

(a) Such Bonds shall have been surrendered to the Trustee or any paying agent for the Bonds for cancellation or otherwise surrendered to the Trustee or any paying agent thereof and be cancelled or subject to cancellation by either thereof; or

(b) payment of the principal of and the applicable redemption premium, if any, on such Bond plus interest thereon to the due date thereof (whether such due date be by reason of maturity, or upon redemption prior to maturity, or by declaration or acceleration or otherwise), either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for by irrevocably depositing with the Trustee or any paying agent for such Bond, in trust and irrevocably set aside exclusively for such payment, moneys sufficient to make such payment, or Governmental Obligations, as defined hereinafter in this section, maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, and all necessary and proper fees, compensation and expenses of the Trustee and any paying agent pertaining to the Bond with respect to which such deposit is made shall have been paid

or the payment thereof provided for to the satisfaction of said Trustee and paying agent. At such time as a Bond shall no longer be deemed to be Outstanding under the Indenture, as aforesaid, such Bond shall cease to draw interest from the due date thereof (whether such due date be by reason of maturity or upon redemption or by declaration or acceleration or otherwise), and, except for the purposes of any such payment from such moneys or Governmental Obligations, shall no longer be secured by or entitled to the benefits of the Indenture.

Notwithstanding the foregoing, in the case of Bonds which by their terms may be redeemed prior to the stated maturities thereof from the moneys or Governmental Obligations so deposited no deposit under Section 13.01(b)(ii) above shall constitute such discharge and satisfaction as aforesaid, (i) as to any such Bonds as are not at the time of the making of such deposit immediately redeemable in accordance with the provisions of such Bonds and of the Indenture, until either such Bonds shall have been irrevocably called or designated for the redemption on the first date thereafter when such Bonds may be redeemed in accordance with the provisions thereof and of the Indenture, or until ninety (90) days prior to the respective stated maturities thereof; (ii) as to any such Bonds as are at the time of the making of such deposit immediately redeemable in accordance with the provisions thereof or hereof, until ninety (90) days prior to the date fixed for their redemption, or ninety (90) days prior to the respective stated maturities thereof; and (iii) as to all such Bonds which are to be redeemed prior to their respective stated maturities, until proper notice of such redemption shall have been previously given or irrevocable provision shall have been previously given or irrevocable provision shall have been made for the giving of such notice.

Any moneys so deposited with the Trustee or any paying agent for the Bonds as provided in this Article may at the direction of the County also be invested and reinvested in Governmental Obligations, maturing in the amounts and at the times as hereinbefore set forth, and all income from all Governmental Obligations in the hands of such Trustee or paying agent pursuant to this Article which is not required for the payment of the Bonds and interest and premium, if any, thereon with respect to which such moneys shall have been so deposited, shall be deposited in the Bond Fund as and when realized and collected for use and application as are other moneys credited thereto.

For the purposes of this Article, the term "Governmental Obligations" shall mean Permitted Investments described in clauses (i), (ii) and (iii) of the definition of that term as set forth in Section 1.01 of the Indenture, provided such Permitted Investments are noncallable or callable only at the option of the holder thereof.

If any Bond shall not be presented for payment when the principal thereof shall become due, whether at maturity or upon redemption or by declaration or acceleration or otherwise, or if any coupon shall not be presented for payment at the due date thereof, and if moneys or Governmental Obligations shall have been deposited in accordance with the terms hereof with the Trustee or any paying agent therefor in trust for such purpose and sufficient and available to pay the principal and the premium, if any, of such Bonds, together with all interest due thereon to the due date thereof or to the date fixed for the redemption thereof, or to pay such interest, as the case may be, then, all liability of the County for such payment shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the

Trustee or any such paying agent to hold said moneys or Governmental Obligations, without liability to the holder of such Bond for interest thereon, in trust for the benefit of the holder of such Bond or coupon, who thereafter shall be restricted exclusively to said moneys or Governmental Obligations for any claim for such payment of whatsoever nature on his part; provided, however, any such moneys held by the Trustee or any paying agent remaining unclaimed by the holders of such Bonds and coupons for six (6) years after the principal of the respective Bonds with respect to which such moneys or Governmental Obligations have been so set aside has become due and payable (whether at maturity or upon redemption or by declaration or acceleration or otherwise) shall upon the Written Request of the County be paid to the Treasurer of the County against his written receipt therefor, and the holders of such Bonds and coupons shall thereafter be entitled to look only to the County and the Treasurer of the County for payment thereof. Before being required to make any such payment to the Treasurer of the County, the Trustee or any paying agent, may, at the expense of the County, publish notice in an Authorized Newspaper, in such form as may be deemed appropriate by the Trustee or such paying agent, listing the Bonds and coupons so payable and not presented and stating that such moneys remain unclaimed and that after a date set forth therein any balance thereof then remaining will be returned to the County.

Notwithstanding any provision of the Indenture which may be contrary to the provisions of this section, all moneys or Governmental Obligations set aside and held in trust pursuant to the provisions of this Section for the payment of Bonds (including interest and premium thereon, if any) and coupons shall be applied to and used solely for the payment of particular Bonds (including interest and premium

thereon if any) with respect to which such moneys and Governmental Obligations have been so set aside in trust.

Any provision of the Indenture to the contrary notwithstanding, if moneys or Governmental Obligations have been deposited or set aside with the Trustee or paying agent pursuant to this section for the payment of the Bonds and such Bonds shall not have in fact been actually paid in full, no amendment to the provisions of this section shall be made without the consent of the holder of each Bond affected thereby.

The Tenant may at any time surrender to the Trustee or to any paying agent for cancellation by either thereof any Bonds previously executed and delivered, together with all matured coupons thereto belonging, which may have been acquired by the Tenant in any manner whatsoever, and such Bonds and coupons upon such surrender for cancellation shall be deemed to be paid and no longer outstanding under the Indenture.

SECTION 13.02. Discharge of Indenture. Whenever there shall no longer be any Bond Outstanding under the Indenture and the County shall have paid or caused to have been paid, or shall have made provision for the payment of, any and all other sums that may be due hereunder, then these presents and the Trust Estate, except for the trust created by Section 13.01 of the Indenture as to any Bond or coupon not in fact paid in full, and the rights hereby granted shall cease, determine and be void, and the mortgages, liens, pledges, charges and trusts, except for the trust created by Section 13.01 of the Indenture as to any Bond or coupon not in fact paid in full, created or granted hereby shall be discharged and satisfied. Thereupon the Trustee shall cancel and discharge the Indenture and execute and

deliver to the County such instruments in writing as shall be requisite to satisfy same, and shall reconvey to the County the estates hereby conveyed and assign and deliver to the County the Lease and any other property at the time subject to or security under the Indenture which may then be in possession of the Trustee, except funds, or securities in which such funds are invested, held in trust by the Trustee pursuant to Section 13.01 of the Indenture for the payment of the principal of and interest and redemption premiums, if any, on the Bonds, and also except amounts required by any provision hereof to be paid to the Tenant.

ARTICLE XIV

MISCELLANEOUS

SECTION 14.01. Obligation of County to Inure to Successors. All the covenants, stipulations, promises and agreements in the Indenture contained, by or on behalf of the County, shall bind and inure to the benefit of its successors or assigns, whether so expressed or not.

SECTION 14.02. Limitation of Rights. With the exception of rights or benefits herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give to any person other than the parties hereto and the holders of the Bonds and coupons any legal or equitable right, remedy or claim under or in respect to this Indenture or any covenants, conditions and provisions herein contained; this Indenture and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto and the holders of the Bonds and coupons as herein provided (and the Tenant where expressly given benefits hereunder).

SECTION 14.03. Notices. It shall be sufficient service of any notice, request, complaint, demand or other paper under this Indenture if given in writing and sent by United States certified or registered mail, postage prepaid, (a) if to the Trustee, addressed to: First Union National Bank, _____, Charlotte, North Carolina, or at such address as the Trustee may have designated from time to time by written notice to the County and to the Tenant, and (b) if to the County, addressed to: Chairman, County Council of York County, Post Office Box 66, York,

South Carolina 29795, or at such other address as the County may have designated from time to time in written notice to the Trustee and to the Tenant; and (c) if to the Tenant, addressed to: Champion Laboratories, Inc., Post Office Box 307, West Salem, Illinois 62476, or at such other address as the Tenant may have designated from time to time by written notice to the County and the Trustee.

Whenever this Indenture requires the giving of notice by mail or otherwise, the giving of such notice may be waived in writing by the person entitled to receive such notice, and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of an action taken in reliance upon such waiver.

SECTION 14.04. Sundays and Holidays. In any case when the date on which an act to be performed hereunder (including the payment of principal, interest, or premium, if any, of the Bonds shall be a Sunday or a legal holiday, such act need not be performed on such date, but may be made on the next succeeding business day not a Sunday or a legal holiday, with the same force and effect as if made on the date on which said act was to be performed. In any case when the period during which any obligation hereunder is to be performed shall expire on a date which is a Sunday or a legal holiday, then such act need not be performed on such date, but may be performed on the next succeeding business day not a Sunday or a legal holiday with the same force and effect as if such performance had been within the required period.

SECTION 14.05. No Personal Liability of Officers of County. No covenant, condition or agreement contained herein shall be or be deemed to be a covenant, condition, agreement or obligation of any present or future member,

officer, employee or agent of the County in his individual capacity. Neither the members of the County Council nor any officer thereof executing or attesting the Bonds or the Indenture shall be liable personally on the Bonds or hereunder or be subject to any personal liability or accountability by reason of the issuance thereof or the execution and delivery hereof. No member of the County Council and no officer, employee or agent of the County shall incur any personal liability with respect to any action taken by him pursuant to the Indenture or to the Act.

SECTION 14.06. Applicable Law. The Indenture shall be governed by the laws of the State of South Carolina.

SECTION 14.07. Severability. If any provision of this Indenture shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses or sections in the Indenture contained shall not affect the remaining portions of the Indenture, or any part thereof.

SECTION 14.08. Counterparts. The Indenture may be

simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF YORK COUNTY, South Carolina, has caused these presents to be signed in its name and behalf by the Chairman of its County Council and the seal of the County Council to be hereunto affixed and attested by the County Manager and, to evidence its acceptance of the trusts hereby created, First Union National Bank has caused these presents to be signed in its name and behalf by its authorized officer and its corporate seal to be hereunto affixed and attested by one of its officers or Assistant Trust Officers, all as of the day and year first above written.

YORK COUNTY, SOUTH CAROLINA

By _____

Bayles Mack, Chairman,
County Council of York
County, South Carolina

(SEAL)

ATTEST:

J. E. Klugh, County Manager,
York County, South Carolina

In the presence of:

FIRST UNION NATIONAL BANK,
as Trustee

By _____

Its: _____

(SEAL)

ATTEST:

Its: _____

In the presence of:

STATE OF SOUTH CAROLINA)
)
COUNTY OF _____)

PERSONALLY appeared before me _____
who being duly sworn says that (s)he saw the corporate seal
of _____, as Trustee affixed to the foregoing
Trust Indenture, and that (s)he also saw _____,
as President, sign, and _____, as Vice
President attest the same, and that (s)he with
_____, witnessed the execution and delivery
thereof as the act and deed of _____,
as Trustee.

SWORN to before me this

___ day of December, 1978.

_____(L.S.)
Notary Public for South Carolina

My Commission expires: _____

STATE OF SOUTH CAROLINA)
)
COUNTY OF YORK)

PERSONALLY appeared before me _____, who being duly sworn says that (s)he saw the corporate seal of York County, South Carolina, affixed to the foregoing Trust Indenture, and that (s)he also saw Bayles Mack, as Chairman of the County Council of York County, South Carolina and J. E. Klugh, as County Manager of York County, South Carolina, sign and attest the same and that (s)he with _____, witnessed the execution and delivery thereof as the act and deed of the said _____ County, South Carolina.

SWORN to before me this

____ day of December, 1978.

_____(L.S.)
Notary Public for South Carolina

My commission expires: _____

LEASE

by and between

YORK COUNTY, SOUTH CAROLINA

and

CHAMPION LABORATORIES, INC.

Dated as of December 1, 1978

LEASE

This Lease made and entered into as of the first day of December, 1978, by and between York County, South Carolina (hereinafter referred to as the "County"), a body politic and corporate and a political subdivision of the State of South Carolina, and Champion Laboratories, Inc., a corporation duly organized and existing under the laws of the State of Delaware (hereinafter referred to as the "Tenant").

WITNESSETH:

WHEREAS, Title 4, Chapter 29, Code of Laws of South Carolina, 1976 (hereinafter referred to as the "Act"), empowers the several counties of the State of South Carolina to acquire, enlarge, improve and expand one or more Projects (as defined in the Act), to lease any or all of their Projects in furtherance of the purposes of the Act, and to issue their revenue bonds secured by a pledge of the revenues derived from Projects to defray the cost of acquiring, enlarging, improving or expanding such Projects by construction and purchase; and

WHEREAS, as inducement for the Tenant to locate and remain in the County, the County has agreed to issue its revenue bonds for the purpose of defraying the cost of acquiring certain land and constructing and equipping an industrial facility thereon (hereinafter referred to as the "Project") and to lease the Project so acquired to the Tenant in accordance with the terms and conditions hereinafter set forth; and

WHEREAS, the County by due corporate action has authorized the issuance of Three Million Five Hundred

Thousand Dollars (\$3,500,000) aggregate principal amount of its First Mortgage Industrial Revenue Bonds, Series 1978 (Champion Laboratories, Inc., Project) (hereinafter referred to as the "Series 1978 Bonds"), pursuant to the Act in order to defray the costs of acquiring the Project to be located in the County and to enter into this Lease with the Tenant on the terms and conditions herein set forth.

NOW, THEREFORE, in consideration of the respective representations and agreements hereinafter contained, the County and the Tenant agree as follows (provided that in the performance of the agreement of the County herein contained, any obligation it may thereby incur for the payment of money shall not create a pecuniary liability or a charge upon its general credit or taxing powers but shall be a limited obligation of the County payable solely out of the proceeds derived by it from this Lease, the sale of the Bonds and any insurance proceeds, proceeds from released property and condemnation awards as provided herein and in the Act):

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. In addition to the words and terms elsewhere defined in this Lease, the following words and terms as used herein and in the preambles hereto shall have the following meanings unless the context or use indicates another or different meaning or intent:

"Act" shall mean Title 4, Chapter 29, Code of Laws of South Carolina, 1976, and all future acts supplemental thereto or amendatory thereof.

"Additional Bonds" shall mean any Bond, some of the Bonds, or all of the Bonds issued pursuant to Section 2.03 of the Indenture from time to time outstanding.

"Authorized County Representative" shall mean the person at the time designated to act in behalf of the County by written certificate furnished to the Tenant and the Trustee containing the specimen signature of such person and signed on behalf of the County by the Chairman of the County Council. Such certificate may designate an alternate or alternates.

"Authorized Tenant Representative" shall mean the person at the time designated to act in behalf of the Tenant by written certificate furnished to the County and the Trustee containing the specimen signature of such person and signed on behalf of the Tenant by its Chairman, Vice Chairman, President, any Vice President or Treasurer or Assistant Treasurer. Such certificate may designate an alternate or alternates.

"Bond Fund" shall mean the fund created and established under the terms of Section 6.01 of the Indenture.

"Bonds" shall mean the First Mortgage Industrial Revenue Bonds (Champion Laboratories, Inc., Project) of all series issued and outstanding under the Indenture.

"Completion Date" shall mean the date on which the acquisition by construction and purchase of the Project is completed as certified in accordance with Section 4.04 of the Lease.

"Construction Fund" shall mean the fund created and established under the terms of Section 3.01 of the Indenture.

"Cost of the Project" shall mean and be deemed to include: (a) obligations incurred for land, labor and materials and other expenses to contractors, builders and materialmen in connection with the acquisition, construction and installation of the Project; (b) the costs of contract bonds and of insurance of all kinds that may be required or necessary during the course of construction of the Project which are not paid by the contractor or contractors or otherwise provided for; (c) the expenses for test borings, surveys, test and pilot operations, estimates, plans and specifications and preliminary investigations therefor, and for supervising construction, as well as for the performance of all other duties required by or reasonably necessary for the acquisition, construction and installation of the Project; (d) legal, accounting, financial and printing expenses, fees and all other expenses incurred in connection with the issuance of the Bonds; (e) all other costs required to be paid under the terms of any contract or contracts for

the acquisition, construction and installation of the Project; and (f) any sums required to reimburse the Tenant for advances made by it for any of the above items, or for any other work done by it for any of the above items, or which are properly chargeable to a capital account with respect to the Project.

"County" shall mean York County, South Carolina, a body politic and corporate and a political subdivision of the State of South Carolina and its successors and assigns.

"Default" shall mean an event or condition the occurrence of which would, with the lapse of time or the giving of notice or both, become an Event of Default as defined in Section 11.01 hereof.

"Facilities" shall mean (i) all buildings and appurtenances now or hereafter located on the Leased Land, including the building and appurtenances which are presently under construction or are to be constructed on the Leased Land from the proceeds of the Bonds, as they may at any time exist, including any air conditioning and heating systems (which shall be deemed fixtures); and (ii) all machinery, equipment, other fixtures or personal property including the machinery and equipment set forth in Exhibit B attached hereto (a) the acquisition of which was financed in whole or in part from the proceeds of the Bonds, or (b) which is installed in the foregoing buildings or on the Leased Land in substitution or replacement of machinery, equipment, fixtures or personal property described in the immediately preceding clause (a), or which was installed in the foregoing buildings or on the Leased Land in substitution for or replacement of other such substitutions or replacements.

"Guarantor" shall mean United Industrial Syndicate, Inc., or any successor, surviving, resulting or transferee corporation as permitted under Section _____ of the Guaranty.

"Guaranty" shall mean the Guaranty Agreement between the Guarantor, the Tenant and the Trustee, dated as of December 1, 1978, including any amendments thereto as permitted therein.

"Indenture" shall mean the Indenture of Mortgage and Deed of Trust between the County and the Trustee, dated as of December 1, 1978, including any indentures supplemental thereto or amendatory thereof as therein permitted.

"Independent Counsel" shall mean an attorney duly admitted to practice law before the highest court of any state and not an employee of either the County, the Tenant or the Guarantor.

"Interest Payment Date" shall mean any date on which the interest on any Bonds shall be payable, whether such date is a regular payment date prescribed by the Indenture or the result of a redemption pursuant to the terms of the Indenture.

"Lease" shall mean this agreement as originally executed and from time to time supplemented or amended.

"Leased Land" shall mean the real property described in Exhibit A attached hereto.

"IRC" shall mean the Internal Revenue Code of 1954 as amended.

"Permitted Encumbrances" shall mean as of any particular time, (i) liens for ad valorem taxes and special assessments not then delinquent, (ii) this Lease and the Indenture, (iii) utility, access and other easements and rights of way, flood rights, leases, subleases, restrictions and exceptions that an architect, engineer or surveyor acceptable to the Trustee, and an Authorized Tenant Representative each certify will not interfere with or impair the operations being conducted at the Project (or, if no operations are being conducted therein, the operations for which the Project was designed or last modified), (iv) such minor defects, irregularities, encumbrances, easements, rights of way, and clouds on title as normally exist with respect to properties similar in character to the Project and as do not in the opinion of an Independent Counsel, materially impair the property affected thereby for the purposes for which it was acquired or is held by the County, (v) mechanic's and materialman's liens not filed or perfected in the manner prescribed by law in effect on the date hereof or otherwise, and (vi) any mortgage, lease or security interest with respect to machinery and equipment to be used or installed at the Project other than with respect to machinery, equipment and apparatus which is acquired from the proceeds of the Bonds.

"Plans and Specifications" shall mean the plans and specifications prepared for and on file at the Project, as the same may be implemented and detailed from time to time and as the same may be revised from time to time prior to the Completion Date in accordance with the terms hereof.

"Principal Payment Date" shall mean any date on which the principal of any Bonds shall become due whether by maturity, redemption, acceleration or purchase or any date on which amounts are required to be deposited in the Sinking

"Permitted Encumbrances" shall mean as of any particular time, (i) liens for ad valorem taxes and special assessments not then delinquent, (ii) this Lease and the Indenture, (iii) utility, access and other easements and rights of way, flood rights, leases, subleases, restrictions and exceptions that an architect, engineer or surveyor acceptable to the Trustee, and an Authorized Tenant Representative each certify will not interfere with or impair the operations being conducted at the Project (or, if no operations are being conducted therein, the operations for which the Project was designed or last modified), (iv) such minor defects, irregularities, encumbrances, easements, rights of way, and clouds on title as normally exist with respect to properties similar in character to the Project and as do not in the opinion of an Independent Counsel, materially impair the property affected thereby for the purposes for which it was acquired or is held by the County, (v) mechanic's and materialman's liens not filed or perfected in the manner prescribed by law in effect on the date hereof or otherwise, and (vi) any mortgage, lease or security interest with respect to machinery and equipment to be used or installed at the Project other than with respect to machinery, equipment and apparatus which is acquired from the proceeds of the Bonds.

"Plans and Specifications" shall mean the plans and specifications prepared for and on file at the Project, as the same may be implemented and detailed from time to time and as the same may be revised from time to time prior to the Completion Date in accordance with the terms hereof.

"Principal Payment Date" shall mean any date on which the principal of any Bonds shall become due whether by maturity, redemption, acceleration or purchase or any date on which amounts are required to be deposited in the Sinking

Fund Account created under Section 6.____ of the Indenture.

"Project" shall mean the Leased Land and the Facilities.

"Series" or "Series of Bonds" shall mean all of the Bonds authenticated and delivered upon original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds, pursuant to the provisions of the Indenture, regardless of variations in maturity, interest rate or other provisions.

"Series 1978 Bonds" shall mean the \$3,500,000 principal amount of First Mortgage Industrial Revenue Bonds, Series 1978 (Champion Laboratories, Inc., Project) of the County issued and outstanding under the Indenture.

"Tenant" shall mean Champion Laboratories, Inc., a Delaware corporation, and its successors and assigns, and any surviving, resulting or transferee corporation thereof as provided in Section 9.08 hereof.

"Term" shall mean the duration of the leasehold estate as set forth in Section 5.01 hereof.

"Trustee" shall mean First Union National Bank, Charlotte, North Carolina, or its successor or successors under the Indenture.

SECTION 1.02. References to Lease. The words "hereof," "herein," "hereunder" and other words of similar import refer to this Lease as a whole.

ARTICLE II

REPRESENTATIONS AND COVENANTS

SECTION 2.01. Representations by County. The County makes the following representations and covenants as the basis for the undertakings on its part herein contained:

(a) The County is a body politic and corporate and a political subdivision of the State of South Carolina and is authorized and empowered by the provisions of the Act to enter into the transactions contemplated by this Lease and to carry out its obligations hereunder. The Project constitutes and will constitute a "Project" within the meaning of the Act. By proper action by the County Council and the State Budget and Control Board, the County has been duly authorized to execute and deliver this Lease, the Indenture and any and all agreements collateral thereto.

(b) The County is acquiring the Leased Land, proposes to construct or acquire thereon the Facilities and proposes to lease the Project to the Tenant and to sell the Project to the Tenant at the expiration or sooner termination of the Lease Term, if the Tenant shall elect to purchase the same, all for the purpose of promoting the industrial development, developing the trade, and utilizing and employing the manpower, agricultural products and natural resources of South Carolina.

(c) Heretofore, the County and the Tenant did agree that the County would finance all or a portion of the cost to be incurred by the County or the Tenant in acquiring by construction and purchase the Project. The

Tenant has determined that the Cost of the Project, including expenses incident thereto, is equal to \$3,500,000 and on that basis the County, in order to defray the Cost of the Project, now proposes to issue the Series 1978 Bonds in the aggregate principal amount of \$3,500,000 which will be dated, mature and bear interest as set forth in the Indenture and which will be subject to redemption on the occasions and at the redemption prices set forth in the Indenture.

(d) Concurrently with the delivery hereof the County will execute and deliver the Indenture to the Trustee.

(e) All of the Bonds will be issued under the Indenture and will mature, bear interest, be redeemable and have the other terms and provisions set forth in the Indenture, pursuant to which the County's interest in this Lease and the revenues and receipts derived by the County from the leasing or sale of the Project will be pledged, and the Project will be mortgaged, to the Trustee as security for payment of the principal of, premium, if any, and interest on the Bonds.

(f) The County will not, without the written consent of the Tenant, direct the Trustee to effect a redemption of the Bonds pursuant to the provisions of Section 2.01(c)(iv) of the Indenture.

SECTION 2.02. Representations and Warranties by Tenant. The Tenant makes the following representations as the basis for the undertaking on its part herein contained:

(a) Tenant is a corporation duly incorporated, validly existing, and in good standing, under the laws

of the State of Delaware, is duly qualified to do business in the State of South Carolina, has power to enter into this Lease and by proper corporate action has been duly authorized to execute and deliver this Lease.

(b) Neither the execution and delivery of this Lease, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Lease, will result in a breach of any of the terms, conditions or provisions of any corporate restriction or any agreement or instrument to which the Tenant is now a party or by which it is bound, or will 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 Tenant under the terms of any instrument or agreement, other than as may be created or permitted by this Lease and the Indenture.

(c) The Tenant intends to operate the Project as an industrial facility for the manufacture of air and oil filters and for such other purposes permitted under the Act as the Tenant may deem appropriate.

(d) The acquisition by construction and purchase of the Project by the County through the issuance of the Series 1978 Bonds and the leasing of the Project to the Tenant has induced the Tenant to locate in the County and remain in the State of South Carolina.

(e) The Project consists, and will at all times consist of land or property which is subject to the allowance for depreciation provided in IRC Section 167 and all expenditures for and the Cost of the Project

(including financing costs) will be chargeable to the Project's capital account for Federal income tax purposes, or would be so chargeable either with a proper election or but for a proper election by a taxpayer.

(f) All of the net proceeds from the Series 1978 Bonds will be used to provide land or property subject to the allowance for depreciation under IRC Section 167; no part of the Series 1978 Bond proceeds will be used, directly or indirectly, to provide working capital or inventory for the Tenant.

(g) The Tenant will not use any of the funds provided by the County hereunder in such manner as to impair the exemption of interest on the 1978 Bonds from Federal income taxation nor will it take or omit to take any action so as to impair such exemption.

(h) The construction and the acquisition of the Project began after July 17, 1978.

ARTICLE III

DEMISING CLAUSE AND TITLE INSURANCE

SECTION 3.01. Demise of the Project. The County demises and leases to the Tenant, and the Tenant leases from the County, the Project for the Term and at the rental set forth in Sections 5.02 and 5.03 hereof in accordance with the provisions of this Lease.

SECTION 3.02. Title Insurance. Not later than the time of the delivery of the Series 1978 Bonds, the Tenant will provide a mortgagee title insurance policy (or an appropriate binder) upon the Project issued by a company approved by the Trustee insuring the lien of the Indenture upon the Project, subject to no encumbrances other than Permitted Encumbrances, in an amount equal to the aggregate principal amount of the Series 1978 Bonds. The net proceeds of such insurance shall be used to remedy the title defect resulting in the payment thereof or to the extent not required thereby or in lieu thereof deposited in the Bond Fund established under the Indenture.

ARTICLE IV

ACQUISITION BY CONSTRUCTION AND PURCHASE OF THE PROJECT;
MODIFICATION, IMPROVEMENT AND ADDITIONS TO PROJECT;
ADDITIONAL BONDS;

SECTION 4.01. Acquisition by Construction and Purchase of the Project. The Tenant hereby agrees, subject to and in accordance with the provisions of Section 8.01 hereof, to acquire by construction and purchase the Project or to cause the Project to be acquired by construction and purchase in accordance with the Plans and Specifications and to acquire by construction and purchase all other things deemed necessary by the Tenant in connection with the Project. The Tenant agrees to maintain such records in connection with the acquisition by construction and purchase of the Facilities as to permit ready identification thereof. The Tenant further agrees to use its best efforts to cause such acquisition to be completed as promptly as practicable consistent with the provisions of Section 8.01 hereof.

SECTION 4.02. Issuance of the Bonds. In order to provide funds for payment of the Cost of the Project, the County, as soon as practicable after the execution of this Lease, will issue the Series 1978 Bonds and deliver the proceeds thereof to the Trustee for deposit as follows: (a) in the Bond Fund, a sum equal to the accrued interest and premium, if any, paid by the initial purchasers of the Series 1978 Bonds, and (b) in the Construction Fund, the balance of said proceeds.

The County has, in Section 3.03 of the Indenture, authorized and directed the Trustee to make payments to or at the direction of the Tenant from the Construction Fund to pay the Cost of the Project, upon receipt by the Trustee of

requisitions (upon which both the County and the Trustee shall rely and shall be protected in relying) signed by an Authorized Tenant Representative meeting the requirements set forth in said Section 3.03.

Upon written request from the Tenant to the County to issue Additional Bonds to complete payment of the Cost of the Project, or for any other purpose permitted by Section 2.03 of the Indenture, the County shall use its best efforts to issue such Bonds in one or more Series for such purposes in accordance with the provisions of the Indenture; provided, however, that the failure of the County to issue Additional Bonds shall not release the Tenant from any of its obligations under this Lease, regardless of the reason for such failure.

SECTION 4.03. Revision of Plans and Specifications. The Tenant may revise the Plans and Specifications at any time and from time to time prior to the Completion Date, provided that in the case of any change that would render inaccurate the description of the Facilities contained in Exhibit B to this Lease, there shall be delivered to the Trustee (i) a revised Exhibit B conforming the description of the Facilities with the revision in the Plans and Specifications, the accuracy of which shall have been certified by an Authorized Tenant Representative, and (ii) an opinion of Counsel experienced in matters relating to the validity of and tax exemption of interest on the obligations of states and their political subdivisions stating that the Facilities described in the revised Exhibit B will constitute a "Project" within the meaning of the Act and that the expenditure of moneys in the Construction Fund to pay for the Cost of the Project described therein will not cause the interest on any Bonds then outstanding to be includable in the gross income of the

holders (except any holder who is a substantial user or related person within the meaning of IRC Section 103(b)(7)) of such Bonds for Federal income tax purposes.

SECTION 4.04. Completion Date. When the acquisition by construction and purchase of the Project are substantially completed and the Project has been placed in service, the Tenant shall so notify the Trustee by a certificate of an Authorized Tenant Representative certifying the Completion Date and stating that the acquisition of the Project has been completed in accordance with the Plans and Specifications and that payment of the Cost of the Project or provision therefor has been made except for any items of Cost of the Project not then due and payable or the liability for payment of which is being contested or disputed by the Tenant. Upon receipt of such a certificate of completion, the Trustee shall apply any balance remaining in the Construction Fund not required to pay the Cost of the Project in accordance with Section 3.03 of the Indenture. Notwithstanding the foregoing, the certificate of completion may state that it is given without prejudice to any rights against third parties which exist at the date of such certificate or which may subsequently come into being.

SECTION 4.05. Completion of the Project if Bond Proceeds are Insufficient. If the moneys in the Construction Fund available for payment of the Cost of the Project (including moneys from the proceeds of any Additional Bonds sold pursuant to the terms and provisions of the Indenture to defray the cost of completion of the Project) are insufficient to pay the Cost of the Project in full, the Tenant will complete or cause to be completed the Project and pay or cause to be paid all of that portion of the Cost of the Project in excess of the moneys available

therefor in the Construction Fund. The County does not make any warranty, either express or implied, that the moneys which will be paid into the Construction Fund will be sufficient to pay the Cost of the Project. If the Tenant shall pay any portion of the Cost of the Project pursuant to the provisions of this Section 4.05, it shall not be entitled to any reimbursement therefor (except to the extent of reimbursement from the proceeds of any Additional Bonds sold to defray the cost of completion of the Project) from the County, the Trustee or the holders of any of the Bonds, nor shall it be entitled to any diminution in or postponement of the payments required in Article V of this Lease to be paid by the Tenant.

SECTION 4.06. Additions to Project, Additional Bonds. The Tenant shall have the right, subject to the provisions of Section 8.01 hereof, to make additions to, alterations of, and improvements to the Project, structural or otherwise, and to construct and equip additional Facilities (hereinafter collectively in this Section called "improvements"). The cost of any improvements shall be paid for by the Tenant, or the Tenant at its option and subject to the limitations hereinafter set forth, may request the County to pay for or reimburse the Tenant for the improvements by the sale of Additional Bonds under the Indenture. Such request shall be in writing and shall specify the proposed improvement and the estimated cost thereof. In the event the Tenant requests the County to pay for or reimburse the Tenant for the improvements as aforesaid, the County agrees that if the estimated cost of any such improvements shall equal not less than \$500,000 the County will use its best efforts to issue and sell Additional Bonds aggregating not less than \$500,000 under and pursuant to the provisions and subject to the limitations and conditions set forth in the Indenture and

that it will apply the proceeds of such sale to pay the cost of such improvements. The schedule of payments and the rate of interest on such Additional Bonds shall be subject to the Tenant's approval.

If the County is unable within a period of six months following receipt of the aforesaid request of the Tenant successfully to issue, sell and deliver such Additional Bonds, the Tenant, at its option, may decide not to make the proposed improvements, or may make the proposed improvements at its own cost.

Prior to each issue of Additional Bonds under the Indenture the parties hereto shall enter into a supplement to this Lease. Said supplement to this Lease shall, among other things, modify and extend the Term hereof for a term at least to the date of the last maturity of all Bonds then outstanding including such Additional Bonds and change the Basic Rent to be paid hereunder by an amount sufficient to enable the County to pay the principal of, interest and premium, if any, on the Series 1978 Bonds, any Additional Bonds theretofore issued and the Additional Bonds then proposed to be issued. As and when such revised Basic Rent payments are agreed upon, a supplement to this Lease shall be executed by the parties hereto and recorded in all appropriate public offices necessary to give notice thereof.

SECTION 4.07. Investment of Funds. Any moneys held as a part of the Construction Fund or any other fund created pursuant to the Indenture shall, at the request of the Tenant (or, if the Tenant is in default under this Lease, at the request of the County), be invested or reinvested by the Trustee as provided in Sections 3.01 and 6.03 of the Indenture.

ARTICLE V

LEASE TERM AND RENT PROVISIONS

SECTION 5.01. Term. Subject to the terms and provisions herein contained, this Lease shall be and remain in full force and effect for a term of Twenty (20) years, commencing on December 1, 1978, and ending at midnight on December 1, 1998, unless sooner terminated as herein permitted or extended to the extent permitted under Section 4.06 hereof; provided that if at the expiration of the Term, payment of the Bonds has not been made or provided for in accordance with the Indenture, the Term shall expire on such later date as payment of the Bonds shall have been made or so provided for.

SECTION 5.02. Basic Rent. The Tenant will pay to the County without notice or demand, by check or draft payable in such coin or currency of the United States of America as at the time of payment shall be legal tender for public and private debts, at the main office of First Union National Bank, in Charlotte, North Carolina, Attention: Corporate Trust Department, the following net basic rental (hereinafter called the "Basic Rent"):

(a) At least five business days before each Interest Payment Date with respect to a Series of Bonds, the sum which will equal the interest to be paid on such Series of Bonds on such Interest Payment Date; and

(b) At least five business days before each Principal Payment Date with respect to a Series of Bonds, the sum which will equal the sum of (i) the principal of such Series of Bonds which will become due and payable on such Principal Payment Date, (ii) any applicable redemption

premium and (iii) any accrued interest which will become due and payable on such Principal Payment Date.

If at any Interest Payment Date or Principal Payment Date the balance in the Bond Fund established by the Indenture with the Trustee is insufficient to make the required payments of principal (whether at maturity, by reason of the sinking fund requirements of Sections 4.02 of the Indenture or by mandatory redemption or acceleration as provided in the Indenture) and premium, if any, and interest on such date, the Tenant shall forthwith pay any such deficiency. Any amount at any time held by the Trustee in the Bond Fund shall be credited against the next rental payment to the extent such amount is in excess of the amount required for payment of Bonds theretofore matured or called for redemption and past due interest in all cases where such Bonds have not been presented for payment; and provided further, that if the amount held by the Trustee in the Bond Fund should be sufficient to pay at the times required the principal of, premium, if any, and interest on the Bonds then remaining unpaid, the Tenant shall not be obligated to make any further rental payments under the foregoing provisions of this section. So long as any Bond is outstanding under the Indenture, all such payments shall be made to the Trustee for the account of the County. The Basic Rent shall be absolutely net to the County, free of any taxes, costs, expenses, liabilities, charges or other deduction whatsoever with respect to the Project and the possession, operation, maintenance, repair, rebuilding, use or occupation thereof or of any portion thereof, so that this Lease shall yield the Basic Rent net to or for the account of the County throughout the Term. Nothing herein shall prevent the Tenant from making greater payments of Basic Rent for the purpose of permitting the voluntary prepayment of the Bonds as permitted in the Indenture, or

for any other reason.

SECTION 5.03. Additional Rent. The Tenant will pay on demand, as additional rent, all other amounts, liabilities and obligations which the Tenant herein assumes or agrees to pay, except that the liquidated damages referred to in Section 9.04 and 9.05 hereof shall not constitute additional rent. In the event of any failure on the part of the Tenant to pay any such amounts, liabilities or obligations, the County shall have all rights, powers and remedies provided for herein or by law or equity or otherwise in the case of non-payment of the Basic Rent. The Tenant will also pay the County, on demand as additional rent, interest at the rate of 8% per annum, or at the highest rate permitted by law if less than 8% per annum, (a) on all overdue installments of the Basic Rent from the due date thereof until payment, and (b) except as is otherwise provided in Section 5.05 hereof, on all additional rentals from the date which is thirty days after the receipt by Tenant of the demand therefor if the same are not paid within such thirty days.

SECTION 5.04. Net Lease. This Lease is a net lease and so long as any part of the Bonds are outstanding and unpaid, the obligation to pay Basic Rent, additional rent and all other sums payable hereunder to or for the account of the County, and to perform all other covenants, conditions and agreements hereunder shall be absolute and unconditional without notice or demand and without set-off, counterclaim, abatement, suspension, deduction, diminution or defense for any reason whatsoever.

SECTION 5.05. Performance of Tenant's Obligations by County. If the Tenant at any time shall fail to make any payment or perform any act on its part to be made or

performed under this Lease, then, subject to the provisions of Section 8.13 hereof, the County may (but shall not be obligated to), upon 10 days' prior written notice to the Tenant and without waiving or releasing the Tenant from any obligations or default of the Tenant hereunder, make any such payment or perform any such act for the account and at the expense of the Tenant, and may enter upon the Project for this purpose and take all such action thereon as may be reasonably necessary therefor. No such entry shall be deemed an eviction of the Tenant. All sums so paid by the County and all necessary and incidental costs and expenses (including, without limitation, reasonable attorney's fees and expenses) incurred in connection with the performance of any such act by the County, together with interest at the rate of 8% per annum from the date of the making of such payment or the incurring of such costs and expenses by the County, shall be deemed additional rent hereunder and shall be payable by the Tenant to the County on demand, and the Tenant covenants to pay any such sum or sums with interest as aforesaid.

ARTICLE VI

MAINTENANCE AND MODIFICATION OF THE PROJECT;
REMOVAL OF LEASED EQUIPMENT;
TAXES, UTILITIES AND OTHER CHARGES; INSURANCE

SECTION 6.01. Maintenance and Modification of the Project. The Tenant at its own expense during the Term of this Agreement, will keep and maintain the Project in good repair and in good operating condition. The Tenant will promptly make, or cause to be made, all repairs, interior and exterior, structural and nonstructural, ordinary and extraordinary, foreseen and unforeseen, necessary to keep the Project in good and lawful order and in good operating condition, wear and tear from reasonable use excepted, whether or not such repairs are due to any laws, rules, regulations or ordinances hereafter enacted which involve a change of policy on the part of the government body enacting the same. The Tenant may, also at its own expense, except as provided in Section 4.06 hereof, make from time to time any additions, modifications or improvements to the Project it may deem desirable for its business purposes that do not adversely affect the operating unity of the Project; provided, that all such additions, modifications and improvements located wholly within the boundary lines of the Leased Land shall become a part of the Project unless such additions, modifications or improvements are neither fixtures attached to Projects so as to be determined to be a portion of the real estate comprising the Project, accessions to the Project, nor Leased Equipment as defined in section 6.02 hereof; provided, that any real or personal property, machinery, equipment, furniture or fixtures installed by the Tenant and not part of the Project may be removed by the Tenant at any time and from time to time while it is not in default under the Lease; and provided

further, that any damage to the Project occasioned by such removal shall be repaired by the Tenant at its own expense.

The County shall not be required to rebuild or to make any repairs, replacements or renewals of any nature or description to the Project or to make any expenditure whatsoever in connection with this Lease or to maintain the Project in any way. The Tenant expressly waives the right contained in any law now or hereafter in effect to make any repairs at the expense of the County, as lessor hereunder.

SECTION 6.02. Removal of Leased Equipment. The parties hereto understand that certain machinery, equipment and related property (hereinafter "Leased Equipment") shall be acquired in whole or in part from the proceeds of the Bonds and installed on the Leased Land. The County shall not be under any obligation to renew, repair or replace any inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary Leased Equipment. If no Event of Default under this Lease shall have happened and be continuing, in any instance where the Tenant in its discretion determines that any items of Leased Equipment have become inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary, the Tenant may, subject to the provisions of Section 8.01, remove such items of Leased Equipment from the Leased Land and (on behalf of the County) sell, trade in, exchange or otherwise dispose of them (as a whole or in part) without consent of either the County or the Trustee therefor, provided that the Tenant shall either:

(a) Substitute (either by direct payment of the costs thereof or by advancing to the County the funds necessary therefor) and install anywhere on the Leased Land other machinery, equipment or related property having equal or greater utility (but not necessarily having the same

function) in the operation of the Project for the purpose for which it is intended, all of which substituted machinery, equipment or related property shall be free of all liens and encumbrances (other than Permitted Encumbrances) and shall become a part of the Project; or

(b) Not make any such substitution and installation, provided (i) that in the case of the sale of any such Leased Equipment to anyone other than itself or in the case of the scrapping thereof, the Tenant shall pay to the Trustee, to be deposited in the Bond Fund, the proceeds from such sale or the scrap value thereof, as the case may be, (ii) that in the case of the trade-in of such Leased Equipment for other machinery, equipment or related property not to be installed on the Leased Land, the Tenant shall pay to the Trustee, to be deposited in the Bond Fund the amount of the credit received by it in such trade-in, or (iii) that in the case of the sale of any such Leased Equipment to the Tenant or in the case of any other disposition thereof, the Tenant shall pay to the Trustee, to be deposited in the Bond Fund, an amount equal to the original cost thereof less depreciation at rates calculated in accordance with generally accepted accounting practice.

In the event any removal of machinery, equipment or related property under this section causes damage to existing buildings or structures included in the Project the Tenant shall restore the same or repair such damage at its sole expense.

The removal from the Project of any portion of the Leased Equipment pursuant to the provisions of this section shall not entitle the Tenant to any abatement or diminution of the rents payable under Sections 5.02 and 5.03 hereof.

The Tenant shall promptly report to the Trustee each such removal, substitution, sale and other disposition and shall pay to the Trustee such amounts as are required by the preceding provisions of this section to be paid to the Trustee promptly after the sale, trade-in or other disposition requiring such payment; provided, that no such report and payment need be made until the amount to be so paid on account of all such sales, trade-ins or other disposition not previously reported aggregates at least \$10,000. The County agrees to execute and deliver such documents (if any) as the Tenant may properly request in connection with any action taken by the Tenant in conformity with this section. The Tenant will pay any costs (including counsel fees) incurred in subjecting to the lien of the Indenture any items of machinery, equipment or related property that under the provisions of this section, or Section 6.01 hereof, are to become part of the Project. The Tenant shall not remove, or permit the removal of, any of the Leased Equipment from the Project except in accordance with the provisions of this section.

SECTION 6.03. Payments in Lieu of Taxes. It is recognized that under the provisions of the Act when any project is leased by a county pursuant to the Act the lessee thereof shall be required to make payments to the county, the school district or school districts, and other political unit or units wherein the project shall be located in lieu of taxes, in such amounts as would result from taxes levied on the project by such county, school district or school districts and other political unit or units, if the project were owned by the lessee, but with appropriate reductions similar to the tax exemptions, if any, which would be afforded to the lessee if it were the owner of the project. For the sole purpose of enabling the Tenant to comply with the aforesaid obligation, it is agreed that the County in

cooperation with the Tenant (i) shall cause the Project to be valued as if privately owned as aforesaid for purposes of said taxes by the South Carolina Tax Commission or such other appropriate officer or officers as may from time to time be charged with responsibility for making such valuations; (ii) shall cause to be appropriately applied to the valuation or valuations so determined the respective rate or rates of such taxes that would be applicable to the Project if so privately owned; and (iii) shall cause the respective appropriate officer or officers charged with the duty of levying and collecting such taxes to submit to the Tenant, when the respective levies are made upon property privately owned as aforesaid, a statement specifying the amount and due date of such taxes which the county, school district or school districts and other political unit or units having taxing powers would receive if the Project were so privately owned; and the Tenant shall file any account or tax returns required with the appropriate officer or officers. The Tenant shall pay to the aforesaid taxing authorities when due all such payments in lieu of taxes with respect to the Project required by the Act to be paid to the aforesaid taxing authorities subject in each case to the Tenant's right to obtain exemptions (and discounts), if any, therefrom which would be afforded to a private owner of the Project and to seek to obtain a refund of any such payments made, and to contest the same in the manner and to the extent provided in Section 8.13 hereof in the case of taxes and other governmental charges. The Tenant's obligation to make such additional payments shall continue only so long as and to the extent the Tenant is required by law to pay the aforesaid amounts in lieu of taxes.

SECTION 6.04. Taxes, Utilities and Other Governmental Charges. The County and the Tenant acknowledge that: (i) pursuant to the Act, no part of the Project owned

by the County will be subject to taxation in South Carolina; (ii) under present law the income and profits (if any) of the County from the Project are not subject to either Federal or South Carolina taxation and under present law there is no tax imposed upon leasehold estates in South Carolina, and (iii) these factors, among others, have induced the Tenant to enter into this Lease. However, in addition to the payments in lieu of taxes referred to in Section 6.03 hereof and any other taxes and governmental charges that may lawfully be assessed, levied or imposed against it, the Tenant will, subject to Section 8.13 hereof, pay as the same respectively become due: (x) all taxes and governmental charges of any kind whatsoever that may be lawfully assessed, levied or imposed against the County with respect to the Project or any machinery, equipment or other property installed or brought by the Tenant therein or thereon; (y) all utility and other charges incurred in the operation, maintenance, use and occupancy of the Project; and (2) all assessments and charges lawfully made by any governmental body for public improvement to the Project.

SECTION 6.05. Miscellaneous Charges. The Tenant agrees, subject to Section 8.13 hereof, during the Term hereof to pay and discharge as additional rent, punctually as and when the same shall become due and payable, each and every cost, expense and obligation of every kind and nature, including reasonable Trustee fees and expenses and Paying Agent fees, foreseen or unforeseen, for the payment of which the County or the Tenant is or shall become liable by reason of its estate or interest in the Project or any portion thereof, by reason of any right or interest of the County or the Tenant in or under this Lease, or by reason of or in any manner connected with or arising out of the possession, operation, maintenance, alteration, repair, rebuilding, use or occupancy of the Project.

SECTION 6.06. Insurance. (a) The Tenant will at its expense continuously maintain or cause to be maintained insurance under valid and enforceable policies with insurers of recognized responsibility ensuring against such risks as are customarily insured against by businesses of like size and character, paying as and when the same become due all premiums with respect thereto, including but not necessarily limited to:

(i) Fire and Extended Coverage. Policies of insurance against loss or damage by fire, with standard extended coverage endorsement covering loss or damage, by lightning, windstorm, explosion, aircraft, smoke damage, vehicle damage, sprinkler leakage, vandalism, malicious mischief and such other risks as are normally covered under such endorsement in amounts that are not less than the full insurable value of the Facilities with deductible provisions not exceeding \$10,000. The term "full insurable value," as used in this Lease, means the actual replacement value. During the construction of the Facilities, the Tenant shall keep, or cause the contractor doing the construction to keep, the Facilities insured under Builders Risk insurance (or similar insurance) in such amount as is required in this paragraph.

(ii) Public Liability. General comprehensive public liability insurance against liability for bodily injury to or death of persons and for damage to or loss of property occurring on or about the Project and the adjoining sidewalks and passageways, or in any way related to the operations of the Facilities, in the minimum amounts of \$1,000,000 for death of or bodily injury to any one person, \$5,000,000 for total death and bodily injury claims resulting from any one accident, and \$1,000,000 for property damage. Policies for such insurance shall be for the mutual

benefit of the County and the Tenant.

(b) All policies of insurance required pursuant to this section may be in the form of blanket policies of insurance. All policies of insurance required by paragraph (a)(i) of this section shall name the County and the Tenant or the contractor, as the case may be, as the assureds and shall contain standard mortgagee clauses requiring that all net proceeds of insurance resulting from any claim in excess of \$10,000 for loss or damage covered thereby to be paid to the Trustee. The net proceeds of all policies required by paragraph (a)(ii) of this section shall be applied toward extinguishment or satisfaction of the liability with respect to which such insurance proceeds may be paid. All such policies shall, to the extent obtainable, provide that any loss shall be payable notwithstanding any act of negligence of the Tenant which might otherwise result in forfeiture of said insurance.

In the event no Bonds of the County remain outstanding, the policies of insurance described in this section shall provide that the loss, if any, shall be payable to the Tenant and the County as their interest may appear. Any claims under the policies of insurance described in this section shall be adjusted by and at the expense of the Tenant or its insurance carrier, provided, that the proceeds from such insurance shall be applied pursuant to the terms of this Lease.

The policies of insurance required by this section shall contain an undertaking by the respective insurers, to the extent obtainable, that such policies shall not be modified adversely to the interests of the County or the Trustee or cancelled without at least ten (10) days' prior written notice to the County and the Trustee.

SECTION 6.07. Tenant to Furnish Proof of Insurance, Payment of Taxes, etc. The Tenant covenants to furnish to the County, promptly upon request, proof of the payment of any tax, assessment, governmental charge, any utility charge, or other charge, which is payable by the Tenant as provided in this Lease and the Tenant shall cause certificates from the insurers evidencing the existence of all insurance policies required by Section 6.06 hereof to be filed with the Trustee; and at least ten (10) days prior to the expiration of any such policy the Tenant shall furnish the Trustee with evidence satisfactory to the latter, that the policy has been renewed or replaced or is no longer required by this Lease.

ARTICLE VII

CASUALTY AND CONDEMNATION; PURCHASE OF PROJECT DUE TO CASUALTY OR CONDEMNATION

SECTION 7.01. Damage and Destruction. If, while any Bonds are outstanding, all or any part of the Project shall be destroyed or damaged, the Tenant shall promptly notify the County, and at the Tenant's expense (whether or not the insurance proceeds hereinafter mentioned are sufficient for this purpose) the Tenant shall, except as otherwise permitted herein, promptly and diligently rebuild, restore, replace and repair the same in such manner as to restore the Project to at least the value thereof immediately prior to such damage or destruction. So long as any of the Bonds shall be outstanding, and upon Tenant's compliance with the provisions of the Indenture, including without limitation Section 6.08 thereof, and the receipt by the Trustee of the certificates and instruments referred to in the aforesaid Section 6.08, the Trustee shall pay to the Tenant from the insurance proceeds received and held by the Trustee on account of such damage or destruction the cost of the repairs, rebuilding or restoration, as certified to the Trustee in accordance with Section 6.08 of the Indenture, up to the full amount of such insurance proceeds and the Trustee shall apply the balance, if any, of such insurance proceeds to the payment of the principal of, and premium, if any on the Bonds and for the redemption of the Bonds prior to maturity as provided in the Indenture. Any balance of such insurance proceeds exceeding the amount necessary to redeem all Bonds then outstanding shall be paid to the Tenant. If, during the Term, the entire Project or any material part thereof, shall be damaged or destroyed (a) to such an extent as to render the Project unsuitable to the Tenant for the purpose for which the same were used

immediately prior to such damage or destruction and the Tenant, in its sole discretion deems it unwise to rebuild, repair or restore the Project, or (b) to such an extent that the restoration cost would exceed by 25% the proceeds of insurance, the Tenant, in lieu of rebuilding, repairing or restoring the Project, shall have the option to purchase the remainder of the Project. Such purchase shall be made in accordance with Section 10.02 hereof. For the purpose of this Article loss of "any material part" of the project shall mean a loss due to damage, destruction or a taking referred to in Section 7.02 hereof in each event exceeding 25% of the aggregate principal amount of the Bonds authorized and issued pursuant to the Indenture.

SECTION 7.02. Condemnation. If, during the Term, all or any part of the Project shall be taken by the exercise of the power of eminent domain or condemnation, the County and the Tenant shall, subject to all the terms of this Lease, be entitled to, and shall receive, the entire award for the taking. So long as any of the Bonds of the County remain outstanding, the County and the Tenant hereby irrevocably assign all their right, title and interest in and to such award or awards to the Trustee under the Indenture, and the County and the Tenant shall immediately pay the same to the Trustee, as Trustee, and any such award or awards shall be held and disbursed as provided herein.

If less than any material part of the Project as defined in Section 7.01 hereof, shall be taken by exercise of the power of eminent domain or condemnation, this Lease shall nevertheless continue in full force and effect without abatement of rent (except such rental reduction as is expressly provided pursuant to Section 5.02 hereof). If such taking shall have caused damage to, or necessitated restoration or rebuilding of any of the improvements on the

Project, the Tenant, at its sole cost and expense, shall promptly and diligently restore and rebuild such improvements 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 Tenant, whether or not the net award is sufficient for this purpose. So long as any Bonds of the County remain outstanding, upon compliance with the provisions of the Indenture applicable thereto and the receipt by the Trustee of the certificates and instruments provided for in such provisions, the Trustee shall assign and pay over to the Tenant such portion of the net award as will reimburse the Tenant for the cost of the restoration and rebuilding, if any, as is so certified up to the full amount of the net award, and if there shall remain any balance of such net award, the Trustee shall apply the balance, if any, of the net award to the payment of the principal of, and premium, if any, on the Bonds and for the redemption of the Bonds prior to maturity as provided in the Indenture. In lieu of such rebuilding or restoring as herein provided, the Tenant may direct that the entire amount of the net award be used by the Trustee to repay and redeem the Bonds as provided in the Indenture. For the purposes of this Article the term "net award" shall mean the entire award less all expenses incurred by the County or the Tenant in collecting such award.

If title to, or the temporary use or control of, all or any material part of the Project shall be taken by the exercise of the power of eminent domain or condemnation, or if such use or control of all or a material part of the Project shall be so taken as to render the Project unsatisfactory to the Tenant, in its sole discretion, for the purpose for which the same was used immediately prior to such taking or condemnation, the Tenant shall have the option to purchase the remaining portion of the Project not

taken. Such purchase shall be made in accordance with Section 10.02 hereof.

In any case, any balance of the net award exceeding the amount necessary to redeem all Bonds then outstanding shall be paid to the Tenant by the Trustee in accordance with the provisions of the Indenture.

SECTION 7.03. Damage, Destruction or Condemnation When No Bonds Outstanding. Notwithstanding any other provisions hereof, in the event of the damage, destruction or condemnation of all or any part of the Project when the Bonds are no longer outstanding, the Tenant may upon written notice elect, (a) to effect such repair or restoration to the Project as may be necessary from its own funds and this Lease shall continue in effect in accordance with its terms, or (b) to purchase the Project or the remaining portions of the Project in accordance with Section 10.02 hereof, and the Tenant shall have no further liability hereunder. In either event, so long as no Bonds are outstanding, the County shall pay to the Tenant the insurance proceeds payable on account of the damage or destruction or the net award for the taking by condemnation, as the case may be.

ARTICLE VIII

PARTICULAR COVENANTS AND AGREEMENTS

SECTION 8.01. Restrictions on Actions Affecting Exemption of Interest on Bonds: (a) The County and the Tenant each covenant with the other and with the Trustee and the holders from time to time of the Bonds that no use will be made of the proceeds from the issue and sale of the Bonds which, if such use had been reasonably expected on the date of issuance of the Bonds, would have caused the Bonds to be "arbitrage bonds" within the meaning of IRC Section 103(c), and regulations promulgated thereunder as in effect at the time of such use and applicable to obligations issued on the date of issuance of the Bonds. Pursuant to such covenant the County and the Tenant jointly and severally obligate themselves, so long as any of the Bonds are outstanding, to comply with the requirements of IRC Section 103(c) and of all regulations and proposed regulations of the United States Department of the Treasury promulgated thereunder, to the extent such requirements are, at the time, applicable to the Bonds.

(b) The Tenant covenants that the aggregate amount of capital expenditures (exclusive of capital expenditures not taken into account as specified in IRC Section 103(b)(6)(F) paid or incurred by it, or any related person as that term is defined in IRC Section 103(b)(6)(C), with respect to the Project or any other facility that is taken into account for the purposes of IRC Section 103(b)(6)(D)(ii) by reason of IRC Section 103(b)(6)(E) within three years after the date of issuance of the Series 1978 Bonds (other than the sale of the Series 1978 Bonds) will not, when added to the aggregate amount of the Series 1978 Bonds issued with respect to the Project and any other

facility that is taken into account for the purposes of IRC Section 103(b)(6)(D)(ii) by reason of IRC Section 103(b)(6)(E) and the aggregate amount of capital expenditures not taken into account as specified in IRC Section 103(b)(6)(F), if any, paid or incurred with respect to the Project or any other facility that is taken into account for the purposes of IRC Section 103(b)(6)(D)(ii) by reason of IRC Section 103(b)(6)(E) within three years prior to the date of issuance of the Series 1978 Bonds, exceed \$5,000,000 or such other applicable dollar amount of capital expenditures then permitted by law. The Tenant further covenants that it will not take any other action or omit to take any action which would cause the loss of the exemption of interest on the Bonds (including the Series 1978 Bonds) from Federal income taxes. All references to the IRC mean the IRC as it applies to any particular Series of Bonds.

SECTION 8.02. No Covenant of Quiet Possession.

The County does not make any representation or covenant that the Tenant shall have quiet and peaceful possession of the Project provided, however, the County agrees that it will not take any action to interfere with the Tenant's peaceful and quiet enjoyment of the Project and the County agrees that in the event the peaceful and quiet enjoyment of the Project shall be denied to the Tenant or contested by anyone, the County shall upon request of the Tenant join where necessary in any proceeding to protect and defend the quiet enjoyment of the Tenant, provided that the Tenant shall pay the entire cost of any such proceeding, reimburse and indemnify and hold harmless the County from any cost or liability whatsoever. The provisions of this section shall be subject and subordinate to the obligations of the Tenant set forth in Article V hereof.

SECTION 8.03. Condition and Title of Project. The

Tenant acknowledges that it has examined the premises described in Exhibit A attached hereto and the state of the County's title thereto prior to the making of this Lease and knows the condition and state thereof as of the day of the execution hereof, and accepts the same in said condition and state; that no representations as to the condition or state thereof have been made by representatives of the County; and that the Tenant in entering into this Lease is relying solely upon its own examination thereof. The County shall not be liable to the Tenant for any damages resulting from failure of or any defect in the Tenant's title which interferes with, prevents or renders burdensome the use or occupancy of the Project or the compliance by the Tenant with any of the terms of this Lease, or from any cause whatsoever, and no such failure of or defect in the County's title or delay shall terminate this Lease or entitle the Tenant to any abatement, in whole or in part, of any of the rentals or any other sums provided to be paid by the Tenant pursuant to any of the terms of this Lease.

The County makes no warranty, either express or implied, that the Project will be suitable for the Tenant's purposes or needs.

SECTION 8.04. No Conveyance of Title by the County. The County covenants and agrees that, during the Term of this Lease, it will not convey, or suffer to permit the conveyance of, by any voluntary act or omission on its part, its title to the Project to any person, firm or corporation whatsoever irrespective of whether any such conveyance or attempted conveyance shall recite that it is expressly subject to the terms of this Lease, provided, however, that nothing herein shall restrict the conveyance or transfer of the Project in accordance with any terms or requirements of this Lease or of the Indenture.

SECTION 8.05. Primary Use. The Tenant is granted and shall have the right during the Term of this Lease to occupy and use the Project for any lawful purpose authorized pursuant to the Act. Insofar as it is practicable under existing conditions from time to time during the Term of this Lease, the Project shall be used primarily as an industrial facility for the manufacture of air and oil filters.

SECTION 8.06. Right to Inspect. The Tenant agrees that the County, the Trustee and their, or either of their, duly authorized agents shall have the right to enter the Project at all reasonable times (i) to examine and inspect the same, or (ii) to make any necessary repairs to the Facilities and to perform any work therein that may be necessary by reason of the Tenant's default under the terms of this Lease.

SECTION 8.07. Release of Certain Land. Notwithstanding any other provisions of this Lease, the parties hereto reserve the right, at any time and from time to time, to amend this Lease for the purpose of effecting the release of and removal from this Lease of any part of the Leased Land on which no part of the Facilities is situated, or any part of the Leased Land with respect to which the County proposes to grant an easement or convey fee title to a railroad, public utility or public body in order that railroad service, utility services or roads may be provided for the Project. Provided, however, that if at the time any such amendment is made any of the Bonds are outstanding and unpaid such amendment shall not be effective unless and until there are deposited with the Trustee the following:

(a) Copies of any such amendment to this Lease as

executed.

(b) A resolution of the County Council (i) stating that the County is not in default under any of the provisions of the Indenture and that the County and the Tenant are not to the knowledge of the County in default under any of the provisions of this Lease, (ii) giving an adequate legal description of that portion of the Leased Land to be released, (iii) stating the purpose for which the release is desired, (iv) stating that the improvements, if any, to be constructed upon that portion of the Leased Land to be released, will promote the continued industrial development of the County, (v) requesting such release, and (vi) approving any such amendment to this Lease.

(c) Evidence of the authority of the officer of the Tenant who executes such amendment to this Lease.

(d) A resolution of the Board of Directors of the Tenant or a certificate of the President or a Vice President of the Tenant or an opinion of counsel for the Tenant stating that the Tenant is not then in default under this Lease.

(e) If applicable, a copy of the instrument granting the easement or conveying title to a railroad, public utility or public body.

(f) A certificate executed by an Independent Engineer as hereinafter defined, dated not more than ninety days prior to the date of the release stating that, in his opinion: (i) the portion of the Leased Land so proposed to be released is necessary or desirable in order to obtain railroad service, utility services or

roads to benefit the Project, or is not otherwise needed for the operation of the Project for the purpose hereinabove stated, and (ii) the release so proposed to be made will not impair the character or significance of the Project for the purpose for which it was designed or last modified and will not destroy the means of ingress thereto and egress therefrom.

Any portion of the Leased Land purchased from the County by the Tenant for its own use under the provisions of this Section shall be at a purchase price which is equal to the price per acre paid by the County, said price being \$_____ per acre. The purchase price so received shall be deposited in the Bond Fund.

No release effected under the provisions of this section of the Lease shall entitle the Tenant to any abatement or diminution of the rents payable under Section 5.02 and 5.03 hereof.

"Independent Engineer", as used in this section and in Section 8.08 hereof, shall mean any engineer or engineering firm or an architect or an architectural firm qualified to practice the professions of engineering or architecture under the laws of South Carolina and who or which is not an officer or a full time employee of the Tenant or the County.

SECTION 8.08. Granting Easements. If neither the County nor the Tenant is then in default, the County at the request of the Tenant shall from time to time, grant easements, licenses, rights-of-way (including the dedication of public highways), party wall agreements and other rights or privileges in the nature of easements with respect to the Project or may release or terminate existing easements,

licenses, rights-of-way and other rights or privileges with or without consideration; and the County agrees that it shall execute and deliver any instrument necessary or appropriate to grant or release any such easement, license, right-of-way, party wall agreement or other right or privilege upon receipt of: (a) a copy of the instrument of grant or release; (b) a written application signed by the Authorized Tenant Representative requesting such instrument; and (c) a certificate executed by an Independent Engineer as defined in Section 8.07 hereof, dated not more than ninety days prior to the date of the release or grant stating that, in his opinion: (i) such grant or release is not detrimental to the proper conduct of the business of the Tenant pertaining to the Project, and (ii) such grant or release will not impair the character or significance of the Project for the purpose for which it was designed or last modified and will not destroy the means of ingress thereto and egress therefrom. No release or grant effected under the provisions of this section of this Lease shall entitle the Tenant to any abatement or diminution of the rents payable under Section 5.02 and 5.03 hereof.

SECTION 8.09. Indemnification. The Tenant covenants and agrees, at its expense, to pay, and to indemnify and save the County and the Trustee harmless against and from any and all claims by or on behalf of any person, firm, corporation or governmental authority, arising from the occupation, use, possession, conduct or management of or from any work done in or about the Project or from the subletting of any part thereof, including any liability for violation of conditions, agreements, restrictions, laws, ordinances or regulations affecting the Project or the occupancy or use thereof. The Tenant also covenants and agrees, at its expense, to pay, and to indemnify and save the County and the Trustee harmless against and from any and

all claims arising from (i) any condition of the Project and the adjoining sidewalks and passageways, (ii) any breach or default on the part of the Tenant in the performance of any covenant or agreement to be performed by the Tenant pursuant to this Lease, (iii) any act or negligence of the Tenant, or any of its agents, contractors, servants, employees or licensees, or (iv) any accident, injury or damage whatever caused to any person, firm or corporation, in or about the Project or upon or under the sidewalks and from and against all costs, reasonable counsel fees (as defined in Section 9.03 hereof), expenses and liabilities incurred in any action or proceeding brought by reason of any claim referred to in this section. In the event that any action or proceeding is brought against the County or the Trustee by reason of any such claim, the Tenant, upon notice from the County or the Trustee, covenants to resist or defend such action or proceeding by counsel reasonably satisfactory to the County or the Trustee.

SECTION 8.10. Limitation of County's Liability.

Anything herein to the contrary notwithstanding: (a) any obligation the County may incur hereunder, including for the payment of money, shall not be deemed to constitute a debt or general obligation of the County but shall be payable solely and exclusively from the revenues and receipts derived by the County from the leasing or sale of the Project; (b) the County's obligations under any contracts which may be assigned to it pursuant to any provision of this Lease shall be limited to the proceeds of the Bonds or other moneys available to the County hereunder or under the Indenture; (c) the County may require as a condition to the participation by it with the Tenant in any contests or in obtaining any license or permits or other legal approvals a deposit by the Tenant of such amount as determined by the County to be reasonable to assure the reimbursement to the

County of the costs incurred by it in such participation, with any amount of such deposit in excess of such costs to be returned to the Tenant; and (d) the liability of the County for any breach of any of the representations or warranties by it set forth herein shall be limited solely and exclusively to the revenues and receipts derived by it from the leasing or sale of the Project.

SECTION 8.11. No Claim Against County. Except as specifically provided herein, nothing contained in this Lease shall constitute any consent or request by the County, expressed or implied, for the performance of any labor or services or the furnishing of any materials or other property in respect of the Project or any part thereof, nor give the Tenant any right, power or authority to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any claim against the County. The County shall have the right to post and keep posted at all reasonable times on the Project any notices which the County shall be required to post for the protection of the County and the Project from the perfection of any lien.

SECTION 8.12. Liens. Subject to Section 8.13 hereof, the Tenant will not create or permit to be created or to remain, and will discharge, any lien, encumbrance or charge (other than Permitted Encumbrances) upon the Project or any part thereof or upon the Tenant's leasehold interest therein.

SECTION 8.13. Permitted Contests. The Tenant shall not be required to pay, discharge or remove any tax, lien or assessment, or any mechanic's, laborer's or materialman's lien or encumbrance, or any other imposition

or charge against the Project or any part thereof, or comply with any law, ordinance, order, rule, regulation or requirement, so long as the Tenant shall, after prior written notice to the County and the Trustee if there shall then be any Bonds outstanding, at the Tenant's expense, contest the same or the validity thereof in good faith, by action or inaction which shall operate to prevent the collection of the tax, lien, assessment, encumbrance, imposition or charge so contested, or the enforcement of such law, ordinance, order, rule, regulation or requirement, as the case may be, and the sale of said Project or any part thereof to satisfy the same or to enforce such compliance. Such contest may be made by the Tenant in the name of the County or of the Tenant or both, as the Tenant shall determine and the County agrees that it will, at Tenant's expense, cooperate with the Tenant in any such contest to such extent as the Tenant may reasonably request. It is understood, however, that the County shall not be subject to any liability for the payments of any costs or expenses in connection with any such proceeding brought by the Tenant, and the Tenant covenants to pay, and indemnify and save harmless the County from, any such costs or expenses. Pending any such proceeding the County shall not have the right to pay, remove or cause to be discharged any such tax, lien, assessment, encumbrance, imposition or charge, thereby being contested, provided that the Tenant shall have given such security as may be required in the proceeding and such reasonable security as may be demanded by the County or the Trustee if there shall then be any Bonds Outstanding, or both, to insure such payment and prevent any sale or forfeiture of the Project or any part thereof by reason of such nonpayment or noncompliance, and provided further that the County would not be in substantial danger of civil or any danger of criminal liability by reason of such nonpayment or noncompliance.

SECTION 8.14. No Termination or Abatement for Damage or Destruction, Etc. Except as otherwise expressly provided herein and so long as any of the Bonds are Outstanding, this Lease shall not terminate, nor shall the Tenant have any right to terminate this Lease or be entitled to the abatement of any rent or any reduction thereof, nor shall the obligations hereunder of the Tenant be otherwise affected, by reason of any damage to or the destruction of all or any part of the Project from whatever cause, the loss or theft of the Facilities or any part thereof, the taking of the Project or any portion thereof by condemnation or otherwise, the prohibition, limitation or restriction of the Tenant's use of the Project or the interference with such use by any private person or corporation, or by reason of any eviction by paramount title or otherwise, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the Basic Rent and additional rent reserved hereunder shall continue to be payable in all events and the obligations of the Tenant hereunder shall be terminated only pursuant to an express provision of this Lease.

The Tenant acknowledges that the County has made no representations as to the condition or manner of construction of the Facilities. This Lease shall not terminate, nor shall the Tenant have any right to terminate this Lease, or be entitled to the abatement of any rent or any reduction thereof, nor shall the obligations hereunder of the Tenant be otherwise affected by reason of or due to the condition of the Project including the Facilities either before, during or after construction or by reason of or due to any failure to complete the construction of the Facilities.

The obligations of the Tenant to make the payments required in Article V and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional. Until such time as the principal of and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, the Tenant (i) will not suspend or discontinue any payments provided for in Article V hereof, (ii) will perform and observe all of its other agreements contained in this Lease, and (iii) except as provided in Article X hereof will not terminate this Lease for any cause, including, without limiting the generality of the foregoing, failure to complete the Facilities, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Facilities, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of South Carolina or any political subdivision of the State of South Carolina or any failure of the County to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Lease.

SECTION 8.15. No Termination for Insolvency, Etc., of County. Except as provided in Article X hereof, the Tenant covenants and agrees that it will remain obligated under this Lease in accordance with its terms and that the Tenant will not take any action to terminate, rescind, or avoid this Lease, notwithstanding the bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution, winding up or other proceeding affecting the County or any assignee of the County in any such proceeding and notwithstanding any action with respect to this Lease which may be taken by any trustee or receiver of or by any court in any such proceeding.

SECTION 8.16. Tenant Subrogated to the County's Rights. To the extent of any payments (except the payment in lieu of taxes made by the Tenant pursuant to Section 6.02 hereof) of additional rent by the Tenant under this Lease, the Tenant, if and to the extent permitted by law, shall be subrogated to the County's rights in respect to the proceedings or matter which resulted in the payment of additional rent hereunder, and any recovery by the County or release to the County of moneys in such proceedings or matter shall, if and to the extent permitted by law, be used to reimburse the Tenant for the amount of such additional rent so paid by the Tenant, provided always that the Basic Rent is paid in the manner and at the times herein set forth.

SECTION 8.17. Waiver of Rights by the Tenant. So long as any of the Bonds are outstanding the Tenant waives, to the extent legally permissible, all rights now or hereafter conferred by law (i) to quit, terminate or surrender this Lease or the Project or any part thereof, or (ii) to any abatement, suspension, determent or reduction of the Basic Rent or additional rent or any other sums payable under this Lease, except as otherwise expressly provided herein, regardless of whether such rights shall arise from any present or future constitution, statute or rule of law.

SECTION 8.18. Non-Waiver by County. No failure by the County or by any assignee to insist upon the strict performance of any provision hereof or to exercise any right, power or remedy consequent upon a breach thereof, and no acceptance of the Basic Rent or other rent, in full or in part, during the continuance of such breach, shall constitute a waiver of such breach or of such provision. No waiver of any breach shall affect or alter this Lease or constitute a waiver of a then existing or subsequent breach.

SECTION 8.19. Compliance With Laws. The Tenant, subject to Section 8.13 hereof, will throughout the Term of this Lease and, at no expense to the County, promptly comply or cause compliance with all laws, ordinances, orders, rules, regulations and requirements of duly constituted public authorities, which may be obligatory upon the Tenant or the County and applicable to the Project, the repair and alteration thereof (including, without limitation, the Facilities and the streets, sidewalks and passageways adjoining the Project) and the use or manner of use of the Project, whether or not such laws, ordinances, orders, rules, regulations and requirements are foreseen or unforeseen, ordinary or extraordinary, and whether or not they shall involve any change of governmental policy or shall require structural or extraordinary repairs, alterations or additions, irrespective of the cost thereof; provided, however, that if no Bonds of the County are outstanding, the Tenant, in lieu of compliance with such laws, orders, rules, regulations and requirements, or the making of such additions, changes or alterations, may elect to terminate this Lease or to purchase the Project in accordance with Section 10.02 hereof, and in either such event, shall have no further liability hereunder. With regard to County, the Tenant accepts the Project in its condition on the date of commencement of the term of this Lease, and assumes all risks, if any, resulting from any present or future, latent or patent defects therein or from the failure of the Project to comply with all legal requirements applicable thereto, reserving however, any and all rights of the Tenant with respect to parties other than the County.

SECTION 8.20. Recording and Filing. The Tenant, at its own expense, shall cause this Lease and every supplement, assignment and modification hereof to be

recorded in such public office or offices as may be at the time provided by law as the proper place for the recordation of a deed conveying the Project. This Lease as originally executed shall be so recorded prior to the recordation of the Indenture.

SECTION 8.21. Qualification in State of South Carolina. The Tenant covenants that throughout the Term of this Lease it will continue to be duly qualified to do business in the State of South Carolina.

SECTION 8.22. Financial and Other Information, and Reports. The Tenant will keep books of record and account in accordance with generally accepted principals of accounting and will furnish to the County and the Trustee the following:

(a) Within 120 days following the close of each fiscal year of the Tenant occurring within two years after the issuance of the Series 1978 Bonds, a statement of the aggregate amount of capital expenditures made or incurred with respect to or attributable to the Project during the period beginning with the date of the last statement filed with the Trustee and ending on the last day of the preceding fiscal year; within 120 days following the third anniversary date of the issuance of any of the Series 1978 Bonds, a statement of the aggregate amount of capital expenditures made or incurred during the period beginning with the date of the last statement filed and ending on such anniversary date; and within thirty (30) days after it has made or incurred the maximum amount of capital expenditures permitted under IRC Section 103(b)(6)(D) of the Code a statement to that effect. Each such statement shall set forth (i) a description of the expenditures which are capital expenditures under IRC Section 103(b)(6)(D)(ii) and

shall take into account facilities referred to in IRC Section 103(b)(6)(E) in computing such capital expenditures, and (ii) a description, and the reason for the exclusion, of any capital expenditures which the Tenant has not taken into account under IRC Section 103(b)(6)(F);

(b) Immediately upon becoming aware of the existence of any condition or event which constitutes a default or an Event of Default hereunder, a written notice specifying the nature and period of existence thereof and what action the Tenant is taking and proposes to take with respect thereto;

(c) Immediately upon becoming aware that the holder of any Bonds or of any evidence of indebtedness or other security of the Tenant or any subsidiary has given notice or taken any other action with respect to a claimed default or Event of Default, a written notice specifying the notice given or action taken by such holder and the nature of the claimed default or Event of Default and what action the Tenant is taking or proposes to take with respect thereto; and

(d) With reasonable promptness, such other data and information as from time to time may be reasonably requested.

ARTICLE IX

SUBLET OR ASSIGNMENT OF PROJECT; REPOSSESSION; MERGER, CONSOLIDATION OR TRANSFER OF ASSETS BY TENANT; SURVIVAL OF TENANT'S OBLIGATION

SECTION 9.01. Sublet or Assignment. The Tenant may sublet the Project or any part thereof and may assign or otherwise transfer all of its rights and interest hereunder with the written consent of the County which consent shall not be unreasonably withheld; provided (a) that no assignment, transfer or sublease shall affect or reduce any of the obligations of the Tenant hereunder, but all obligations of the Tenant hereunder shall continue in full force and effect as the obligations of a principal and not of a guarantor or surety, and (b) that the Tenant shall give the County and the Trustee under the Indenture not less than 30 days prior written notice of any such proposed assignment, transfer or sublease.

SECTION 9.02. Collection of Rent from Others; No Release of Tenant. If this Lease be assigned or transferred, or if the Project or any part thereof be sublet or occupied by anybody other than the Tenant, the County may, after default by the Tenant, collect rent from the assignee, transferee, subtenant, or similar occupant, and apply the net amount collected to the Basic Rent and any other amounts reserved hereunder, but no such assignment, transfer, subletting, occupancy or collection shall be deemed the acceptance of the assignee, transferee, subtenant or similar occupant as tenant of the County, or a waiver or release of the Tenant from the performance of the terms, covenants and conditions of this Lease to be performed by the Tenant. Any violation of any provision of this Lease, whether by act or omission, by an assignee, transferee,

subtenant, or similar occupant, shall be deemed a violation of such provision by the Tenant and the Tenant shall assume and be liable to the County for all and any acts and omissions of any and all assignees, transferees, subtenants and similar occupants.

SECTION 9.03. Repossession and Reletting. At any time after termination of this Lease pursuant to Section 11.02 hereof, the County without further notice may enter upon and repossess the Project and may remove the Tenant and all other persons and any and all property from the Project. Prior to the termination of this Lease pursuant to Section 11.02 hereof and without any obligation on the part of the County to terminate this Lease, if an Event of Default occurs and shall be continuing, the County shall also have the right of entry and of repossession, and removal, after not less than 30 days prior written notice to the Tenant of its intent to exercise such right and specifying the nature of the Event of Default, provided such Event of Default shall have not been cured prior to the expiration of said 30 days period and such right shall not be in contravention of the laws of South Carolina. In the event of the exercise of such latter right without termination of this Lease, this Lease shall continue in full force and effect for the balance of its Term except that the Tenant shall have no right of possession from the date of the exercise of such right; provided that the exercise of such right by the County shall not preclude the subsequent exercise of any other right of the County under this Lease, including the right of termination pursuant to Section 11.02 hereof. The County shall be under no liability for or by reason of any such entry, repossession or removal.

At any time or from time to time after reentering and taking possession of the Project, with or without

terminating this Lease pursuant to Section 11.02 hereof, the County shall use its best efforts (but shall be under no obligation) to relet the Project or any part thereof for the account of the Tenant, in the name of the Tenant or the County, or otherwise without notice to the Tenant, for such term or terms (which may be greater or less than the period which would otherwise have constituted the balance of the Term of this Lease), on such conditions and for such uses as the County in its discretion may determine; and the County may collect and receive the rents therefor. The County shall not be responsible or liable for any failure to relet the Project or any part thereof, or for any failure to collect any rent due upon any such reletting.

The Tenant covenants and agrees to pay, and to indemnify the County and the Trustee against, all costs and charges, including reasonable counsel fees, lawfully and reasonably incurred in obtaining possession of the Project after an Event of Default of the Tenant or upon expiration or earlier termination of the Term hereof, or in enforcing any covenant or agreement of the Tenant contained in this Lease.

SECTION 9.04. Tenant's Obligations to Survive Repossession. Except as hereinafter provided, no termination of the Term of this Lease pursuant to Section 11.02 hereof or repossession of the Project pursuant to Section 9.03 shall relieve the Tenant of its liability and obligations hereunder all of which shall survive any such termination or repossession.

In the event of the termination of the Term of this Lease pursuant to Section 11.02 hereof, the Tenant shall pay to the County the Basic Rent and all additional rent and other charges required to be paid, and not theretofore paid,

under this Lease, or otherwise, by the Tenant up to the time of such termination; and thereafter the Tenant, until the end of what would have been the Term of this Lease shall be liable for and shall pay to the County, as and for liquidated and agreed current damages for the Tenant's default: the Basic Rent and all additional rent and other charges which would be payable under this Lease by the Tenant if the Term of this Lease had not been so terminated, less the net proceeds, if any, of any reletting effected for the account of the Tenant pursuant to the provisions of Section 9.03 hereof, after deducting all the County's cost of reletting, including, without limitation, all costs of repossession, brokerage commissions, legal expenses, attorney's fees and expenses, employees expenses, reasonable alteration costs, and expenses of preparation for such reletting.

The Tenant shall pay such damages on the days on which the Basic Rent would have been payable under this Lease if the Term hereof had not so terminated, and the County shall be entitled to recover the same from the Tenant on each such day.

The liability and obligations of the Tenant as set forth in this section shall be the same if the County shall exercise its rights set forth in Section 9.03 of entry, repossession or removal without termination of this Lease.

SECTION 9.05. Optional Recovery by the County on Termination by Default. At any time after the termination of the Term of this Lease pursuant to Section 11.02 hereof, whether or not the County shall have collected any current damages as aforesaid, the County shall, at its option, be entitled to recover from the Tenant, and the Tenant will pay to the County on demand, as and for liquidated and agreed

current damages for the Tenant's default and in lieu of all current damages beyond the date of such demand, an amount equal to the greater of: (i) the Basic Rent and additional rent and other charges which would be payable under this Lease from the date of such demand (or, if it be earlier, the date to which the Tenant shall have satisfied in full its obligations under Section 9.04 to pay current damages) to the conclusion of what would have been the then unexpired Term of this Lease if the same had not so expired, less the then fair net rental value of the Project for the same period, or (ii) if any Bonds of the County are then outstanding and unpaid, an amount equal to the entire principal amount of the then outstanding Bonds together with any applicable redemption premiums specified in the Indenture and all interest accrued or to accrue on and prior to the next earliest maturity or redemption date or dates, as the case may be, on which the Trustee can pay the Bonds or redeem the same after giving notice to the holders thereof as required by the Indenture, less moneys available for such purposes then held by the Trustee, plus any additional rental due or to become due hereunder, including, without limitation, any unpaid fees and expenses of the County or the Trustee which are then due or will become due prior to the time that the Bonds are paid in full and the trust established by the Indenture is terminated.

SECTION 9.06. Rights and Obligations on Default Unchanged by Non-Termination. The right of recovery of the County and the obligation of the Tenant to pay the amount set forth in Section 9.05 shall be the same if the County shall exercise its right of entry, repossession or removal without termination of this Lease as provided in Section 9.03.

SECTION 9.07. Law Affecting Liquidated Current

Damages. If any statute or rule of law shall validly limit the amount of such liquidated and agreed current damages to less than the amount agreed upon in Sections 9.04 and 9.05, the County shall be entitled to the maximum amount allowable under such statute or rule of law.

SECTION 9.08. Merger, Consolidation or Transfer of Assets by Tenant. The Tenant covenants and agrees that it will not merge or consolidate with any other corporation or transfer all or substantially all of its business and assets to another corporation which in any case succeeds to all or substantially all of the business and assets of the Tenant, unless such successor corporation is organized under the laws of the United States or a state thereof and expressly assumes in writing all covenants, liabilities and obligations of the Tenant hereunder. The Tenant further covenants and agrees that during the Term of this Lease and so long as the Bonds are outstanding, without the prior written consent of the County and of the Trustee under the Indenture, it will not be a party to any such merger, consolidation or transfer of its business and assets, if the corporation surviving or resulting from any such merger or consolidation or acquiring such business and assets would have, after giving effect to such merger, consolidation or acquisition of business and assets, a net worth (computed in accordance with generally accepted accounting principles) less than ninety per centum (90%) of the net worth of the Tenant (computed as aforesaid) immediately prior to such merger, consolidation or transfer of business and assets.

ARTICLE X

PURCHASE AND OPTION TO PURCHASE PROJECT;
PURCHASE PRICE

SECTION 10.01. Mandatory Purchase of Project by Tenant. If, during the term any one or more of the following events shall happen:

(a) the occurrence of an Event of Taxability as defined in the Indenture; or

(b) as a result of changes in the Constitution of the United States of America or of the Constitution of the State of South Carolina or legislative or administrative action (state or federal) or a final decree, judgment, or order of any court of competent jurisdiction, this Lease shall have become void or unenforceable or impossible of performance in accordance with the intent and purposes of the parties hereto as expressed in this Lease;

then in any such event, so long as any Bonds are outstanding and unpaid, the Tenant, shall purchase the Project. With respect to the event described in the preceding clause (a), such purchase shall be made on the date specified by the Trustee pursuant to the provisions of Section 4.02 of the Indenture. With respect to the event described in the preceding clause (b) such purchase shall be made within 120 days of the occurrence of such event. The purchase price shall be determined as set forth in Section 10.03 hereof.

SECTION 10.02. Options to Purchase the Project; Exercise of Option Hereunder. In addition to the options to purchase the Project granted to the Tenant by Sections 7.01,

7.02 and 8.20 hereof, the Tenant shall have an option to purchase the Project (a) at any time, in the event the interest on all of the then outstanding Bonds is determined by the United States of America or by any agency or instrumentality thereof (including the Internal Revenue Service) or by any court of competent jurisdiction, to be subject to Federal income taxes for any reason other than an Event of Taxability as provided in clause (a) of Section 10.01 hereof; (b) on any Interest Payment Date on or after December 1, 1988, or such earlier time as there shall not be any Bond "Outstanding" under the Indenture (within the meaning of the quoted word as used in this Article or (c) upon the notice by the Tenant to the County and the Trustee that the Tenant has discontinued, or at the earliest practicable date will discontinue its operation of the Project specifying as the reason therefor either:

(i) unreasonable burdens or excessive liabilities shall have been imposed on the Tenant with respect to the operation or occupancy of the Project including, without limitation, Federal, state, taxes including ad valorem property taxes and income taxes not being imposed on the date hereof, or

(ii) changes in the availability, including economic availability, of labor, raw materials, energy sources, operating supplies or facilities necessary for the operation of the Project for its then current purposes or such other technological changes shall have occurred, that in the opinion of the Tenant continued operation of the Project for its then current purposes is no longer economically feasible).

The options to purchase under this Section or under Sections 7.01, 7.02 or 8.20 hereof, shall be exercised by

delivery to the County at least 120 days before the proposed date of purchase of a notice signed by an Authorized Tenant Representative stating that the Tenant is exercising its option to purchase, designating the provisions of this Lease under which such option is granted, and setting forth the proposed date of purchase. In the event the option to purchase shall be under Section 7.01, 7.02 or 10.02(c) hereof, so long as any of the Bonds are outstanding, such notice shall also certify that the Board of Directors of the Tenant has determined in good faith either (i) that the Project has been damaged or destroyed to such an extent as to render the Project unsuitable to the Tenant for the purposes for which the same were used immediately prior to such damage or destruction and that the Tenant deems it unwise to rebuild, repair and restore or that the restoration cost would exceed by 25% the proceeds of insurance, or (ii) that title to all or a material part of the Project has been taken by the exercise of the power of eminent domain or condemnation, or that such use or control of all or a material part of the Project has been so taken and has resulted in rendering the Project unsatisfactory to the Tenant for purposes for which the same were used immediately prior to such taking or condemnation or (iii) that as a result of excessive burdens being placed upon the operation or occupancy of the Project or changes rendering continued operation of the Project economically unfeasible the Tenant has determined to discontinue operation of the Project, as the case may be.

On the proposed date of purchase and upon payment of the purchase price, in cash, the County shall convey the Project to the Tenant subject and pursuant to this section.

The options respectively granted to the Tenant in this Lease shall be and remain prior and superior to the

Indenture and may be exercised whether or not the Tenant is in default hereunder, provided that no such default will result in nonfulfillment of any condition to the right of the Tenant to obtain a conveyance of the Project by making the payments required hereunder.

SECTION 10.03. Purchase Price. The purchase price for any purchase by the Tenant pursuant to this Lease shall be an amount equal to the entire principal amount of the then outstanding Bonds together with any applicable redemption premiums specified in the Indenture and all interest accrued or to accrue on and prior to the next earliest maturity or redemption date or dates, as the case may be, (whether at maturity or by mandatory redemption or acceleration as provided in the Indenture) on which the Trustee can pay the Bonds, or redeem the same after giving notice to the holders thereof as required by the Indenture, less moneys available for such purposes then held by the Trustee, plus (a) any additional rental due or to become due hereunder, including, without limitation, any unpaid fees and expenses of the County or the Trustee which are then due or will become due prior to the time that the Bonds are paid in full and the trust established by the Indenture is terminated, and (b) \$1.00.

SECTION 10.04. Payment of Purchase Price. Notwithstanding any other provisions hereof, this Lease shall not terminate on the date on which the Tenant shall purchase the Project (whether or not any delay in the completion of such purchase shall be the fault of the County), nor shall the Tenant's obligations hereunder cease, until the Tenant shall have paid the purchase price then payable for the Project or any portion thereof, without set-off, counterclaim, abatement, suspension, deduction, diminution or defense for any reason whatsoever, so long as

any Bonds of the County are outstanding and unpaid, and until the Tenant shall have discharged of all of its obligations under this Lease, which obligations have arisen on or before the date for the purchase of the Project or any portion thereof, including the obligation to pay the Basic Rent due and payable to and including the date for the purchase of the Project or such portion thereof.

SECTION 10.05. Status of Title. In the event of any purchase of the Project or any portion thereof by the Tenant pursuant to any provision of this Lease, the County shall convey good and marketable title by a deed thereto to the Tenant free and clear of the Indenture, but the County shall not otherwise be obligated to give or assign any better title to the Tenant than existed on the first day of the Term. The Tenant shall accept such title, subject, however, to (i) Permitted Encumbrances, (ii) any liens, encumbrances, charges, exceptions and restrictions not created or caused by the County, and (iii) any applicable laws, regulations and ordinances. Although the County shall be obligated to convey title to the Project as aforesaid on the date of purchase upon receipt of the purchase price therefor, the County shall nevertheless have such additional time as is reasonably required by the County to deliver or cause to be delivered to the Tenant all instruments and documents reasonably required by the Tenant and necessary to remove from record or otherwise discharge any liens, encumbrances, charges or restrictions in order that the County may convey title as aforesaid.

SECTION 10.06. Conveyance; Charges Incident Thereto. Upon the date fixed for the purchase of the Project or any portion thereof by the Tenant, the Tenant shall tender the purchase price therefor to the County, and the County shall deliver a deed for the Project or such

portion thereof to the Tenant. The Tenant shall pay all expenses of the County and all other charges incident to any conveyance, including any escrow fees, recording fees, title insurance premiums and any applicable federal, state and local taxes and the like.

ARTICLE XI

EVENTS OF DEFAULT AND REMEDIES

SECTION 11.01. Events of Default. Any one or more of the following events (herein called "Events of Default") shall constitute an Event of Default:

(a) if default shall be made in the due and punctual payment of any Basic Rent, additional rent or other amount payable to the County hereunder;

(b) if default shall be made by the Tenant in the due performance of or compliance with any of the provisions contained in Section 10.01 hereof;

(c) if the Tenant shall assign this Lease, or sublet the whole or any part of the Project, otherwise than as expressly permitted hereunder;

(d) if default shall be made by the Tenant in the due performance of or compliance with any of the terms hereof, other than those referred to in the foregoing subdivisions (a), (b) or (c), and such default shall continue for 30 days after the County or the Trustee shall have given the Tenant written notice of such default (or in the case of any such default which can be cured but which cannot with due diligence be cured within such 30 day period, or the Tenant shall fail to proceed promptly to cure the same and thereafter prosecute the curing of such default with due diligence, it being intended in connection with the default not susceptible of being cured with due diligence within 30 days that the time of the Tenant within which to cure the same shall be extended for such period as may be

necessary to complete the curing of the same with all due diligence);

(e) if the Tenant shall file a voluntary petition in bankruptcy, or shall be adjudicated a bankrupt or insolvent, or shall file any petition or answer seeking any reorganization, composition, readjustment, liquidation or similar relief for itself under any present or future statute, law or regulation, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of the Tenant or of all or any substantial part of its properties or of the Project, or shall make any general assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due;

(f) if a petition shall be filed against the Tenant seeking any reorganization, composition, readjustment, liquidation or similar relief under any present or future statute, law or regulation, and shall remain undismissed or unstayed for an aggregate of 30 days (whether or not consecutive), or if any trustee, receiver or liquidator of the Tenant or of all or any substantial part of its properties or of the Project shall be appointed without the consent or acquiescence of the Tenant and such appointment shall remain unvacated or unstayed for an aggregate of 30 days (whether or not consecutive);

(g) if any representation or warranty made by the Tenant herein, or made by the Tenant in any statement or certificate furnished by the Tenant in connection with the execution and delivery of this Lease, proves untrue in any material respect as of the date of the issuance

or making thereof and shall not be made good within 30 days after notice thereof to the Tenant by the County or Trustee or any holder or holders of the Bonds;

(h) if the Tenant shall abandon the Project;

(i) the existence of any event in any outstanding evidence of indebtedness of the Tenant or in any instrument under which any evidence of indebtedness is outstanding, coupled, if required for such purpose, with the lapse of time or with the notice plus lapse of time required to permit the obligee of any such evidence of indebtedness to accelerate the maturity thereof, or the failure to pay any such other evidence of indebtedness (or any part thereof) when it has become due and payable, whether by reason of its having been accelerated or by reason of the passage of time, provided, however, that the Tenant shall have the right to refuse to make payment of any such evidence of indebtedness without such action constituting an Event of Default hereunder if it contests, in good faith, any obligation to make any payment thereunder, and in the event that any such evidence of indebtedness exceeds the sum of \$100,000 furnishes the County with a bond or other security in an amount equal to that portion of any such evidence of indebtedness so contested which exceeds the sum of \$100,000; and

(j) if an order, judgment or decree for the payment of money equal to or in excess of \$100,000 shall be rendered against the Tenant and the Tenant shall not, within 90 days, have satisfied or discharged the same or taken appropriate action to secure a review thereof or to appeal therefrom and to secure a stay of execution pending such review or appeal.

SECTION 11.02. Remedies on Event of Default. Upon the occurrence of any Event of Default the County at its option: (i) may declare immediately due and payable an amount equal to the entire principal amount of the then outstanding Bonds together with any applicable redemption premiums specified in the Indenture and all interest accrued or to accrue on and prior to the next earliest maturity or redemption date or dates, as the case may be, on which the Trustee can pay the Bonds, or redeem the same after giving notice to the holders thereof as required by the Indenture, less moneys available for such purposes then held by the Trustee, plus any additional rental due or to become due hereunder, including, without limitation, any unpaid fees and expenses of the County or the Trustee which are then due or will become due prior to the time that the Bonds are paid in full and the trust established by the Indenture is terminated; (ii) may terminate this Lease by 30 days notice in writing specifying the termination date; (iii) may reenter and take possession of the Project, with or without terminating this Lease, and relet the Project in accordance with Section 9.03 hereof; (iv) may have access to and inspect, examine and make copies of, the books, records and accounts of the Tenant pertaining to the Project; or (v) may take whatever action at law or in equity as may appear necessary or desirable to collect the rent then due and thereafter to become due or to enforce observance or performance of any covenant, condition or agreement of the Tenant under this Lease.

ARTICLE XII

ASSIGNMENT OF COUNTY'S INTEREST

SECTION 12.01. Assignment of County's Interest to Trustee. The Tenant agrees that the County shall have the right to assign to the Trustee under the Indenture, this Lease and all right, title and interest of the County under this Lease as further security for the obligations of the County under the Indenture. Provided, however, that any such assignment shall be subordinate and subject to the terms and provisions of this Lease and shall not have the effect of releasing the County from any of its obligations under this Lease nor constitute an assumption of any such obligation by the assignee.

SECTION 12.02. Rights of Assignee. The Tenant covenants and agrees that in the event of an assignment under Section 12.01: (a) the Trustee may enforce any and all of the terms of this Lease, to the extent so assigned, as though the Trustee had been a party hereto; (b) the Tenant will pay all rent including amounts payable under this Lease to or upon the direction of the Trustee, without any setoff, deduction, abatement or diminution; (c) no action, or failure to act, on the part of the County shall adversely affect or limit any rights of the Trustee; (d) no amendment, modification or termination of this Lease and no waiver of any of the terms and provisions hereof shall be valid unless consented to in writing by the Trustee as provided in the Indenture; (e) all notices, demands, certificates, insurance policies and other instruments given by the Tenant hereunder shall be delivered to the Trustee; and (f) all references to the County herein shall be deemed to include the Trustee to the full extent necessary or desirable for the full protection of the Trustee.

SECTION 12.03. No Modification by the Tenant.

Except as otherwise expressly permitted herein the Tenant shall not: (i) modify or in any way alter the terms of this Lease, including, without limitation, the covenant to pay rent set forth in Section 5.02 hereof, or terminate the Term hereof, without the prior written consent of the Trustee as required under the Indenture; (ii) anticipate the rental hereunder except as herein provided or accept a waiver, offering, excuse or in any manner secure or obtain a release or discharge of the Tenant of or from any orders, obligations, covenants, conditions and agreements, including the obligation to pay the rent called for herein in the manner and at the place and at the time specified herein, without the prior written consent of the Trustee as provided in the Indenture; and (iii) obtain any consents, approvals or permissions or participate with the County in the exercise of any of the County's rights, options, elections or privileges as the lessor hereunder without the prior written consent of the Trustee as provided in the Indenture. Any attempt on the part of the Tenant to do any of the aforesaid without the prior written consent of the Trustee shall be of no force or effect.

ARTICLE XIII

MISCELLANEOUS

SECTION 13.01. Remedies Cumulative. Each right, power and remedy of the County or of the Tenant provided for in this Lease shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise, in any jurisdiction where such rights, powers and remedies are sought to be enforced, and the exercise by the County or by the Tenant of any one or more of the rights, powers or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by the County or by the Tenant of any or all such other rights, powers or remedies.

SECTION 13.02. Successors and Assigns. The term and provisions of this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

SECTION 13.03. Notices; Demands; Requests. All notices, demands and requests to be given or made hereunder to or by the County, the Tenant or the Trustee, shall be in writing, and shall be deemed to be properly given or made if sent by United States registered mail, postage prepaid addressed as follows or at such other places as may be designated in writing by such party.

(a) As to the County:

York County Council

Post Office Box 66
York, South Carolina 29745

(b) As to the Tenant:

Champion Laboratories, Inc.
Post Office Box 307
West Salem, Illinois 62476

(c) As to the Trustee:

First Union National Bank

Charlotte, North Carolina

SECTION 13.04. Applicable Law; Entire Understanding. This Lease shall be governed exclusively by the provisions hereof and by the applicable laws of the State of South Carolina. This Lease expresses the entire understanding and all agreements of the parties hereto with each other and neither party hereto has made or shall be bound by any agreement or any representation to the other party which is not expressly set forth in this Lease or in certificates delivered in connection with the execution and delivery hereof.

SECTION 13.05. Severability. In the event that any clause or provision of this Lease shall be held to be invalid by any court of competent jurisdiction, the invalidity of such clause or provision shall not affect any of the remaining provisions hereof.

SECTION 13.06. Headings and Table of Contents; References. The headings of this Lease and any Table of Contents or Index annexed hereto are for convenience of

reference only and shall not define or limit the provisions hereof or affect the meaning or interpretation hereof. All references in this Lease to particular Articles or Sections or subdivisions of this Lease are references to the designated Articles or Sections or subdivisions of this Lease.

SECTION 13.07. Multiple Counterparts. This Lease may be executed in multiple counterparts, each of which shall be an original but all of which together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, York County, South Carolina, has executed this Lease by causing its name to be hereunto subscribed by the Chairman of its County Council and the Official seal of said County Council to be impressed hereon and attested by the County Manager and Champion Laboratories, Inc., has executed this Lease by causing its corporate name to be hereunto subscribed by its President or Vice President and its corporate seal to be impressed hereon and attested by its Secretary or Assistant Secretary, all being done as of the day and year first above written.

YORK COUNTY, SOUTH CAROLINA

BY _____
Bayles Mack, Chairman,
County Council of York
County, South Carolina

(SEAL)

ATTEST:

J. E. Klugh, County Manager
York County, South Carolina

Signed, sealed and delivered in the
presence of:

CHAMPION LABORATORIES, INC.

By _____

(SEAL)

ATTEST:

Secretary

Signed, sealed and delivered in the
presence of:

EXHIBIT A

(Description of Land)

EXHIBIT B

(Description of Facilities)

STATE OF SOUTH CAROLINA

)

)

PROBATE

COUNTY OF YORK

)

PERSONALLY appeared before me _____
who on oath says that (s)he saw the within York County by
Bayles Mack, the Chairman of the County Council of York
County and J. E. Klugh, the County Manager of York County,
South Carolina, sign the within Lease and the said County,
by said officers seal said as its act and deed deliver the
within Lease and that (s)he with _____
witnessed the execution thereof.

Witness

SWORN to before me, this

_____ day of December, 1978.

_____(L.S.)

Notary Public for South Carolina

My Commission expires: _____

STATE OF SOUTH CAROLINA)
)
COUNTY OF _____)

PERSONALLY appeared before me _____ on
oath says that (s)he saw the within Champion Laboratories,
Inc., by _____ its _____ and
_____ its _____ sign the within
Lease and the said Tenant, by said officers, seal said Lease
and as its act and deed, deliver the within Lease and that
(s)he with _____ witnessed the execution thereof.

Witness

SWORN to before me, this

_____ day of December, 1978.

_____(L.S.)
Notary Public for _____

My Commission expires: _____

WBZ 11-17-78

Champion Laboratories
Financial Statement Review

There appears to be no reason
to reject these bonds.

The company is a little short
of cash per the statements, but
in many larger organizations the
subs are not allowed to keep much
cash.

Prepared By	Initials	Date
		WBZ 11-17-78
Approved By		



Champion Laboratories, Inc. Financial Statement Review

	1	2	3	4	5
		12-31-77	12-31-76	12-31-75	
1					
2	Current ratio	.88 - 1	.82 - 1	.76 - 1	
3	Acid test ratio	.46 - 1	.36 - 1	.36 - 1	
4	Debt to equity	3.96 - 1	5.89 - 1	11.8 - 1	
5	Net Income as % Sales	3.3 %	4.0 %	6.3 %	
6	Gross Profit %	20.1 %	21.3 %	25.3 %	
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Dave -

York County Industrial
Rev Bond Petition (\$3,500,000)

For 11/20 Brcb,

please.

WAM


\$57,000.00.

Services for the Medical University of
signage program and investigation of
new Federal Barrier Free Laws, and other
by the Physical Plant Department of the

If we can furnish additional information

With best wishes, I am

Very truly yours,



Raymond G. Jerkin II, P.E.

RGL/gb

cc: Mr. Demetrios C. Liollio, AIA

(803) 556-6200

CHAMPION LABORATORIES, INC.
(A Wholly-Owned Subsidiary Of
United Industrial Syndicate, Inc.)

REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1977 AND 1976

Touche Ross & Co.



Touche Ross & Co.

Including the Practice of

J.K. Lasser & Company

February 17, 1978

BOARD OF DIRECTORS
UNITED INDUSTRIAL SYNDICATE, INC.
New York, New York

We have examined the balance sheets of Champion Laboratories, Inc. (a wholly-owned subsidiary of United Industrial Syndicate, Inc.) at December 31, 1977 and 1976, and the related statements of earnings and retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The values assigned to certain assets acquired during 1975, as described in Note B, are not in accordance with the values which would have been assigned to such assets had Opinion No. 16 of the Accounting Principles Board been followed. Accordingly, the method of valuation is not in conformity with generally accepted accounting principles.

In our opinion, except for the matter discussed in the preceding paragraph, the financial statements referred to above present fairly the financial position of Champion Laboratories, Inc. at December 31, 1977 and 1976, the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Touche Ross & Co.

(successors to the practice of
J. K. Lasser & Company,
certified public accountants,
who examined the financial
statements for the year ended
December 31, 1976)

CHAMPION LABORATORIES, INC.

BALANCE SHEETS

<u>ASSETS</u>	<u>December 31,</u>	
	<u>1977</u>	<u>1976</u>
CURRENT ASSETS:		
Cash	\$ 3,722	\$ 57,016
Accounts receivable (net of allowance for doubtful accounts of \$185,000 in 1977 and \$127,000 in 1976)	6,402,049	4,491,903
Notes receivable	25,729	211,089
Due from affiliated company	30,809	9,770
Inventories (Notes A and B)	5,927,051	5,987,071
Prepaid expenses and other current assets	113,551	65,992
TOTAL CURRENT ASSETS	<u>12,502,911</u>	<u>10,822,841</u>
PROPERTY, PLANT AND EQUIPMENT - AT COST - Net of accumulated depreciation and amortization (Notes A, C and D)	<u>7,997,846</u>	<u>7,404,727</u>
OTHER ASSETS:		
Intangible assets (net of accumulated amortization) (Notes A and B)	250,746	352,002
Long-term portion of note receivable	58,000	60,000
	308,746	412,002
	<u>\$20,809,503</u>	<u>\$18,639,570</u>

See notes to financial statements.

<u>LIABILITIES AND SHAREHOLDER'S EQUITY</u>	<u>December 31,</u>	
	<u>1977</u>	<u>1976</u>
CURRENT LIABILITIES:		
Current portion of long-term debt (Note D)	\$ 430,766	\$ 427,310
Notes payable - United Industrial Syndicate, Inc.	9,667,872	8,991,872
Accounts payable	1,714,658	1,483,409
Due to parent and affiliated companies	108,538	21,102
Federal and state income taxes (Note A)	1,013,938	1,111,606
Accrued expenses and other current liabilities	<u>1,318,290</u>	<u>1,218,018</u>
TOTAL CURRENT LIABILITIES	14,254,062	13,253,317
LONG-TERM DEBT (Note D)	1,997,156	2,427,923
DEFERRED INCOME TAXES (Note A)	<u>364,500</u>	<u>254,500</u>
	<u>16,615,718</u>	<u>15,935,740</u>
COMMITMENTS (Notes E and F)		
SHAREHOLDER'S EQUITY:		
Common Stock:		
No par value		
Authorized - 200 shares		
Issued - 100 shares	100,000	100,000
Retained earnings	<u>4,093,785</u>	<u>2,603,830</u>
	<u>4,193,785</u>	<u>2,703,830</u>
	<u>\$20,809,503</u>	<u>\$18,639,570</u>

STATEMENTS OF EARNINGS AND RETAINED EARNINGS

	Years ended December 31,			
	1977		1976	
	Amount	Percentage of net sales	Amount	Percentage of net sales
NET SALES (Note B)	\$45,002,855	100.0	\$38,375,425	100.0
COST OF GOODS SOLD	<u>35,965,132</u>	<u>79.9</u>	<u>30,197,507</u>	<u>78.7</u>
GROSS PROFIT	<u>9,037,723</u>	<u>20.1</u>	<u>8,177,918</u>	<u>21.3</u>
OPERATING EXPENSES:				
Selling	4,261,503	9.5	3,447,668	9.0
General and administrative	<u>1,456,904</u>	<u>3.2</u>	<u>1,363,925</u>	<u>3.5</u>
	<u>5,718,407</u>	<u>12.7</u>	<u>4,811,593</u>	<u>12.5</u>
OPERATING EARNINGS	<u>3,319,316</u>	<u>7.4</u>	<u>3,366,325</u>	<u>8.8</u>
OTHER EXPENSE (Note G):				
Interest expense - Net	443,348	1.0	362,124	1.0
Miscellaneous - Net	27,013	-	40,060	.1
Management fee - U.I.S.	<u>120,000</u>	<u>.3</u>	<u>120,000</u>	<u>.3</u>
	<u>590,361</u>	<u>1.3</u>	<u>522,184</u>	<u>1.4</u>
EARNINGS BEFORE PROVISION FOR INCOME TAXES	<u>2,728,955</u>	<u>6.1</u>	<u>2,844,141</u>	<u>7.4</u>
PROVISION FOR INCOME TAXES:				
Federal (Note A):				
Currently payable	1,022,000	2.4	1,076,000	2.8
Deferred	110,000	.2	134,000	.3
State	<u>107,000</u>	<u>.2</u>	<u>102,500</u>	<u>.3</u>
	<u>1,239,000</u>	<u>2.8</u>	<u>1,312,500</u>	<u>3.4</u>
NET EARNINGS (Note B)	<u>1,489,955</u>	<u>3.3</u>	<u>1,531,641</u>	<u>4.0</u>
RETAINED EARNINGS - BEGINNING OF YEAR	<u>2,603,830</u>		<u>1,072,189</u>	
RETAINED EARNINGS - END OF YEAR	<u>\$ 4,093,785</u>		<u>\$ 2,603,830</u>	

See notes to financial statements.

STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Years ended December 31,	
	1977	1976
SOURCE OF FUNDS:		
From operations:		
Net earnings	\$1,489,955	\$1,531,641
Add (deduct) items not affecting funds:		
Amortization of intangibles	101,256	104,594
Depreciation	1,001,956	827,270
Deferred income taxes	110,000	153,500
(Gain) loss on sale of property, plant and equipment	3,387	(41,861)
Loss on write-off of property, plant and equipment	-	84,970
Funds provided by operations	2,706,554	2,660,114
Proceeds from sale of property, plant and equipment	13,441	269,914
Reduction of note receivable	2,000	-
Increase in long-term debt	-	113,750
	<u>2,721,995</u>	<u>3,043,778</u>
USE OF FUNDS:		
Acquisition of property, plant and equipment	1,611,903	2,296,353
Increase in note receivable	-	60,000
Payments and maturities of long-term debt	430,767	441,895
	<u>2,042,670</u>	<u>2,798,248</u>
INCREASE IN WORKING CAPITAL	<u>\$ 679,325</u>	<u>\$ 245,530</u>
CHANGES IN COMPONENTS OF WORKING CAPITAL:		
Increase (decrease) in current assets:		
Cash	(\$ 53,294)	\$ 34,717
Accounts receivable	1,910,146	661,904
Notes receivable	(185,360)	211,089
Due from affiliated company	21,039	9,061
Inventories	(60,020)	1,612,542
Prepaid expenses and other current assets	47,559	(14,000)
	<u>1,680,070</u>	<u>2,515,313</u>
Increase (decrease) in current liabilities:		
Current portion of long-term debt	3,456	26,746
Notes payable - U.I.S.	676,000	1,541,000
Accounts payable	231,249	57,096
Due to parent and affiliated companies	87,436	(21,000)
Federal and state income taxes	(97,668)	324,801
Accrued expenses and other current liabilities	100,272	341,140
	<u>1,000,745</u>	<u>2,269,783</u>
INCREASE IN WORKING CAPITAL	<u>\$ 679,325</u>	<u>\$ 245,530</u>

See notes to financial statements.

CHAMPION LABORATORIES, INC.NOTES TO FINANCIAL STATEMENTSYEARS ENDED DECEMBER 31, 1977 AND 1976A. AFFILIATION AND OPERATIONS AND SUMMARY
OF SIGNIFICANT ACCOUNTING POLICIES:

AFFILIATION AND OPERATIONS:

Champion Laboratories, Inc. (Champion), a wholly-owned subsidiary of United Industrial Syndicate, Inc. (U.I.S.), was incorporated on June 5, 1975. Champion is principally engaged in the manufacture of oil, air and fuel filters and other automotive products which are sold to original equipment manufacturers, auto parts distributors, mass merchandisers, and oil companies.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Inventories:

Inventories are stated at cost (last-in, first-out method of determination) which is not in excess of replacement market. Inasmuch as the inventories acquired pursuant to the acquisition agreement of June 1975 (Note B) have been reduced by the excess of equity in net assets over cost, it is impracticable to separate inventory values as between finished goods, work in process and raw materials. If the first-in, first-out method of inventory accounting had been used, inventories would have been approximately \$3,396,566 and \$3,296,202 higher than reported at December 31, 1977 and 1976, respectively.

Property, Plant and Equipment:

Depreciation and amortization is computed on the straight-line basis over the estimated useful lives of the assets. For income tax purposes, certain assets are depreciated by the use of accelerated methods.

Maintenance and repair costs are expensed as incurred. Upon sale or other disposition of assets, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in the statement of earnings.

Covenant Not To Compete:

A Covenant not to compete is being amortized over a period of five years. (See Note B).

Income Taxes:

Champion is included in the consolidated Federal income tax returns of U.I.S. Federal income tax provisions are computed at the surtax rate of 48% based on pre-tax accounting earnings, and are transferred to the notes payable of U.I.S. in the subsequent year.

CHAMPION LABORATORIES, INC.NOTES TO FINANCIAL STATEMENTSYEARS ENDED DECEMBER 31, 1977 AND 1976

(Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Income Taxes: (Continued)

Deferred income taxes result from the recognition of the income tax effect of timing differences in reporting depreciation expense for financial and tax purposes.

Investment tax credits are accounted for by the flow-through method as a reduction of the current provision for Federal income taxes in the year in which the credits are utilized (\$130,596 in 1977 and \$106,390 in 1976).

Pension Plan:

Costs are determined actuarially each year and include current service costs and amortization of prior service costs over a period of 40 years. Champion's policy is to fund pension costs accrued.

B. ACQUISITION:

On June 13, 1975, the Company acquired certain of the assets and assumed certain of the liabilities of two subsidiaries of STP Corporation (STP) for a total consideration of \$9,048,000 (consisting of cash and long-term note). These subsidiaries were engaged in the identical operations currently being conducted by Champion. The acquisition agreement provided that STP would not participate or have any interest in any business engaged in the manufacture of certain products for a period of five years. Accordingly, a value of \$500,000 was assigned to this covenant. Concurrent with the signing of the agreement, Champion entered into a long-term supply contract with STP. This contract, which expires December 31, 1979, provides for, among other things, the manufacture and sale of certain automotive products to STP at prices which are dependent upon Champion's manufacturing costs. Additionally, STP has the option of cancelling this contract upon the occurrence of certain specific events, principally, the failure to meet production and delivery requirements and the experiencing of adverse manufacturing costs. Net sales to STP aggregated approximately \$7,914,500 and \$6,657,100 for 1977 and 1976, respectively.

CHAMPION LABORATORIES, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1977 AND 1976

(Continued)

B. ACQUISITION: (Continued)

Opinion No. 16 of The Accounting Principles Board of The American Institute of Certified Public Accountants requires that the excess of equity in net assets over cost in purchase transactions be allocated to reduce proportionately the values assigned to noncurrent assets in determining their fair values, any remainder to be classified as a deferred credit and be amortized to income over the estimated benefit period, not to exceed 40 years. However, in connection with the acquisition as described above, Champion allocated the excess of equity in net assets over cost to the inventories. Had the provisions of A.P.B. No. 16 been followed; inventories would be increased by approximately \$3,100,000; noncurrent assets would be reduced by approximately \$2,009,000 and \$2,378,000 at December 31, 1977 and 1976, respectively; and net earnings would be increased by approximately \$209,000 and \$237,000 for 1977 and 1976, respectively.

C. PROPERTY, PLANT AND EQUIPMENT:

Major classes of property, plant and equipment and estimated useful lives used to depreciate these assets are as follows:

	<u>December 31,</u>		<u>Useful life</u> <u>(Years)</u>
	<u>1977</u>	<u>1976</u>	
Land	\$ 130,228	\$ 126,729	-
Land improvements	210,845	203,123	10 to 20
Buildings and building improvements	2,991,025	2,791,704	9 to 27
Leasehold improvements	40,599	36,850	(*)
Machinery and equipment	6,027,857	4,763,970	3 to 30
Molds and dies	777,172	623,914	3 to 5
Construction in process	33,769	74,760	-
	10,211,495	8,621,050	
Less accumulated depreciation and amortization	<u>2,213,649</u>	<u>1,216,323</u>	
	<u>\$7,997,846</u>	<u>\$7,404,727</u>	

(*) Shorter of term of lease or useful life.

CHAMPION LABORATORIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1977 AND 1976

(Continued)

D. LONG-TERM DEBT:

Long-term debt consists of the following:

	<u>December 31,</u>	
	<u>1977</u>	<u>1976</u>
Note payable - STP (See Note B) - payable in annual installments of \$391,347 (interest at 1-1/2% per annum above the prime lending rate) through June 1982. (a)	\$1,956,735	\$2,348,082
Capitalized lease obligations, less unamortized discount of \$354,074 in 1977 and \$386,352 in 1976, payable in equal monthly installments of \$3,522 (interest at 8% per annum) through October 1995. (b)	398,004	407,987
Equipment notes payable, less unamortized discount of \$9,087 in 1977 and \$17,545 in 1976, payable in equal monthly installments of \$2,870 (interest at 9.67% per annum) through July 1980, collateralized by equipment having a net book value of \$85,177 at December 31, 1977.	73,183	99,164
	2,427,922	2,855,233
	430,766	427,310
Less current portion due within one year	\$1,997,156	\$2,427,923

(a) The note, which is unsecured, is guaranteed by U.I.S. and contains various provisions to be complied with by them.

(b) These capitalized lease obligations are collateralized by land, land improvements, buildings and machinery and equipment having a net book value of \$384,863 at December 31, 1977. The facilities are leased under agreements which require rental payments equivalent to the interest and debt payments due on the underlying indebtedness. The transactions are being treated for financial reporting and income tax purposes as though the facilities and properties were constructed and owned by the Company. Champion has the option to purchase these facilities for amounts which will be sufficient to retire the outstanding indebtedness of the lessor at any time during the lease period, and additionally, has the option to renew these leases, if the option to purchase is not exercised, for four-five year periods at nominal rentals.

NOTES TO FINANCIAL STATEMENTSYEARS ENDED DECEMBER 31, 1977 AND 1976

(Continued)

D. LONG-TERM DEBT: (Continued)

Aggregate maturities of long-term debt subsequent to December 31, 1977 are as follows:

<u>Year</u>	<u>Amount</u>
1978	\$ 430,766
1979	434,556
1980	417,099
1981	405,078
1982	406,218
Thereafter	334,205
	<u>\$2,427,922</u>

E. PENSION PLAN:

Champion has a noncontributory pension plan covering substantially all of its employees. The total pension expense for 1977 and 1976 was \$426,679 and \$363,727, respectively. As of the most recent valuation date, the pension fund assets plus balance sheet accrual exceeded the actuarially computed value of vested benefits.

F. DESCRIPTION OF LEASING ARRANGEMENTS:

Total rental, primarily for office, warehouse and production facilities, and data processing equipment, was approximately \$375,000 and \$167,400 for 1977 and 1976, respectively. Additionally, certain of these leases provide for payment of all maintenance, utilities, property taxes and insurance costs.

As of December 31, 1977, approximate minimum rental commitments under non-cancellable leases were as follows:

<u>Year</u>	<u>Amount</u>
1978	\$248,000
1979	248,000
1980	232,000
1981	130,000
1982	16,000
Thereafter	21,000
	<u>\$895,000</u>

CHAMPION LABORATORIES, INC.NOTES TO FINANCIAL STATEMENTSYEARS ENDED DECEMBER 31, 1977 AND 1976

(Concluded)

F. DESCRIPTION OF LEASING ARRANGEMENTS: (Continued)

It is expected that in the normal course of business, leases that expire will be renewed or replaced by leases on other properties; therefore, it is believed that future minimum annual rental commitments will not be less than the amount of rental expense incurred in 1977.

Champion's capital leases (other than those described in Note D(b)) are not material in amount and have not been capitalized.

G. RELATED PARTY TRANSACTIONS:

Details are as follows:

	<u>1977</u>	<u>1976</u>
Transactions with U.I.S. and affiliated companies or divisions:		
Net sales to Airtex Products	\$394,526	\$276,443
Purchases	1,767	-
Interest expense on notes payable	274,040	157,741
Management fee charges (U.I.S.)	120,000	120,000
Other (net)	9,370	8,219
Commission expense to United Industrial DISC. Inc.	3,354	6,122

UNITED INDUSTRIAL SYNDICATE, INC.
AND SUBSIDIARIES

REPORT ON EXAMINATION OF
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1977 AND 1976

Touche Ross & Co.

Touche Ross & Co.

UNITED INDUSTRIAL SYNDICATE, INC.
AND SUBSIDIARIES

REPORT ON EXAMINATION OF
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1977 AND 1976

UNITED INDUSTRIAL SYNDICATE, INC.

AND SUBSIDIARIES

REPORT ON EXAMINATION OF CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1977 AND 1976

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Touche Ross & Co.

February 28, 1978

Board of Directors and Shareholders
United Industrial Syndicate, Inc.
New York, New York

We have examined the consolidated balance sheets of United Industrial Syndicate, Inc. and subsidiaries as of December 31, 1977 and 1976, and the related statements of income and retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of certain divisions and consolidated subsidiaries, which statements reflect 43% and 44% of consolidated total assets for 1977 and 1976, respectively and 57% of consolidated net sales in each year. These statements were examined by other auditors whose reports have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for such divisions and subsidiaries, is based solely upon the reports of other auditors.

The accompanying financial statements do not present segment information concerning the Company's operations in different industries, its foreign operations, and export sales, and its major customers as required by Statement No. 14 of the Financial Accounting Standards Board. Suspension of the applicability of that statement to the financial statements of nonpublic companies is presently being considered by the Financial Accounting Standards Board.

The values assigned to certain assets acquired in connection with certain purchase transactions, as described in Note 2, are not in accordance with the values which would have been assigned to such assets had Opinion No. 16 of the Accounting Principles Board of The American Institute of Certified Public Accountants been followed. Accordingly, the method of valuation is not in conformity with generally accepted accounting principles.

In our opinion, except for the matter described in the preceding paragraph, based upon our examinations and the reports of other auditors, the financial statements referred to above present fairly the financial position of United Industrial Syndicate, Inc. and subsidiaries as of December 31, 1977 and 1976 and the results of their operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Touche Ross & Co.

Certified Public Accountants
(Successors to the practice of
J. K. Lasser & Company,
Certified Public Accountants)

UNITED INDUSTRIAL SYNDICATE, INC.

AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

A S S E T S	December 31,		LIABILITIES AND SHAREHOLDERS' EQUITY	December 31,	
	1977	1976		1977	1976
CURRENT ASSETS:			CURRENT LIABILITIES:		
Cash and short-term investments (Note 6)	\$ 6,914,091	\$ 5,431,156	Notes payable and current portion of long-term debt (Note 6)	\$ 26,677,628	\$ 11,854,670
Notes and accounts receivable, net of allowance for doubtful accounts and discounts - 1977 - \$1,972,000, 1976 - \$1,752,000 (Note 6)	50,855,556	43,408,975	Accounts payable	19,633,565	14,515,670
Inventories (Notes 4 and 6)	69,856,362	62,178,914	Accrued expenses and other current liabilities	13,896,617	12,335,231
Prepaid expenses and other current assets	2,099,275	1,852,595	Federal income tax (Note 1)	130,409	289,324
Deferred federal income tax (Note 1)	380,470	148,464	TOTAL CURRENT LIABILITIES	60,338,219	38,994,895
TOTAL CURRENT ASSETS	130,105,754	113,020,104	OTHER LIABILITIES:		
			Long-term debt (Note 6)	11,330,193	13,760,939
PROPERTY, PLANT AND EQUIPMENT, at cost - net of accumulated depreciation and amortization (Notes 5 and 6)	31,472,231	23,960,608	Deferred federal income tax (Note 1)	678,747	547,620
			Other long-term liabilities	1,351,613	1,257,061
OTHER ASSETS:				13,360,553	15,565,620
Deferred federal income tax (Note 1)	777,056	748,056		73,698,772	54,560,515
Other	2,027,415	1,001,169	DEFERRED CREDIT (Note 7)	3,701,297	4,016,166
	2,804,471	1,749,225	MINORITY INTERESTS	375,787	680,600
	\$164,382,456	\$138,729,937	COMMITMENTS AND CONTINGENCIES (Note 8)		
			SHAREHOLDERS' EQUITY (Notes 6, 8 and 11):		
			Capital shares:		
			Preferred stock (liquidation value, including arrearages - \$30,746,000)	221,957	221,957
			Common stock	450,000	450,000
			Additional paid-in capital	10,017,127	10,017,127
			Retained earnings	75,944,156	68,810,212
				86,633,240	79,499,296
			Treasury stock - 1,776 shares of first preferred stock, at cost	(26,640)	(26,640)
				86,606,600	79,472,656
				\$164,382,456	\$138,729,937

See notes to consolidated financial statements

UNITED INDUSTRIAL SYNDICATE, INC.

AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

	Year ended December 31,	
	1977	1976
Net sales	\$343,388,362	\$294,298,763
Costs and expenses:		
Cost of sales	268,966,472	228,850,738
Selling, shipping and warehousing	37,090,373	31,683,556
General and administrative	21,813,994	19,575,754
Depreciation and amortization	3,931,664	3,528,349
Interest expense, net	1,952,919	1,432,513
	<u>333,755,422</u>	<u>285,070,910</u>
Operating income	<u>9,632,940</u>	<u>9,227,853</u>
Other income:		
Amortization of deferred credit	702,104	335,707
Gain on sales of assets, net	439,263	321,243
Other	111,707	480,782
	<u>1,253,074</u>	<u>1,137,732</u>
Income before federal income tax and extraordinary item	<u>10,886,014</u>	<u>10,365,585</u>
Provision (credit) for federal income tax (Note 10):		
Current	3,844,745	4,237,856
Deferred	(145,919)	(120,390)
	<u>3,698,826</u>	<u>4,117,466</u>
Income before extraordinary item	7,187,188	6,248,119
Benefit arising from operating loss carryforward	<u>79,000</u>	<u>110,000</u>
NET INCOME	7,266,188	6,358,119
Retained earnings, beginning of year	68,810,212	62,584,337
Dividends on first preferred stock	<u>(132,244)</u>	<u>(132,244)</u>
Retained earnings, end of year	<u>\$ 75,944,156</u>	<u>\$ 68,810,212</u>
Income per common share (Note 12):		
Income before extraordinary item	\$136	\$115
Extraordinary item	<u>2</u>	<u>3</u>
NET INCOME	<u>\$138</u>	<u>\$118</u>

See notes to consolidated financial statements

UNITED INDUSTRIAL SYNDICATE, INC.

AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Year ended December 31,	
	1977	1976
FINANCIAL RESOURCES PROVIDED:		
From operations:		
Income before extraordinary item	\$ 7,187,188	\$ 6,248,119
Items not affecting working capital:		
Depreciation and amortization	3,931,664	3,528,349
Deferred federal income tax, noncurrent	102,127	(85,942)
Amortization of deferred credit	(702,104)	(335,707)
Minority interests in losses of certain subsidiaries	(219,475)	(61,087)
Working capital provided from operations, exclusive of extraordinary item	10,299,400	9,293,732
Extraordinary item	79,000	110,000
Working capital provided from operations	10,378,400	9,403,732
Acquisitions of subsidiaries:		
Deferred credit	387,235	2,819,756
Minority interest	43,983	464,922
Other noncurrent items	98,279	(115,381)
Decrease in other assets	-	475,797
Increase in other long-term liabilities	94,552	482,273
	<u>11,002,449</u>	<u>13,531,099</u>
FINANCIAL RESOURCES APPLIED:		
Acquisitions of net assets by sub- sidiaries excluding net current assets	5,520,038	-
Increase in other assets	556,707	-
Payment and current maturities of long-term debt	2,582,873	3,201,657
Purchases of property, plant and equipment, net	6,338,940	4,950,211
Dividends paid on first preferred stock	132,244	132,244
Purchases of minority interests	129,321	12,457
	<u>15,260,123</u>	<u>8,296,569</u>
INCREASE (DECREASE) IN WORKING CAPITAL	(4,257,674)	5,234,530
WORKING CAPITAL, BEGINNING OF YEAR	<u>74,025,209</u>	<u>68,790,679</u>
WORKING CAPITAL, END OF YEAR	<u>\$69,767,535</u>	<u>\$74,025,209</u>

See notes to consolidated financial statements

UNITED INDUSTRIAL SYNDICATE, INC.AND SUBSIDIARIESCONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

(Continued)

	Year ended December 31,	
	<u>1977</u>	<u>1976</u>
INCREASE (DECREASE) IN COMPONENTS OF WORKING CAPITAL:		
Current assets:		
Cash and short-term investments	\$ 1,482,935	\$(8,930,209)
Notes and accounts receivable, net	7,446,581	8,791,840
Inventories	7,677,448	10,983,023
Prepaid expenses and other current assets	246,680	539,534
Deferred federal income tax	232,006	72,264
	<u>17,085,650</u>	<u>11,456,452</u>
Current liabilities:		
Notes payable and current portion of long-term debt	14,822,958	7,128,790
Accounts payable	5,117,895	1,958,736
Accrued expenses and other current liabilities	1,561,386	1,653,419
Federal income tax	(158,915)	(4,519,023)
	<u>21,343,324</u>	<u>6,221,922</u>
INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$ (4,257,674)</u>	<u>\$ 5,234,530</u>

See notes to consolidated financial statements

UNITED INDUSTRIAL SYNDICATE, INC.

AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1977 AND 1976

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies that affect the significant elements of the Company's financial statements are summarized below.

Principles of consolidation

The accompanying financial statements include the accounts of the Company and its subsidiaries, substantially all of which are wholly-owned. All significant intercompany accounts and transactions have been eliminated in consolidation.

Inventory valuation

Inventories are stated at the lower of cost or market. The methods used to determine cost are last-in, first-out; first-in, first-out; and average.

Property, plant and equipment

Expenditures for maintenance, repairs and betterments which could not materially prolong the normal useful life of an asset have been charged to operations as incurred. Additions and betterments which substantially extend the useful life of the properties are capitalized. Upon sale or other disposition of assets, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is reflected in income.

Depreciation and amortization of property, plant and equipment are computed on the straight-line and declining balance methods, over the estimated useful lives of the related assets.

Income taxes

The Company and its subsidiaries file consolidated federal income tax returns. State and local income taxes are classified as operating expenses on the consolidated statements of income, and are immaterial.

The Company has adopted the flow-through method of accounting for investment tax and jobs tax credits, whereby federal income tax is reduced in the year in which the credit is utilized.

Recognition has been given in the accompanying financial statements to the federal income tax effect of timing differences in reporting transactions for financial and tax purposes. These timing differences result primarily from the recognition of certain pension and deferred compensation costs, inventory write-offs, and allowances for doubtful accounts receivable for financial reporting purposes which are not currently deductible for income tax purposes and from the use of different depreciation methods for financial reporting and income tax purposes.

Deferred credit

The deferred credit represents the unamortized excess of equity in net assets over cost of certain purchased subsidiaries and divisions at their respective dates of acquisition. Such excess is being amortized to income over a 10-year period. Upon disposition of an entity providing such a deferred credit, any remaining unamortized amount is reflected in income. See Note 7 for information concerning activity during 1976 and 1977.

2. EXCEPTION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Opinion No. 16 of the Accounting Principles Board of The American Institute of Certified Public Accountants requires that the excess of equity in net assets over cost in purchase transactions be allocated to reduce proportionately the values assigned to noncurrent assets in determining their fair values, any remainder to be classified as a deferred credit and be amortized to income over the estimated benefit period, not to exceed 40 years. However, in connection with certain purchase transactions, the Company allocated the excess of equity in net assets over cost to inventories. Had the provisions of Opinion No. 16 been followed, a deferred credit (net of allocations to noncurrent assets of approximately \$5,335,000 and \$2,628,000 at December 31, 1977 and 1976, respectively, and amortization of the remainder to income based on a 10-year benefit period) of approximately \$2,134,000 and \$819,000 would have been reflected on the accompanying balance sheets at December 31, 1977 and 1976, respectively.

In connection with the 1977 acquisitions of assets by new subsidiaries, had the provisions of Opinion No. 16 been followed, inventories would have been increased by approximately \$4,674,000, noncurrent assets would have been reduced by approximately \$3,129,000 and deferred credit would have been increased by approximately \$1,546,000. The effect on income for all such acquisitions is not material.

3. ACQUISITIONS ACCOUNTED FOR AS PURCHASES

During 1976, the Company acquired substantially all of the outstanding stock of two companies for an aggregate cash consideration of approximately \$5,549,000. After allocation to noncurrent assets, the excess of equity in net assets over cost of these subsidiaries, amounting to approximately \$2,816,000, is being amortized to income over a 10-year period.

During 1977, the Company acquired 90% of the outstanding stock of a corporation for total consideration (consisting of cash and a long-term note) of approximately \$202,500. The excess of equity in net assets over cost of this subsidiary (after write-off of noncurrent assets of approximately \$149,000), amounting to approximately \$45,000, is being amortized to income over a 10-year period.

During 1977, the Company also formed three subsidiaries which then acquired the net assets of three existing businesses for an aggregate cash consideration of approximately \$9,683,000. See Note 2 for additional information regarding 1977 acquisitions.

The operations of all of the above companies have been reflected in the accompanying financial statements from the respective dates of acquisition.

The following is a pro forma summary of unaudited consolidated results of operations based on historical amounts for the years ended December 31, 1977 and 1976, assuming the aforementioned purchases had taken place on January 1, 1976:

	<u>1977</u>	<u>1976</u>
Net sales	<u>\$368,483,988</u>	<u>\$340,610,953</u>
Net income	<u>\$ 8,018,922</u>	<u>\$ 14,178,855</u>
Income per common share:		
Net income	<u>\$155</u>	<u>\$292</u>
Extraordinary items	<u>\$ 2</u>	<u>\$175</u>

4. INVENTORIES

The composition of inventory by method of costing is as follows:

	<u>1977</u>	<u>1976</u>
Average	\$ 2,207,234	\$ 4,476,161
Last-in, first-out	50,558,480	43,900,036
First-in, first-out	<u>17,090,648</u>	<u>13,802,717</u>
	<u>\$ 69,856,362</u>	<u>\$ 62,178,914</u>

If the first-in, first-out (FIFO) method of inventory valuation had been used by the Company, the last-in, first-out (LIFO) inventories would have been \$31,121,716 and \$26,239,263 higher than reported at December 31, 1977 and 1976, respectively.

5. PROPERTY, PLANT AND EQUIPMENT

The major classes of these assets are as follows:

	<u>1977</u>	<u>1976</u>	<u>Estimated Useful life</u>
Land and improvements	\$ 2,114,040	\$ 1,882,217	5-20 years
Buildings and improvements	16,945,287	14,786,954	2-50 years
Equipment	<u>39,218,215</u>	<u>32,235,950</u>	3-20 years
	58,277,542	48,905,121	
Less accumulated depreciation and amortization	<u>26,805,311</u>	<u>24,944,513</u>	
	<u>\$31,472,231</u>	<u>\$23,960,608</u>	

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	<u>\$31,472,231</u>	<u>\$23,960,608</u>	

6. NOTES PAYABLE AND LONG-TERM DEBT

Notes payable and long-term debt consist of the following:

	<u>1977</u>	<u>1976</u>
Long-term debt:		
Mortgages payable - interest ranging from 5.5% to 10% per annum; collateralized by property with a carrying value of \$2,893,326	\$ 1,860,593	\$ 2,155,065
Notes payable - interest ranging from 8.5% to 10.5% per annum; collateralized by equipment with a carrying value of \$467,697	342,318	256,391
Notes payable - interest ranging from 6% to 10% per annum; unsecured (a. and b.)	<u>12,189,269</u>	<u>15,698,931</u>
	14,392,180	18,110,387
Less noncurrent portion	<u>11,330,193</u>	<u>13,760,939</u>
Current portion of long-term debt	3,061,987	4,349,448
Other notes and mortgage payable - interest ranging from 7% to 10% per annum; \$800,000 of which is collateralized by accounts receivable and short-term investments of \$887,680; and \$331,335 of which, applicable to two Canadian subsidiaries, is collateralized by inventories, land and accounts receivable of \$2,540,281	<u>23,615,641</u>	<u>7,505,222</u>
Notes payable and current portion of long-term debt	<u>\$26,677,628</u>	<u>\$11,854,670</u>

The approximate aggregate maturities of long-term debt are as follows:

<u>Calendar Year</u>	
1978	\$ 3,062,000
1979	4,791,000
1980	4,627,000
1981	634,000
1982	559,000
1983 and subsequent	<u>719,000</u>
	<u>\$14,392,000</u>

a. Including a term loan agreement (\$7,000,000) dated August 28, 1975 requires, among other things, that the Company maintain certain minimum "net current assets," "tangible net worth," and "working capital ratio," and a certain maximum "ratio of debt to tangible capital."

b. Including a term loan agreement (\$3,000,000) dated May 31, 1974 requires, among other things, that the Company maintain certain minimum "net working capital" and "tangible net worth," and prohibits purchase or redemption of capital shares and payment of dividends in excess of certain amounts.

7. DEFERRED CREDIT ON ACQUISITIONS (See Note 1)

	Year ended December 31,	
	1977	1976
Balance, January 1	\$4,016,166	\$1,532,117
Additions - acquisitions of subsidiaries	387,235	2,819,756
	4,403,401	4,351,873
Reductions - amortization	702,104	335,707
Balance, December 31	<u>\$3,701,297</u>	<u>\$4,016,166</u>

8. COMMITMENTS AND CONTINGENCIES

Approximate minimum annual rentals for space and equipment under noncancellable operating leases, exclusive of certain taxes and operating expenses, are as follows:

1978	\$ 2,710,000
1979	2,349,000
1980	2,082,000
1981	1,598,000
1982	1,391,000
Thereafter	13,477,000

Total rent expense for the years ended December 31, 1977 and 1976 was approximately \$3,883,000 and \$2,681,000, respectively.

During 1969, the Company instituted a deferred compensation plan, covering certain key executives, which is based on the earnings of the Company and certain of its subsidiaries, subject to certain adjustments. Vesting occurs within five years of the award date and is payable over a 10-year period from date of retirement or termination. Unamortized past service liability at December 31,

1977 of approximately \$343,000 is being amortized to income over a remaining five-year period. The total amount charged to operations was approximately \$136,000 and \$517,000 during 1977 and 1976, respectively.

The Company has guaranteed the contractual obligations of all of its subsidiaries to subscribers of Dun & Bradstreet, Inc., and has guaranteed the obligations of certain of its subsidiaries to their respective banks and certain other suppliers.

The Company has in effect termination agreements involving certain key executives, providing for payments aggregating \$1,450,000, payable over a 10-year period, in the event of the occurrence of certain specific events. These agreements have not been reflected in the accompanying financial statements.

Lawsuits have been instituted by and on behalf of certain minority first preferred shareholders for the payment of cumulative dividend arrearages. Counsel for the Company have advised that because of the early stage of the proceedings, no legal opinion is possible.

The Company has various informal compensating balance arrangements with its lending banks which do not legally restrict the withdrawal of funds.

9. PENSION AND PROFIT-SHARING PLANS

The Company and certain subsidiaries have various, self-administered pension plans, union administered pension plans, profit-sharing plans and retirement trust plans.

In regard to the pension plans, the Company generally funds accrued normal current cost and interest on prior service costs. Past service costs are being amortized to income over periods ranging up to 40 years and where necessary, provision has been made for vested benefits on certain plans.

Total expense charged to operations approximated \$2,490,000 and \$2,627,000 in 1977 and 1976, respectively. The actuarially computed value of vested benefits exceeds the value of fund assets and balance sheet accruals by approximately \$5,600,000 at December 31, 1977. Unfunded past service costs on all plans were approximately \$13,400,000 at December 31, 1977.

Substantially all plans were amended during 1976 in accordance with requirements of the Employee Retirement Income Security Act of 1974 (ERISA). The effect of compliance with ERISA on the periodic provision for pension expense and on the periodic funding of pension costs has not been significant.

10. INCOME TAXES

The Company's consolidated income tax returns through 1974 have been examined by the Internal Revenue Service.

One subsidiary group has net operating loss carryforwards available to reduce its future income subject to federal income tax as follows:

<u>Approximate amount</u>	<u>Year of expiration</u>
\$4,026,000	1978
1,177,000	1979
<u>625,000</u>	1982
<u>\$5,828,000</u>	

Utilization of investment tax credits reduced the provision for federal income tax approximately \$437,000 in 1977 and \$305,000 in 1976. The provision was also reduced from statutory rates for the tax effect of permanent differences related to the Company's acquisitions.

11. CAPITAL SHARES - DECEMBER 31, 1977

Preferred stock, \$1 par value:	
First preferred, \$6 cumulative:	
Authorized, 135,000 shares	
Issued, 134,020 shares	\$134,020
Outstanding, 132,244 shares	
Liquidation and redemption value	
at December 31, 1977	
\$13,224,400 plus cumulative	
dividend arrearages, which	
amounted to \$7,352,800	
Second preferred, \$6 cumulative:	
Authorized, 100,000 shares	
Issued and outstanding, 43,737 shares	43,737
Liquidation and redemption value	
at December 31, 1977 \$4,373,700,	
plus cumulative dividend	
arrears, which amounted to	
\$1,375,100	
Third preferred, \$8 noncumulative:	
Authorized, 45,000 shares	
Issued and outstanding, 44,200 shares	44,200
Liquidation and redemption value	
\$4,420,000	
	<u>\$221,957</u>
Common stock, \$10 par value:	
Class A - authorized, 49,100 shares	
issued and outstanding, 44,100 shares	\$441,000
Class B - authorized, issued and	
outstanding, 900 shares	<u>9,000</u>
	<u>\$450,000</u>

Both classes of common stock have equal dividend rights. However, such dividends may not be paid out of retained earnings to the extent of the liquidation or redemption value of the preferred stock.

All voting rights are vested in the holders of the Class B common stock, except that the holders of the second and third preferred stock, in combination and voting as a single class, have the right to nominate and elect one Director.

12. INCOME PER COMMON SHARE

Income per common share is based on 45,000 common shares outstanding during each year, after giving effect to cumulative preferred dividends of \$1,055,886 in each year.

CHAMPION LABORATORIES, INC.

AUDITORS' REPORT

DECEMBER 31, 1976

J. K. LASSER & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

INTERNATIONALLY

LASSER, ROBSON RHODES & DUNWOODY

CHAMPION LABORATORIES, INC.

DECEMBER 31, 1976

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J. K. LASSER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

INTERNATIONALLY
LASSER, ROBSON RHODES & DUNWOODY

180 North LaSalle Street, Chicago, Ill. 60601 • 312-782-7200

OFFICES IN
PRINCIPAL CITIES
AROUND THE WORLD

CABLE ADDRESS
LASCHI

BOARD OF DIRECTORS
UNITED INDUSTRIAL SYNDICATE, INC.

We have examined the balance sheet of CHAMPION LABORATORIES, INC. (a wholly-owned subsidiary of United Industrial Syndicate, Inc.) at December 31, 1976 and 1975, and the related statements of income and retained earnings and changes in financial position for the year ended December 31, 1976 and for the period June 5, 1975 (date of incorporation) to December 31, 1975. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The values assigned to certain assets acquired during 1975, as described in Note 3, are not in accordance with the values which would have been assigned to such assets had Opinion No. 16 of the Accounting Principles Board of The American Institute of Certified Public Accountants been followed. Accordingly, the method of valuation is not in conformity with generally accepted accounting principles.

In our opinion, except for the matter discussed in the preceding paragraph, the aforementioned financial statements present fairly the financial position of CHAMPION LABORATORIES, INC. at December 31, 1976 and 1975, the results of its operations and changes in financial position for the year ended December 31, 1976 and the period June 5, 1975 to December 31, 1975, in conformity with generally accepted accounting principles applied on a consistent basis.

J. K. Lasser & Company

Chicago, Illinois
February 2, 1977

CHAMPION LABORATORIES, INC.

BALANCE SHEET

DECEMBER 31, 1976 AND 1975

ASSETS	<u>1976</u>	<u>1975</u>
CURRENT ASSETS		
Cash	\$ 57,016	\$ 22,299
Accounts receivable - Net of allowance for doubtful accounts 1976 - \$128,000; 1975 - \$85,000	4,491,903	3,829,999
Notes receivable	211,089	-
Due from affiliated company	9,770	709
Inventories (Notes 1 and 3)	5,987,071	4,374,529
Prepaid expenses and other current assets	65,992	79,992
	<u>10,822,841</u>	<u>8,307,528</u>
PROPERTY, PLANT AND EQUIPMENT, AT COST - Net of accumulated depreciation and amortization (Notes 1, 4 and 5)	<u>7,404,727</u>	<u>6,248,667</u>
OTHER ASSETS		
Intangible assets - Net of accumulated amortization (Note 2)	352,002	456,596
Long-term portion of note receivable	60,000	-
	<u>412,002</u>	<u>456,596</u>
	<u>\$18,639,570</u>	<u>\$15,012,791</u>

See accompanying notes to the financial statements.

LIABILITIES	1976	1975
CURRENT LIABILITIES		
Current portion of long-term debt (Note 5)	\$ 427,310	\$ 400,564
Notes payable - United Industrial Syndicate, Inc.	8,991,872	7,450,872
Accounts payable	1,483,409	1,426,313
Due to parent and affiliated companies	21,102	42,102
Federal income tax (Note 1)	1,083,805	748,805
Accrued expenses and other current liabilities	1,245,819	914,878
	<u>13,253,317</u>	<u>10,983,534</u>
LONG-TERM DEBT (Note 5)	2,427,923	2,756,068
DEFERRED INCOME TAXES (Note 1)	254,500	101,000
	<u>15,935,740</u>	<u>13,840,602</u>
COMMITMENTS (Note 7)		
SHAREHOLDER'S EQUITY (Notes 2 and 3)		
COMMON STOCK		
No par value		
Authorized - 200 shares		
Issued - 100 shares	100,000	100,000
RETAINED EARNINGS	2,603,830	1,072,189
	<u>2,703,830</u>	<u>1,172,189</u>
	<u>\$18,639,570</u>	<u>\$15,012,791</u>

CHAMPION LABORATORIES, INC.

STATEMENT OF INCOME AND RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1976 AND

FOR THE PERIOD JUNE 5, 1975 (DATE OF INCORPORATION)

TO DECEMBER 31, 1975

	1 9 7 6		1 9 7 5	
	Amount	% To Net Sales	Amount	% To Net Sales
NET SALES (Note 2)	\$38,375,425	100.0	\$17,118,463	100.0
COST OF GOODS SOLD	<u>30,197,507</u>	<u>78.7</u>	<u>12,789,867</u>	<u>74.7</u>
GROSS PROFIT	<u>8,177,918</u>	<u>21.3</u>	<u>4,328,596</u>	<u>25.3</u>
OPERATING EXPENSES				
Selling	3,447,668	9.0	1,381,068	8.1
General and administrative	<u>1,466,425</u>	<u>3.8</u>	<u>825,076</u>	<u>4.8</u>
	<u>4,914,093</u>	<u>12.8</u>	<u>2,206,144</u>	<u>12.9</u>
OPERATING INCOME	<u>3,263,825</u>	<u>8.5</u>	<u>2,122,452</u>	<u>12.4</u>
OTHER (INCOME) AND EXPENSE				
Interest expense - Net (Note 8)	362,124	1.0	196,203	1.1
Miscellaneous - Net	40,060	.1	(47,940)	(.3)
Management fee (Note 8)	<u>120,000</u>	<u>.3</u>	<u>60,000</u>	<u>.4</u>
	<u>522,184</u>	<u>1.4</u>	<u>208,263</u>	<u>1.2</u>
INCOME BEFORE FEDERAL INCOME TAX	<u>2,741,641</u>	<u>7.1</u>	<u>1,914,189</u>	<u>11.2</u>
PROVISION FOR FEDERAL INCOME TAX (Note 1)				
Currently payable	1,076,000	2.8	741,000	4.3
Deferred	<u>134,000</u>	<u>.3</u>	<u>101,000</u>	<u>.6</u>
	<u>1,210,000</u>	<u>3.1</u>	<u>842,000</u>	<u>4.9</u>
NET INCOME	<u>1,531,641</u>	<u>4.0</u>	<u>1,072,189</u>	<u>6.3</u>
RETAINED EARNINGS - BEGINNING OF PERIOD	<u>1,072,189</u>		<u>-</u>	
RETAINED EARNINGS - END OF YEAR	<u>\$ 2,603,830</u>		<u>\$ 1,072,189</u>	

See accompanying notes to the financial statements.

CHAMPION LABORATORIES, INC.

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STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED DECEMBER 31, 1976 AND

FOR THE PERIOD JUNE 5, 1975 (DATE OF INCORPORATION)

TO DECEMBER 31, 1975

	1976	1975
SOURCES OF WORKING CAPITAL		
From operations		
Net income	\$ 1,531,641	\$ 1,072,189
Add (Deduct): Items not affecting working capital -		
Amortization of intangibles	104,594	60,065
Depreciation expense	827,270	339,010
Deferred income tax	153,500	101,000
Gain on sale of property, plant and equipment	(41,861)	-
Loss on write-off of property, plant and equipment	84,970	-
Working capital provided from operations	2,660,114	1,572,264
Proceeds from sale of property, plant and equipment	269,914	-
Issuance of common stock	-	100,000
Issuance of long-term debt	113,750	3,139,429
	<u>3,043,778</u>	<u>4,811,693</u>
USES OF WORKING CAPITAL		
Acquisition of net assets of subsidiaries of STP Corporation, exclusive of net current assets	-	6,062,797
Purchase of property, plant and equipment - Net	2,296,353	1,024,338
Long-term portion of note receivable	60,000	-
Current portion of long-term debt	441,895	400,564
	<u>2,798,248</u>	<u>7,487,699</u>
INCREASE (DECREASE) IN WORKING CAPITAL	\$ 245,530	\$(2,676,006)
CHANGES IN ELEMENTS OF WORKING CAPITAL		
INCREASE (DECREASE)		
CURRENT ASSETS		
Cash	\$ 34,717	\$ 22,299
Accounts receivable	661,904	3,829,999
Notes receivable	211,089	-
Due from affiliated company	9,061	709
Inventories	1,612,542	4,374,529
Prepaid expenses and other current assets	(14,000)	79,992
	<u>2,515,313</u>	<u>8,307,528</u>
CURRENT LIABILITIES		
Current portion of long-term debt	26,746	400,564
Notes payable - United Industrial Syndicate, Inc.	1,541,000	7,450,872
Accounts payable	57,096	1,426,313
Due to parent and affiliated companies	(21,000)	42,102
Federal income tax	335,000	748,805
Accrued expenses and other current liabilities	330,941	914,878
	<u>2,269,783</u>	<u>10,983,534</u>
INCREASE (DECREASE) IN WORKING CAPITAL	\$ 245,530	\$(2,676,006)

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies that affect significant elements of the Company's financial statements are summarized below:

Inventories

Inventories are stated at cost (last-in, first-out method) (LIFO) which is not in excess of market. Inasmuch as the inventories acquired pursuant to the acquisition agreement of June 13, 1975 (Note 2) have been reduced by the excess of equity in net assets over cost, it is impracticable to separate inventory values as between finished goods, work in process and raw materials. If the first-in, first-out (FIFO) method of inventory accounting had been used, inventories at December 31, 1976, would have been increased by \$3,296,202.

Property, Plant and Equipment

Depreciation and amortization is computed on the straight-line basis over the estimated useful lives of the assets. For income tax purposes, certain assets are depreciated by the use of accelerated methods.

Maintenance and repair costs are expensed as incurred. Upon sale or other disposition of assets, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in the statement of income.

Income Taxes

The results of operations of the company are included in the consolidated Federal income tax return of its parent, United Industrial Syndicate, Inc. Federal income taxes are paid by the parent company. The estimated income tax liability is shown in the balance sheet as a separate liability at year end and is transferred to the parent's note payable account in January of the subsequent year.

Deferred income taxes result from the recognition of the income tax effect of timing differences in reporting depreciation expense for financial and tax purposes.

Investment tax credits (\$106,390 in 1976 and \$76,350 in 1975) are accounted for by the flow-through method as a reduction of the current provision for Federal income taxes in the year in which the credits are utilized.

Pension Plan

Costs are determined actuarially each year and include current service costs and amortization of prior service costs over a period of 40 years. The Company's policy is to fund pension costs accrued.

2. BACKGROUND AND ACQUISITION

The Company was incorporated on June 5, 1975 under the laws of the State of Delaware with an authorized capitalization of 200 shares of no par value common stock.

CHAMPION LABORATORIES, INC.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

2. BACKGROUND AND ACQUISITION (Continued)

On June 20, 1975, the Company, pursuant to an agreement dated June 13, 1975, acquired certain of the assets and assumed certain of the liabilities of two wholly-owned subsidiaries of STP Corporation ("STP"). These subsidiaries were engaged in the manufacture and sale of oil, air and fuel filters and other automotive products. The assets acquired, liabilities assumed, and consideration paid (consisting of cash and a long-term note) are summarized as follows:

Current assets	\$7,985,903
Property, plant and equipment and other noncurrent assets	6,062,797
Liabilities assumed	<u>(5,000,700)</u>
Consideration paid	<u>\$9,048,000</u>

The acquisition agreement provided that the seller will not (without the written approval of the Company) participate or have any interest in any business engaged in the manufacture of certain products for a period of five years. Accordingly, management of the Company assigned a value of \$500,000 to this covenant (which is being amortized over a period of five years).

During 1975, the Company entered into a long-term supply contract with STP. This contract, which expires December 31, 1979, provides, among other things, the manufacture and sale of certain automotive products to STP at prices which are dependent upon the Company's manufacturing costs. Additionally, STP has the option of cancelling this contract upon the occurrence of certain specific events (principally, the failure of the Company to meet production and delivery requirements and the experiencing of adverse manufacturing costs). Net sales to STP aggregated approximately \$6,657,100 and \$4,433,300 for 1976 and 1975, respectively.

3. EXCEPTION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Opinion No. 16 of The Accounting Principles Board of The American Institute of Certified Public Accountants requires that the excess of equity in net assets over cost in purchase transactions be allocated to reduce proportionately the values assigned to noncurrent assets in determining their fair values, any remainder to be classified as a deferred credit and be amortized to income over the estimated benefit period, not to exceed 40 years. However, in connection with the purchase of certain assets and assumption of certain liabilities during 1975 (Note 2), the Company allocated the excess of equity in net assets over cost to inventories. Had the provisions of A.P.B. No. 16 been followed; inventories would be increased by approximately \$3,100,000; noncurrent assets would be reduced by approximately \$2,426,000 at December 31, 1976; and net income would be increased by approximately \$237,000 and \$100,000 for 1976 and 1975, respectively.

CHAMPION LABORATORIES, INC.

-7-

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. PROPERTY, PLANT AND EQUIPMENT

Major classes of property, plant and equipment and estimated useful lives used to depreciate these assets are as follows:

Category	December 31,		Useful Life (Years)
	1976	1975	
Land	\$ 126,729	\$ 148,558	-
Land improvements	203,123	152,661	10 to 20
Buildings and building improvements	2,791,704	2,068,540	9 to 27
Leasehold improvements	36,850	36,850	(*)
Machinery and equipment	4,763,970	3,582,185	3 to 30
Molds and dies	623,914	543,871	3 to 5
Construction in process	74,760	55,012	
	8,621,050	6,587,677	
Less: Accumulated depreciation and amortization	1,216,323	339,010	
	\$7,404,727	\$6,248,667	

(*) Shorter of term of lease or useful life.

5. LONG-TERM DEBT

Long-term debt consists of the following:

	December 31,	
	1976	1975
Note payable to STP Corporation (see Note 2 above) - payable in annual installments of \$391,347 (interest at 1-1/2% per annum above the prime lending rate) through June 1982. (A)	\$2,348,082	\$2,739,429
Capitalized lease obligations, less unamortized discount of \$386,352 in 1976 and \$419,395 in 1975, payable in equal monthly installments of \$3,522 (interest at 8% per annum) through October 1995. (B)	407,987	417,203
Equipment notes payable, less unamortized discount of \$17,545, payable in equal monthly installments of \$2,870 (interest at 9.67% per annum) through July 1980, collateralized by equipment having a net book value of \$103,086 at December 31, 1976.	99,164 2,855,233	- 3,156,632
Less: Current portion due within one year	427,310	400,564
	\$2,427,923	\$2,756,068

(A) This note, which is unsecured, is guaranteed by the parent company and contains various provisions to be complied with by them.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

5. LONG-TERM DEBT (Continued)

(B) These capitalized lease obligations are collateralized by land, land improvements, buildings and machinery and equipment having a net book value of \$399,317 at December 31, 1976. Both facilities are leased under agreements which require rental payments equivalent to the interest and debt payments due on the underlying indebtedness. The transactions are being treated for financial reporting and income tax purposes as though the facilities and properties were constructed and owned by the Company. The Company has the option to purchase these facilities for amounts which will be sufficient to retire the outstanding indebtedness of the lessor at any time during the lease period. Additionally, the Company has the option to renew these leases, if the option to purchase is not exercised, for four-five year periods at nominal rentals.

The aggregate maturities of long-term debt in each of the five years to end December 31, 1981, are as follows:

<u>Year</u>	<u>Amount</u>
1977	\$427,310
1978	430,767
1979	434,556
1980	417,099
1981	405,078

6. PENSION PLAN

The Company has a noncontributory pension plan covering substantially all of its employees. The charges to income were \$363,727 in 1976 and \$137,965 in 1975. Effective January 1, 1976, the plan was amended to conform to the Employee Retirement Security Act of 1974 (ERISA); certain of the actuarial assumptions used in computing pension costs were changed; and, the amortization period of prior service costs was changed from 30 to 40 years. These changes did not have a significant combined effect on 1976 net earnings. As of the most recent valuation date, the fund assets plus balance sheet accrual exceeded the actuarially computed value of vested benefits.

7. COMMITMENTS

At December 31, 1976, the Company was committed under long-term noncancelable leases for office, warehouse and production facilities (exclusive of the leases referred to in Note 5 above). These leases provide for minimum rentals of approximately \$17,700 through 1979 and \$4,900 thereafter through 1984. The facility leases provide for payment of all maintenance, utilities, property taxes and insurance costs.

CHAMPION LABORATORIES, INC.

NOTES TO THE FINANCIAL STATEMENTS
(Concluded)

7. COMMITMENTS (Continued)

The Company is committed under a noncancelable long-term lease for the rental of data processing software and services. This lease provides for minimum annual rentals of \$13,550 through 1980.

Total rent expense charged to operations during 1976 and 1975 amounted to \$167,400 and \$132,510, respectively, and includes amounts paid on month-to-month leases relating to premises and equipment.

8. RELATED PARTY TRANSACTIONS

Detail of transactions are as follows:

	December 31,	
	1976	1975
Transactions with parent company (including divisions thereof):		
Management fee charges	\$120,000	\$ 60,000
Interest expense on notes payable	157,741	50,691
Insurance premiums (net of prepayment)	546,656	234,323
Other (net)	8,219	-
Sales to Airtex Products	276,443	20,212
Transactions with affiliated company:		
Commission expense to United Industrial DISC, Inc.	\$ 6,122	\$ 2,830

CHAMPION LABORATORIES, INC.

AUDITORS' REPORT

DECEMBER 31, 1975

J. K. LASSER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
INTERNATIONALLY
LASSER, ROBSON RHODES & DUNWOODY

CHAMPION LABORATORIES, INC.

DECEMBER 31, 1975

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J. K. LASSER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

INTERNATIONALLY
LASSER, ROBSON RHODES & DUNWOODY

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OFFICES IN
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AROUND THE WORLD

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BOARD OF DIRECTORS
UNITED INDUSTRIAL SYNDICATE, INC.

We have examined the balance sheet of CHAMPION LABORATORIES, INC. (a wholly-owned subsidiary of United Industrial Syndicate, Inc.) at December 31, 1975 and the related statements of income and retained earnings and changes in financial position for the period June 5, 1975 (date of incorporation) to December 31, 1975. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The values assigned to certain assets acquired during the period, as described in Note 3, are not in accordance with the values which would have been assigned to such assets had Opinion No. 16 of the Accounting Principles Board of The American Institute of Certified Public Accountants been followed. Accordingly, the method of valuation is not in conformity with generally accepted accounting principles.

In our opinion, except for the matter discussed in the preceding paragraph, the aforementioned financial statements present fairly the financial position of CHAMPION LABORATORIES, INC. at December 31, 1975, the results of its operations and changes in financial position for the aforementioned period, in conformity with generally accepted accounting principles.

J. K. Lasser & Company

Chicago, Illinois
February 3, 1976

CHAMPION LABORATORIES, INC.

BALANCE SHEET

DECEMBER 31, 1975

ASSETS

CURRENT ASSETS

Cash	\$ 22,299
Accounts receivable - Net of allowance for doubtful accounts of \$85,000	3,829,999
Due from Affiliated Company	709
Inventories (Notes 1 and 3)	4,374,529
Prepaid expenses and other current assets	79,992
	<hr/> 8,307,528

PROPERTY, PLANT AND EQUIPMENT - Net of accumulated depreciation and amortization (Notes 1, 3, 4 and 6)	6,248,667
--	-----------

INTANGIBLE ASSETS - Net of accumulated amortization (Note 2)	456,596
---	---------

\$15,012,791

See accompanying notes to the financial statements.

LIABILITIES

CURRENT LIABILITIES

Current portion of long-term debt (Note 6)	\$ 400,564
Demand notes payable - United Industrial Syndicate, Inc.	7,450,872
Accounts payable	1,426,313
Due to Parent Company	42,102
Federal income tax (Notes 1 and 5)	748,805
Accrued expenses and other current liabilities	914,878
	<u>10,983,534</u>

LONG-TERM DEBT (Note 6) 2,756,068

DEFERRED INCOME TAXES (Note 1) 101,000
13,840,602

COMMITMENTS (Note 8)

SHAREHOLDER'S EQUITY (Notes 2 and 3)

COMMON STOCK

No par value	
Authorized - 200 shares	
Issued - 100 shares	100,000

RETAINED EARNINGS 1,072,189
1,172,189
\$15,012,791

CHAMPION LABORATORIES, INC.

STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE PERIOD JUNE 5, 1975 (DATE OF INCORPORATION)

TO DECEMBER 31, 1975

	<u>Amount</u>	<u>% To Net Sales</u>
NET SALES (Note 2)	\$17,118,463	100.0
COST OF GOODS SOLD	<u>12,789,867</u>	<u>74.7</u>
GROSS PROFIT	<u>4,328,596</u>	<u>25.3</u>
OPERATING EXPENSES		
Selling	1,381,068	8.1
General and administrative	<u>825,076</u>	<u>4.8</u>
	<u>2,206,144</u>	<u>12.9</u>
OPERATING INCOME	<u>2,122,452</u>	<u>12.4</u>
OTHER (INCOME) AND EXPENSE		
Interest expense - Net	196,203	1.1
Miscellaneous - Net	(47,940)	(.3)
Management fee	<u>60,000</u>	<u>.4</u>
	<u>208,263</u>	<u>1.2</u>
INCOME BEFORE FEDERAL INCOME TAX	<u>1,914,189</u>	<u>11.2</u>
PROVISION FOR FEDERAL INCOME TAX (Notes 1 and 5)		
Current	741,000	4.3
Deferred	<u>101,000</u>	<u>.6</u>
	<u>842,000</u>	<u>4.9</u>
NET INCOME AND RETAINED EARNINGS (Note 3)	<u>\$ 1,072,189</u>	<u>6.3</u>

See accompanying notes to the financial statements.

CHAMPION LABORATORIES, INC.

STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE PERIOD JUNE 5, 1975 (DATE OF INCORPORATION)

TO DECEMBER 31, 1975

	<u>Amount</u>	<u>% To Net Sales</u>
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Deferred	<u>101,000</u>	<u>.6</u>
	<u>842,000</u>	<u>4.9</u>
NET INCOME AND RETAINED EARNINGS (Note 3)	<u><u>\$ 1,072,189</u></u>	<u><u>6.3</u></u>

See accompanying notes to the financial statements.

CHAMPION LABORATORIES, INC.

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE PERIOD JUNE 5, 1975 (DATE OF INCORPORATION)

TO DECEMBER 31, 1975

SOURCES OF WORKING CAPITAL

From operations

Net income

\$ 1,072,189

Add: Items not requiring outlays of
working capital -

Depreciation and amortization

399,075

Deferred Federal income tax

101,000

Working capital provided from operations

1,572,264

Issuance of common stock

100,000

Issuance of long-term debt

3,139,4294,811,693

USES OF WORKING CAPITAL

Acquisition of net assets of subsidiaries of

STP Corporation, exclusive of net current assets

6,062,797

Purchases of property, plant and equipment - Net

1,024,338

Current portion of long-term debt

400,5647,487,699

WORKING CAPITAL DEFICIENCY

\$(2,676,006)

CURRENT ASSETS

\$ 8,307,528

CURRENT LIABILITIES

10,983,534

WORKING CAPITAL DEFICIENCY

\$(2,676,006)

See accompanying notes to the financial statements.

CHAMPION LABORATORIES, INC.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies that affect significant elements of the Company's financial statements are summarized below:

Inventories

Inventories are stated at cost (last-in, first-out method) (LIFO) which is not in excess of market. Inasmuch as the inventories acquired pursuant to the acquisition agreement of June 13, 1975 (Note 2) have been reduced by the excess of equity in net assets over cost, it is impracticable to separate inventory values as between finished goods, work in process and raw materials.

Property, Plant and Equipment

Depreciation and amortization is computed on the straight-line basis over the estimated useful lives of the assets. For income tax purposes, certain assets are depreciated by the use of accelerated methods.

Maintenance and repair costs are expensed as incurred. Upon sale or other disposition of assets, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in the statement of income.

Income Taxes

Deferred income taxes result from the recognition of the income tax effect of timing differences in reporting depreciation expense for financial and tax purposes.

Investment tax credits are accounted for by the flow-through method as a reduction of the current provision for federal income taxes in the year in which the credits are utilized.

Pension Plan

Costs are determined actuarially each year and includes current service costs and amortization of prior service costs over a period of 30 years. The Company's policy is to fund pension costs accrued.

Earnings Per Share

In accordance with Accounting Principles Board Opinion No. 15 of the American Institute of Certified Public Accountants earnings per share are not required to be presented for wholly-owned subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

2. BACKGROUND AND ACQUISITION

The Company was incorporated on June 5, 1975 under the laws of the State of Delaware with an authorized capitalization of 200 shares of no par value common stock.

On June 20, 1975, the Company, pursuant to an agreement dated June 13, 1975, acquired certain of the assets and assumed certain of the liabilities of two wholly-owned subsidiaries of STP Corporation ("STP"). These subsidiaries were engaged in the manufacture and sale of oil, air and fuel filters and other automotive products.

The assets acquired, liabilities assumed, and consideration paid (consisting of cash and a long-term note) are summarized as follows:

Current assets	\$7,985,903
Property, plant and equipment and other noncurrent assets	6,062,797
Liabilities assumed	<u>(5,000,700)</u>
Consideration paid	<u>\$9,048,000</u>

The acquisition agreement provides that the seller will not (without the written approval of the Company) participate or have any interest in any business engaged in the manufacture of certain products for a period of five years. Accordingly, management of the Company has assigned a value of \$500,000 to this covenant (which is being amortized over a period of five years).

The Company entered into a long-term supply contract with STP. This contract, which expires December 31, 1979, provides, among other things, the manufacture and sale of certain automotive products to STP at prices which are dependent upon the Company's manufacturing costs. Additionally, STP has the option of cancelling this contract upon the occurrence of certain specific events (principally, the failure of the Company to meet production and delivery requirements and the experiencing of adverse manufacturing costs). Net sales to STP for the period ended December 31, 1975 aggregated approximately \$4,433,300.

3. EXCEPTION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Opinion No. 16 of The Accounting Principles Board of The American Institute of Certified Public Accountants requires that the excess of equity in net assets over cost in purchase transactions be allocated to reduce proportionately the values assigned to noncurrent assets in determining their fair values, any remainder to be classified as a deferred credit and be amortized to income over the estimated benefit period, not to exceed 40 years. However, in connection with the purchase of certain assets and assumption of

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

3. EXCEPTION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

certain liabilities during 1975 (Note 2), the Company allocated the excess of equity in net assets over cost to inventories. Had the provisions of A.P.B. No. 16 been followed, inventories would have been increased by approximately \$3,100,000, noncurrent assets would have been reduced by a comparable amount and income before taxes for the period would be increased by approximately \$200,000 (\$100,000 net of income taxes).

4. PROPERTY, PLANT AND EQUIPMENT

Major classes and estimated useful lives used to depreciate these assets are as follows:

	<u>Amount</u>	<u>Useful Life (Years)</u>
Land	\$ 148,558	
Land improvements	152,661	20
Buildings and building improvements	2,068,540	6 to 27
Leasehold improvements	36,850	(*)
Machinery and equipment	3,582,185	3 to 17
Molds and dies	543,871	3 to 5
Construction in process	55,012	
	<u>6,587,677</u>	
Less: Accumulated depreciation and amortization	<u>339,010</u>	
	<u>\$6,248,667</u>	

(*) Shorter of term of lease or useful life.

Land (\$38,000) and buildings (\$168,364) included above, are held for sale.

5. FEDERAL INCOME TAXES

The results of operations of the Company will be included in the consolidated Federal income tax return of United Industrial Syndicate, Inc.

Investment tax credits of approximately \$76,350 have been applied as a reduction of the current provision for Federal income tax.

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

6. LONG-TERM DEBT

Long-term debt consists of the following:

Note payable to STP Corporation (see Note 2 above) - payable in seven equal annual installments commencing June 20, 1976 and bearing interest at 1-1/2% above the prime lending rate. (A)	\$2,739,429
Capitalized lease obligation, less unamortized discount of \$399,590, payable in equal monthly installments of \$3,346 (interest at 8% per annum) through October 31, 1995. (B)	396,758
Capitalized lease obligation, less unamortized discount of \$20,195, payable in equal monthly installments of \$176 (interest at 8% per annum) through February 28, 1995. (B)	20,445
	<u>3,156,632</u>
Less: Current portion due within one year	<u>400,564</u>
	<u>\$2,756,068</u>

(A) This note, which is unsecured, is guaranteed by the parent company and contains various provisions to be complied with by them.

(B) These capitalized lease obligations are collateralized by land, land improvements, buildings and building improvements having a net book value of \$416,729 at December 31, 1975. Both facilities are leased under agreements which require rental payments equivalent to the interest and debt payments due on the underlying indebtedness. The transactions are being treated for financial reporting and income tax purposes as though the facilities and properties were constructed and owned by the Company. The Company has the option to purchase these facilities for amounts which will be sufficient to retire the outstanding indebtedness of the lessor at any time during the lease period. Additionally, the Company has the option to renew these leases, if the option to purchase is not exercised, for four-five year periods at nominal rentals.

The aggregate maturities of long-term debt in each of the five years to end December 31, 1980 are as follows:

December 31,	
1976	\$400,564
1977	401,329
1978	402,157
1979	403,054
1980	404,026

CHAMPION LABORATORIES, INC.

NOTES TO THE FINANCIAL STATEMENTS

(Concluded)

7. PENSION PLAN

The Company has a noncontributory pension plan covering substantially all of its employees. Total pension expense for the period was \$137,965.

The actuarially computed value of vested benefits for the plan as of June 30, 1975 (the date of the latest valuation) exceeded the total of the pension fund assets and balance sheet accrual by approximately \$111,000.

The impact of any amendments to the Company's pension plan that may be required under the Employee Retirement Income Security Act of 1974, although under study, has not yet been finally determined.

8. COMMITMENTS

At December 31, 1975, the Company was committed under long-term noncancelable leases expiring through 1984 for office, warehouse and production facilities (exclusive of the leases referred to in Note 6 above). Such leases are not significant in amount. The facility leases provide for payment of all maintenance, utilities, property taxes and insurance costs.

The Company is committed under a noncancelable long-term lease for the rental of data processing software and services. This lease provides for minimum annual rentals of \$13,550 through 1980.

Total rent expense charged to operations during the period ended December 31, 1975 amounted to \$132,510, which includes amounts paid on month-to-month leases relating to premises and equipment.

9. OTHER

Commission expense to United Industrial DISC, Inc. amounted to \$2,830 during the period ended December 31, 1975.

UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES

AUDITORS' REPORT

DECEMBER 31, 1976

J. K. LASSER & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

INTERNATIONALLY

LASSER, ROBSON RHODES & DUNWOODY

J. K. LASSER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

INTERNATIONALLY
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JAKLASSER-NEW YORK

BOARD OF DIRECTORS AND SHAREHOLDERS
UNITED INDUSTRIAL SYNDICATE, INC.

We have examined the consolidated balance sheet of UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES at December 31, 1976 and 1975, and the related consolidated statements of income and retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of certain divisions and consolidated subsidiaries, which statements reflect 44% of consolidated total assets in each year and 57% and 53% of consolidated net sales for 1976 and 1975, respectively. These statements were examined by other auditors whose reports have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for such divisions and subsidiaries, is based solely upon the reports of other auditors.

Our 1975 report stated that the values assigned to certain assets acquired in connection with certain purchase transactions were not in accordance with the values which would have been assigned to such assets had Opinion No. 16 of the Accounting Principles Board been followed. Because the amount of the differences in relation to the accompanying financial statements now has become immaterial, we no longer take exception to the method of valuation used.

In our opinion, based upon our examinations and the reports of other auditors, these financial statements present fairly the financial position of UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES at December 31, 1976 and 1975 and the results of their operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

New York, New York
February 24, 1977

J. K. Lasser & Company

UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1976 AND 1975

ASSETS		LIABILITIES			
	1976	1975			
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and short-term investments (Note 5)	\$ 5,431,156	\$ 14,361,365	Notes payable and current portion of long-term debt (Note 5)	\$ 11,854,670	\$ 4,725,880
Notes and accounts receivable - Net of allowance for doubtful accounts and discounts - 1976 - \$1,751,513; 1975 - \$1,061,806 (Note 5)	43,408,975	34,617,135	Accounts payable	14,515,670	12,556,934
Inventories (Notes 3 and 5)	62,178,914	51,195,891	Accrued expenses and other current liabilities	12,335,231	10,681,812
Prepaid expenses and other current assets	2,001,059	1,389,261	Federal income tax (Note 1)	289,324	4,808,347
	<u>113,020,104</u>	<u>101,563,652</u>		<u>38,994,895</u>	<u>32,772,973</u>
PROPERTY, PLANT AND EQUIPMENT - AT COST - Net of accumulated depreciation and amortization (Notes 4 and 5)	23,960,608	22,538,746	OTHER LIABILITIES		
			Long-term debt (Note 5)	13,760,939	16,962,596
			Other long-term liabilities	1,257,061	774,788
				<u>15,018,000</u>	<u>17,737,384</u>
				54,012,895	50,510,357
			DEFERRED CREDIT (Note 6)	4,016,166	1,532,117
			MINORITY INTERESTS	680,600	289,222
			COMMITMENTS AND CONTINGENCIES (Note 7)		
			SHAREHOLDERS' EQUITY (Notes 5, 7 and 10)		
OTHER ASSETS			CAPITAL SHARES -		
Deferred Federal income tax (Note 1)	200,436	274,994	Preferred stock (Liquidation value, including arrearages - \$29,822,300)	221,957	221,957
Other	1,001,169	1,201,085	Common stock	450,000	450,000
	<u>1,201,605</u>	<u>1,476,079</u>	ADDITIONAL PAID-IN CAPITAL	10,017,127	10,017,127
	<u>\$138,182,317</u>	<u>\$125,578,477</u>	RETAINED EARNINGS	68,810,212	62,584,337
				<u>79,499,296</u>	<u>73,273,421</u>
			TREASURY STOCK - 1,776 shares of first preferred stock - At cost	(26,640)	(26,640)
				<u>79,472,656</u>	<u>73,246,781</u>
				<u>\$138,182,317</u>	<u>\$125,578,477</u>

See accompanying notes to the financial statements.

UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
YEARS ENDED DECEMBER 31, 1976 AND 1975

	<u>1976</u>	<u>1975</u>
NET SALES	<u>\$294,298,763</u>	<u>\$249,644,286</u>
COSTS AND EXPENSES		
Cost of sales	228,850,738	192,023,002
Selling, shipping and warehousing	31,683,556	25,675,740
General and administrative	19,575,754	17,103,842
Depreciation and amortization	3,528,349	2,766,186
Interest expense - Net	<u>1,432,513</u>	<u>1,885,799</u>
	<u>285,070,910</u>	<u>239,454,569</u>
OPERATING INCOME	<u>9,227,853</u>	<u>10,189,717</u>
OTHER INCOME		
Amortization of deferred credit - Net	335,707	276,066
Gain on sales of assets - Net	321,243	717,335
Other	<u>480,782</u>	<u>697,865</u>
	<u>1,137,732</u>	<u>1,691,266</u>
INCOME FROM CONTINUING OPERATIONS BEFORE FEDERAL INCOME TAX	<u>10,365,585</u>	<u>11,880,983</u>
Provision (credit) for Federal income tax (Note 9) -		
Current	4,237,856	4,853,158
Deferred	<u>(120,390)</u>	<u>(178,100)</u>
	<u>4,117,466</u>	<u>4,675,058</u>
INCOME FROM CONTINUING OPERATIONS	<u>6,248,119</u>	<u>7,205,925</u>
DISCONTINUED OPERATIONS (Note 2)		
Gain on disposal of discontinued division and subsidiary - Net of Federal income tax of \$168,000		1,345,844
Income from operations of discontinued division and subsidiary - Net of Federal income tax provision of \$132,400		<u>393,012</u>
		<u>1,738,856</u>
INCOME BEFORE EXTRAORDINARY ITEM Carried Forward	\$ 6,248,119	\$ 8,944,781

See accompanying notes to the financial statements.

UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
 (Continued)

YEARS ENDED DECEMBER 31, 1976 AND 1975

	<u>1976</u>	<u>1975</u>
INCOME BEFORE EXTRAORDINARY ITEM		
Brought Forward	\$ 6,248,119	\$ 8,944,781
Benefit arising from operating loss carryforward	<u>110,000</u>	<u>132,000</u>
NET INCOME	6,358,119	9,076,781
RETAINED EARNINGS - BEGINNING OF YEAR	62,584,337	53,641,341
Dividends on first preferred stock	(<u>132,244</u>)	(<u>133,785</u>)
RETAINED EARNINGS - END OF YEAR	<u>\$68,810,212</u>	<u>\$62,584,337</u>
EARNINGS PER COMMON SHARE (Note 11) -		
Income from continuing operations	\$115	\$136
Discontinued operation		39
Extraordinary item	<u>3</u>	<u>3</u>
Net income	<u>\$118</u>	<u>\$178</u>

See accompanying notes to the financial statements.

UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES

-5-

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

YEARS ENDED DECEMBER 31, 1976 AND 1975

	<u>1976</u>	<u>1975</u>
FINANCIAL RESOURCES PROVIDED		
From operations -		
Income before extraordinary item	\$ 6,248,119	\$ 8,944,781
Items not affecting working capital -		
Depreciation and amortization	3,528,349	2,766,186
Deferred Federal income tax -		
Noncurrent	(85,942)	140,828
Amortization of deferred credit	(335,707)	(276,066)
Minority interests in losses of certain subsidiaries	(61,087)	(63,990)
Working capital provided from operations, exclusive of extraordinary item	9,293,732	11,511,739
Extraordinary item	110,000	132,000
Working capital provided from operations	9,403,732	11,643,739
Acquisitions of subsidiaries -		
Deferred credit	2,819,756	
Minority interest	464,922	
Other noncurrent items	(115,381)	
Decrease in other assets	475,797	
Long-term debt - Net of payments and current maturities		9,124,987
Increase in other long-term liabilities	482,273	329,904
Proceeds from sale of net assets of discontinued division and subsidiary, excluding net current assets, exclusive of gain included in operations		2,829,248
	<u>13,531,099</u>	<u>23,927,878</u>
FINANCIAL RESOURCES APPLIED		
Payment and current maturities of long-term debt	3,201,657	
Acquisitions of net assets by subsidiaries, excluding net current assets		6,062,797
Purchases of property, plant and equipment - Net	4,950,211	4,097,130
Dividends paid on first preferred stock	132,244	133,785
Treasury stock acquired		26,640
Increase in other assets		190,867
Purchases of minority interests	12,457	
	<u>8,296,569</u>	<u>10,511,219</u>
INCREASE IN WORKING CAPITAL	5,234,530	13,416,659
WORKING CAPITAL - BEGINNING OF YEAR	<u>68,790,679</u>	<u>55,374,020</u>
WORKING CAPITAL - END OF YEAR	<u>\$74,025,209</u>	<u>\$68,790,679</u>

See accompanying notes to the financial statements.

UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
 (Continued)

YEARS ENDED DECEMBER 31, 1976 AND 1975

	<u>1976</u>	<u>1975</u>
CHANGES IN ELEMENTS OF WORKING CAPITAL		
Increase (Decrease)		
Current assets -		
Cash and short-term investments	(\$ 8,930,209)	\$ 8,173,979
Notes and accounts receivable - Net	8,791,840	(3,873,200)
Inventories	10,983,023	(6,007,243)
Prepaid expenses and other		
current assets	<u>611,798</u>	<u>(876,207)</u>
	<u>11,456,452</u>	<u>(2,582,671)</u>
Current liabilities -		
Notes payable and current portion		
of long-term debt	7,128,790	(14,978,173)
Accounts payable	1,958,736	(1,572,156)
Accrued expenses and other		
current liabilities	1,653,419	(2,861,684)
Federal income tax	(4,519,023)	4,775,483
Advance billings on uncompleted		
contracts		<u>(1,362,800)</u>
	<u>6,221,922</u>	<u>(15,999,330)</u>
INCREASE IN WORKING CAPITAL	<u>\$ 5,234,530</u>	<u>\$13,416,659</u>

See accompanying notes to the financial statements.

UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies that affect the significant elements of the Company's financial statements are summarized below.

PRINCIPLES OF CONSOLIDATION

The accompanying financial statements include the accounts of the Company and its subsidiaries, substantially all of which are wholly-owned. All significant intercompany accounts and transactions have been eliminated in consolidation.

INVENTORY VALUATION

Inventories are stated at the lower of cost or market. The methods used to determine cost are last-in, first-out and first-in, first-out.

PROPERTY, PLANT AND EQUIPMENT

Expenditures for maintenance, repairs and betterments which could not materially prolong the normal useful life of an asset have been charged to operations as incurred. Additions and betterments which substantially extend the useful life of the properties are capitalized. Upon sale or other disposition of assets, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is reflected in income.

Depreciation and amortization of property, plant and equipment are computed on the straight-line and declining balance methods, over the estimated useful lives of the related assets.

INCOME TAXES

The Company and its subsidiaries file consolidated Federal income tax returns. State and local income taxes are classified as operating expenses on the consolidated statement of income.

The Company has adopted the flow-through method of accounting for investment tax credits, whereby Federal income tax is reduced in the year in which the credit is utilized.

Recognition has been given in the accompanying financial statements to the Federal income tax effect of timing differences in reporting transactions for financial and tax purposes. These timing differences result primarily from the recognition of certain pension and deferred compensation costs for financial reporting purposes which are not currently deductible for income tax purposes and from the use of different depreciation methods for financial reporting and income tax purposes.

UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

DEFERRED CREDIT

The deferred credit represents the unamortized excess of equity in net assets over cost of certain purchased subsidiaries and divisions at their respective dates of acquisition. Such excess is being amortized to income over a 10 year period. Upon disposition of an entity providing such a deferred credit, any remaining unamortized amount is reflected in income. See Note 6 for information concerning activity during 1976.

2. ACQUISITIONS AND DISCONTINUED OPERATION

ACQUISITIONS ACCOUNTED FOR AS PURCHASES

During 1975, the Company formed a subsidiary which then acquired the net assets of an existing business for total consideration (consisting of cash and a long-term note) of approximately \$9,048,000.

During 1976, the Company acquired substantially all of the outstanding stock of two companies for an aggregate cash consideration of \$5,548,583. After allocation to noncurrent assets, the excess of equity in net assets over cost of these subsidiaries, amounting to \$2,815,697, is being amortized to income over a 10 year period.

The operations of all of the above companies have been reflected in the accompanying financial statements from the respective dates of acquisition.

The following is a pro forma summary of unaudited consolidated results of operations for the years ended December 31, 1976 and 1975, assuming the aforementioned purchases had taken place on January 1, 1975:

	<u>1976</u>	<u>1975</u>
Net sales	<u>\$315,901,724</u>	<u>\$293,995,564</u>
Net income	<u>\$ 13,604,871</u>	<u>\$ 7,071,435</u>
Earnings per common share -		
Net income	<u>\$279</u>	<u>\$134</u>
Extraordinary items	<u>\$175</u>	<u>\$ 3</u>

UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES

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NOTES TO THE FINANCIAL STATEMENTS
(Continued)

2. ACQUISITIONS AND DISCONTINUED OPERATION (Continued)

DISCONTINUED OPERATION

During 1975, the Company sold the net assets of a division and a subsidiary (which together constituted an existing business) for cash consideration of approximately \$9,802,000. Because such business constituted a segment of the Company, the gain on disposal and operations for 1975 have been reflected as a discontinued operation.

3. INVENTORIES

The composition of inventory by method of costing is as follows:

	<u>1976</u>	<u>1975</u>
Last-in, first-out	\$43,900,036	\$41,800,069
First-in, first-out	<u>18,278,878</u>	<u>9,395,822</u>
	<u>\$62,178,914</u>	<u>\$51,195,891</u>

Inventories costed on the last-in, first-out method, compared to their related first-in, first-out value are as follows:

	<u>1976</u>	<u>1975</u>
December 31 - FIFO value	\$70,139,299	\$65,755,403
- LIFO value	<u>43,900,036</u>	<u>41,800,069</u>
Excess of FIFO over LIFO - December 31	<u>\$26,239,263</u>	<u>\$23,955,334</u>

4. PROPERTY, PLANT AND EQUIPMENT

The major classes of these assets are as follows:

	<u>1976</u>	<u>1975</u>	<u>Estimated Useful Life</u>
Land and improvements	\$ 1,882,217	\$ 1,859,171	5-20 years
Buildings and improvements	14,786,954	14,003,777	2-50 years
Equipment	<u>32,235,950</u>	<u>29,245,928</u>	3-20 years
	<u>48,905,121</u>	<u>45,108,876</u>	
Less: Accumulated depreciation and amortization	<u>24,944,513</u>	<u>22,570,130</u>	
	<u>\$23,960,608</u>	<u>\$22,538,746</u>	

UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

5. NOTES PAYABLE AND LONG-TERM DEBT

Notes payable and long-term debt consist of the following:

	<u>1976</u>	<u>1975</u>
Long-term debt -		
Mortgages payable - Interest ranging from 5.5% to 9.7% per annum; collateralized by property with a depreciated book value of \$3,171,037	\$ 2,155,065	\$ 2,638,427
Notes payable - Interest ranging from 8.5% to 12% per annum; collateralized by equipment with a depreciated book value of \$258,963	256,391	260,986
Notes payable - Interest ranging from 6½% to prime plus ¾% per annum; unsecured	<u>15,698,931</u>	<u>17,127,722</u>
	<u>18,110,387</u>	<u>20,027,135</u>
Less: Noncurrent portion	<u>13,760,939</u>	<u>16,962,596</u>
Current portion of long-term debt	4,349,448	3,064,539
Other notes and mortgage payable - Interest ranging from 6% to 8% per annum; \$719,292 of which is collateralized by real property, accounts receivable and short-term investments of \$969,625; and \$586,000 of which, applicable to two Canadian subsidiaries, is collateralized by inventories, land and accounts receivable of \$2,244,314	<u>7,505,222</u>	<u>1,661,341</u>
Notes payable and current portion of long-term debt	<u>\$11,854,670</u>	<u>\$ 4,725,880</u>

The approximate aggregate maturities of long-term debt are as follows:

<u>Calendar Year</u>	
1977	\$4,349,000
1978	3,072,000
1979	4,679,000
1980	4,460,000
1981	467,000
1982 and subsequent	1,083,000

A term loan agreement (\$7,000,000) dated August 28, 1975 requires, among other things, that the Company maintain certain minimum "net current assets", "tangible net worth", and "working capital ratio", and a certain maximum "ratio of debt to tangible capital".

UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

5. NOTES PAYABLE AND LONG-TERM DEBT (Continued)

A term loan agreement (\$3,000,000) dated May 31, 1974 requires, among other things, that the Company maintain certain minimum "net working capital" and "tangible net worth", and prohibits purchase or redemption of capital shares and payment of dividends in excess of certain amounts.

6. DEFERRED CREDIT ON ACQUISITIONS (See Note 1)

	Year Ended December 31,	
	1976	1975
Balance - January 1	\$1,532,117	\$1,810,908
Additions -		
Acquisition of subsidiaries	2,819,756	
	<u>4,351,873</u>	<u>1,810,908</u>
Reductions -		
Amortization	335,707	276,066
Other		2,725
	<u>335,707</u>	<u>278,791</u>
Balance - December 31	<u>\$4,016,166</u>	<u>\$1,532,117</u>

7. COMMITMENTS AND CONTINGENCIES

Total rent expense for the years ended December 31, 1976 and 1975 was approximately \$2,681,000 and \$2,029,000, respectively. Approximate minimum annual rentals for space and equipment under noncancellable leases, exclusive of certain taxes and operating expenses, are as follows:

1977	\$2,058,000
1978	1,596,000
1979	1,319,000
1980	1,218,000
1981	1,093,000
1982 to 1986	5,092,000
1987 to 1991	4,741,000
1992 to 1996	4,576,000

UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

7. COMMITMENTS AND CONTINGENCIES (Continued)

During 1969, the Company instituted a deferred compensation plan, covering certain key executives, which is based on the earnings of the Company and certain of its subsidiaries, subject to certain adjustments. Vesting occurs within five years of the award date and is payable over a 10 year period from date of retirement or termination. Unamortized past service liability at December 31, 1976 of approximately \$411,000 is being amortized to income over a remaining six year period. The total amount charged to operations was approximately \$517,000 and \$186,000 during 1976 and 1975, respectively.

The Company has guaranteed the contractual obligations of all of its subsidiaries to subscribers of Dun & Bradstreet, Inc., and has guaranteed the obligations of certain of its subsidiaries to their respective banks and certain other suppliers.

The Company has in effect termination agreements involving certain key executives, providing for payments aggregating \$1,450,000, payable over a 10 year period, in the event of the occurrence of certain specific events. These agreements have not been reflected in the accompanying financial statements.

Certain minority first preferred shareholders have instituted suit for the payment of cumulative dividend arrearages. Counsel for the Company have advised that because of the early stage of the proceedings, no legal opinion is possible.

8. PENSION AND PROFIT-SHARING PLANS

The Company and certain subsidiaries have various, self-administered pension plans, union administered pension plans, profit-sharing plans and retirement trust plans.

In regard to the pension plans, the Company generally funds accrued normal current cost and interest on prior service costs. Past service costs are being amortized to income over periods ranging up to 40 years and where necessary, provision has been made for vested benefits on certain plans.

Total expense charged to operations approximated \$2,627,000 and \$2,116,000 in 1976 and 1975, respectively. The actuarially computed value of vested benefits exceeds the value of fund assets and balance sheet accruals by approximately \$5,100,000 at December 31, 1976. Unfunded past service costs on all plans were approximately \$12,300,000 at December 31, 1976.

UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

8. PENSION AND PROFIT-SHARING PLANS (Continued)

Substantially all plans have been amended during 1976 in accordance with requirements of the Employee Retirement Income Security Act of 1974 (ERISA). The effect of compliance with ERISA on the periodic provision for pension expense and on the periodic funding of pension costs has not been significant.

9. INCOME TAXES

The Company's consolidated income tax returns through 1971 have been examined by the Internal Revenue Service. Examination of the consolidated Federal income tax returns for the years 1972 through 1974 is currently in progress.

One subsidiary group has a net operating loss carryforward of approximately \$163,000 available to reduce its 1977 income subject to Federal income tax. A second subsidiary group has net operating loss carryforwards available to reduce its future income subject to Federal income tax as follows:

<u>Approximate Amount</u>	<u>Year of Expiration</u>
\$1,886,000	1977
4,026,000	1978
1,137,000	1979
<u>629,000</u>	1982
<u>\$7,678,000</u>	

Utilization of investment tax credits reduced the provision for Federal income tax approximately \$305,000 in 1976 and \$393,000 in 1975.

UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

10. CAPITAL SHARES - DECEMBER 31, 1976

Preferred stock - \$1 par value	
First preferred - \$6 cumulative -	
Authorized - 135,000 shares	
Issued - 134,020 shares	\$134,020
Outstanding - 132,244 shares	
Liquidation and redemption value	
\$13,224,400 plus cumulative	
dividend arrearages, which	
amounted to \$6,691,500 at	
December 31, 1976	
Second preferred - \$6 cumulative -	
Authorized - 100,000 shares	
Issued - 43,737 shares	43,737
Liquidation and redemption value	
\$4,373,700, plus cumulative	
dividend arrearages, which	
amounted to \$1,112,700 at	
December 31, 1976	
Third preferred - \$8 noncumulative -	
Authorized - 45,000 shares	
Issued - 44,200 shares	44,200
Liquidation and redemption value	
\$4,420,000	
	<hr/>
	<u>\$221,957</u>
Common stock - \$10 par value	
Class A -	
Authorized - 49,100 shares	
Issued - 44,100 shares	\$441,000
Class B -	
Authorized and	
issued - 900 shares	<u>9,000</u>
	<u>\$450,000</u>

UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

10. CAPITAL SHARES (Continued)

During 1975, the Company acquired 1,776 shares of first preferred stock for an aggregate consideration of \$26,640.

Both classes of common stock have equal dividend rights. However, such dividends may not be paid out of retained earnings to the extent of the liquidation or redemption value of the preferred stock.

All voting rights are vested in the holders of the Class B common stock, except that the holders of the second and third preferred stock, in combination and voting as a single class, have the right to nominate and elect one Director.

11. EARNINGS PER COMMON SHARE

Earnings per common share are based on 45,000 common shares outstanding during each year, after giving effect to cumulative preferred dividends of \$1,055,886 in each year.

UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES

AUDITORS' REPORT

DECEMBER 31, 1975



J. K. LASSER & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

INTERNATIONALLY

LASSER, ROBSON RHODES & DUNWOODY

J. K. LASSER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

INTERNATIONALLY
LASSER, ROBSON RHODES & DUNWOODY

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BOARD OF DIRECTORS AND SHAREHOLDERS
UNITED INDUSTRIAL SYNDICATE, INC.

We have examined the consolidated balance sheet of UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES at December 31, 1975 and 1974, and the related consolidated statements of income and retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of certain divisions and consolidated subsidiaries, which statements reflect 44% and 40% of consolidated total assets and 53% and 52% of consolidated net sales for 1975 and 1974, respectively. These statements were examined by other auditors whose reports have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for such divisions and subsidiaries, is based solely upon the reports of other auditors.

The values assigned to certain assets acquired in 1975 and 1971, as described in Note 2, are not in accordance with the values which would have been assigned to such assets had Opinion No. 16 of the Accounting Principles Board of The American Institute of Certified Public Accountants been followed. Accordingly, the method of valuation is not in conformity with generally accepted accounting principles.

In our opinion, except for the matter described in the preceding paragraph, based upon our examinations and the reports of other auditors, these financial statements present fairly the financial position of UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES at December 31, 1975 and 1974 and the results of their operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

J.K. Lasser & Company

New York, New York
February 26, 1976

UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1975 AND 1974

ASSETS	1975	1974
CURRENT ASSETS		
Cash and short-term investments (Note 5)	\$ 14,361,365	\$ 6,187,386
Notes and accounts receivable - Net of allowance for doubtful accounts and discounts - 1975 - \$1,061,806; 1974 - \$953,578 (Note 5)	34,617,135	38,490,335
Inventories (Notes 3 and 5)	51,195,891	57,203,134
Prepaid expenses and other current assets	1,389,261	2,265,468
	<u>101,563,652</u>	<u>104,146,323</u>
 PROPERTY, PLANT AND EQUIPMENT - AT COST -		
Net of accumulated depreciation and amortization (Notes 4 and 5)	<u>22,538,746</u>	<u>16,886,768</u>
 OTHER ASSETS		
Deferred Federal income tax (Note 1)	527,406	1,514,006
Other	1,201,085	1,047,362
	<u>1,728,491</u>	<u>2,561,368</u>
	<u>\$125,830,889</u>	<u>\$123,594,459</u>

LIABILITIES	1975	1974
CURRENT LIABILITIES		
Notes payable and current portion of long-term debt (Note 5)	\$ 4,725,880	\$ 19,704,053
Accounts payable	12,556,934	14,129,090
Federal income tax (Note 1)	4,808,347	32,864
Accrued expenses and other current liabilities	10,681,812	13,543,496
Advance billings on uncompleted contracts	<u>32,772,973</u>	<u>1,362,800</u>
		<u>48,772,303</u>
 OTHER LIABILITIES		
Long-term debt (Note 5)	16,962,596	7,837,609
Other long-term liabilities	1,027,200	490,002
	<u>17,989,796</u>	<u>8,327,611</u>
	<u>50,762,769</u>	<u>57,099,914</u>
 DEFERRED CREDIT (Note 6)	<u>1,532,117</u>	<u>1,810,908</u>
 MINORITY INTERESTS	<u>289,222</u>	<u>353,212</u>
 COMMITMENTS AND CONTINGENCIES (Note 7)		
 SHAREHOLDERS' EQUITY (Notes 5 and 9)		
CAPITAL SHARES -		
Preferred stock (Liquidation value, including arrearages - \$28,898,680)	221,957	221,957
Common stock	450,000	450,000
 ADDITIONAL PAID-IN CAPITAL	10,017,127	10,017,127
 RETAINED EARNINGS	62,584,337	53,641,341
	<u>73,273,421</u>	<u>64,330,425</u>
 TREASURY STOCK - 1,776 shares of first preferred stock - At cost	(26,640)	
	<u>73,246,781</u>	<u>64,330,425</u>
	<u>\$125,830,889</u>	<u>\$123,594,459</u>

See accompanying notes to the financial statements.

UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
YEARS ENDED DECEMBER 31, 1975 AND 1974

	<u>1975</u>	<u>1974*</u>
NET SALES	<u>\$249,644,286</u>	<u>\$219,363,375</u>
COSTS AND EXPENSES		
Cost of sales	192,023,002	173,390,086
Selling, shipping and warehousing	25,675,740	23,567,829
General and administrative	17,103,842	14,766,210
Depreciation and amortization	2,766,186	2,202,254
Interest expense - Net	1,885,799	2,292,217
	<u>239,454,569</u>	<u>216,218,596</u>
OPERATING INCOME	<u>10,189,717</u>	<u>3,144,779</u>
OTHER INCOME		
Amortization of deferred credit - Net	276,066	243,953
Gain on sales of assets - Net	717,335	121,558
Gain on insured property casualties		156,000
Other	697,865	565,045
	<u>1,691,266</u>	<u>1,086,556</u>
INCOME FROM CONTINUING OPERATIONS BEFORE FEDERAL INCOME TAX	<u>11,880,983</u>	<u>4,231,335</u>
Provision (credit) for Federal income tax -		
Current	4,853,158	1,592,594
Deferred	(178,100)	(99,600)
	<u>4,675,058</u>	<u>1,492,994</u>
INCOME FROM CONTINUING OPERATIONS	<u>7,205,925</u>	<u>2,738,341</u>
DISCONTINUED OPERATION (Note 1)		
Gain on disposal of discontinued division and subsidiary - Net of Federal income tax of \$168,000	1,345,844	
Income (loss) from operations of discontinued division and subsidiary - Net of Federal income tax provision (benefit) of \$132,400 - 1975; (\$1,570,000) - 1974	393,012	(1,387,150)
	<u>1,738,856</u>	<u>(1,387,150)</u>
INCOME BEFORE EXTRAORDINARY ITEM Carried Forward	\$ 8,944,781	\$ 1,351,191

*Reclassified to reflect discontinued operation.

See accompanying notes to the financial statements.

UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
 (Continued)

YEARS ENDED DECEMBER 31, 1975 AND 1974

	<u>1975</u>	<u>1974*</u>
INCOME BEFORE EXTRAORDINARY ITEM		
Brought Forward	\$ 8,944,781	\$ 1,351,191
Benefit arising from operating loss carryforward	<u>132,000</u>	<u>92,346</u>
NET INCOME	9,076,781	1,443,537
RETAINED EARNINGS - BEGINNING OF YEAR	53,641,341	52,331,824
Dividends on first preferred stock	(<u>133,785</u>)	(<u>134,020</u>)
RETAINED EARNINGS - END OF YEAR	<u>\$62,584,337</u>	<u>\$53,641,341</u>
EARNINGS PER COMMON SHARE (Note 10) -		
Income from continuing operations	\$136	\$37
Discontinued operation	39	(31)
Extraordinary item	<u>3</u>	<u>2</u>
Net income	<u>\$178</u>	<u>\$ 8</u>

*Reclassified to reflect discontinued operation.

See accompanying notes to the financial statements.

UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
YEARS ENDED DECEMBER 31, 1975 AND 1974

	<u>1975</u>	<u>1974</u>
SOURCES OF WORKING CAPITAL		
From operations -		
Income before extraordinary item	\$ 8,944,781	\$ 1,351,191
Items not affecting working capital -		
Depreciation and amortization	2,766,186	2,562,095
Deferred Federal income tax -		
Noncurrent	(66,466)	(1,171,100)
Amortization of deferred credit	(276,066)	(344,721)
Working capital provided from operations, exclusive of extraordinary item	11,368,435	2,397,465
Extraordinary item	<u>132,000</u>	<u>92,346</u>
Working capital provided from operations	11,500,435	2,489,811
Acquisitions of subsidiaries -		
Deferred credit		1,154,862
Long-term debt and minority interests		500,846
Long-term debt - Net of payments and current maturities	9,124,987	2,694,503
Increase (decrease) in other long-term liabilities	537,198	(25,877)
Proceeds from sale of net assets of discontinued division and subsidiary, excluding net current assets, exclusive of gain included in operations	<u>2,829,248</u> <u>23,991,868</u>	<u>6,814,145</u>
USES OF WORKING CAPITAL		
Acquisitions of net assets by subsidiaries, excluding net current assets	6,062,797	2,522,025
Purchases of property, plant and equipment - Net	4,097,130	2,605,458
Dividends paid on first preferred stock	133,785	134,020
Treasury stock acquired	26,640	
Increase (decrease) in other assets	190,867	(381,830)
Decrease in minority interests	63,990	
	<u>10,575,209</u>	<u>4,879,673</u>
INCREASE IN WORKING CAPITAL	13,416,659	1,934,472
WORKING CAPITAL - BEGINNING OF YEAR	<u>55,374,020</u>	<u>53,439,548</u>
WORKING CAPITAL - END OF YEAR	<u>\$68,790,679</u>	<u>\$55,374,020</u>

See accompanying notes to the financial statements.

UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
 (Continued)

YEARS ENDED DECEMBER 31, 1975 AND 1974

	<u>1975</u>	<u>1974</u>
CHANGES IN ELEMENTS OF WORKING CAPITAL		
Increase (Decrease)		
Current assets -		
Cash and short-term investments	\$ 8,173,979	(\$ 1,556,086)
Notes and accounts receivable - Net	(3,873,200)	13,740,036
Inventories	(6,007,243)	14,042,598
Prepaid expenses and other		
current assets	(876,207)	1,338,482
	<u>(2,582,671)</u>	<u>27,565,030</u>
Current liabilities -		
Notes payable and current portion		
of long-term debt	(14,978,173)	15,863,776
Accounts payable	(1,572,156)	5,241,272
Federal income tax	4,775,483	(2,315,834)
Accrued expenses and other		
current liabilities	(2,861,684)	6,243,942
Advance billings on uncompleted		
contracts	(1,362,800)	597,402
	<u>(15,999,330)</u>	<u>25,630,558</u>
INCREASE IN WORKING CAPITAL	<u>\$13,416,659</u>	<u>\$ 1,934,472</u>

See accompanying notes to the financial statements.

UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES

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NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies that affect the significant elements of the Company's financial statements are summarized below.

PRINCIPLES OF CONSOLIDATION

The accompanying financial statements include the accounts of the Company and its subsidiaries, substantially all of which are wholly-owned. All significant intercompany accounts and transactions have been eliminated in consolidation.

ACQUISITIONS ACCOUNTED FOR AS PURCHASES

During 1974, the Company formed two subsidiaries which then acquired the net assets of two existing businesses for an aggregate cash consideration of approximately \$5,500,000.

During 1974, the Company also acquired substantially all of the outstanding stock of three corporations for an aggregate cash consideration of \$2,985,075. The excess of equity in net assets over cost of these subsidiaries, amounting to \$1,154,862, is being amortized to income over a 10 year period.

During 1975, the Company formed a subsidiary which then acquired the net assets of an existing business for total consideration (consisting of cash and a long-term note) of approximately \$9,048,000.

The operations of all of the above companies have been reflected in the accompanying financial statements from the respective dates of acquisition.

The following is a pro forma summary of unaudited consolidated results of operations for the years ended December 31, 1975 and 1974, assuming the aforementioned purchases had taken place on January 1, 1974:

	<u>1975</u>	<u>1974</u>
Net sales	<u>\$264,020,419</u>	<u>\$263,182,988</u>
Net income	<u>\$ 8,780,052</u>	<u>\$ 2,609,126</u>
Earnings per common share	<u>\$171</u>	<u>\$34</u>

DISCONTINUED OPERATION

During 1975, the Company sold the net assets of a division and a subsidiary (which together constituted an existing business) for cash consideration of approximately \$9,802,000. Because such business constituted a segment of the Company, operations for 1974 have been reclassified as a discontinued operation. The gain on disposal and operations for 1975 have also been reflected as a discontinued operation.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVENTORY VALUATION

Inventories are stated at the lower of cost or market. The methods used to determine cost are last-in, first-out and first-in, first-out. Effective for 1974, the cost of inventory for certain divisions and subsidiaries has been determined on the last-in, first-out basis, where in previous years the first-in, first-out method was used.

PROPERTY, PLANT AND EQUIPMENT

Expenditures for maintenance, repairs and betterments which could not materially prolong the normal useful life of an asset have been charged to operations as incurred. Additions and betterments which substantially extend the useful life of the properties are capitalized. Upon sale or other disposition of assets, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is reflected in income.

Depreciation and amortization of property, plant and equipment are computed on the straight-line and declining balance methods, over the estimated useful lives of the related assets.

INCOME TAXES

The Company and its subsidiaries file consolidated Federal income tax returns. State and local income taxes are classified as operating expenses on the statement of income.

The Company has adopted the flow-through method of accounting for investment tax credits, whereby Federal income tax is reduced in the year in which the credit is utilized. Such credits were approximately \$393,000 and \$182,000 in 1975 and 1974, respectively.

Recognition has been given in the accompanying financial statements to the Federal income tax effect of timing differences in reporting transactions for financial and tax purposes. These timing differences result primarily from the recognition of certain pension and deferred compensation costs, and losses during 1974 on uncompleted contracts for financial reporting purposes which costs and losses are not currently deductible for income tax purposes.

The Company's consolidated income tax returns through 1971 have been examined by the Internal Revenue Service. Examination of the consolidated Federal income tax returns for the years 1972 through 1974 is currently in progress.

One subsidiary group has net operating loss carryforwards of approximately \$393,000 available to reduce future income subject to Federal income taxes, of which \$197,000 expires in 1976 and \$196,000 in 1977.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

DEFERRED CREDIT

Deferred credit represents the unamortized excess of equity in net assets over cost of certain purchased subsidiaries and divisions at their respective dates of acquisition. Such excess is being amortized to income over a 10 year period. Upon liquidation of an entity providing such a deferred credit, any remaining unamortized amount is reflected in income. See Note 6 for information concerning activity in this item during 1975.

2. EXCEPTION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Opinion No. 16 of the Accounting Principles Board of The American Institute of Certified Public Accountants requires that the excess of equity in net assets over cost in purchase transactions be allocated to reduce proportionately the values assigned to noncurrent assets in determining their fair values, any remainder to be classified as a deferred credit and be amortized to income over the estimated benefit period, not to exceed 40 years. However, in connection with certain purchase transactions in 1975 and 1971, the Company allocated the excess of equity in net assets over cost to inventories. Had the provisions of A.P.B. No. 16 been followed, a deferred credit (net of allocations to noncurrent assets and amortization of the remainder to income based on a 10 year benefit period) of approximately \$1,000,500 and \$1,182,400 would have been reflected on the accompanying balance sheet at December 31, 1975 and 1974, respectively.

In connection with the 1975 acquisition, had the provisions of Opinion No. 16 been followed, inventories would have been increased by approximately \$3,100,000, and noncurrent assets would have been reduced by the same amount. The effect on income for all such acquisitions is not material.

3. INVENTORIES

The composition of inventory by method of costing is as follows:

	<u>1975</u>	<u>1974</u>
Last-in, first-out	\$41,800,069	\$41,144,642
First-in, first-out	9,395,822	9,946,933
Accumulated contract costs		6,111,559
	<u>\$51,195,891</u>	<u>\$57,203,134</u>

Inventories costed on the last-in, first-out method, compared to their related first-in, first-out value are as follows:

	<u>1975</u>	<u>1974</u>
December 31 - FIFO value	\$65,755,403	\$61,377,454
- LIFO value	<u>41,800,069</u>	<u>41,144,642</u>
Excess of FIFO over LIFO - December 31	<u>\$23,955,334</u>	<u>\$20,232,812</u>

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. PROPERTY, PLANT AND EQUIPMENT

The major classes of these assets are as follows:

	<u>1975</u>	<u>1974</u>	<u>Estimated Useful Life</u>
Land and improvements	\$ 1,859,171	\$ 1,780,612	5-20 years
Buildings and improvements	14,003,777	15,217,863	2-50 years
Equipment	<u>29,245,928</u>	<u>32,339,254</u>	3-20 years
	45,108,876	49,337,729	
Less: Accumulated depreciation and amortization	<u>22,570,130</u>	<u>32,450,961</u>	
	<u>\$22,538,746</u>	<u>\$16,886,768</u>	

5. NOTES PAYABLE AND LONG-TERM DEBT

Notes payable and long-term debt consist of the following:

	<u>1975</u>	<u>1974</u>
Long-term debt -		
Mortgages payable - Interest ranging from $5\frac{1}{4}\%$ to 10% per annum; collateral- ized by property with a depreciated book value of \$4,325,810	\$ 2,638,427	\$ 2,447,920
Notes payable - Interest ranging from 8% to 12.3% per annum; collateralized by equipment with a depreciated book value of \$327,938	260,986	601,800
Notes payable - Interest ranging from prime plus $1\frac{1}{4}\%$ to $8\frac{1}{2}\%$ per annum; unsecured	<u>17,127,722</u>	<u>6,396,582</u>
	20,027,135	9,446,302
Less: Noncurrent portion	<u>16,962,596</u>	<u>7,837,609</u>
Current portion of long-term debt	3,064,539	1,608,693
Other notes payable - Interest ranging from 6% to $9\frac{3}{4}\%$ per annum; \$720,041 of which is collateralized by land and short-term investments of \$802,086; and \$496,300 of which, applicable to two Canadian sub- sidiaries, is collateralized by inventories and accounts receivable of \$2,059,737	<u>1,661,341</u>	<u>18,095,360</u>
Notes payable and current portion of long-term debt	<u>\$ 4,725,880</u>	<u>\$19,704,053</u>

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

5. NOTES PAYABLE AND LONG-TERM DEBT (Continued)

The approximate aggregate maturities of long-term debt in each of the five years to end December 31, 1980 are as follows:

December 31,	
1976	\$3,065,000
1977	3,173,000
1978	3,062,000
1979	3,244,000
1980	5,931,000

A term loan agreement (\$7,000,000) dated August 28, 1975 requires, among other things, that the Company maintain certain minimum "net current assets", "tangible net worth", and "working capital ratio", and a certain maximum "ratio of debt to tangible capital".

A term loan agreement (\$3,000,000) dated May 31, 1974 requires, among other things, that the Company maintain certain minimum "net working capital" and "tangible net worth", and prohibits purchase or redemption of capital shares and payment of dividends in excess of certain amounts.

6. DEFERRED CREDITS ON ACQUISITIONS (See Note 1)

Balance - January 1, 1975		\$1,810,908
Reductions -		
Amortization	\$276,066	
Other	<u>2,725</u>	<u>278,791</u>
Balance - December 31, 1975		<u>\$1,532,117</u>

7. COMMITMENTS AND CONTINGENCIES

Total rent charged to expense for the years ended December 31, 1975 and 1974 amounted to \$2,029,443 and \$1,643,458, respectively. Approximate minimum annual rentals for space and equipment under noncancelable leases, exclusive of certain taxes and operating expenses, are as follows:

1976	\$ 818,000
1977	651,000
1978	471,000
1979	359,000
1980	269,000
1981 to 1985	651,000
1986 to 1989	284,000

UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

7. COMMITMENTS AND CONTINGENCIES (Continued)

During 1969, the Company instituted a deferred compensation plan, covering certain key executives, which is based on the earnings of the Company and certain of its subsidiaries, subject to certain adjustments. Vesting occurs within five years of the award date and is payable over a 10 year period from date of retirement or termination. Unamortized past service liability at December 31, 1975 of \$479,640 is being amortized to income over a remaining seven year period. The total amount charged to operations was \$185,520 and \$88,020 during 1975 and 1974, respectively.

The Company has guaranteed the contractual obligations of all of its subsidiaries to subscribers of Dun & Bradstreet, Inc., and has guaranteed the obligations of certain of its subsidiaries to their respective banks and certain other suppliers.

The Company has in effect termination agreements involving certain key executives, providing for payments aggregating \$1,450,000, payable over a 10 year period, in the event of the occurrence of certain specific events. These agreements have not been reflected in the accompanying financial statements.

8. PENSION AND PROFIT-SHARING PLANS

The Company and certain of its subsidiaries have a number of self-administered pension plans, union administered pension plans, profit-sharing plans and retirement trust plans.

In regard to the pension plans, the Company generally funds accrued normal current cost and interest on prior service costs. Past service costs are being amortized to income over periods ranging up to 40 years and where necessary, provision has been made for vested benefits on certain plans.

Total expense charged to operations amounted to \$2,115,803 and \$1,754,076 in 1975 and 1974, respectively. The actuarially computed value of vested benefits exceeds the value of fund assets and balance sheet accruals by approximately \$5,800,000 at December 31, 1975. Unfunded past service costs on all plans were approximately \$9,850,000 at December 31, 1975.

The impact of the Pension Reform Act, which does not require full implementation by the Company until June 1, 1976, cannot be determined at this time.

9. CAPITAL SHARES - DECEMBER 31, 1975

Preferred stock - \$1 par value	
First preferred - \$6 cumulative -	
Authorized - 135,000 shares	
Issued - 134,020 shares	\$134,020
Outstanding - 132,244 shares	
Liquidation and redemption value	
\$13,224,400 plus cumulative	
dividend arrearages, which	
amounted to \$6,030,326 at	
December 31, 1975	
Second preferred - \$6 cumulative -	
Authorized - 100,000 shares	
Issued - 43,737 shares	43,737
Liquidation and redemption value	
\$4,373,700, plus cumulative	
dividend arrearages, which	
amounted to \$850,254 at	
December 31, 1975	
Third preferred - \$8 noncumulative -	
Authorized - 45,000 shares	
Issued - 44,200 shares	44,200
Liquidation and redemption value	
\$4,420,000	
	<u>\$221,957</u>
Common stock - \$10 par value	
Class A -	
Authorized - 49,100 shares	
Issued - 44,100 shares	\$441,000
Class B -	
Authorized and	
issued - 900 shares	<u>9,000</u>
	\$450,000

UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

9. CAPITAL SHARES (Continued)

During 1974, the Company retired 980 shares of first preferred stock which was previously in Treasury. This transaction resulted in a charge to additional paid-in capital for \$97,020, the excess of redemption price over par value.

During 1975, the Company acquired 1,776 shares of first preferred stock for an aggregate consideration of \$26,640.

Both classes of common stock have equal dividend rights. However, such dividends may not be paid out of retained earnings to the extent of the liquidation or redemption value of the preferred stock.

All voting rights are vested in the holders of the Class B common stock, except that the holders of the second and third preferred stock, in combination and voting as a single class, have the right to nominate and elect one Director.

10. EARNINGS PER COMMON SHARE

Earnings per common share are based on 45,000 common shares outstanding during each year, after giving effect to cumulative preferred dividends of \$1,055,886 and \$1,066,542 in 1975 and 1974, respectively.

UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES

AUDITORS' REPORT

DECEMBER 31, 1974

J. K. LASSER & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

INTERNATIONALLY

LASSER, ROBSON RHODES & DUNWOODY

J. K. LASSER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

INTERNATIONALLY
LASSER, ROBSON RHODES & DUNWOODY

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CABLE ADDRESS
JAKLASSER-NEW YORK

BOARD OF DIRECTORS AND SHAREHOLDERS
UNITED INDUSTRIAL SYNDICATE, INC.

We have examined the consolidated balance sheet of UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES at December 31, 1974 and the related consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of certain divisions and consolidated subsidiaries, which statements reflect total assets and net sales constituting 40% and 52%, respectively, of the related consolidated totals. These statements were examined by other auditors whose reports have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for such divisions and subsidiaries, is based solely upon the reports of other auditors. The financial statements for 1973, which are presented for comparative purposes, were examined by other independent public accountants.

The values assigned to certain assets acquired in 1971, as described in Note 2, are not in accordance with the values which would have been assigned to such assets had Opinion No. 16 of the Accounting Principles Board of The American Institute of Certified Public Accountants been followed. Accordingly, the method of valuation is not in conformity with generally accepted accounting principles.

In our opinion, except for the matter described in the preceding paragraph, based upon our examination and the reports of other auditors, the above mentioned financial statements present fairly the financial position of UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES at December 31, 1974 and the results of their operations and changes in financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change, with which we concur, in pricing of inventories as described in Note 3.

J. K. Lasser & Company

New York, New York
February 21, 1975

UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1974 AND 1973

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ASSETS	1974	1973
CURRENT ASSETS		
Cash and short-term investments (Note 5)	\$ 6,187,386	\$ 7,743,472
Notes and accounts receivable - Net of allowance for doubtful accounts and discounts - 1974 - \$953,578; 1973 - \$583,643 (Note 5)	38,490,335	24,750,299
Inventories - Net of advance billings - 1974 - \$3,895,842; 1973 - \$3,014,652 (Notes 3 and 5)	57,203,134	43,160,536
Prepaid expenses and other current assets	2,265,468	926,986
	<u>104,146,323</u>	<u>76,581,293</u>
 PROPERTY, PLANT AND EQUIPMENT - AT COST - Net of accumulated depreciation and amortization (Notes 4 and 5)	 <u>16,886,768</u>	 <u>14,641,380</u>
 OTHER ASSETS		
Deferred Federal income tax (Note 1)	1,514,006	342,906
Other	1,047,362	766,924
	<u>2,561,368</u>	<u>1,109,830</u>
	<u>\$123,594,459</u>	<u>\$92,332,503</u>

*Restated.

See accompanying notes to the financial statements.

LIABILITIES	1974	1973*
CURRENT LIABILITIES		
Notes payable and current portion of long-term debt (Note 5)	\$ 19,704,053	\$ 3,840,277
Accounts payable	14,129,090	8,887,818
Federal income tax	32,864	2,348,698
Accrued expenses and other current liabilities	13,543,496	7,299,554
Advance billings on uncompleted contracts	1,362,800	765,398
	<u>48,772,303</u>	<u>23,141,745</u>
 OTHER LIABILITIES		
Long-term debt (Note 5)	7,837,609	4,626,106
Other long-term liabilities	490,002	515,879
	<u>8,327,611</u>	<u>5,141,985</u>
	<u>57,099,914</u>	<u>28,283,730</u>
 MINORITY INTERESTS	 <u>353,212</u>	 <u>18,729</u>
 DEFERRED CREDIT (Note 6)	 <u>1,810,908</u>	 <u>1,009,136</u>
 COMMITMENTS AND CONTINGENCIES (Note 7)		
 SHAREHOLDERS' EQUITY (Note 9)		
CAPITAL SHARES -		
Preferred stock (Liquidation value, including arrearages - \$28,224,700)	221,957	222,937
Common stock	450,000	450,000
 ADDITIONAL PAID-IN CAPITAL	 10,017,127	 10,114,147
 RETAINED EARNINGS	 53,641,341	 52,331,824
	<u>64,330,425</u>	<u>63,118,908</u>
 TREASURY STOCK - 980 shares of first preferred stock - At cost	 <u>64,330,425</u>	 <u>(98,000)</u>
	<u>\$123,594,459</u>	<u>\$92,332,503</u>

UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
YEARS ENDED DECEMBER 31, 1974 AND 1973

	<u>1974</u>	<u>1973*</u>
NET SALES	<u>\$234,574,598</u>	<u>\$175,544,665</u>
COSTS AND EXPENSES		
Cost of sales	188,011,373	135,519,231
Selling, shipping and warehousing	24,384,499	18,689,518
General and administrative	15,336,887	11,559,362
Depreciation and amortization	2,562,095	1,967,007
Interest expense - Net	2,292,217	367,022
Provision for losses on uncompleted contracts (Note 1)	<u>2,331,000</u>	
	<u>234,918,071</u>	<u>168,102,140</u>
OPERATING INCOME (LOSS)	(<u>343,473</u>)	<u>7,442,525</u>
OTHER INCOME		
Amortization of deferred credit - Net	344,721	474,536
Gain on sales of assets - Net	121,558	521,360
Gain on insured property casualties	504,000	
Other	<u>647,379</u>	<u>463,275</u>
	<u>1,617,658</u>	<u>1,459,171</u>
INCOME FROM CONTINUING OPERATIONS BEFORE FEDERAL INCOME TAX	<u>1,274,185</u>	<u>8,901,696</u>
Provision (credit) for Federal income tax -		
Current	1,141,594	4,255,250
Deferred	(<u>1,218,600</u>)	(<u>244,700</u>)
	(<u>77,006</u>)	<u>4,010,550</u>
INCOME FROM CONTINUING OPERATIONS	<u>1,351,191</u>	<u>4,891,146</u>
DISCONTINUED OPERATIONS		
Gain on disposal of discontinued divisions and subsidiaries - Net of Federal income tax of \$1,287,000		3,002,703
Loss from operations of discontinued divisions and subsidiaries - Net of Federal income tax benefit of \$162,000		(<u>174,931</u>)
		<u>2,827,772</u>
INCOME BEFORE EXTRAORDINARY ITEM		
Carried Forward	\$ 1,351,191	\$ 7,718,918

*Restated to conform to 1974 presentation.

See accompanying notes to the financial statements.

UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
 (Continued)

YEARS ENDED DECEMBER 31, 1974 AND 1973

	<u>1974</u>	<u>1973*</u>
INCOME BEFORE EXTRAORDINARY ITEM		
Brought Forward	\$ 1,351,191	\$ 7,718,918
Benefit arising from operating loss carryforward	<u>92,346</u>	<u> </u>
NET INCOME	<u>1,443,537</u>	<u>7,718,918</u>
RETAINED EARNINGS - BEGINNING OF YEAR - AS ORIGINALLY REPORTED	52,589,080	45,004,182
Prior year tax assessment - 1969	<u>257,256</u>	<u>257,256</u>
RETAINED EARNINGS - BEGINNING OF YEAR - AS RESTATED	<u>52,331,824</u>	<u>44,746,926</u>
Dividends on first preferred stock	(<u>134,020</u>)	(<u>134,020</u>)
RETAINED EARNINGS - END OF YEAR	<u>\$53,641,341</u>	<u>\$52,331,824</u>
EARNINGS PER COMMON SHARE (Note 10) -		
Income from continuing operations	\$6	\$ 85
Discontinued operations		63
Extraordinary item	<u>2</u>	<u> </u>
Net income	<u>\$8</u>	<u>\$148</u>

*Restated to conform to 1974 presentation.

See accompanying notes to the financial statements.

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UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
YEARS ENDED DECEMBER 31, 1974 AND 1973

	<u>1974</u>	<u>1973*</u>
SOURCES OF WORKING CAPITAL		
From operations -		
Income before extraordinary item	\$ 1,351,191	\$ 7,718,918
Items not affecting working capital -		
Depreciation and amortization	2,562,095	1,967,007
Deferred Federal income tax - Noncurrent	(1,171,100)	(244,700)
Amortization of deferred credit	(344,721)	(474,536)
Working capital provided from operations, exclusive of extraordinary item	2,397,465	8,966,689
Extraordinary item	92,346	
Working capital provided from operations	<u>2,489,811</u>	<u>8,966,689</u>
Acquisitions of subsidiaries -		
Deferred credit	1,154,862	284,324
Long-term debt and minority interests	500,846	1,030,083
Long-term debt - Net of payments and current maturities	2,694,503	(634,748)
Issuance of preferred stock		3,323,900
Decrease (increase) in other assets	381,830	(563,965)
	<u>7,221,852</u>	<u>12,406,283</u>
USES OF WORKING CAPITAL		
Acquisitions of net assets by subsidiaries, excluding net current assets	2,522,025	
Purchases of property, plant and equipment - Net	2,605,458	3,959,945
Dividends paid on first preferred stock	134,020	134,020
Other long-term liabilities	25,877	(434,318)
	<u>5,287,380</u>	<u>3,659,647</u>
INCREASE IN WORKING CAPITAL	1,934,472	8,746,636
WORKING CAPITAL - BEGINNING OF YEAR	<u>53,439,548</u>	<u>44,692,912</u>
WORKING CAPITAL - END OF YEAR	<u>\$55,374,020</u>	<u>\$53,439,548</u>
CHANGES IN ELEMENTS OF WORKING CAPITAL		
Increase (Decrease)		
Current assets -		
Cash and short-term investments	(\$ 1,556,086)	\$ 2,523,172
Notes and accounts receivable - Net	13,740,036	522,501
Inventories	14,042,598	7,382,569
Prepaid expenses and other current assets	1,338,482	(172,749)
	<u>27,565,030</u>	<u>10,255,493</u>
Current liabilities -		
Notes payable and current portion of long-term debt	15,863,776	(970,352)
Accounts payable	5,241,272	1,524,487
Federal income tax	(2,315,834)	(171,202)
Accrued expenses and other current liabilities	6,243,942	1,225,430
Advance billings on uncompleted contracts	597,402	(99,506)
	<u>25,630,558</u>	<u>1,508,857</u>
INCREASE IN WORKING CAPITAL	<u>\$ 1,934,472</u>	<u>\$ 8,746,636</u>

*As restated.

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies that affect the significant elements of the Company's financial statements are summarized below.

PRINCIPLES OF CONSOLIDATION

The accompanying financial statements include the accounts of the Company and its subsidiaries, substantially all of which are wholly-owned. All significant intercompany accounts and transactions have been eliminated in consolidation.

ACQUISITIONS ACCOUNTED FOR AS PURCHASES

During 1974, the Company formed two subsidiaries which then acquired the net assets of two existing businesses for an aggregate cash consideration of \$4,981,100.

During 1974, the Company also acquired substantially all of the outstanding stock of three corporations for an aggregate cash consideration of \$2,985,075. The excess of equity in net assets over cost of these subsidiaries, amounting to \$1,154,862, is being amortized to income over a 10 year period.

The operations of all of the above companies have been reflected in the accompanying financial statements from the respective dates of acquisition.

The following is a pro forma summary of unaudited consolidated results of operations for the years ended December 31, 1974 and 1973, assuming the aforementioned purchases had taken place on January 1, 1973:

	<u>1974</u>	<u>1973</u>
Net sales	<u>\$252,776,444</u>	<u>\$234,232,698</u>
Net income	<u>\$ 1,769,916</u>	<u>\$ 6,094,336</u>
Earnings per common share	<u>\$16</u>	<u>\$112</u>

INVENTORY VALUATION

Inventories are stated at the lower of cost or market. The methods used to determine cost are last-in, first-out; first-in, first-out and accumulated contract costs. Effective for 1974, the cost of inventory for certain divisions and subsidiaries has been determined on the last-in, first-out basis, where in previous years the first-in, first-out method was used. See Note 3 for information concerning the effect of this change in accounting method.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY, PLANT AND EQUIPMENT

Expenditures for maintenance, repairs and betterments which could not materially prolong the normal useful life of an asset have been charged to operations as incurred. Additions and betterments which substantially extend the useful life of the properties are capitalized. Upon sale or other disposition of assets, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is reflected in income.

Depreciation and amortization of property, plant and equipment are computed on the straight-line and declining balance methods, over the estimated useful lives of the related assets.

INCOME TAXES

The Company and its subsidiaries file consolidated Federal income tax returns. State and local income taxes are classified as operating expenses on the statement of income.

The Company has adopted the flow-through method of accounting for investment tax credits, whereby Federal income tax is reduced in the year in which the credit is utilized. Such credits were approximately \$152,000 and \$126,000 in 1974 and 1973, respectively.

Recognition has been given in the accompanying financial statements to the Federal income tax effect of timing differences in reporting transactions for financial and tax purposes. These timing differences result primarily from the recognition of certain pension and deferred compensation costs and losses on uncompleted contracts for financial reporting purposes which costs and losses are not currently deductible for income tax purposes.

The Company's consolidated income tax returns through 1969 have been examined by the Internal Revenue Service. Examination of the consolidated Federal income tax returns for the years 1970 and 1971 is currently in progress.

One subsidiary group has net operating loss carryforwards of approximately \$742,000 available to reduce future income subject to Federal income taxes, of which \$294,000 expires in 1975, \$252,000 in 1976, and \$196,000 in 1977.

TRANSLATION OF FOREIGN CURRENCIES

The accounts of two Canadian subsidiaries are translated at the year-end

UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

TRANSLATION OF FOREIGN CURRENCIES (Continued)

rates of exchange, except for property and equipment (and related depreciation) which are translated at historical rates of exchange, and sales, costs and expenses (other than depreciation) which are translated at average exchange rates. Resulting unrealized exchange gains and losses are reflected in the income statement, which effect on net income is not significant.

DEFERRED CREDIT

Deferred credit represents the unamortized excess of equity in net assets over cost of certain purchased subsidiaries and divisions at their respective dates of acquisition. Such excess is being amortized to income over a 10 year period. Upon liquidation of an entity providing such a deferred credit, any remaining unamortized amount is reflected in income. See Note 6 for information concerning activity in this item during 1974.

REVENUE RECOGNITION

One division follows the completed contract method of accounting. Accordingly, the operations of such division included in the consolidated statement of income reflect sales prices and costs of contracts completed during the year. In addition, anticipated losses to be incurred on contracts in progress are charged to income as soon as such losses can be determined.

2. EXCEPTION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Opinion No. 16 of the Accounting Principles Board of The American Institute of Certified Public Accountants requires that the excess of equity in net assets over cost in purchase transactions be allocated to reduce proportionately the values assigned to noncurrent assets in determining their fair values, any remainder to be classified as a deferred credit and be amortized to income over the estimated benefit period, not to exceed 40 years. However, in connection with certain purchase transactions in 1971, the Company allocated the excess of equity in net assets over cost to inventories. Had the provisions of A.P.B. No. 16 been followed, a deferred credit (net of allocations to noncurrent assets and amortization of the remainder to income based on a 10 year benefit period) of approximately \$1,182,400 would have been reflected on the accompanying balance sheet at December 31, 1974.

UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

3. INVENTORIES

Effective January 1, 1974, the Company adopted the last-in, first-out (LIFO) method of costing for a portion or all of the inventories of certain of its divisions and subsidiaries where previously, the first-in, first-out (FIFO) method of costing inventory was used. Management believes that the LIFO method has the effect of minimizing the impact of price level changes on inventory valuations and generally matches current annual costs against current revenues in the income statement. The effect of the change was to reduce net income by approximately \$2,486,194 (\$55 per share) from that which would otherwise have been reported. If the Company had continued to use the first-in, first-out method, such inventories would have been \$4,871,922 higher than reported at December 31, 1974. There is no cumulative effect on prior years since the ending inventory as previously reported (1973) is the beginning inventory for LIFO purposes. Accordingly, pro forma results of operations for the prior year had LIFO been followed are not determinable.

The composition of inventory by method of costing is as follows:

Last-in, first-out	\$41,144,642
First-in, first-out	9,946,933
Accumulated contract costs (Net of advance billings of \$3,895,842)	<u>6,111,559</u>
	<u>\$57,203,134</u>

Inventories presently costed on the last-in, first-out method, compared to their related first-in, first-out value are as follows:

December 31, 1974 -	
FIFO value	\$61,377,454
LIFO value	<u>41,144,642</u>
Excess of FIFO over LIFO value at December 31, 1974	20,232,812
Excess of FIFO over LIFO value at December 31, 1973	<u>6,633,427</u>
Increase in excess of FIFO over LIFO value for 1974	<u>\$13,599,385</u>

UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES

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NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. PROPERTY, PLANT AND EQUIPMENT

The major classes of these assets are as follows:

	<u>1974</u>	<u>1973</u>	<u>Estimated Useful Life</u>
Land and improvements	\$ 1,780,612	\$ 1,488,122	7½ to 20 years
Buildings and improvements	15,217,863	13,791,169	2 to 50 years
Equipment	<u>32,339,254</u>	<u>30,294,337</u>	3 to 20 years
	49,337,729	45,573,628	
Less: Accumulated depreciation and amortization	<u>32,450,961</u>	<u>30,932,248</u>	
	<u>\$16,886,768</u>	<u>\$14,641,380</u>	

5. NOTES PAYABLE AND LONG-TERM DEBT

Notes payable and long-term debt consist of the following:

	<u>1974</u>	<u>1973</u>
Long-term debt -		
Mortgages payable - Interest ranging from 5¼% to prime plus ½% per annum; collateralized by property with a depreciated book value of \$4,048,950	\$ 2,447,920	\$2,365,129
Notes payable - Interest ranging from prime plus ¾% to prime plus 1% per annum; collateralized by equipment with a depreciated book value of \$575,579	601,800	595,490
Notes payable - Interest ranging from 7% to prime plus ½% per annum; unsecured	<u>6,396,582</u>	<u>2,805,373</u>
	9,446,302	5,765,992
Less: Noncurrent portion	<u>7,837,609</u>	<u>4,626,106</u>
Current portion of long-term debt	1,608,693	1,139,886
Other notes payable - Interest ranging from 6% to 12% per annum; \$430,033 of which is collateralized by land and short-term investments of \$451,364; and \$552,000 of which, applicable to two Canadian subsidiaries, is collater- alized by inventories and accounts re- ceivable of \$1,224,968	<u>18,095,360</u>	<u>2,700,391</u>
Notes payable and current portion of long-term debt	<u>\$19,704,053</u>	<u>\$3,840,277</u>

UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

5. NOTES PAYABLE AND LONG-TERM DEBT (Continued)

The approximate aggregate maturities of long-term debt in each of the five years to end December 31, 1979 are as follows:

December 31,	
1975	\$1,609,000
1976	1,754,000
1977	1,512,000
1978	1,189,000
1979	1,206,000

A term loan agreement (\$3,000,000) dated May 31, 1974 requires, among other things, that the Company maintain certain minimum "net working capital" and "tangible net worth", and prohibits purchase or redemption of capital shares and payment of dividends in excess of certain amounts.

6. DEFERRED CREDITS ON ACQUISITIONS (SEE NOTE 1)

Balance - January 1, 1974		\$1,009,136
Additions -		
Acquisitions of subsidiaries		<u>1,154,862</u>
		2,163,998
Reductions -		
Amortization	\$344,721	
Other	<u>8,369</u>	<u>353,090</u>
Balance - December 31, 1974		<u>\$1,810,908</u>

7. COMMITMENTS AND CONTINGENCIES

Total rent charged to expense for the years ended December 31, 1974 and 1973 amounted to \$1,643,458 and \$1,173,249, respectively. Approximate minimum annual rentals for space and equipment under noncancelable leases, exclusive of certain taxes and operating expenses, are as follows:

1975	\$697,000
1976	542,000
1977	410,000
1978	271,000
1979	164,000
1980 to 1984	560,000
1985 to 1989	346,000

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

7. COMMITMENTS AND CONTINGENCIES (Continued)

During 1969, the Company instituted a deferred compensation plan, covering certain key executives, which is based on the earnings of the Company and certain of its subsidiaries, subject to certain adjustments. Vesting occurs within five years of the award date and is payable over a 10 year period from date of retirement or termination. Unamortized past service liability at December 31, 1974 of \$548,160 is being amortized to income over a remaining eight year period. The total amount charged to operations was \$88,020 and \$364,920 during 1974 and 1973, respectively.

The Company has guaranteed the contractual obligations of all of its subsidiaries to subscribers of Dun & Bradstreet, Inc., and has guaranteed the obligations of certain of its subsidiaries to their respective banks.

The Company has in effect termination agreements involving certain key executives, providing for payments aggregating \$1,450,000, payable over a 10 year period, in the event of the occurrence of certain specific events. These agreements have not been reflected in the accompanying financial statements.

8. PENSION AND PROFIT-SHARING PLANS

The Company and certain of its subsidiaries have a number of self-administered pension plans, union administered pension plans, profit-sharing plans and retirement trust plans.

In regard to the pension plans, the Company generally funds accrued normal current cost and interest on prior service costs. Past service costs are being amortized to income over periods ranging up to 40 years and where necessary, provision has been made for vested benefits on certain plans.

Total expense charged to operations amounted to \$1,754,076 and \$1,569,125 in 1974 and 1973, respectively. The actuarially computed value of vested benefits exceeds the value of fund assets and balance sheet accruals by approximately \$7,800,000 at December 31, 1974. Unfunded past service costs on all plans were approximately \$11,650,000 at December 31, 1974.

The impact of the Pension Reform Act, which does not require full implementation by the Company until June 1, 1976, cannot be determined at this time.

9. CAPITAL SHARES - DECEMBER 31, 1974

Second preferred - \$6 cumulative -
Authorized - 100,000 shares
Issued - 43,737 shares 43,737
Liquidation and redemption value
\$4,373,700, plus cumulative
dividend arrearages, which
amounted to \$587,800 at
December 31, 1974

Common stock - \$10 par value		
Class A -		
Authorized	- 49,100 shares	
Issued	- 44,100 shares	\$441.000

\$450,000

UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

9. CAPITAL SHARES (Continued)

During 1974, the Company retired 980 shares of first preferred stock which was previously in Treasury. This transaction resulted in a charge to additional paid-in capital for \$97,020, the excess of redemption price over par value.

Both classes of common stock have equal dividend rights. However, such dividends may not be paid out of retained earnings to the extent of the liquidation or redemption value of the preferred stock.

All voting rights are vested in the holders of the Class B common stock, except that the holders of the second and third preferred stock, in combination and voting as a single class, have the right to nominate and elect one Director.

10. EARNINGS PER COMMON SHARE

Earnings per common share are based on 45,000 common shares outstanding during each year, after giving effect to cumulative preferred dividends of \$1,066,542 in each year.

UNITED INDUSTRIAL SYNDICATE, INC.
AND SUBSIDIARIES

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FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1973

J. H. COHN & COMPANY

J. H. COHN & COMPANY

ACCOUNTANTS

NEWARK, N. J.
NEW YORK, N. Y.
LAKEWOOD, N. J.

ACCOUNTANTS' REPORT

Board of Directors
United Industrial Syndicate, Inc.

We have examined the accompanying consolidated balance sheet of UNITED INDUSTRIAL SYNDICATE, INC. AND SUBSIDIARIES as of December 31, 1973 and the related consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination of the Company's financial statements for the preceding year.

The values allocated to certain assets purchased in 1973 and 1971 as described in Note 1 are not in accordance with the values which such assets would have been assigned if Opinion No. 16 of the Accounting Principles Board of the American Institute of Certified Public Accountants had been followed.

In our opinion, except for the treatment of valuing assets purchased referred to in the preceding paragraph, which is not in conformity with generally accepted accounting principles, the accompanying financial statements present fairly the consolidated financial position of United Industrial Syndicate, Inc. and Subsidiaries at December 31, 1973 and the results of operations and changes in financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with the preceding year.

New York, New York
March 13, 1974

J. H. Cohn & Company

UNITED INDUSTRIAL SYNDICATE, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET - DECEMBER 31, 1973 AND 1972

<u>ASSETS</u>	<u>1 9 7 3</u>	<u>1 9 7 2</u>
Current assets:		
Cash	\$ 7,245,600	\$ 4,770,300
Short-term investments	497,872	450,000
Accounts and notes receivable	\$25,333,942	\$24,794,437
Less, allowance for doubtful accounts and discounts	<u>583,643</u>	<u>566,639</u>
Inventories, net of advance billings - \$3,014,652 - 1973; \$4,065,712 - 1972	24,750,299	24,227,798
Prepaid expenses and other assets	43,160,536	35,777,967
Due from affiliated company	926,986	1,065,735
Total current assets	<u>76,581,293</u>	<u>66,325,800</u>
Property, plant and equipment, at cost, net of accumulated depreciation - \$30,932,248 - 1973; \$29,517,911 - 1972	14,641,380	12,648,442
Other assets	<u>1,109,830</u>	<u>301,165</u>
TOTALS	<u>\$92,332,503</u>	<u>\$79,275,407</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Current portion of long-term debt	\$ 1,139,886	\$ 826,293
Notes and loans payable	2,700,391	3,984,336
Accounts payable	8,887,818	7,363,331
Federal income tax	2,091,442	2,262,644
Accrued expenses and other liabilities	7,299,554	6,074,124
Billings on uncompleted contracts in excess of costs	<u>765,398</u>	<u>864,904</u>
Total current liabilities	\$22,884,489	\$21,375,632
Long-term debt - non-current portion	4,626,106	4,230,771
Other non-current liabilities	515,879	81,235
Total liabilities	<u>28,026,474</u>	<u>25,687,638</u>
Minority interest	18,729	62,439
Deferred credit	1,009,136	1,199,348
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	222,937	189,698
Common stock	450,000	450,000
Additional paid-in capital	10,114,147	6,780,102
Retained earnings	52,589,080	45,004,182
Less, treasury stock, 980 shares first preferred, at cost	<u>63,376,164</u>	<u>52,423,982</u>
98,000	98,000	98,000
Total stockholders' equity	<u>63,278,164</u>	<u>52,325,982</u>
TOTALS	<u>\$92,332,503</u>	<u>\$79,275,407</u>

See accompanying Accountants' Report and Notes to Consolidated Financial Statements.

UNITED INDUSTRIAL SYNDICATE, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1973 AND 1972

<u>INCOME</u>	<u>1973</u>	<u>1972</u>
Net sales	\$175,544,665	\$162,171,884
Other income	463,275	582,407
Gain on sale of securities, property and equipment - net	521,360	472,513
Totals	<u>176,529,300</u>	<u>163,226,804</u>
Costs and expenses (credit):		
Cost of products sold	135,519,231	124,864,762
Selling, shipping and warehousing expenses	18,689,518	16,871,608
Administrative and general expenses	11,559,362	9,575,932
Depreciation	1,967,007	1,843,334
Interest expense - net	367,022	522,008
Management fee income - affiliated company		(73,500)
Amortization of deferred credit - net	(474,536)	(528,149)
Termination (income) expense	(3,952,772)	241,358
Totals	<u>163,674,832</u>	<u>153,317,353</u>
Income before Federal and Canadian income taxes	<u>12,854,468</u>	<u>9,909,451</u>
Federal and Canadian income taxes:		
Current	5,380,250	4,070,435
Deferred	(244,700)	
	<u>5,135,550</u>	<u>4,070,435</u>
Net income (A)	<u>7,718,918</u>	<u>5,839,016</u>
<u>RETAINED EARNINGS</u>		
Balance, January 1	45,004,182	39,299,186
	<u>52,723,100</u>	<u>45,138,202</u>
Deduct, dividends paid on first preferred stock	134,020	134,020
BALANCE, DECEMBER 31	<u>\$ 52,589,080</u>	<u>\$ 45,004,182</u>
(A) Earnings per common share (based on 45,000 shares of Class A and Class B outstanding, after recognition of an assumed annual dividend requirement of \$1,066,542 in 1973 and \$861,859 in 1972 on preferred cumulative stock	<u>\$148</u>	<u>\$111</u>

See accompanying Accountants' Report and Notes to Consolidated
Financial Statements.

UNITED INDUSTRIAL SYNDICATE, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 1973 AND 1972

	<u>1973</u>	<u>1972</u>
Source of working capital:		
Provided by operations:		
Net income	\$ 7,718,918	\$ 5,839,016
Add (deduct), non-fund items:		
Depreciation	1,967,007	1,843,334
Provision for deferred		
Federal income tax	(244,700)	
Amortization of deferred credit	(474,536)	(528,149)
	<u>8,966,689</u>	<u>7,154,201</u>
Deferred credit arising		
from new acquisitions	284,324	361,154
Long-term debt of consolidated		
subsidiary purchased	1,030,083	1,418,157
Long-term debt	394,249	773,555
Preferred stock issued	3,323,900	5,469,800
Decrease in idle plant facilities		243,930
Increase in other non-current liabilities	434,318	82,720
Decrease in other non-current assets		82,583
Totals	<u>14,433,563</u>	<u>15,586,100</u>
Application of working capital:		
Purchase of additional plant, property		
and equipment, net of disposals	3,959,945	1,800,253
Payments of long-term debt	1,028,997	
Increase in other non-current assets	563,965	
Dividends paid on first preferred stock	134,020	134,020
Totals	<u>5,686,927</u>	<u>1,934,273</u>
Increase in working capital	8,746,636	13,651,827
Working capital, beginning of year	<u>44,950,168</u>	<u>31,298,341</u>
WORKING CAPITAL, END OF YEAR	<u>\$53,696,804</u>	<u>\$44,950,168</u>

UNITED INDUSTRIAL SYNDICATE, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 1973 AND 1972

	<u>1973</u>	<u>1972</u>
The increase in working capital is represented by the following increases (decreases):		
Current assets:		
Cash	\$ 2,475,300	\$ 2,827,023
Short-term investments	47,872	(2,276,540)
Accounts receivable - net	522,501	10,543,588
Inventories	7,382,569	11,324,400
Prepaid expenses and other assets	(172,749)	476,410
Totals	<u>10,255,493</u>	<u>22,894,881</u>
Current liabilities:		
Notes payable	(1,283,945)	3,984,336
Current portion of long-term debt	313,593	(20,387)
Federal income tax	(171,202)	2,066,480
Accounts payable	1,524,487	3,532,424
Accrued expenses and other current liabilities	1,225,430	1,471,809
Billings on uncompleted contracts in excess of cost	(99,506)	(1,791,608)
Totals	<u>1,508,857</u>	<u>9,243,054</u>
Net increase in working capital	<u>\$ 8,746,636</u>	<u>\$13,651,827</u>

See accompanying Accountants' Report and Notes to Consolidated Financial Statements.

STATEMENT 3
(CONCLUDED)

UNITED INDUSTRIAL SYNDICATE, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1973

Note 1 - SUMMARY OF MAJOR ACCOUNTING POLICIES

The following summary of certain significant accounting policies followed in the financial statements, except for the allocation of values to certain assets purchased, conform with generally accepted accounting principles and have been consistently applied:

A. Principles of consolidation:

The consolidated financial statements include the accounts of United Industrial Syndicate, Inc. and all of its subsidiaries which are wholly-owned.

B. Acquisitions:

The values allocated to certain assets acquired in the current year and in 1971 were based on cost, rather than fair values at date of acquisition. This treatment is not in accordance with Opinion No. 16 of the Accounting Principles Board of the American Institute of Certified Public Accountants (refer to Note 10).

C. Inventories:

The Company values inventory at the lower of cost or market. The methods used to determine costs are accumulated contract costs; first-in, first-out; last-in, first-out; and average standard cost (refer to Note 3).

D. Property, plant and equipment:

Fixed assets are carried at cost and include expenditures for new assets and improvements which substantially increase the useful lives of existing plant and equipment. Maintenance, repairs and minor renewals are expensed as incurred. When an asset is retired, or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any profit or loss on disposition is credited or charged to income.

Depreciation is provided over the estimated useful lives of the assets generally under accelerated methods allowed by the Internal Revenue Code.

E. Federal income tax:

The provision for Federal income tax is based on the filing of a consolidated return and does not include any provision on amortization of deferred credit which is not includible as taxable income. The Company's consolidated tax returns have been examined through 1968. Examination of the consolidated returns for the years 1969, 1970 and 1971 is currently in process. Investment tax credits are recognized in the year the asset which gives rise to the credit is placed in service.

UNITED INDUSTRIAL SYNDICATE, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1973

Note 1 - SUMMARY OF MAJOR ACCOUNTING POLICIES (concluded)

E. Federal income tax (concluded):

Deferred Federal income tax results principally from the recognition of additional pension and deferred compensation costs for financial reporting not currently deductible for Federal income tax purposes.

One subsidiary group has net operating loss carryovers available as an offset to future taxable income of approximately \$800,000 of which \$346,000 expires in 1975, \$255,000 in 1976, and \$199,000 in 1977.

F. Deferred credit:

The excess of equity in the net assets of certain subsidiaries and divisions at their respective dates of acquisition, over the cost of the investments therein, is being amortized into income over a ten-year period. Additional deferred credit is absorbed upon the liquidation of the entity.

G. Pension plans:

The Company generally funds accrued normal current cost and interest on prior service costs. Past service costs are being amortized over periods of 23 to 40 years and where necessary, provision has been made for vested benefits on certain plans.

Note 2 - INVENTORIES

Valued as follows:

Accumulated contract costs	\$ 6,107,152
Less, progress billings (not in excess of cost)	<u>3,014,652</u>
	3,092,500
Lower of cost or market:	
First-in, first-out	30,361,386
Last-in, first-out (A)	7,660,395
Average standard cost	<u>2,046,255</u>
Total	<u>\$43,160,536</u>

(A) The following inventories, valued on a "LIFO" basis, are compared to current replacement cost:

"LIFO" value	\$ 7,660,395
Current replacement cost	14,293,822
Excess of replacement cost over "LIFO" values	<u>\$ 6,633,427</u>
Increase in the excess of replacement cost over "LIFO" value for the year is	<u>\$ 963,370</u>

UNITED INDUSTRIAL SYNDICATE, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1973

Note 3 - LONG-TERM DEBT

	<u>Total</u>	<u>Current Portion</u>	<u>Non- Current Portion</u>
Secured:			
Mortgages (A)	\$2,365,129	\$ 309,776	\$2,055,353
Notes (B)	595,490	200,820	394,670
Unsecured (C)	<u>2,805,373</u>	<u>629,290</u>	<u>2,176,083</u>
Totals	<u>\$5,765,992</u>	<u>\$1,139,886</u>	<u>\$4,626,106</u>

(A) Interest rates range from 5½%-10¾%. Property pledged has an aggregate depreciated cost of \$3,276,143.

(B) Interest rates range from 5¼%-10½%. Equipment pledged has an aggregate depreciated cost of \$493,026.

(C) Interest rates range from 5¼%-10½%.

Retirement of non-current portion within the next five years:

1975	\$1,375,463
1976	794,440
1977	694,436
1978	607,113
1979	537,011
After 1979	617,643

Included in Notes and Loans Payable of \$2,700,391 is a secured obligation of \$500,000 (which was paid in January 1974) secured by treasury bills of \$497,872; and a loan of \$260,000 by a Canadian subsidiary secured by its inventories and accounts receivable totaling \$652,884.

Note 4 - PROPERTY, PLANT AND EQUIPMENT

The classes of property, plant and equipment and useful lives and accumulated depreciation are as follows:

	<u>Cost</u>	<u>Useful Lives</u>
Land and improvements	\$ 1,488,122	7½-20 years
Buildings and improvements	13,791,169	3-50 years
Equipment	<u>30,294,337</u>	3-20 years
	45,573,628	
Less, accumulated depreciation	<u>30,932,248</u>	
Total	<u>\$14,641,380</u>	

Property, plant and equipment of several divisions and subsidiaries are subject to mortgages (see Note 3).

UNITED INDUSTRIAL SYNDICATE, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1973

Note 5 - DEFERRED CREDIT

Changes in 1973 were as follows:

Balance, January 1, 1973		\$1,199,348
Additions:		
Acquisition of subsidiary	\$269,914	
Adjustments upon acquisition of minority interests	<u>14,410</u>	<u>284,324</u>
		1,483,672
Less, amortization for 1973 - regular		<u>474,536</u>
Balance, December 31, 1973		<u>\$1,009,136</u>

Note 6 - PENSION AND PROFIT-SHARING PLANS

The Company and subsidiaries have twenty-four self-administered pension plans, thirteen union administered pension plans, two profit-sharing plans, and two retirement trust plans. Contributions charged to operations amounted to \$1,569,125 in 1973 and \$1,147,146 in 1972. The actuarially computed value of vested benefits exceeds the value of fund assets and balance sheet accruals by approximately \$5,850,000 at December 31, 1973. Unfunded past service costs on all plans were approximately \$9,661,000 at December 31, 1973.

Note 7 - COMMITMENTS AND CONTINGENCIES

Commitments:

Total rental expense for all leases was \$1,173,249 in 1973 and \$1,355,609 in 1972. The minimum annual rental commitments for all non-cancellable leases at December 31, 1973 are as follows:

1974	\$927,784
1975	812,259
1976	714,756
1977	633,566
1978	314,528
After 1978	489,646

The Company's deferred compensation plan covering certain key executives was instituted in 1969. The plan provides for compensation based upon earnings of the Company and some of its subsidiaries. Vesting occurs within five years from the award date and is payable over a ten-year period from date of retirement or termination. Unamortized prior service liability at December 31, 1973 of \$616,680 is being amortized over a remaining 9-year period. The amount charged to operations for 1973 was \$364,920. No charge was made in 1972.

The Company has several acquisitions pending aggregating a total commitment of \$5,000,000.

UNITED INDUSTRIAL SYNDICATE, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1973

Note 7 - COMMITMENTS AND CONTINGENCIES (concluded)

Contingencies:

Cumulative unpaid dividends (refer to Note 8).

Pension costs (refer to Note 6).

Various lawsuits are pending which, in the opinion of management will have no material effect on the consolidated financial position or operating results.

Note 8 - STOCKHOLDERS' EQUITY

(A) Capital stock:

In January 1973, the Company amended its certificate of incorporation with respect to the second preferred stock. The authorized number of shares was increased from 30,000 shares to 100,000 shares.

The classes of capital stock are:

Preferred stock:

First preferred stock, \$6 cumulative, \$1 par value, authorized and issued 135,000 shares (the liquidation and redemption value is \$13,500,000, plus cumulative unpaid dividends)	\$135,000
---	-----------

Second preferred stock, \$6 cumulative, \$1 par value, authorized 100,000 shares; outstanding 43,737 shares. (The liquida- tion and redemption value is \$4,373,700, plus cumulative unpaid dividends)	43,737(1)
--	-----------

Third preferred stock, \$8 non-cumulative, \$1 par value, authorized 45,000 shares; outstanding 44,200 shares. (The liquidation and redemption value is \$4,420,000)	44,200(2)
---	-----------

Total all classes preferred stock	<u>\$222,937</u>
-----------------------------------	------------------

The preferred stock cumulative annual dividends of \$6 a share in arrears amounted to \$5,096,500 at December 31, 1973.

Common stock:

Class A, \$10 par value, Authorized 49,100 shares Outstanding 44,100 shares	\$441,000
Class B, \$10 par value, authorized and outstanding 900 shares	<u>9,000</u>
Total all classes common stock	<u>\$450,000</u>

Both classes of common stock have equal dividend rights.

UNITED INDUSTRIAL SYNDICATE, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1973

Note 8 - STOCKHOLDERS' EQUITY (concluded)

(A) Capital stock (concluded):

The second and third preferred stock, in combination and voting as a single class, have the right to nominate and elect one director. All remaining voting rights are vested in the holders of the Class B common stock.

(1) Issued 10,498 shares during 1972 in connection with purchase of Franklin Industries, Inc. and 33,239 shares during 1973 in acquiring Harlyn Industries, Inc.

(2) Issued during 1972 in connection with purchase of Franklin Industries, Inc.

(B) Retained earnings:

Retained earnings may not be used for payment of common stock dividends to the extent of the liquidation or redemption price of the preferred stock.

(C) Additional paid-in capital:

Additional paid-in capital was generated by:

Excess of fair value over the par value of shares issued in acquisition of Harlyn Industries, Inc.

\$ 3,290,661

Transfer of excess valuation previously assigned as minority interest

43,384

3,334,045

Balance, January 1, 1973

6,780,102

Balance, December 31, 1973

\$10,114,147

Note 9 - TERMINATION INCOME - NET

The results of terminating three subsidiaries and four divisions were as follows:

Gain on sale of assets		\$4,289,703
Net sales	\$8,009,555	
Less, expenses	<u>8,346,486</u>	
Net losses		<u>336,931</u>
Termination income - net		<u>\$3,952,772</u>

UNITED INDUSTRIAL SYNDICATE, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1973

Note 10 - ACQUISITIONS

In connection with the treatment of assets acquired in 1971 and the acquisition of Harlyn Industries, Inc. (Harlyn) in 1973, had the provisions of Opinion No. 16 of the Accounting Principles Board of the American Institute of Certified Public Accountants been followed, the excess of the purchased inventories over the values allocated in the purchase contract, net of valuation of non-current assets would have been recorded as a deferred credit of \$2,193,200 at December 31, 1973.

On January 1, 1973, the Company acquired all of the outstanding capital stock of Harlyn for 33,239 shares of second preferred stock. The acquisition was accounted for as a purchase.

The 1973 consolidated statement of income and retained earnings includes the income of Harlyn from date of acquisition. Had the acquisition of Harlyn been made at January 1, 1972, consolidated sales and earnings on a pro forma basis (after reflecting cumulative preferred stock dividends of \$1,066,542) would have been:

Net sales and other revenue	\$182,112,403
Net income	\$ 5,906,690
Net income per share	\$108

* * *

STATE BUDGET AND CONTROL BOARD

POLL OF November 20, 1978

POLL ITEM NUMBER 5

EXHIBIT V
5 11/20/78

Agency: General Services/Housing Authority

Subject: Grant of Right-of-way to Duke Power

The State Housing Authority has requested that a right-of-way be granted to Duke Power Company in order to provide electric service to the Authority's Cowpens project for the elderly. This right-of-way is as shown on drawings by Blackwood Associates, Inc., dated November 5, 1976, revised May 12, 1977, and of Carlisle and Love Architects dated February 22, 1978.

Board Action Requested:

Approve the granting of this right-of-way, as recommended by the Division of General Services.

Vote Of Board Member: (Please indicate by initialing appropriate line below.)

 I approve of the above action.
 I disapprove of the above action.
 Hold for regular meeting.

Attachments:

General Services agenda notes plus attachments

STATE BUDGET AND CONTROL BOARD
DIVISION OF GENERAL SERVICES
AGENDA

November 20, 1978

→ I. Right-of-Way--Cowpens Project

South Carolina State Housing Authority requests right-of-way for Duke Power Company to provide electric service to homes for the elderly in Cowpens as shown on drawing by Blackwood Associates, Inc. dated November 5, 1976, revised May 12, 1977 and drawing of Carlisle and Love Architects dated February 22, 1978. It is recommended that the Budget and Control Board approve the granting of this right-of-way.

II. Right-of-Way--City of Columbia

City of Columbia requests right-of-way for new water line across State property adjacent to Bull Street between Confederate and Harden Street Extension. This water line has been recommended by Improved Risk Mutual Insurance Companies and by the City Fire Department to upgrade and provide adequate fire protection for State agencies in this area. It is recommended that the Board approve granting of this right-of-way.

III. Amendment to Ashley Center Office Lease

The State and Ashley Center entered into an office lease dated December 20, 1976, for office space in the Ashley Center Building in Charleston. Since the execution of the original lease there have been changes in the space to be occupied by State agencies and Ashley Center has made a change in the driveway to serve the building. Since these items were spelled out in detail in the original lease, it is necessary to execute an amendment to correct the space to be occupied by State agencies and to show the change in the driveway which is an improvement over that originally proposed.

There were two other sections of the lease the owners desired to amend. The State had a first right of refusal and inasmuch as the State does not anticipate leasing any space on the tenth floor, the owners request that this provision be waived until June 1, 1979.

Another provision provided that should the State occupy 100% of the building the State had the right to take over complete management of the building. Inasmuch as the State will not occupy 100% of the building this section is of no further force or effect. It is recommended that this amendment be executed to provide that the lease for Ashley Center accurately reflect the conditions as of this date.

STATE OF SOUTH CAROLINA }

COUNTY OF _____ }

KNOW ALL MEN BY THESE PRESENTS, That the State of South Carolina, by and through its agency, the South Carolina State Housing Authority _____, grantor(s) of said County and State, in consideration of the sum of one dollar (\$1.00) to me (us) in hand paid by DUKE POWER COMPANY, the receipt whereof is hereby acknowledged, do hereby grant unto said DUKE POWER COMPANY, its successors and assigns, the right, privilege and easement to go in and upon that certain tract or lot of land situated in said County and State, bounded by lands of: being the identical property as recorded in Deed Book 45U page 736, plat attached, dated November 5, 1976, revised 5-12-77, as prepared by Blackwood Associates, Inc., and recorded in Plat Book 79, page 979, RMC Office for Spartanburg County.

and to construct, maintain and operate in, upon and through said premises, in a proper manner, with poles, wires, guys, conduits, cables, transformers, and other necessary apparatus and appliances, overhead or underground lines for transmitting and distributing power by electricity, and for communication purposes, together with the right at all times to enter said premises for the purpose of inspecting said lines and making necessary repairs and alterations thereon and additions thereto together with the right at all times to cut away or by other means to keep clear of said lines all trees, brush and other obstructions that may, in any way, endanger the proper maintenance and operation of the same; also including the right to relocate said lines over said premises to conform to any future highway or street relocation, widening or improvement.

IN WITNESS WHEREOF, the said grantor(s) do _____ hereunto set _____ hand(s) and seal(s) this _____ day of _____, 19____.

Witness _____ (SEAL)
 _____ (SEAL)
 _____ (SEAL)
 _____ (SEAL)

STATE OF SOUTH CAROLINA }

COUNTY OF _____ }

Personally appeared before me _____ and made oath that _____ saw the within named _____ sign, seal, and as _____ act and deed deliver the within written instrument, and that _____ with _____ witnessed the execution thereof.

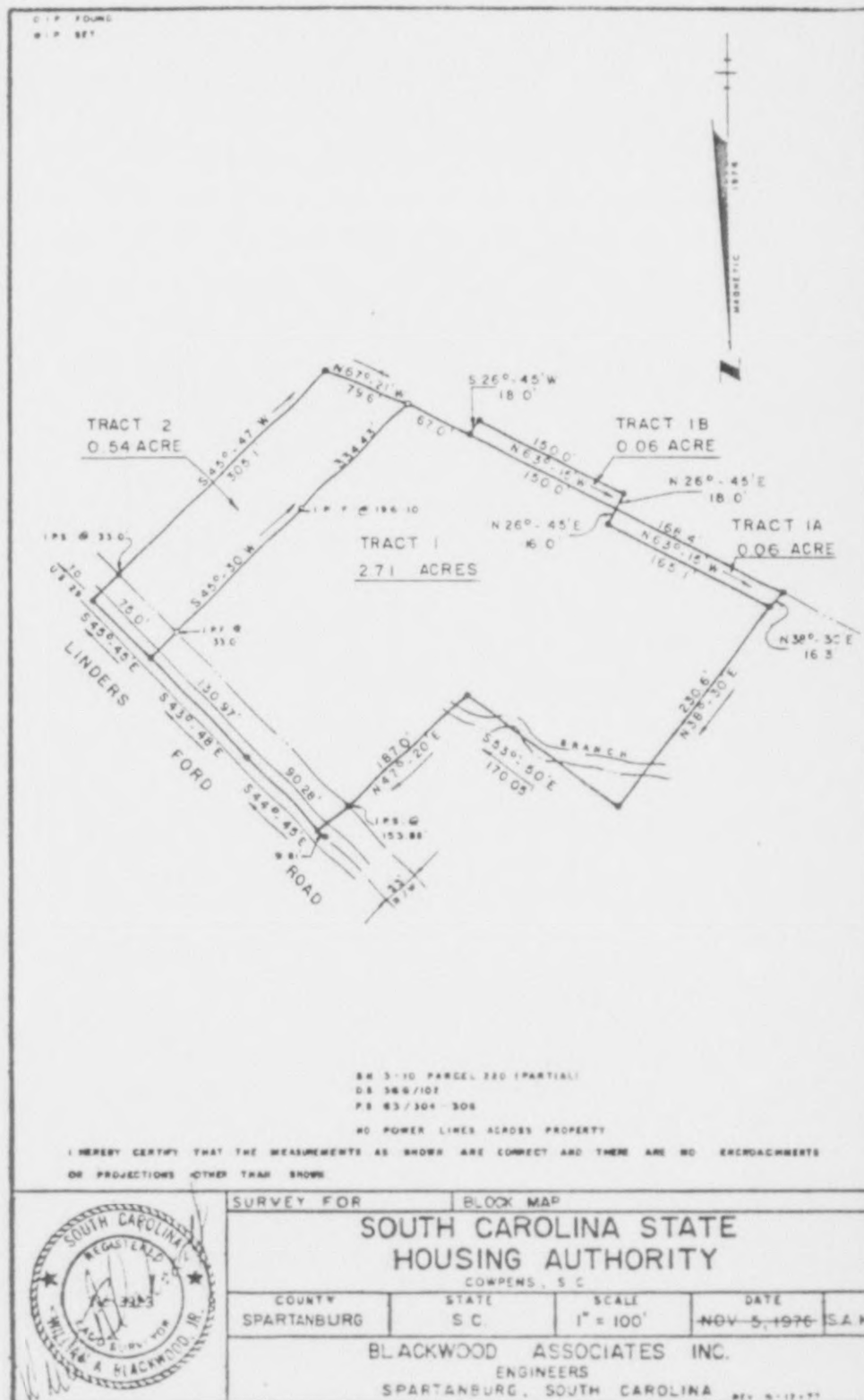
Sworn to before me this _____ day of _____ A. D. 19____.

(SEAL)

Notary Public

Filed _____ day of _____, A. D. 19____ and recorded in Book _____
 Page _____ Fee, \$ _____

_____, County, S. C.



STATE BUDGET AND CONTROL BOARD

POLL OF November 20, 1978

POLL ITEM NUMBER

EXHIBIT VI

6 11/20/78

Agency: General Services

Subject: Grant of Right-of-way to City of Columbia

The City of Columbia has requested a right-of-way for a new water line across State property adjacent to Bull Street between Confederate Avenue and the Harden Street Extension. This water line has been recommended by Improved Risk Mutual Insurance Companies and by the City Fire Department to upgrade and provide adequate fire protection for State agencies in this area.

Board Action Requested:

Approve the granting of the referenced right-of-way, as recommended by the Division of General Services.

Vote Of Board Member: (Please indicate by initialing appropriate line below.)

_____ I approve of the above action.
_____ I disapprove of the above action.
_____ Hold for regular meeting.

Attachments:

General Services agenda notes

STATE BUDGET AND CONTROL BOARD
DIVISION OF GENERAL SERVICES
AGENDA

November 20, 1978

I. Right-of-Way--Cowpens Project

South Carolina State Housing Authority requests right-of-way for Duke Power Company to provide electric service to homes for the elderly in Cowpens as shown on drawing by Blackwood Associates, Inc. dated November 5, 1976, revised May 12, 1977 and drawing of Carlisle and Love Architects dated February 22, 1978. It is recommended that the Budget and Control Board approve the granting of this right-of-way.

→ II. Right-of-Way--City of Columbia

City of Columbia requests right-of-way for new water line across State property adjacent to Bull Street between Confederate and Harden Street Extension. This water line has been recommended by Improved Risk Mutual Insurance Companies and by the City Fire Department to upgrade and provide adequate fire protection for State agencies in this area. It is recommended that the Board approve granting of this right-of-way.

III. Amendment to Ashley Center Office Lease

The State and Ashley Center entered into an office lease dated December 20, 1976, for office space in the Ashley Center Building in Charleston. Since the execution of the original lease there have been changes in the space to be occupied by State agencies and Ashley Center has made a change in the driveway to serve the building. Since these items were spelled out in detail in the original lease, it is necessary to execute an amendment to correct the space to be occupied by State agencies and to show the change in the driveway which is an improvement over that originally proposed.

There were two other sections of the lease the owners desired to amend. The State had a first right of refusal and inasmuch as the State does not anticipate leasing any space on the tenth floor, the owners request that this provision be waived until June 1, 1979.

Another provision provided that should the State occupy 100% of the building the State had the right to take over complete management of the building. Inasmuch as the State will not occupy 100% of the building this section is of no further force or effect. It is recommended that this amendment be executed to provide that the lease for Ashley Center accurately reflect the conditions as of this date.

STATE BUDGET AND CONTROL BOARD

EXHIBIT VII

11/20/78

2

MEETING OF November 20, 1978

AGENDA ITEM NUMBER

Agency: Department of Labor

Subject: Civil Contingent Fund Request

Commissioner Edgar L. McGowan advises that his investigation of the collapse of the cofferdam in Keowee Lake has proceeded as far as it can with the expertise available within his department and that, in order to reach a conclusion as to what occurred, he needs the assistance of additional, outside experts. He further advises that he has solicited proposals from several engineering firms and that two, Law Engineering Testing Company and Pittsburg Testing Laboratory, have responded.

Commissioner McGowan points out that both proposals are somewhat open-ended but that the costs of the work required will approximate \$54,000 under either of the two proposals received. He indicates that 50% of these costs can be financed from federal funds and that the other 50% should be state funds.

Board Action Requested:

Consider Commissioner McGowan's request for supplementary funds in the amount of \$27,000 from the Civil Contingent Fund to be expended for the referenced purpose.

Staff Comment:

Attachments:

McGowan 11/13/78 letter to Governor Edwards and Board members, plus attachments

NOV 14 1978

STATE OF SOUTH CAROLINA

DEPARTMENT OF LABOR

P. O. BOX 11329

COLUMBIA, S. C. 29211

EDGAR L. MCGOWAN
COMMISSIONER

November 13, 1978

The Honorable James B. Edwards, Governor
Members of the Budget and Control Board

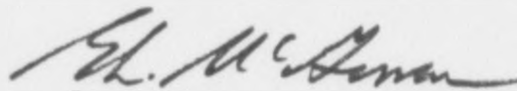
In Re: Need For Supplementary Funds

Gentlemen:

On the sixth day of October, 1978, a cofferdam in Keowee Lake collapsed and killed seven workers. Our investigation has proceeded as far as we are able to go with the expertise available within this Department, and in order to reach a conclusion as to what occurred, we need outside expertise. I have solicited from several engineering firms a proposal; however, only two have been willing to submit same, namely, Law Engineering Testing Company and Pittsburgh Testing Laboratory. Both of these are somewhat open-ended, and I feel that the costs would approximate \$54,000 with either firm. These funds will be 50% federal and 50% state.

I am hereby requesting that the State authorize the expenditure of a sum up to \$27,000 for the Department of Labor to be able to bring the investigation to a successful conclusion. I am enclosing herewith a copy of both submissions by the engineering firms for your perusal.

Respectfully submitted,


E. L. McGowan

ELMcG:rjp
Enclosures



LAW ENGINEERING TESTING COMPANY

Geotechnical and Materials Engineers

P. O. BOX 21879, 209 STONERIDGE DRIVE, COLUMBIA, S. C., 29221 / (803) 779-3161
SUITE 201 GREYSTONE EXECUTIVE CENTER

November 3, 1978

South Carolina Department of Labor
Post Office Box 11329
Columbia, South Carolina 29211

Attention: Mr. Arthur A. Fusco
Assistant Commissioner

Subject: Lake Keowee Water Intake Structure
Investigation of Cofferdam Failure
Proposal Number MS8001.85

Gentlemen:

With reference to our recent meeting and briefing by Commissioner McGowan on November 2, 1978 the following clarifications to the above subject proposal is made.

1. Black and Veach is incorrectly referred to as the designer of the cofferdam in question. This should be corrected to reflect Southern Contracting and Engineers in this role.
2. It should be clarified that the Department of Labor will control access to data and will release such information in accordance with department policies and Freedom of Information Act.

The proposal was made prior to commissioner McGowan's briefing and obviously includes some possible duplications of work.

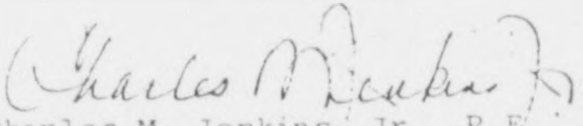
South Carolina Department of Labor
Columbia, South Carolina 29211
November 3, 1978

-2-

If we are able to use the information previously developed
in this project the scope of our work and fees for services
will be reduced accordingly.

Very truly yours,

LAW ENGINEERING TESTING COMPANY


Charles M. Jenkins, Jr., P.E.
Branch Manager

CMJJr:prb



LAW ENGINEERING TESTING COMPANY

Environmental Sciences, Geotechnical and Construction Services
2749 DELK ROAD, S. E. / MARIETTA, GEORGIA 30067 (404) 952-9005

November 1, 1978

South Carolina Department of Labor
P. O. Box 11329
Columbia, South Carolina 29211

Attention: Mr. Arthur A. Fusco
Assistant Commissioner

Subject: Lake Keowee Water Intake Structure
Investigation of Cofferdam Failure
Proposal Number MS8001.85

Gentlemen:

Law Engineering Testing Company is pleased to submit this proposal to provide an investigation into the cause of the collapse of a sheet pile cofferdam during construction of the Lake Keowee water intake structure. This letter presents our present understanding of the problem, the scope of work which we propose to undertake and a schedule of fees which will apply during the execution of the investigation.

STATEMENT OF THE PROBLEM

It is our understanding that a cellular sheet pile cofferdam was under construction for the Lake Keowee water intake structure when it suddenly collapsed during dewatering. The constructor of the water intake structure was Southern Contracting and Engineering, a Birmingham, Alabama contractor. The cofferdam structural designer was Black and Veatch Engineers. The South Carolina Department of Labor has decided to undertake an investigation into the collapse of the cofferdam. At this time the remains of the cofferdam are still intact except for a few sheets which were removed during the initial retrieval operations. The South Carolina Department of Labor proposes that the investigation of the cofferdam will be a cooperative operation which will involve the designers and the constructors. The Department of Labor will control the investigations to assure that all parties have individual access to the cofferdam site and data, and to assure that the investigative operations will not preclude a thorough investigation of conditions. Law Engineering Testing Company will be the Department of Labor's agent responsible for the coordination of all field activities and an independent interpretation of the conditions found and diagnosis of the causes of the failure. The interpretations and reports provided by Law Engineering will be for the use of the Department of Labor.

SCOPE OF INVESTIGATION

The investigation of the cofferdam failure will require a review of the design and construction considerations which took place prior to the failure, documentation of the present conditions at the cofferdam site and subsequent analyses and interpretations based upon the facts discovered. Consequently, this investigation lends itself to a 3-phase investigation. The phases of the investigation will be performed in a consecutive sequence with each preceding phase dictating the amount of work and direction of the succeeding phase. In this manner, a logical sequence of operations can be scheduled and the cost for each sequence controlled by the Department of Labor. During the investigation a reporting frequency can be set up to maintain the Department of Labor's knowledgeable involvement into the studies and to assure control of the project costs. All of the operations proposed for this investigation will be conducted by Law Engineering Testing Company engineers. In addition to these engineers, we propose to maintain a consulting board who will assist in planning the investigative operations and who will review the data acquired during the investigations. This consulting board will consist of G. F. Sowers, Senior Consultant, Law Engineering Testing Company, and Regents Professor of Civil Engineering at Georgia Institute of Technology, and Dr. William Schroeder, Professor of Civil Engineering, Oregon State University, and consulting engineer on design and installation of water front structures. The review board will work with our project manager during all phases of the investigation. In this manner an overview of the project will be maintained so that project objectives can be realized and avoid unnecessary detail into any specialty area.

The following paragraphs describe our concept of the phases of this investigation.

Phase 1 - Data Review

The initial operations of the investigation will be to ascertain design methods and adequacy utilized in the design of the cofferdam structure. This will include a review of the drawings provided to the contractor and interviews with the design firm regarding the technique of analysis used. During the design review it will be necessary to compile a history of the events during the construction of the cofferdam. These events will include the site preparation activities, records of sheet installation and construction techniques, and any photographic records which might be available from the construction process. Subsurface information acquired for the design effort will be reviewed with the records of actual installation conditions. During this review of available data, personal interviews with persons knowledgeable with the construction operations, particularly the behavior of the sheets during driving, will be important.

On the basis of the Phase 1 data reviews, the investigation will be oriented to determine the most probable causes of failure. In this manner the subsequent investigations will become more specific than the previous data gathering activities.

Phase 2 - Field Investigations

The second phase of the investigation will involve the documentation of the conditions currently existing at the cofferdam site. These investigations will involve surveys of the bottom topography in the cofferdam area, subsurface investigations below the lake bottom to determine the thickness and character of the soil and rock

materials which were penetrated by the cofferdam, and documentation of the condition of the cofferdam structure. These operations will involve bottom profiling in the vicinity of the cofferdam, performing borings into the lake bottom, probably extending to the underlying rocks in the immediate vicinity of the cofferdam, and underwater inspection and measurements of the remains of the cofferdam. Law Engineering will use its personnel and equipment for the bottom profiling and boring operations. Some assistance in surveying control and mobilization and moving of drilling equipment will be required. We assume that these services can be made available through the contractor's personnel at the site. The underwater inspection and measurements will be performed by Carolina Diving and Marine Construction, Inc., a firm which specializes in the underwater inspection of structures. Law Engineering's engineers have expertise in these underwater operations and will work with the Carolina Diving and Marine personnel to direct their operations and assure that pertinent measurements are made. Upon completion of adequate documentation of existing conditions, it will probably be necessary to dismantle the existing cofferdam in a planned sequence. This dismantling will be for the purpose of verifying the locations of the structural components and the types of connections which have been made during the construction operations. It is anticipated that removal of the cofferdam will be a tedious operation which will be performed by the contractor's forces. Each member of the cofferdam will be inspected by the investigation team and samples of the materials obtained as necessary in order to verify the quality of construction. During this operation particular emphasis will be placed on the condition of the sheet interlocks and the positioning and condition of the internal bracing for the cofferdam. These operations will also verify the driving records of the sheets obtained from the Phase 1 investigations.

Upon completion of the Phase 2 investigation, a comparison of the design intent and the actually constructed structure will be made. It is anticipated that this comparison will provide the major information which is utilized in the determination of the causes of failure of the cofferdam.

Phase 3 - Analyses and Conclusions

Based upon the information gathered during Phase 1 and Phase 2 operations, an analysis of the forces on the cofferdam and the ability of the cofferdam to withstand these forces will be performed. This analysis will be performed by the geotechnical and structural engineers on Law Engineering's staff, utilizing the data gathered during Phase 1 and Phase 2 operations. The consulting team will direct these operations to assure appropriate analyses are performed. On the basis of these analyses a history of the cofferdam construction up to the time of its failure will be provided.

SCHEDULE OF INVESTIGATION

We anticipate that about two weeks will be required to complete the interviews and data reviews necessary for the Phase 1 activities outlined previously. During this interval the necessary agreements and mobilizations will be conducted with the drilling forces within Law Engineering and the subcontract personnel required for the underwater inspections. At the end of the Phase 1 operations a report presenting the findings and an outline of the direction for the Phase 2 studies will be provided to the South Carolina Department of Labor.



It is difficult at this time to project all of the requirements for the Phase 2 study. It appears that it will be appropriate to make about four to six borings in the vicinity of the cofferdam. These borings will probably require approximately two weeks for completion. During this interval the bottom profiling and underwater inspection of the cofferdam will be accomplished. Consequently, we estimate that an additional two weeks will be required to complete those portions of the Phase 2 studies with the cofferdam in place. Dismantling and removal of the cofferdam will then be required. We assume that this could be accomplished in one week. Our estimate for the total involvement in the Phase 2 studies is three weeks beyond Phase 1.

The analysis of the data from Phases 1 and 2 and the performance of the necessary laboratory tests, such as metallurgical tests, are estimated to require an additional three weeks. Consequently, we estimate that the investigation and report of the cofferdam failure will require ten weeks. The attached project schedule indicates the sequence of operations which we project will be required for this investigation.

PROJECT PERSONNEL

The investigations into the cofferdam failure will be conducted through Law Engineering Testing Company's Columbia, South Carolina facility. Project engineers Stephen E. Blevins and Ernest C. Bartoli will be assigned to the execution of this project. These engineers will be responsible for the coordination and execution of all data gathering and site activities. Senior engineer and project manager for these operations will be Mr. L. D. Wheelless. The project review team will consist of Professor G. F. Sowers and W. R. Schroeder. Law Engineering maintains in-house capabilities to perform all of the tests and inspections required for this project with the exception of the specialized diving expertise which will be subcontracted to Carolina Diving and Marine Construction Company, Inc. Attached to this proposal are resumes of the project engineers and the project manager proposed for this project.

PROJECT COST

Attached to this proposal are fee schedules for Law Engineering Testing Company engineering and testing services. Based on the previous schedule we estimate that the engineering services for this project will be approximately \$37,000. Costs for testing and inspection services are estimated to be about \$18,000. Please understand that these estimates are based on our current projections and will be subject to the direction provided during each phase of the project. The actual cost of services will be based upon the actual time spent on the project and the unit rates provided on the attached fee schedules. We will provide projections for each phase of the project prior to its initiation as a part of the reporting for each subsequent phase. In this manner the Department of Labor can control the cost during project execution.

In addition to the engineering and testing costs which we will incur, there will be additional costs associated with removal of the cofferdam and activities incidental to site investigations. We propose that the contractor involved with this project provide these services and the cost of these services be agreed upon between the Department of Labor and the contractor.

CLOSURE

Law Engineering Testing Company is qualified to provide the investigations to determine the cause of the Lake Keowee water intake structure cofferdam failure. Our staff includes experienced geotechnical, structural and materials engineers who can analyze the actual conditions at the site and determine the causes of the failure based on the conditions found. We will utilize our internal staff, plus limited expertise provided from outside consultants, to assure efficient and meaningful activities are carried out on this project. We will conduct our operations in a sequenced manner in order that the Board of Labor can understand in advance the intent of the investigation and the approximate cost which it will incur during these operations.

Thank you for the opportunity of submitting this proposal. We will be pleased to begin these investigations within one week after your authorization to proceed. Attached to this proposal is an acceptance sheet which we would appreciate your executing as our formal authority to begin this investigation. We will be pleased to meet with you prior to the Phase I initiation to coordinate our activities with the other interested parties on this project and to provide you with specific schedules for the activities which will be conducted during Phase I. If we can be of further assistance prior to initiation of this project, please feel free to contact the writers.

Very truly yours,

LAW ENGINEERING TESTING COMPANY

Stephen E. Blevins
Stephen E. Blevins
J. G. LaBastie

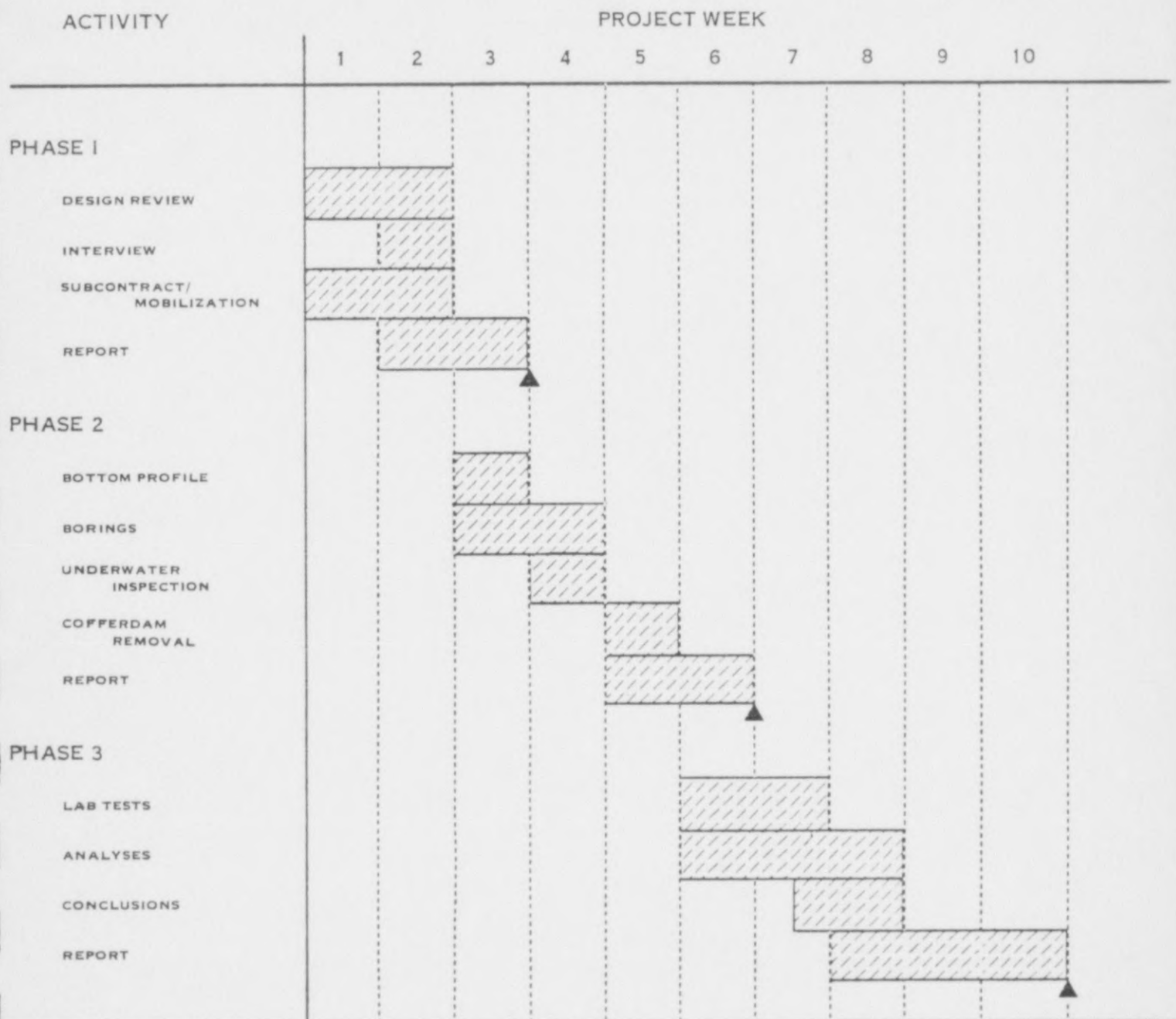
J. G. LaBastie

SEB:JGL:lrp

Enclosures



PROPOSED SCHEDULE OF ACTIVITY LAKE KEOWEE WATER INTAKE STRUCTURE



FEE SCHEDULE

LAW ENGINEERING TESTING COMPANY

I. ENGINEERING SERVICES

A.	Staff Engineer/Geologist for Evaluation of field and laboratory data, report preparation, per hour	\$ 30.00
B.	Senior Engineer, P.E., Senior Geologist, for project administration, evaluation of field and laboratory data, report preparation and conferences, per hour	\$ 35.00
C.	Chief Engineer, Project Engineer, P.E., for consultation, analyses, report preparation and/or review, per hour	\$ 40.00
D.	Consultant - Project review team, per hour	\$ 50.00
E.	Engineering Technician, regular time, portal to portal, per hour	\$ 16.00
F.	Engineering Technicians, overtime, portal to portal, all over 40 hours per week, Saturdays, Sundays or Holidays, Regular Rates Times 1.5	
G.	Travel Expenses: Automotive travel in personal or company cars will be charged at a mileage rate of \$0.22 per mile.	
H.	Lodging expenses, per diem, actual direct subsistence cost times 1.25 but not less than	\$ 25.00
I.	Drafting and typing of reports, boring plans, logs, geological cross sections, laboratory tests, graphical presentations, per hour	\$ 12.50

II. DRILLING SERVICES

BARGE MOUNTED RIG:

A.	Mobilization and Transportation of barge and equipment (in and out of water)	lump sum	\$3200.00
B.	Set Up	per boring	125.00
C.	Soil Test Boring (over water)		
1.	0-50 ft. depth below water surface	per foot below mud line	13.50
2.	50-150 ft. depth below water surface	per foot below mud line	16.25
D.	Casing Set (over water)	per foot	3.75
E.	Rock Coring NX or Smaller		
1.	Less than 100 ft. depth below water surface	per foot	23.00
2.	Depths between 101 and 150 ft. below water surface	per foot	30.00
F.	Minimum Coring Charge	per boring	150.00
G.	Crew Per Diem	per man/per day	25.00

III. DIVING AND UNDERWATER INSPECTION SERVICES

Carolina Diving and Marine Construction Company, Inc.

A. Diving Services:

1.	2 Men	per day	\$ 251.00
2.	3 Men	per day	376.30

B.	Per Diem	per man/per day	22.50
----	----------	-----------------	-------

C. Travel Expenses

1.	Car	per day	20.00
2.	Mileage	per mile	.15
3.	Personnel in Travel	per man/per hour	6.00

D. Underwater TV

1.	Camera Use	per day	105.00
2.	Video Tape (about 45 mins. or 1200 ft.)	per tape cost	14.33 (plus 10%)
3.	Work Boat	per week	125.00

IV. LABORATORY SOIL TESTING SERVICES

A.	Identification	
1.	Natural moisture content, ASTM D-2216, each	\$ 4.00
2.	Unit weight and moisture content (Undisturbed sample), each	\$ 20.00
3.	For void ratio determination, add	\$ 20.00
4.	Liquid and plastic limit, ASTM D-423 and D-424, per sample	\$ 25.00
5.	Specific gravity, ASTM D-854	\$ 17.00
6.	Grain Size determination:	
a.	Dry sample, each	\$ 15.00
b.	Wash No. 200 sieve, each	\$ 22.00
c.	Hydrometer analysis, each	\$ 35.00
	Including Specific Gravity, ASTM D-22, each	\$ 50.00

NOTE: Scheduled fees for identification tests required with typical consolidation, shear strength, and permeability testing are included in the following listed fees.

B.	Consolidation	
1.	Consolidation test of undisturbed sample, including loading to overburden pressure, unloading, and 7 load increments, per test	\$ 150.00
2.	To remold sample for test, add	\$ 15.00
3.	For test with back pressure, add	\$ 52.00
4.	Swell test of undisturbed sample, per test	\$ 90.00
C.	Shear Strength	
1.	Unconfined compression test:	
a.	Undisturbed soil sample, ASTM D-2166, includes stress/strain curve, per test	\$ 70.00
b.	Undisturbed soil sample, compressive strength only, per test	\$ 30.00
c.	To remold sample for test, add	\$ 15.00
d.	Rock core, compression strength only, per test	\$ 22.00
e.	Rock core, with stress/strain curve, per test (minimum of 5 tests)	\$ 50.00
2.	Direct shear test of undisturbed soil sample, 3 points, per test	\$ 135.00
a.	To remold sample for test, add	\$ 30.00

LABORATORY SOIL TESTING SERVICES (continued)

D. Triaxial Shear Test using 1.4 or 2.8 inch diameter specimens, 3 circles:

- | | |
|---|-----------|
| 1. Unconsolidated undrained test of undisturbed sample, per test | \$ 150.00 |
| 2. Consolidated undrained test of undisturbed sample, per test | \$ 185.00 |
| 3. For test with back pressure saturation and pore pressure readings, add | \$ 60.00 |
| 4. Consolidated drained test, per hour | \$ 15.50 |
| 5. To remold sample for test, add | \$ 30.00 |
| 6. Vane shear test of undisturbed sample, per test | \$ 12.50 |
| 7. To remold sample for test, add per specimen | \$ 14.00 |

E. Permeability

- | | |
|---|-----------|
| 1. Falling head or constant head permeability determination, including back pressure saturation, per test | \$ 100.00 |
| 2. To remold sample for test, add | \$ 14.00 |

V. METALS INSPECTION AND NONDESTRUCTIVE EVALUATIONAL SERVICES

Radiographic, magnetic particle and ultrasonic testing, alone or in conjunction with Shop and Erection Inspection. Charge metals technician rate, plus direct equipment rates of:

A. Metals Technician, per hour	\$ 18.90
B. Radiographic camera (including film), per hour	\$ 7.50
C. Radiographic darkroom on truck,	
per hour	\$ 3.50
per mile	\$ 0.25
D. X-Ray machine (including film), per hour	\$ 7.50
E. Magnetic particle machine (dry), per hour	\$ 2.50
F. Ultrasonic equipment, per hour	\$ 5.00
G. Thickness and corrosion measuring equipment, per hour	\$ 2.50
H. Eddy current testing, equipment, per hour	\$ 2.50

VI. METALS LABORATORY TESTING SERVICES

Physical and mechanical properties testing

- A. Tensile test apparent yield and ultimate strength
 - 1. Initial sample \$ 27.50
 - 2. Additional samples, each \$ 12.00
 - 3. With stress-strain recorder, add each \$ 12.50
- B. Guided bend test, each \$ 8.00
- C. Impact testing, Charpy (ASTM H370, E23)
 - 1. Impact strength, each specimen \$ 15.00
 - 2. Specimen conditioning
 - a. Room temperature N/C
 - b. Less than room temperature to -100°F ,
per test set \$ 35.00
 - c. At -320°F (liquid nitrogen), per test set \$ 75.00
 - 3. Specimen deformation measurements, lateral
expansion and percent shear, each specimen \$ 5.00

GENERAL CONDITIONS

INSURANCE — Law Engineering Testing Company maintains Workers' Compensation and Employer's Liability Insurance in conformance with state law. In addition, we maintain Comprehensive General Liability Insurance and Automobile Liability Insurance with bodily injury limits of \$300,000.00 - \$500,000.00 and property damage limits of \$100,000.00. A certificate of insurance can be supplied evidencing such coverage which contains a clause providing that fifteen days written notice be given prior to cancellation.

Cost of the above coverage is included in our quoted fees. If additional coverage or increased limits of liability are required, we will endeavor to obtain the requested insurance and charge separately for costs associated with additional coverage or increased limits.

CHANGED CONDITIONS — The outlined scope of services will be accomplished in a timely, workmanlike and professional manner by employees of Law Engineering Testing Company at the unit fees quoted. If during the execution of the work we are required to stop operations as a result of changes in the scope of work such as requests by the owner or requirements of third parties, additional charges will be applicable.

SAMPLING OR TESTING LOCATIONS — The unit fees included in this proposal do not include costs associated with surveying of the site or the accurate horizontal and vertical locations of tests. Field tests of boring locations described in our report or shown on our sketches are based on specific information furnished to us by others or estimates made in the field by our technicians. Such dimensions, depths or elevations should be considered as approximations unless otherwise stated in the report.

LIMITATION OF LIABILITY — You agree to limit any and all liability or claim for damages, cost of defense, or expenses to be levied against Law Engineering Testing Company by you or third parties to a sum not to exceed \$50,000, or the amount of our fee, whichever is greater, on account of any design defect, error, omission, or professional negligence.

DAMAGE TO EXISTING MAN-MADE OBJECTS — It shall be the responsibility of the owner or his duly authorized representative to disclose the presence and accurate location of all hidden or obscure man-made objects, relative to field tests or boring locations. Our field personnel are trained to recognize clearly identifiable stakes or markings in the field, and without special written instructions, to initiate field testing drilling and/or sampling within a few feet of each designated location. If we are cautioned, advised or given data in writing that reveal the presence or potential presence of underground or overground obstructions, such as utilities, we will give special instructions to our field personnel. As evidenced by your acceptance of this proposal, you agree to indemnify and save harmless Law Engineering Testing Company from all claims, suits, losses, personal injuries, death and property liability resulting from unusual subsurface conditions or damages to subsurface structures, owned by you or third parties, occurring in the performance of the proposed work, whose presence and exact locations were not revealed to us in writing, and to reimburse Law Engineering Testing Company for expenses in connection with any such claims or suits, including reasonable attorney's fees.

SAMPLE DISPOSAL AGREEMENT — Unless otherwise requested, test specimens or samples will be disposed of immediately upon completion of tests and drilling samples or specimens will be disposed of 60 days after submission of our report. Upon written request, we will agree to retain test specimens or drilling samples for a mutually acceptable storage charge.



PITTSBURGH TESTING LABORATORY
ESTABLISHED 1881

INSPECTING ENGINEERS AND CHEMISTS

1231 SHOP ROAD
COLUMBIA, SOUTH CAROLINA 29201
AREA CODE 803-254-8546

AS A MUTUAL PROTECTION TO CLIENTS, THE PUBLIC AND OURSELVES, ALL REPORTS ARE SUBMITTED AS
THE CONFIDENTIAL PROPERTY OF CLIENTS, AND AUTHORIZATION FOR PUBLICATION OF STATEMENTS, CON-
CLUSIONS OR EXTRACTS FROM OR REGARDING OUR REPORTS IS RESERVED PENDING OUR WRITTEN APPROVAL

November 8, 1978

S. C. Department of Labor
P. O. Box 11329
Columbia, SC 29211

ATTN: Mr. Bill Lybrand,
Director of OSHA

SUBJECT: Consulting Services and Failure
Investigation, Coffey Dam
Lake Keowee, Greenville Water System

Gentlemen:

In response to our meeting on this October 30, 1978, we are submitting the
following for your consideration.

The scope of the investigation will consist of the following three phases
of investigation.

PHASE I

Complete underwater survey which will consist of photography and inspection
of the Coffey Dam in its present position.

The above along with a copy of the design drawings, the original and present
sub-surface investigation will be turned over to our Engineering Department for
review and direction.

Areas that will require sampling will be identified, located and marked
prior to any removed from the lake.

All of the above work and materials will be reviewed by our Foundation and
metallurgical Departments.

PHASE II

Guidence and Supervision of removal of the structure from the lake.
Procuring samples from the structure and complete inspection after removal from the water. Crating and shipping samples to Laboratory.

PHASE III

Complete metallurgical examination of all specimens which will include physical and chemical testing of structural steel, weldments, and bolts.

The review of all design drawings and reports. The issuing of reports with conclusions that we find.

Our fee structure will be as follows.

Underwater inspection team which consists of six men with all necessary safety equipment and photographic materials	\$600.00/day
Engineering for review of documents and procedures	40.00/hr.
Inspectors to supervise removal of material from lake and removal of samples	20.00/man hr.
Supervisory Engineer @ Lake site	35.00/hr.
Crating and Shipping	20.00/hr.+cost

METALLURGICAL

Complete fracture anaylsis which will include chemical anaylsis, machining and physical testing, charpys, hardness, scan with electron microscope and X-Ray defraction.

Report with our findings	950.00/sample
Transportation by ground	.16/mile
Technicians Overnite Expenes	25.00/man day
Engineers Transportation and Overnite Exp.	@ Cost
Min. Charge per Engineer	8 hours

PERSONNEL QUALIFICATIONS

Diving Team

3 Certified Commercial Divers
1 Equipment Technician
1 Boatman
1 AWS Certified Inspector/Diver

INSPECTION AND SAMPLING PERSONNEL

AWS Certified Inspectors
Civil Engineer with AWS Certification

ENGINEERING AND METALLURGICAL

We anticipated utilizing 2 Register Professional Engineers with a minimum of 10 years experience from our Foundation Department.

Two Registered Professional Engineers and one Metallurgist with registration and 27 years experience in failure analysis will be used.

All aspects of this work will be under the direct supervision of a Register Professional Engineer.

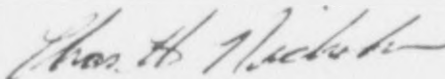
All insurance requirements, which are legally required, will be met and appropriate certificates will be placed on file with your office and will be maintained in force during the life of the investigation.

Our best estimate for funds which should be allocated for this investigation should be \$30,000.00, however, the unknown factors present at this time dictate that this figure be flexible at best.

We would keep your office advised as to the on going costs to aid your auditors in budget procedures.

We appreciate the opportunity of working with you on this project and if additional information is required please contact the writer.

Respectfully submitted,
PITTSBURGH TESTING LABORATORY



Chas H. Nicholson
Columbia District Manager

cc: PTL-pgh - Martin Faulk

STANDARD
FORM (SF)

254

Architect-Engineer
and Related Services
Questionnaire

1. Firm Name / Business Address:

PITTSBURGH TESTING LABORATORY

P. O. Box 1646

Pittsburgh, PA 15230

1a. Submittal is for ☒ Parent Company ☐ Branch Office2. Year Present Firm
Established:

1881

3. Date Prepared:

4. Type of Ownership: Corporation

4a. Minority Owned ☐ yes ☒ no

5. Name of Parent Company, if any:

Same

5a. Former Firm Name(s), if any, and Year(s) Established:

None

6. Names of not more than Two Principals to Contact: Title / Telephone

1) M. Y. Ruyan, President - (412) 922-4000

2) W. H. Levelius, Vice President - (412) 922-4000

7. Present Offices: City / State / Telephone / No. Personnel Each Office

7a. Total Personnel 1,250

See Branch Laboratory List Attached.

8. Personnel by Discipline:

250 Administrative3 Architects15 Chemical Engineers19 Civil Engineers800 Construction Inspectors Draftsmen1 Ecologists Economists9 Electrical Engineers Estimators17 Geologists Hydrologists Interior Designers Landscape Architects9 Mechanical Engineers1 Mining Engineers Oceanographers Planners: Urban/Regional Sanitary Engineers10 Soils Engineers Specification Writers10 Structural Engineers Surveyors Transportation Engineers11 Chem. & Biology1 Ceramic Engr.4 Forestry9 Physics & Math.55 Misc. Tech.6 Metallurgist9. Summary of Professional Services Fees
Received: (insert index number)

Last 5 Years (most recent year first)

Direct Federal contract work, including overseas

All other domestic work

All other foreign work*

*Firms interested in foreign work, but without such experience, check here: ☐.

19	70	19	71	19	72	19	73	19	74
	3		2		2		3		3
	8		8		8		8		8
	2		2		2		2		2

Ranges of Professional Services Fees

INDEX

1. Less than \$100,000
2. \$100,000 to \$250,000
3. \$250,000 to \$500,000
4. \$500,000 to \$1 million
5. \$1 million to \$2 million
6. \$2 million to \$5 million
7. \$5 million to \$10 million
8. \$10 million or greater

10. Profile of Firm's Project Experience, Last 5 Years

Profile Code	Number of Projects	Total Gross Fees (in thousands)	Profile Code	Number of Projects	Total Gross Fees (in thousands)	Profile Code	Number of Projects	Total Gross Fees (in thousands)
1. 064	500 +	422	11)			21)		
2. 097	13,000 +	13,490	12)			22)		
3. 106	83,000 +	87,993	13)			23)		
4)			14)			24)		
5)			15)			25)		
6)			16)			26)		
7)			17)			27)		
8)			18)			28)		
9)			19)			29)		
10)			20)			30)		

11. Project Examples, Last 5 Years

Profile Code	"P", "C", "JV", or "IE"	Project Name and Location	Owner Name and Address	INSP. FEE Cost of Work (in thousands)	Completion Date (Actual or Estimated)
064	P	1 Zurn Industries, Birmingham, Alabama	Same - Air Systems Division P. O. Box 2206 Birmingham, AL 35201 Cause of Fan Failure	1.9	10/14/75
064	P	2 Boal, Doti & Larsen New York, New York	Same - 225 Broadway New York, NY 10007 Cause of Wire Rope Failure	1.8	5/24/73
064	P	3 Buchanan, Ingersall, Rodewald, Kyle & Buerger Pittsburgh, PA	Same - Attorney's-at-Law 1800 Oliver Building Pittsburgh, PA 15222 Cause of Tractor Cleat Failure	2.3	10/ 2/72
064	P	4 Airco Industrial Gases Chester, West Virginia	Same - P. O. Box 247 Chester, WV 26034 Cause of Air Cylinder Failure	1.7	9/13/73
097	P	5 Highway Extension Lake County, Indiana	Indiana Highway Commission Indianapolis, IN	50.	Nov. 1975
097	P	6 Microwave Communication System N. & W. R.R. Mid East, U.S.A.	Collins International Service Dallas, TX	17.	Dec. 1975
097	P	7 New Glass Plant Clarksburg, West Virginia	Fourco Glass Company Clarksburg, WV	12.	July 1975

097	P	Automobile Dealership Buildings Throughout U.S.A.	Chrysler Reality Corporation Detroit, MI	60.	1973 1975
097	P	Tire Manufacturing Plant Expansion Akron, Ohio	Goodyear Tire Company Akron, Ohio	40.	1975
097	P	Oil Products Storage Tank Farm Pittsburgh, PA	Exxon Corporation Baltimore, MD	15.	1975
106	P	National Gallery of Arts Washington, D.C. Tests/Inspection: All Materials	Client: I.M. Pei Associates New York, NY	75.	1976
106	P	Anheuser-Busch Brewery Jacksonville, Florida Tests/Inspection: All Materials	Client: H. K. Ferguson Company Cleveland, Ohio	50.	1976
106	P	Schultz Brewery Syracuse, NY Tests/Inspection: All Materials	Client: J.A. Jones Construction Co. Syracuse, NY	100.	1977
106	P	Celanese Building New York City Tests/Inspection: All Materials	Client: Harrison & Abraniovitz New York, NY	150.	1975
106	P	Sports Stadium Honolulu, Hawaii Steel Inspection/NDE	Client: State of Hawaii Honolulu	130.	1975
106	P	Mercantile Trust Building St. Louis, Missouri Tests/Inspection: All Materials	Client: Mercantile Trust Company St. Louis, Missouri Engr : Sverdrup & Parcel	100.	1975
106	P	National Airlines Hangar Miami, Florida Tests/Inspection: All Materials	Client: Dade County Airport Auth. Miami, Florida Engr : Greenleaf & Telasca	180.	1975
106	P	Memphis Airport Expansion Memphis, Tennessee Tests/Inspection: All Materials	Client: City of Memphis Memphis, Tennessee	95.	1974
106	P	Louisville Airport Runway Improvements Concrete - Soils - Asphalt	Client: Jefferson County Airport Authority Louisville, KY	50.	1975

106	P	10	LNG Storage Facility Philadelphia, PA Prestress Concrete/Welding	Client: Walsh Construction Co. New York, NY	100.	1973.
106	P	21	Pleasants Power Sta. 1 & 2 Willow Island, West Virginia Structural Steel Inspection	Client: United Engineers & Constructors Philadelphia, PA	100.	1976
106	P	24	Federal Office Building Seattle, Washington Tests/Inspection: All Materials	Client: G.S.A. Seattle, Washington	100.	1975
106	P	27	I-79 Bridge Over The Ohio River Pittsburgh, PA Structural Steel Shop Inspection	Client: Penn DOT Harrisburg, PA	130.	1975
106	P	28	I-471 Bridge Over The Ohio River Newport, Kentucky Shop Inspection & NDE	Owner: Kentucky & Ohio DOT Client: Hazelet & Erdal Louisville, Kentucky	150.	1974
106	P	29	I-77 Kanawha River Bridge Charleston, West Virginia Shop Inspection	Owner & Client: W. Virginia DOT Charleston, W. Virginia	150.	1975
106	P	31	New River Gorge Bridge West Virginia Shop Inspection	Owner & Client: W. Virginia DOT Charleston, W. Virginia	100.	1975
106	P	32	V.C. Summer Nuclear Power Plant Par., South Carolina Field QC Lab, Tests, Inspection	Client: South Carolina Electric & Gas Company	500.	1977
106	P		Crystal River Nuclear Power Plant Crystal River, Florida Field QC Lab, Tests, Inspection and NDE	Client: Florida Power Company Tampa, Florida	2,500.	1976
106	P		Grand Gulf Nuclear Power Plant Mississippi Field QC, Lab, Tests, Inspection	Owner: Miss. Power & Light Client: Bechtel Corporation San Francisco, California	2,000.	1979
106	P		Braidwood Nuclear Power Plant Braidwood, Illinois Field QC, Lab, Tests, Inspection & NDE	Owner & Commonwealth Edison Company Client: Chicago, Illinois	5,300.	1981

12. The foregoing is a statement of facts

Signature

W. H. Levelius

Typed Name and Title:

W. H. Levelius, Vice President

Date:

RESUME

NAME	LOVIC DAVID WHEELLESS, II
POSITION	Chief Geotechnical Engineer Marietta Branch
EDUCATION	B.S. in Civil Engineering Georgia Institute of Technology, 1961 Graduate School Georgia Institute of Technology, 1962
PROFESSIONAL EXPERIENCE	
1978-Present	Chief Geotechnical Engineer, Marietta Branch, Law Engineering Testing Company. Responsible for providing project management and review of geotechnical studies. Assistant Project Manager for Gulf Coast Salt Dome Study, a U. S. Department of Energy sponsored project that is to evaluate salt domes in Texas, Louisiana and Mississippi, as potential sites for construction of a nuclear waste repository. Respon- sibilities are for project activities in Mississippi, including planning, contracting, and directing data collection for geological studies of salt domes.
1970 - 1978	Chief Engineer and Engineering Department Manager, Tampa, Florida Branch, Law Engineering Testing Company. Responsible for overall direction and review of engineering effort in Tampa Branch. In responsible charge of the planning, execution and client relations in over 1200 geotechnical studies, including evaluation of test data and reporting of design recommendations to clients. Projects include buildings, earth dams, strip mines, industrial plants, water front structures, and highway facilities. Studies have included failure investigations and expert testimony.
1967 - 1970	Soils Department Manager, Law Engineering Testing Company, Tampa, Florida. Responsible for managing department consisting of two soils engineers, one clerical and four field technicians. Duties in- volved planning and conducting subsurface investi- gations, evaluating findings and reporting results to clients.

LOVIC DAVID WHEELLESS, II

1966 - 1967 Soils Engineer, Law Engineering Testing Company,
Atlanta, Georgia. Field quality control inspections
of drilled pier foundation construction and shallow
footing construction.

1962 - 1966 Military Service - U.S. Navy, Civil Engineering
Corps; Officers Candidate School, Newport, Rhode
Island. Commissioned Officer; Civil Engineer
Corps; Officers School, Port Huenema, California.
U.S. Navy Public Works Center, Subic Bay Naval
Base, Republic of the Phillipines; Assistant Opera-
tions Officer and Project Manager.

PROFESSIONAL
MEMBERSHIPS

American Society of Civil Engineers
National Society of Professional Engineers

Honor Society Membership:
Chi Epsilon

PROFESSIONAL
REGISTRATION

Registered Professional Engineer in Georgia
and Florida

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Honor Society Membership:
Chi Epsilon

PROFESSIONAL
REGISTRATION

Registered Professional Engineer in Georgia
and Florida

RESUME

NAME	GEORGE F. SOWERS
POSITION	Technical Advisory Board Geotechnical Engineering
EDUCATION	B.S. in Civil Engineering, Case Institute of Technology, Cleveland, Ohio, 1942 M.S. in Civil Engineering (Soil Mechanics, Foundations and Engineering Geology), Harvard University, 1947 Graduate Study in Hydraulics and Soil Mechanics, University of Tennessee, 1943
PROFESSIONAL EXPERIENCE	
1947 - Present	Chief Geotechnical Engineering Consultant, Law Engineering Testing Company: 1955-Vice President, 1967-Senior Vice President, 1971-Chairman of the Board, 1975-Senior Vice President
1964 (2 mos.)	Consultant on Soil Mechanics Education, AID, New Delhi, India
1959 (4 mos.)	Consultant on Earth Dams and Foundations, Water Resources Development Center of Southeast Asia, University of Roorkee, India. (includes projects throughout India)
1944 - 1946	Military Service-U.S. Navy, Instructor in Electronic Servicing
1942 - 1944	Assistant Hydraulic Engineer, U.S. TVA, Engineering studies for flood control, ground water, runoff, power, and land use
1934 - 1942	Part-time Engineering Aide with G. B. Sowers, Consulting Engineering, Cleveland, Ohio; heavy foundations and harbor construction
TEACHING AND RESEARCH EXPERIENCE	
1947 - present	Georgia Institute of Technology. Since 1953, Professor of Civil Engineering, in charge of instruction of geotechnical engineering and soil and rock mechanics laboratory. Since 1965, Regents Professor of Civil Engineering. Developed programs in geotechnical engineering, remote sensing, and port harbor and shore engineering.

GEORGE F. SOWERS

SPECIAL CONSULTING
SERVICES

Board of Consultants on Hydroelectric
Projects, Alabama Power Company

Board of Consultants, Keowee-Toxaway Hydro
and Nuclear Power Development, Duke Power
Company, Charlotte, N.C.

Consultant on Foundations, Architect of
the Capitol, Washington, D.C.

Board of Consultants, Metropolitan Atlanta
Rapid Transit Authority

Geotechnical Consultant, Georgia Department
of Transportation

Consulting Panel on Earth Dams,
U.S. Bureau of Reclamation

Board of Consultants, Rocky Mountain
Pumped Storage Project, Georgia Power
Corporation

CONSULTING
OVERSEAS

Argentina: Soil cement bases
Bahamas: Foundations, marine construction
Bolivia: Dam, highway, tunnel, rockslides
Canada: Excavation bracing, foundations
Colombia: Pan American Highway
Dominican Republic: Foundations, landslides,
marine construction
Greenland: Airfield construction, pavement
materials
Iceland: Dam, reservoir development
India: Dams, foundations
Indonesia: Dam design & construction
Iran: Airfield construction, pavement
materials
Ivory Coast: Highway feasibility in jungle
and marsh
Pakistan: Foundations
Panama: Pan American Highway
Puerto Rico: Landslides, highway construction,
foundations

RANGE OF CONSULTING
PROJECTS

Seismicity, geology, foundations and ground
water geology - fourteen nuclear power plants

Foundations (and embankment design) for
earth, rockfill and concrete dams up to
400 feet high

GEORGE F. SOWERS

Investigations of rockslides and landslides including remedial measures

Shore and off-shore protection works, including foundations for near-shore marine structures

Foundations for structures ranging from sensitive machines to skyscrapers

Design and construction control of subways, tunnels and deep excavations

Ground-water control, conservation and utilization

Utilization of marginal sites, including deep, soft marsh deposits, karst, waste fills and mine tailings

REGISTRATIONS

Registered Civil Engineer in Ohio, Georgia, North Carolina, Florida, Tennessee, Alabama, South Carolina, and Virginia

PROFESSIONAL
MEMBERSHIPS

American Society of Civil Engineers (Fellow)
Chairman, Executive Committee, Geotechnical Engineering Division, 1974-75
President, Georgia Section, 1966

Earthquake Engineering Research Institute
Associate Highway Research Board
National Society for Professional Engineers
American Society for Testing and Materials
(Member, Soils Committee)
U.S. National Society on Soil Mechanics
Geological Society of America, Fellow
Georgia Geological Society
Georgia Academy of Science
International Society for Soil Mechanics
and Foundation Engineering (Member, Executive Committee, 1974-75)
U.S. Committee on Large Dams
Seismological Society of America
U.S. Council on Rock Mechanics

GEORGE F. SOWERS

PUBLICATIONS

BOOKS

EARTH AND ROCKFILL DAM ENGINEERING,
Asia Publishing House, Bombay, India, 1961

INTRODUCTORY SOIL MECHANICS AND FOUNDATIONS
(with G.B. Sowers, MacMillian Co., New York, 1951,
3rd edition, 1970). Also International Edition,
MacMillan, Collier, Hong Kong, 1970, Spanish,
Limusa-Wiley, Mexico, 1972)

FOUNDATION ENGINEERING (with Leonards et al), McGraw-
Hill Book Company, New York, 1961

LABORATORY MANUAL, Georgia Institute of Technology,
1959

ARTICLES

- 1) "Model Study of... Mt. Morris Dam", Civil Engineering, March, 1947.
- 2) "Soil Mechanics - A New Tool for Civil Engineers", Georgia Research Engineer, Sept., 1948.
- 3) "Discussion of Classification and Identification of Soils", Transactions, ASCE, Vol. 113, 1948.
- 4) "Charts for Footing Design", Civil Engineering, March, 1949.
- 5) "Discussion on Experience with Predetermining Pile Length", Transactions, ASCE, Vol. 114, 1949.
- 6) "Effect of Re-Using Soil on Moisture-Density Curves", Proceedings, Highway Research Board, Vol. 29, 1949.
- 7) "How to Cut Costs on Soil Load Testing", Engineering News-Record, Feb., 1950.
- 8) "Pruebas de Carga", Construction, May, 1951.
- 9) "Integrating Teaching Soil Mechanics", Civil Engineering, Bulletin, ASCE, Feb., 1953.
- 10) "Miniature Current Meter", Civil Engineering, March, 1953.
- 11) "Discussion on Control of Embankment Material", Transactions, ASCE, Vol. 118A, 1953.
- 12) "Discussion on Methods for Making Highway Soil Surveys", Transactions, ASCE, Vol. 118A, 1953.

- 13) "Application of Geophysical Exploration", Transactions, AIME, Mining Engineering, Aug., 1953.
- 14) "Engineering Properties of Georgia Soils", Georgia Geologic Survey Bulletin 60, 1975.
- 15) "Modern Procedures for Underground Investigations", Proceedings ASCE, Vol. 80, Separate 435, May, 1954. (Also Journal of College of Engineers, San Juan, Puerto Rico, 1953).
- 16) "Soil Problems in the Southern Piedmont Region", Proceedings ASCE, Vol. 80, Separate 416, March, 1954.
- 17) "Visual Aids in Teaching Soil Mechanics", Civil Engineering Bulletin ASCE, Vol. 19, No. 2, March, 1954.
- 18) "Compaction Efficiency", Proceedings Third International Conference on Soil Mechanics and Foundation Engineering, Zurich, Switzerland, 1953, Vol. 3 (Published 1954).
- 19) "Soil Investigation for Building Design", Southern Architect, Nov., 1954, Vol. 1, No. 7, p. 22 (Also Special Bulletin of LBA Laboratories).
- 20) "Effect of Repeated Load Applications on Soil Compaction Efficiency", (with C.M. Kennedy), Soil Density and Stability, Bulletin 93, Highway Research Board, Washington D.C., 1954, p.61.
- 21) "Soil Compaction and Laboratory Control", Proceedings of the Third Annual Georgia Highway Conference, Georgia Institute of Technology, 1954 (Published 1955), p. 73.
- 22) "Effect of Tamping Foot Width on the Compaction of a Cohesive Soil" (with J.G. Gulliver), Proceedings of the Highway Research Board, Vol. 34, 1955, p. 598.
- 23) "Trench Excavation and Backfilling", Journal of American Water Works Association, Vol 48, No. 7, July 1956, p. 855.
- 24) "Foundation Investigation for Industrial Sites", Industrial Development, Vol. 3, No. 5, Sept. 1956, p. 7.
- 25) "Bridge Foundations", Proceedings of the Fifth Annual Georgia Highway Conference, Georgia State Highway Dept., 1965.

- 26) "Trench Excavation and Backfilling", Concrete Pipe News, Vol. 9, No. 6, June, 1957 (Same as No. 23).
- 27) "Excavation and Backfilling", Roads and Engineering Construction (Canada), Vol 95, No. 5, May, 1957.
- 28) "Trench Excavation", Bulletin of Construction Safety Association of Ontario, Canada, Sept., 1957.
- 29) "The Residual Lateral Pressures Produced by Compacting Soils", Proceedings, Fourth International Conference on Soil Mechanics and Foundation Engineering, Butterworth Scientific Publications, London, 1957.
- 30) "Laveri Di Sterro Scavamenti e Riempimenti", Bulletin, Construction Safety Association of Ontario, Canada, 1957.
- 31) "Highway Manpower from the Viewpoint of the Educator", Proceedings, Sixth Annual Georgia Highway Conference, Engineering Extension Division, Georgia Institute of Technology, 1957.
- 32) "Preconstruction Field Test of Embankment Materials", Lewis Smith Dam, Alabama Power Co. (with C.E. Gore, Jr.), S.E. Study Tour of the Sixth International Congress on Large Dams, Sept., 1958.
- 33) "Strength of Soil Aggregate Mixtures", Bulletin 187, Highway Research Board, Washington D.C., 1958 (with E. Miller).
- 34) "Earth Pressure on Culverts", Proceedings, Seventh Annual Highway Conference, Engineering Extension Division, Georgia Institute of Technology, 1958.
- 35) "Penetration Tests for Liquid Limit" (with A. Vesic and M. Grandolf), ASTM Special Publication 254, ASTM, Phila., 1959.
- 36) "Soil Engineering for the Additional House Rayburn Office Building", ASCE Annual Convention, Washington, D.C., Oct. 1959.
- 37) "Soil Investigation for Building Design", Construction Specifier, Vol. 12, No. 6, March, 1960.

- 38) "Use and Misuse of Earth Dams", Consulting Engineer, July, 1961.
- 39) "The Bearing Capacity of Friction Pile Groups", Proceedings, Fifth International Conference on Soil Mechanics and Foundation Engineering, Paris, France, 1961 (with Martin, Wilson and Fausold).
- 40) "Large-Scale Tests of Embankment Materials for an Earth-Rockfill Dam", ibid.
- 41) "Stress Distribution in Subgrades Beneath Flexible Pavement Systems", ibid (with A. Vesic).
- 42) "Compressibility of Rock and Settlement of Rockfills", Proceedings, Sixth International Conference on Soil Mechanics and Foundation Engineering, Toronto, 1961, p. 561.
- 43) "Engineering Properties of Residual Soils Derived from Igneous and Metamorphic Rocks", Proceedings, Second Pan American Conference on Soil Mechanics and Foundation Engineering, Brazil, 1963.
- 44) "Strength Testing for Soils", Laboratory Shear Testing of Soil, ASTM STP 361, Phila., 1963, p.3.
- 45) "Excavation Failures and Their Prevention", Construction, March, 1964, p.28.
- 46) "Soil Stress, Strain, Strength and Earth Pressure", Proceedings, Lecture Series on Soil Mechanics, August, 1964.
- 47) "Fill Settlement Despite Vertical Sand Drain", Journal, Soil Mechanics and Foundations Division, Proceedings ASCE, Vol. 90, SMS, 1964, p.289.
- 48) "Soil Cement Bases for Flexible Pavements", also Bases de Suelo Cemento Para Pavimentos Flexibles", Proceedings, Fifth Argentina Conference on Highways and Transportation, Embalse, 1964 (Instituto del Cemento, Portland Argentina, Buenos Aires, 1965.
- 49) "Settlement of Tall Chimneys", Proceedings, Fifth Symposium of Civil Engineering, Indian Institute of Science, Bangalore, 1965.

- 50) "Georgia Satellite Flexible Pavement Evaluation and Application to Design", Highway Research Record No. 71, Washington, D.C., 1965, p.151.
- 51) "Soil Consistency", Methods of Soil Analysis Monograph 9 - Agronomy, American Society of Agronomy, Vol. 1, p.391, 1965.
- 52) "Shallow Foundations in Engineering Practice", Symposium of Foundation Bearing Capacity and Settlement, Duke University, 1965.
- 53) "Dynamic Cone for Shallow Penetration Testing", (Charles S. Hedges), ASTM Special Technical Publication 339, ASTM Philadelphia, 1966.
- 54) "Laboratory Testing of Rock Strength" (B.B. Mazanti), ASTM Special Publication 402, ASTM Philadelphia, 1966.
- 55) "Bulkhead and Excavation Bracing Failures" (G.B. Sowers), Reprint 294, ASCE Structural Engineering Conference, Miami, 1966, ASCE New York.
- 56) "Failures and Bulkhead and Excavation Bracing", (G.B. Sowers), Civil Engineering, Jan., 1967.
- 57) "High Volume Change Clays of the Southeastern Coastal Plain" (C.M. Kennedy), Proceedings, Third Pan American Conference on Soil Mechanics and Foundation Engineering, Caracas, Venezuela, 1967, Vol. 12.
- 58) "Physical Properties of Residual Soils as Related to Index Properties", Proceedings, Third International Conference on Soil Mechanics and Foundation Engineering, Caracas, Venezuela, 1967, Vol. 1, III, p.135.
- 59) "A Philosophy of Education for Soil Mechanics", Ibid, Vol. II, p.434.
- 60) "Fallas de Presas de Tierra", Bogota, Columbia, 1967.
- 61) "Foundation problems in Sanitary Landfills", Journal of the Sanitary Engineering Division, Proceedings ASCE, Vol. 94 SA-1, Feb., 1969, p.103.
- 62) "Safety Factors in Excavations and Foundations", Highway Research Record No. 269, Washington, D.C., 1969.

- 75) "Remote Sensing: A Tool in Coastal Engineering", Proceedings of the ASP/ACSM Fall 1973 Convention.
- 76) "Foundations for Marginal Sites", Soil Mechanics Lecture Series, INNOVATIONS IN FOUNDATION CONSTRUCTION, Ill. Section ASCE and Civil Engineering Dept., Illinois Institute of Technology, 1973, p.169-220.
- 77) "Settlement of Waste Disposal Fills", Proceedings 8th International Conference on Soil Mechanics and Foundation Engineering, Moscow, 1973.
- 78) "Education of Engineering Students to Become Engineers", ASCE Conference on Civil Engineering Education, March 1974, p.320-326.
- 79) "Foundation Subsidence in Soft Limestones in Tropical and Subtropical Environments", Bulletin G-7, Law Engineering Testing Co., 1974.
- 80) "Geologic and Seismic Engineering for Nuclear Power Plants in the Southeast", Proceedings, 25th Annual Highway Geology Symposium, May 1974, p.121-167.
- 81) "Engineering Approach to Responsibility for Unexpected Problems in Foundations", Journal, Boston Society of Civil Engineers Section ASCE, Vol.61, No.4, Oct., 1974, p.201-223.
- 82) "Dam Safety Legislation: A Solution or a Problem", Proceedings, Engineering Foundation Conference on Safety of Small Dams, Henniker, N.H., August, 1974.
- 83) "Pile Driving Problems Related to the Geology of the S.E. USA", Piletalk Seminar, Atlanta, March, 1975.
- 84) "Failures in Limestones in Humid Subtropics", Journal, Geotechnical Engineering Division, Proceedings ASCE, Vol.101, No.GT8, August, 1975, p.771-787.
- 85) "Soil Structure and Seismic Behavior in Foundation Design in S. Carolina", Proceedings, Earthquake Engineering Conference, Univ. of S. Carolina, Columbia, S.C., Jan. 1975, p.187-233.
- 86) "Analysis and Design of Lightly-Loaded Foundations", Proceedings, Conference on Analysis and Design in Geotechnical Engineering, Univ. of Texas, Austin, Texas, ASCE, June, 1974, p.49-78.

- 87) "Evaluation of Bulkhead and Excavation Bracing Failures", Ground Engineering Magazine, July, 1975, Vol.8, No.4, p.19.
- 88) "Foundation Problems for the Missing Link of the Inter-American Highway" (with R.D. Goughnour), Proceedings, 5th Panamerican Conference on Soil Mechanics & Foundation Engineering, Buenos Aires, Argentina, November, 1975, p.85-94.
- 89) "Sanitary Landfills: Settlement and Bearing Capacity", Proceedings, Soil & Site Improvement Conference, Univ. of Calif, Berkeley, Calif., June 21-25, 1976.
- 90) "Dewatering Rock", Proceedings, Specialty Conference on Rock Engineering for Foundations & Slopes, Vol.1, University of Colorado, Boulder, Colorado, August 15-18, 1976.
- 91) "Settlement in Terrains of Well-Indurated Limestone", Proceedings, Analysis & Design of Building Foundations, Lehigh Univ., Bethlehem, Pa., August, 1975, p.701.
- 92) "Earth Dam Failures", Problems in Soil Mechanics and Foundation Engineering, Proceedings, 8th Chicago Soil Mechanics Lecture Series, Geotechnical Engineering Division, ASCE, Chicago, Ill., 1976.
- 93) "Foundation Bearing in Weathered Rock", Proceedings, Speciality Conference on Rock Engineering for Foundation & Slopes, Vol.2, Univ. of Colorado, Boulder, Colorado, Augsut 15-18, 1976. Copyright, 1977.
- 94) "Mechanisms of Subsidence due to Underground Openings", Subsidence Over Mines and Caverns, Moisture and Frost Actions, and Classification, Transportation Research Record 612, Transportation Research Board, National Academy of Sciences, Washington, D.C., 1976.
- 95) "Foundation Modulus for Mat on Sand", ASCE Fall Convention and exhibit, San Francisco, Calif., Oct. 17-21, 1977. Preprint 2937.
- 96) "Earth Dam Failures in the U.S.: Mechanisms of Failure and Their Consequences", Wasserbau-Seminar, Institut fur Wasserbau Und Wasserwirtschaft, Winter Semester, 1976-77.

GEORGE F. SOWERS

A few of the projects for which George Sowers has provided consultant review are listed below:

Waterford Nuclear Unit #3, Louisiana Power and Light, New Orleans, 1970

Title: Senior Geotechnical Consultant

Responsibilities: Overall project development including geologic and seismic literature studies, geophysical surveys, aerial photographic studies, response spectra development and expert witness testimony.

St. Rosalie Nuclear Plant Study, Louisiana Power and Light, Plaquemine Parrish, Louisiana, 1974

Title: Senior Geotechnical Consultant

Responsibilities: Consultant - Review of PSAR activities relating to the study of regional and site geology, seismology, hydrology and vibratory ground motions.

Oconee Nuclear Station; Duke Power Company, South Carolina, 1966

Title: Senior Geotechnical Consultant

Responsibilities: Consultant to report including subsurface investigations and aerial photographic studies. Duke Power Company. Review of PSAR activities relating to seismology and geology.

St. Lucie Nuclear Station, EBASCO Services, Inc., Florida, 1967 - 1974

Title: Senior Geotechnical Consultant

Responsibilities: Overall project review including geology and field investigations, geophysical surveys, groundwater and surface water studies, seismological studies, and expert witness testimony.

Hatch Nuclear Plant, Georgia Power Company, Georgia, 1968

Title: Project Geotechnical Consultant

Responsibilities: Consultant to Georgia Power Company. Review of PSAR activities. Expert witness testimony.

Atlantic Richfield Nuclear Reprocessing Plant, Atlantic-Richfield Company, South Carolina, 1969

Title: Senior Geotechnical Consultant

Responsibilities: Final technical review of geology, seismology, hydrology and geotechnical studies leading up to PSAR submittal.

RESUME

NAME:

Stephen E. Blevins

POSITION:

Chief Soils Engineer

EDUCATION:

Bachelor of Science in Civil Engineering
North Carolina State University, 1967

Master of Civil Engineering (Soil Mechanics and Geology)
North Carolina State University, 1969

PROFESSIONAL REGISTRATION:

Registered Engineer in North Carolina
Registered Engineer in South Carolina

PROFESSIONAL EXPERIENCE:

1976 - Present Chief Soils Engineer, Engineering/Drilling
Department Manager, Law Engineering Testing
Company, Columbia, South Carolina Branch.
Continued design and construction geotechni-
cal consulting assistance on the Fairfield
Pumped Storage Project. Project Manager for
dynamic stability analysis of 215 ft high
hydraulic fill dam in South Carolina. Presen-
tation at statewide conference (non-technical)
and consultation with regulatory agency and
various owners relative to safety of dams
in South Carolina. Senior engineering review
of branch geotechnical reports.

1974 - 1976 Senior Soils Engineer, Law Engineering Testing
Company, Columbia, South Carolina Branch.
Columbia Branch Engineering/Drilling Depart-
ment Manager. In addition to duties as Senior
Soils Engineer for the Columbia Branch, also
assisted Mr. George E. Bertram, consultant,
in geotechnical design/construction aspects of
four earth dams for South Carolina Electric
and Gas Company's Fairfield Pumped Storage
Facility. The four dams for this project will
require over nine million cubic yards of fill
and the largest dam crest will be over 175 ft
above prepared foundation.

1973 - 1974

Senior Soils Engineer, Law Engineering Testing Company, Charlotte Branch. Duties as senior soils engineer included supervision of field exploration, field and laboratory testing for a proposed Duke Power Company Nuclear Power Station in North Carolina. Assisted in the analysis and PSAR report preparation for the above project along with another proposed Duke Power Nuclear Power Station in South Carolina. The analysis and reporting on these two nuclear power station projects involved static and dynamic design recommendations for NSW Pond Dams at each of the sites.

1972-1973

In addition to development of exploration and testing programs and preparation of formal foundation engineering reports, was involved in supervising the field exploration, field and laboratory testing and analysis and reporting of findings for a proposed Pumped Storage Project for Duke Power Company. This project entailed the exploration for suitable soil and rock quantities to construct three dams (85 ft, 165 ft, and 365 ft in height) along with an investigation of the foundation characteristics for these dams. An investigation of rock conditions for the associated underground power house and approximately 3700 ft of tunneling was also made.

1971 - 1972

Duties as Staff Soils Engineer in addition to the below included supervision and coordination of the field geotechnical testing employed in the study of major landslide problems on Interstate Route 1-26, Polk County, North Carolina. Also conducted the airphoto study of the area surrounding the unstable section of roadway for this project and helped in the preparation of the engineering report of investigative findings and recommended corrective measures.

Stephen E. Blevins
Continued

-3-

1969 - 1971

Staff Soils Engineer, Law Engineering Testing Company, Charlotte Branch. Duties as staff soils engineer included field inspection and evaluation of the design and construction of deep foundations (piles and caissons) for several multi-story hospitals and office buildings. Had responsibility for development of exploration and testing programs and supervision of technicians performing exploratory work and tests. After developing adequate data about subsurface conditions, was responsible for preparation of formal engineering reports. Conducted airphoto study of site of McGuire Nuclear Plant and supervised and coordinated field investigation and field testing of subsurface conditions at this site.

1967 - 1969

Part-time research assistant at N. C. S. U. working on research projects sponsored by N. C. S. H. C. Projects concerned analysis of varying pavement designs using different types of base courses and analysis of types of aggregates for skid resistant pavement surfaces.

1965 - 1967

Engineering Aid with N. C. S. H. C. working with inspectors on highway construction (summers) in Mitchell and Buncombe Counties.

PROFESSIONAL MEMBERSHIP:

American Society of Civil Engineers (Associate)
International Society of Soils and Foundation Engineers
National Society of Professional Engineers
Association of Soil and Foundation Engineers

HONOR SOCIETY MEMBERSHIP:

Chi Epsilon, Honorary Fraternity Civil Engineering
Tau Beta Phi, Engineering and Honorary Fraternity
Phi Kappa Phi, Honorary Fraternity

RESUME

ERNEST CHARLES BARTOLI

Geotechnical Engineer

EDUCATION

Bachelor of Science - Geology
University of Missouri - Rolla, 1972

Master of Science - Geological Engineering
University of Missouri - Rolla, 1974

PROFESSIONAL REGISTRATION:

Engineer in Training - Missouri, 1974

EXPERIENCE:

September, 1976 - Present	Geotechnical Engineer-Law Engineering Testing Company, Columbia, S.C. Involved in investigations relating to: <ul style="list-style-type: none">- field investigation and instrumentation of existing large earthen dam- during and post construction instrumentation of large earthen dam- seepage and flow data gathering existing large earthen dam- sanitary landfill siting and design including determination of groundwater movement and installation of monitoring wells
May, 1976 - September, 1976	Geotechnical Engineer-Law Engineering Testing Company, Columbia, S.C. Large scale geologic mapping of rock foundation for nuclear power generation site including flow data measurement of springs encountered within the foundation area.
March, 1975 - May, 1976	Geotechnical Engineer-Law Engineering Testing Company, Columbia, S.C. Involved in various construction projects including: <ul style="list-style-type: none">rock core logging for hydro powerhousefoundation investigation, spray-irrigationwaste treatment facilities investigation with piezometric surface determination and monitoring device installations, damfoundation and borrow area investigation, and foundation inspection for intake structure at pumped storage facility including in-situ permeability testing.

ERNEST CHARLES BARTOLI
- Continued -

-2-

January, 1975 - United States Army Corps of Engineers, Officers
March, 1975 Basic Training School, Ft. Belvoir, Virginia.

November, 1974 - Geotechnical Engineer-Law Engineering Testing
January, 1975 Company, Columbia, S.C. Involved in basic
engineering tasks including fill calculations,
laboratory and field testing of soils and con-
crete, and geotechnical report preparation.

June, 1974 - Geotechnical Engineer-Law Engineering Testing
November, 1974 Company, Tampa, Florida. Subsurface investiga-
tion for Interstate Highway system. Drilling
supervision on various shallow soil investiga-
tions including groundwater monitoring of
abandoned landfill.

June, 1972 - Graduate Student, University of Missouri-Rolla.
June, 1974 Research assistant for coal mine roof shale
study. Research assistant for deep-well
wastewater injection study. Graduate assistant
instructor in groundwater hydrology laboratory.

PROFESSIONAL MEMBERSHIP:

American Society of Civil Engineers
Society of Exploration Geophysicists
Geological Society of America

STATE BUDGET AND CONTROL BOARD

MEETING OF November 20, 1978

AGENDA ITEM NUMBER

EXHIBIT VIII
11/20/78
3

Agency: Wildlife and Marine Resources

Subject: Lease/Purchase of Helicopter and Transfer of Funds

Wildlife and Marine Resources Department Executive Director Timmerman advises that an agreement has been developed between his department and the Coastal Council which would allow law enforcement support through aerial surveys and under which the Coastal Council would transfer funds to cover the costs of such support to Wildlife and Marine Resources upon the approval of the Budget and Control Board.

The agreement also would allow the Wildlife and Marine Resources Department to lease a helicopter through competitive bids for a five-year period. As proposed, the funds to pay for the lease would be transferred from the Coastal Council to the Wildlife and Marine Resources Department and the Department would provide pilots and maintenance costs.

(Please refer to the attached copy of Dr. Timmerman's 10/26/78 letter to Mr. Putnam for additional detail.)

Board Action Requested:

Approve referenced lease/purchase of a helicopter and the transfer of funds from the Coastal Council to the Wildlife and Marine Resources Department.

Staff Comment:

Attachments:

Timmerman 10/26/78 letter to Putnam



*South Carolina
Wildlife & Marine
Resources Department*

James A. Timmerman, Jr. Ph.D.
Executive Director

October 26, 1978

Mr. W. T. Putnam
State Auditor's Office
Post Office Box 11333
Columbia, South Carolina 29211

Dear Bill:

For several months, the South Carolina Wildlife and Marine Resources Department and Coastal Council have been negotiating an agreement that would allow law enforcement support through aerial surveys. Coastal Council has agreed to transfer funds to cover the cost of such support with the approval of the Budget and Control Board.

The agreement, as it is presently written, would allow the South Carolina Wildlife and Marine Resources Department to lease a helicopter through competitive bids for a five year period. The funds to pay for the lease would be transferred to the South Carolina Wildlife and Marine Resources Department, and the Department would provide pilots and maintenance costs. We plan to utilize our present pilots for the work, so no new position would be necessary. Also, the funding for the maintenance is already budgeted for our present aircraft. This helicopter would relieve the use of our existing aircraft now performing coastal patrols for the Coastal Council.

The helicopter is not intended to be an addition to our present aircraft. It will be a replacement for one of our Cessna 180's. Our oldest Cessna has already logged 4,000 flight hours. By the end of this fiscal year, it is expected that extensive replacement of components, including an engine, would be required to maintain it's safe flying condition. Purchase of the helicopter now would ensure a replacement aircraft being on hand when the Cessna 180 is removed from service.

It would be appreciated if you would review this information and if all is in order, submit this lease/purchase request to the Budget and Control Board at its next regular meeting, if possible. If you think a member of my staff should be present, let me know and I will make the necessary arrangements.

Should additional information be necessary, please contact me.

Waddell

Sincerely,

Jim Timmerman
Executive Director

JATjr/mbs
cc: Senator James Waddell

STATE BUDGET AND CONTROL BOARD

MEETING OF November 20, 1978

AGENDA ITEM NUMBER

EXHIBIT IX

4 11/20/78

Agency: Department of Corrections

Subject: Positions Above Number Authorized

The Department of Corrections has requested authorization to establish two Food Supervisor III, grade 18, positions above the number authorized in the 1978-79 Appropriations Act to be funded entirely from state funds.

(Please refer to attachment for additional details.)

Board Action Requested:

Approve

Staff Comment:

Withdrawn per WTP

Attachments:

Budget Development form dated 11/14/78

BUDGET AND CONTROL BOARD
FINANCE DIVISION
BUDGET DEVELOPMENT

Code No. N04

Agency Department of Corrections

Subject: Request for positions exceeding number authorized in 1978-79 Appropriation Act

Request is to establish 2 new positions at Kirkland Correctional Center

as follows:

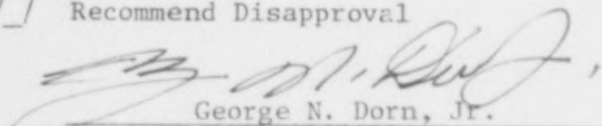
No. Positions	Position Title	Grade	Class Code	Est. Annual Salary	Source of Funds (Percent) State Federal Other
2	Food Supervisor III	18	7653	8952	100%

Points of Analysis:

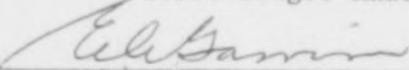
1. Agency indicated it will absorb these costs both for 78-79 and 79-80. Agency has no vacancies of this position at present.
2. The Institution is currently at approximately 230% capacity. Personal inspection has revealed crowded conditions.
3. This request is for headcount only.
4. See attached letter, Mr. Case, November 9, 1978.

☒ Recommend Approval

☐ Recommend Disapproval


George N. Dorn, Jr.

State Budget Analyst



Budget Section Director/Asst. Dir.

November 14, 1978

Date

11/14/78

Date



South Carolina
Department of Corrections

P.O. BOX 766/4444 BROAD RIVER ROAD/COLUMBIA, SOUTH CAROLINA 29202
TELEPHONE 758-6444
WILLIAM D. LEEKE, Commissioner

November 9, 1978

Mr. William T. Putnam
Executive Director
Budget and Control Board
P. O. Box 12444
Columbia, S. C. 29211

Ref: New Positions

Dear Mr. Putnam:

The Kirkland Correctional Center is in need of two (2) additional Food Service Supervisor III's, Grade 18. As you know this institution was built to house 440 inmates, however, our present population is 1,003. This has created a tremendous overload on the existing staff and has reached the point of being intolerable. Therefore, we are requesting that we be allowed to add two (2) positions to our present staffing level. The approximate cost for the remainder of FY 79 would be \$11,668. The Agency will absorb these costs. The annual cost of \$21,216 for 79-80 will either be funded from our State Appropriated Allocation or Operating Revenue.

Should you need any further information, please contact me.

Sincerely,

S Charles M. Case
Charles M. Case

CMC/bdc

RECEIVED

NOV 12 1978

STATE AUDITOR'S OFFICE
BUDGET DIVISION

BOARD OF
CORRECTIONS

W. M. CROMLEY, JR.
Chairman
Saluda, S. C.

MRS. BETTY M. CONDON
Vice Chairman
Mt. Pleasant, S. C.

CLARENCE E. WATKINS
Secretary
Camden, S. C.

NORMAN KIRKLAND
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Bamberg, S. C.

CHARLES C. MOORE
Member
Spartanburg, S. C.

E. N. ZEIGLER
Member
Florence, S. C.

GOV. JAMES B. EDWARDS, Member, Ex-Officio, Columbia, S. C.

STATE BUDGET AND CONTROL BOARD

MEETING OF November 20, 1978

AGENDA ITEM NUMBER 5

EXHIBIT X
11/20/78

Agency: Motor Vehicle Management

Subject: Motor Vehicle Identification Requirements Exemption Requests

Motor Vehicle Management Division Director Spence advises that the following agencies have requested exemptions from the motor vehicle identification requirements specified in Part II, Section 24, Paragraph (K), of the 1978-79 General Appropriations Act:

11/24 actions

- 7 Criminal* (1) Tax Commission, 31 vehicles.
- 0* (2) Employment Security Commission, 5 vehicles.
- 0* (3) Board of Medical Examiners, 2 vehicles.
- 1* (4) Public Service Authority, 1 vehicle.
- 9* (5) Department of Social Services, 9 vehicles.
- 1* (6) Division of General Services, Office of State Fire Marshal, 1 vehicle.
- 0* (7) State Budget and Control Board, Division of Local Government, 1 vehicle.
- 2 (PS + YFS)* (8) Department of Youth Services, 3 vehicles.
- 7* (9) Department of Corrections, 10 vehicles.

Board Action Requested:

Division Director Spence recommends "that only those requests be approved that are for assignment to 'those officers actually involved in undercover law enforcement work to the extent that the actual investigation of criminal cases or the investigators physical well-being would be jeopardized if they were so identified.'"

Staff Comment:

Division Director Spence advises that the referenced requests have been concurred in by Chief, State Law Enforcement Division.

- 5* (10) Wildlife + Marine Resources, 5
- 0* (11) Juvenile Placement + Aftercare, 8
- 2* (12) Attorney General's Office, 2

Attachments:

Spence 11/20/78 agenda notes plus enclosures 1 through 12



STATE OF SOUTH CAROLINA
BUDGET AND CONTROL BOARD
DIVISION OF MOTOR VEHICLE MANAGEMENT
P. O. BOX 633
COLUMBIA, S.C. 29202

ALLAN J. SPENCE
DIRECTOR
PHONE (803) 758-7816

STATE BUDGET AND CONTROL BOARD
Agenda Items
November 20, 1978

Mr. Allan J. Spence, Director, Division of Motor Vehicle Management (DMVM), request permission to appear before the State Budget and Control Board (SB&CB) regarding the below listed items or requests:

A. The following agencies have requested that the SB&CB approve their request for Regular Issue License tags instead of the normal "SG" license tags:

- (1) S. C. Tax Commission. This Agency request exemptions for a total of thirty-one (31) vehicles. This includes seven (7) vehicles from the Criminal Intelligence Department, twenty (20) vehicles from the License Tax Division, three (3) Commissioners and one (1) for the Executive Director. Please see enclosures (1) and (2).
- (2) S. C. Employment Security Commission. This Agency request exemption for a total of five (5) vehicles. This includes three (3) vehicles for the Commissioners, one (1) for the Executive Director and one (1) for the Deputy Executive Director. Please see enclosure (3).
- (3) State Board of Medical Examiners. This Agency request exemption for a total of two (2) vehicles that are assigned to the Medical Investigators. Please see enclosure (4).
- (4) S. C. Public Service Authority. This Agency request exemption for one (1) vehicles that is assigned to the Security Officer of the Authority. Please see enclosure (5).
- (5) S. C. Department of Social Services. This Agency request exemption for a total of nine (9) vehicles for the DSS Investigation Division. Please see enclosure (6).
- (6) Office of the State Fire Marshall. This office request exemption for a total of one (1) vehicle that is assigned to the inspector that inspects places of business catering to fireworks sales. Please see enclosure (7).
- (7) Local Government Division. This office request exemption for a total of one (1) vehicle that is assigned to the Executive Director. Please see enclosure (8).
- (8) S. C. Department of Youth Services. This Agency request exemption for a total of three (3) vehicles. This includes one (1) for the Director, one (1) for the Chief of Public Safety and one (1) for the Youth Field Investigator. Please see enclosures (9), (10), and (11).

- (9) S. C. Department of Corrections. This Agency request exemption for a total of ten (10) vehicles. This includes one (1) for the Commissioner, three (3) for Deputy Commissioners, one (1) for the Chief Investigator, ✓two (2) Wardens (CCI and Wateree), two (2) for Institutional Operations^x and one (1) for the Regional Administrator^x Please see enclosure (12).

Recommendation: That only those requests be approved that are for assignment to "those officers actually involved in undercover law enforcement work to the extent that the actual investigation of criminal cases or the investigators physical well-being would be jeopardized if they were so identified." (Reference: Paragraph (K), Section 24, Part II, General Appropriation Act 1978-79)

The requests, as indicated above, have been concurred in by the Chief, State Law Enforcement Division.

State of South Carolina

South Carolina Tax Commission

COLUMBIA

ROBERT C. WASSON
CHAIRMAN



JOHN H. LAFITTE, JR.
CHARLES N. PLOWDEN
ROBERT C. WASSON
COMMISSIONERS

IN REPLY REFER
TO

MEMORANDUM

TO: Mr. W. T. Pace
Executive Director

FROM: R. L. Chaplin, Jr., Director
Criminal Intelligence Department

SUBJECT: Justification for Exemption from Motor Vehicle
Identification Requirements.

DATE: November 10, 1978

I have been requested to make a justification for exemption of the requirements to display State identification vehicle license tags.

The vehicles assigned to the Criminal Intelligence Department are used exclusively for the detection and investigation of tax frauds against the State of South Carolina. In this respect the vehicles are used for undercover surveillances and any other investigative procedures both independently and in cooperative efforts with SLED and other law enforcement agencies that also use undercover vehicles.

This request is not a new request but a request for a continuation of the use of unidentified tags that have been in use for the past approximately five (5) years.

Failure to use unidentified tags would jeopardize the successful investigation of tax frauds and possibly the safety of the officers involved.

I am listing below the vehicles in question:

1977 Pontiac Lemans - 2D29Z7B108989
1977 Plymouth Fury - RK41K7A269649
1977 Plymouth Fury - RK41K7A269650
1978 Plymouth Fury - RL41K8A187941
1978 Plymouth Fury - RL41K8A187944
1978 Plymouth Fury - RL41K8A187943
1978 Plymouth Fury - RL41K8A187942

ENCL (1)

South Carolina Tax Commission

COLUMBIA

ROBERT C. WASSON
CHAIRMAN



JOHN H. LAFITTE, JR.
CHARLES N. PLOWDEN
ROBERT C. WASSON
COMMISSIONERS

IN REPLY REFER
TO

TO: State Budget and Control Board
Division of Motor Vehicle Management

FROM: A. L. Skinner, General Field Supervisor *ALSK*
South Carolina Tax Commission
License Tax Division

SUBJECT: Justification for Exemption from Motor Vehicle
Identification Requirements.

DATE: November 9, 1978

It is requested that the motor vehicles described below be exempted from the requirement to display permanent license tags and other state identification for the following reasons.

These vehicles are assigned to Personnel of the License Tax Division of The South Carolina Tax Commission that are responsible for the enforcement of various tax laws which include the License Tax on Cigarettes and Tobacco Products, The Alcoholic Liquor and Beer and Wine Taxes, The Motor Fuel and Highway Use Taxes and the License Tax on Admissions. They are used in surveillances of suspected bootlegging operations and undercover enforcement work pertaining to contraband goods and nontaxpaid commodities.

The effectiveness of the enforcement effort would be seriously affected if these agents were denied the use of unidentified vehicles.

A list of these vehicles and their identification follow:

1977 Pontiac Lemans - 2D29Y7P258291	1977 Pontiac Lemans - 2D29Y7P410601
1977 Pontiac Lemans - 2D29Y7P252253	1977 Pontiac Lemans - 2D29Y7P280715
1976 AMC Matador - A6A857H354115	1978 Plymouth Volare - HL41D8F239947
1977 Pontiac Lemans - 2D29Y7P297914	1978 Plymouth Volare - HL41D8F225006
1977 Pontiac Lemans - 2D29Y7P410371	1978 Plymouth Volare - HL41D8F225010
1978 Plymouth Volare - HL41D8F225027	1978 Plymouth Volare - HL41D8F224994
AMC Matador - 1976 - A6A857H354094	1978 Plymouth Volare - HL41D8F225035
1978 Plymouth Volare - HL41D8F225009	1977 Pontiac Lemans - 2D29Y7P298329
1976 AMC Matador - A6A857H354119	1977 Pontiac Lemans - 2D29Y7P281088
1975 Ford Torino - 5A27H125639	1978 Plymouth Volare - HL41D8F224999

ENCL (2)

FROM: South Carolina Tax Commission
PO Box 125
Columbia, South Carolina 29214

PART ONE

FROM: South Carolina Tax Commission
PO Box 125
Columbia, South Carolina 29216

2017

TO: State Budget and Control Board
Division of Motor Vehicle Management
Box 633, Columbia, SC 29202

SUBJECT: Request for Exemption from Motor Vehicle Identification Requirements

REFERENCE: 1978-79 General Appropriations Act, Part II, Section 26, Paragraph (b)

In accordance with the referenced Act, it is requested that the State-owned vehicle(s) described below be exempted from the requirement to display permanent license tags and other state identification.

I have personally evaluated this request and verify that the vehicle(s) described below are actually involved in undercover law enforcement work to the extent that the actual investigation of criminal cases or the investigators' physical well-being would be jeopardized if they were so identified.

A brief statement of particulars in support of each request is attached.

VEHICLE DESCRIPTION			DO NOT WRITE IN THIS SPACE
Req. #	Make	Year	Identification No.
1	Pontiac Lemans	1977	2D29Y7P410601
2	Pontiac Lemans	1977	2D29Y7P280715
3	Plymouth Volare	1978	HLA1D8F239967
4	Plymouth Volare	1978	HLA1D8F225006
5	Plymouth Volare	1978	HLA1D8F225010

List additional requests on a separate sheet in this same format.

Date November 8, 1978 Robert M. Brown
 Head, Requesting Agency

PART TWO

TO: State Budget and Control Board

With reference to the motor vehicle(s) listed above for which an exemption from the identification requirements of the referenced Act is requested, it is my opinion that:

- (a) request number(s) 1-5 should be granted;
 (b) request number(s) _____ should not be granted.

Date 11-8-78 J. P. Stearns
 Chief, S. C. Law Enforcement Division

PART THREE

TO: Mr. Emory P. Austin, Director, Motor Vehicle Division
Department of Highways and Public Transportation

After consultation with the Chief of the State Law Enforcement Division, it has been determined by the State Budget and Control Board that the motor vehicle(s) listed above as request number(s) _____ should be exempted from identification requirements of the referenced Act, and the Board hereby grants this exemption(s).

Date _____ Director, Division of Motor Vehicle Management
for State Budget and Control Board
 Copies to: Agency
Chief SLED w/Enclosures
File w/Enclosures **ENC 1+2** DWM Form 1-79

PART ONE

FROM: South Carolina Tax Commission
 PO Box 125
 Columbia, South Carolina 29214

3 OF 7

TO: State Budget and Control Board
 Division of Motor Vehicle Management
 Box 633, Columbia, SC 29202

SUBJECT: Request for Exemption from Motor Vehicle Identification Requirements

REFERENCE: 1978-79 General Appropriations Act, Part II, Section 24, Paragraph (K)

In accordance with the referenced Act, it is requested that the State-owned vehicle(s) described below be exempted from the requirement to display permanent license tags and other state identification.

I have personally evaluated this request and verify that the vehicle(s) described below are actually involved in undercover law enforcement work to the extent that the actual investigation of criminal cases or the investigators' physical well-being would be jeopardized if they were so identified.

A brief statement of particulars in support of each request is attached.

VEHICLE DESCRIPTION				DO NOT WRITE IN THIS SPACE
Req. #	Make	Year	Identification No.	License Assigned
1	Plymouth Volare	1978	HL41D8F225027	
2	Plymouth Volare	1978	HL41D8F224994	
3	AMC Matador	1976	A6A857H354094	
4	Plymouth Volare	1978	HL41D8F225035	
5	Plymouth Volare	1978	HL41D8F225009	

List additional requests on a separate sheet in this same format.

November 8, 1978
 Date

Robert C. Watson
 Head, Requesting Agency

PART TWO

TO: State Budget and Control Board

With reference to the motor vehicle(s) listed above for which an exemption from the identification requirements of the referenced Act is requested, it is my opinion that:

(a) request number(s) 1-5 should be granted;

(b) request number(s) _____ should not be granted.

11-8-78
 Date

JP Strom
 Chief, S. C. Law Enforcement Division

PART THREE

TO: Mr. Emory F. Austin, Director, Motor Vehicle Division
 Department of Highways and Public Transportation

After consultation with the Chief of the State Law Enforcement Division, it has been determined by the State Budget and Control Board that the motor vehicle(s) listed above as request number(s) _____ should be exempted from identification requirements of the referenced Act, and the Board hereby grants these exemption(s).

Date _____
 Copies to: Agency
 Chief SLED w/Enclosures
 File w/Enclosures

Director, Division of Motor Vehicle Management
 for State Budget and Control Board

ENC 142

DNVM Form 1-79

PART ONE

FROM: South Carolina Tax Commission
PO Box 125
Columbia, South Carolina 29214

4 of 7

TO: State Budget and Control Board
Division of Motor Vehicle Management
Box 633, Columbia, SC 29202

SUBJECT: Request for Exemption from Motor Vehicle Identification Requirements

REFERENCE: 1978-79 General Appropriations Act, Part II, Section 24, Paragraph (K)

In accordance with the referenced Act, it is requested that the State-owned vehicle(s) described below be exempted from the requirement to display permanent license tags and other state identification.

I have personally evaluated this request and verify that the vehicle(s) described below are actually involved in undercover law enforcement work to the extent that the actual investigation of criminal cases or the investigators' physical well-being would be jeopardized if they were so identified.

A brief statement of particulars in support of each request is attached.

VEHICLE DESCRIPTION				DO NOT WRITE IN THIS SPACE
Req. #	Make	Year	Identification No.	License Assigned
1	Pontiac Lemans	1977	2D29Y7P298329	
2	AMC Matador	1976	A6A857H354119	
3	Pontiac Lemans	1977	2D29Y7P281088	
4	Ford Torino	1975	5A27H125639	
5	Plymouth Volare	1978	HL41D8F224999	

List additional requests on a separate sheet in this same format.

November 8, 1978
Date

Robert C. Wesson
Head, Requesting Agency

PART TWO

TO: State Budget and Control Board

With reference to the motor vehicle(s) listed above for which an exemption from the identification requirements of the referenced Act is requested, it is my opinion that

(a) request number(s) 1-5 should be granted;

(b) request number(s) _____ should not be granted.

Date

11-8-78

J.P. [Signature]
Chief, S. C. Law Enforcement Division

PART THREE

TO: Mr. Emory P. Austin, Director, Motor Vehicle Division
Department of Highways and Public Transportation

After consultation with the Chief of the State Law Enforcement Division, it has been determined by the State Budget and Control Board that the motor vehicle(s) listed above as request number(s) _____ should be exempted from identification requirements of the referenced Act, and the Board hereby grants these exemption(s).

Date

Director, Division of Motor Vehicle Management
for State Budget and Control Board

Copies to: Agency
Chief SLED w/Enclosures
File w/Enclosures

ENC 1+2

DMVM Form 1-79

PART ONE

FROM: South Carolina Tax Commission
PO Box 125
Columbia, South Carolina 29214

5 of 7

TO: State Budget and Control Board
Division of Motor Vehicle Management
Box 633, Columbia, SC 29202

SUBJECT: Request for Exemption from Motor Vehicle Identification Requirements

REFERENCE: 1978-79 General Appropriations Act, Part II, Section 24, Paragraph (K)

In accordance with the referenced Act, it is requested that the State-owned vehicle(s) described below be exempted from the requirement to display permanent license tags and other state identification.

I have personally evaluated this request and verify that the vehicle(s) described below are actually involved in undercover law enforcement work to the extent that the actual investigation of criminal cases or the investigators' physical well-being would be jeopardized if they were so identified.

A brief statement of particulars in support of each request is attached.

VEHICLE DESCRIPTION				DO NOT WRITE IN THIS SPACE
Req. #	Make	Year	Identification No.	License Assigned
1	Pontiac - Bonneville	1975	2P49R5X143658	
2	Ford - LTD	1976	6U66S142236	
3	Oldsmobile - 88	1978	3L69R8X150616	
4	Pontiac - Lemans	1977	2029Y7P297809	

List additional requests on a separate sheet in this same format.

November 8, 1978
 Date

Robert C. Watson
 Head, Requesting Agency

PART TWO

TO: State Budget and Control Board

With reference to the motor vehicle(s) listed above for which an exemption from the identification requirements of the referenced Act is requested, it is my opinion that

(a) request number(s) 1-4 should be granted;

(b) request number(s) _____ should not be granted.

Date

11-8-78

JP Starn
 Chief, S. C. Law Enforcement Division

PART THREE

TO: Mr. Emory P. Austin, Director, Motor Vehicle Division
Department of Highways and Public Transportation

After consultation with the Chief of the State Law Enforcement Division, it has been determined by the State Budget and Control Board that the motor vehicle(s) listed above as request number(s) _____ should be exempted from identification requirements of the referenced Act, and the Board hereby grants these exemption(s).

Date

Copies to: Agency
Chief SLED w/Enclosures
File w/Enclosures

Director, Division of Motor Vehicle Management
for State Budget and Control Board

ENC 1+2

DMVM Form 1-79

PART ONE

FROM: South Carolina Tax Commission
Criminal Intelligence Dept.
P.O. Box 125
Columbia, South Carolina 29214

6 of 7

TO: State Budget and Control Board
 Division of Motor Vehicle Management
 Box 633, Columbia, SC 29202

SUBJECT: Request for Exemption from Motor Vehicle Identification Requirements

REFERENCE: 1978-79 General Appropriations Act, Part II, Section 24, Paragraph (K)

In accordance with the referenced Act, it is requested that the State-owned vehicle(s) described below be exempted from the requirement to display permanent license tags and other state identification.

I have personally evaluated this request and verify that the vehicle(s) described below are actually involved in undercover law enforcement work to the extent that the actual investigation of criminal cases or the investigators' physical well-being would be jeopardized if they were so identified.

A brief statement of particulars in support of each request is attached.

VEHICLE DESCRIPTION				DO NOT WRITE IN THIS SPACE
Req. #	Make	Year	Identification No.	License Assigned
1	Plymouth, Fury	1978	RL41K8A187943	
2	Plymouth, Fury	1978	RL41K8A187942	
3				
4				
5				

List additional requests on a separate sheet in this same format.

Date 11/5/78

[Signature]
 Head, Requesting Agency

PART TWO

TO: State Budget and Control Board

With reference to the motor vehicle(s) listed above for which an exemption from the identification requirements of the referenced Act is requested, it is my opinion that:

(a) request number(s) 1 & 2 should be granted;

(b) request number(s) _____ should not be granted.

Date 11-8-78

[Signature]
 Chief, S.C. Law Enforcement Division

PART THREE

TO: Mr. Emory P. Austin, Director, Motor Vehicle Division
 Department of Highways and Public Transportation

After consultation with the Chief of the State Law Enforcement Division, it has been determined by the State Budget and Control Board that the motor vehicle(s) listed above as request number(s) _____ should be exempted from identification requirements of the referenced Act, and the Board hereby grants these exemption(s).

Date _____

Director, Division of Motor Vehicle Management
 for State Budget and Control Board

Copies to: Agency
 Chief SLED w/Enclosures
 File w/Enclosures

ENC 112

DMVM Form 1-79

PART ONE

FROM: South Carolina Tax Commission
 Criminal Intelligence Dept.
 P. O. Box 125
 Columbia, South Carolina 29214

7 OF 7

TO: State Budget and Control Board
 Division of Motor Vehicle Management
 Box 633, Columbia, SC 29202

SUBJECT: Request for Exemption from Motor Vehicle Identification Requirements

REFERENCE: 1978-79 General Appropriations Act, Part II, Section 24, Paragraph (K)

In accordance with the referenced Act, it is requested that the State-owned vehicle(s) described below be exempted from the requirement to display permanent license tags and other state identification.

I have personally evaluated this request and verify that the vehicle(s) described below are actually involved in undercover law enforcement work to the extent that the actual investigation of criminal cases or the investigators' physical well-being would be jeopardized if they were so identified.

A brief statement of particulars in support of each request is attached.

VEHICLE DESCRIPTION				DO NOT WRITE IN THIS SPACE
Req. #	Make	Year	Identification No.	License Assigned
1	Pontiac Lemans	1977	2D29Z7B108989	
2	Plymouth Fury	1977	RK41K7A269649	
3	Plymouth Fury	1977	RK41K7A269650	
4	Plymouth Fury	1978	RL41K8A187941	
5	Plymouth Fury	1978	RL41K8A187944	

List additional requests on a separate sheet in this same format. Continued

Date

Head, Requesting Agency

PART TWO

TO: State Budget and Control Board

With reference to the motor vehicle(s) listed above for which an exemption from the identification requirements of the referenced Act is requested, it is my opinion that:

(a) request number(s) 1-5 should be granted;

(b) request number(s) _____ should not be granted.

Date

11-8-78

Chief, S. C. Law Enforcement Division

PART THREE

TO: Mr. Emory P. Austin, Director, Motor Vehicle Division
 Department of Highways and Public Transportation

After consultation with the Chief of the State Law Enforcement Division, it has been determined by the State Budget and Control Board that the motor vehicle(s) listed above as request number(s) _____ should be exempted from identification requirements of the referenced Act, and the Board hereby grants these exemption(s).

Date

Copies to: Agency
 Chief SLED w/Enclosures
 File w/Enclosures

Director, Division of Motor Vehicle Management
 for State Budget and Control Board

ENC 142

DNVM Form 1-79

PART ONE

FROM: South Carolina Tax Commission
PO Box 125
Columbia, South Carolina 29214

1 OF 7

TO: State Budget and Control Board
 Division of Motor Vehicle Management
 Box 633, Columbia, SC 29202

SUBJECT: Request for Exemption from Motor Vehicle Identification Requirements

REFERENCE: 1978-79 General Appropriations Act, Part II, Section 24, Paragraph (K)

In accordance with the referenced Act, it is requested that the State-owned vehicle(s) described below be exempted from the requirement to display permanent license tags and other state identification.

I have personally evaluated this request and verify that the vehicle(s) described below are actually involved in undercover law enforcement work to the extent that the actual investigation of criminal cases or the investigators' physical well-being would be jeopardized if they were so identified.

A brief statement of particulars in support of each request is attached.

VEHICLE DESCRIPTION				DO NOT WRITE IN THIS SPACE
Req. #	Make	Year	Identification No.	License Assigned
1	Pontiac Lemans	1977	2D29Y7P258291	██████
2	Pontiac Lemans	1977	2D29Y7P252253	██████
3	AMC Matador	1976	A6A857H354115	██████
4	Pontiac Lemans	1977	2D29Y7P297914	██████
5	Pontiac Lemans	1977	2D29Y7P410371	██████

List additional requests on a separate sheet in this same format.

November 8, 1978
 Date

Robert C. Warren
 Head, Requesting Agency

PART TWO

TO: State Budget and Control Board

With reference to the motor vehicle(s) listed above for which an exemption from the identification requirements of the referenced Act is requested, it is my opinion that:

(a) request number(s) 1-5 should be granted;

(b) request number(s) _____ should not be granted.

11-8-78
 Date

JP Stone
 Chief, S. C. Law Enforcement Division

PART THREE

TO: Mr. Emory P. Austin, Director, Motor Vehicle Division
 Department of Highways and Public Transportation

After consultation with the Chief of the State Law Enforcement Division, it has been determined by the State Budget and Control Board that the motor vehicle(s) listed above as request number(s) _____ should be exempted from identification requirements of the referenced Act, and the Board hereby grants these exemption(s).

 Date

Copies to: Agency
 Chief SLED w/Enclosures
 File w/Enclosures

 Director, Division of Motor Vehicle Management
 for State Budget and Control Board

ENC 1+2

DNVM Form 1-79

PART ONE

FROM: South Carolina Tax Commission
PO Box 125
Columbia, South Carolina 29214

2 of 7

TO: State Budget and Control Board
 Division of Motor Vehicle Management
 Box 633, Columbia, SC 29202

SUBJECT: Request for Exemption from Motor Vehicle Identification Requirements

REFERENCE: 1978-79 General Appropriations Act, Part II, Section 24, Paragraph (K)

In accordance with the referenced Act, it is requested that the State-owned vehicle(s) described below be exempted from the requirement to display permanent license tags and other state identification.

I have personally evaluated this request and verify that the vehicle(s) described below are actually involved in undercover law enforcement work to the extent that the actual investigation of criminal cases or the investigators' physical well-being would be jeopardized if they were so identified.

A brief statement of particulars in support of each request is attached.

VEHICLE DESCRIPTION				DO NOT WRITE IN THIS SPACE
Req. #	Make	Year	Identification No.	License Assigned
1	Pontiac Lemans	1977	2D29Y7P410601	██████
2	Pontiac Lemans	1977	2D29Y7P280715	██████
3	Plymouth Volare	1978	HL41D8F239947	██████
4	Plymouth Volare	1978	HL41D8F225006	██████
5	Plymouth Volare	1978	HL41D8F225010	██████

List additional requests on a separate sheet in this same format.

November 8, 1978
 Date

Robert C. Womack
 Head, Requesting Agency

PART TWO

TO: State Budget and Control Board

With reference to the motor vehicle(s) listed above for which an exemption from the identification requirements of the referenced Act is requested, it is my opinion that:

(a) request number(s) 1-5 should be granted;

(b) request number(s) _____ should not be granted.

11-8-78
 Date

J. P. Strawn
 Chief, S. C. Law Enforcement Division

PART THREE

TO: Mr. Emory P. Austin, Director, Motor Vehicle Division
 Department of Highways and Public Transportation

After consultation with the Chief of the State Law Enforcement Division, it has been determined by the State Budget and Control Board that the motor vehicle(s) listed above as request number(s) _____ should be exempted from identification requirements of the referenced Act, and the Board hereby grants these exemption(s).

 Date

 Director, Division of Motor Vehicle Management
 for State Budget and Control Board

Copies to: Agency
 Chief SLED w/Enclosures
 File w/Enclosures

ENC 142

DMVM Form 1-79

PART ONE

FROM: South Carolina Tax Commission
PO Box 125
Columbia, South Carolina 29214

3 OF 7

TO: State Budget and Control Board
Division of Motor Vehicle Management
Box 633, Columbia, SC 29202

SUBJECT: Request for Exemption from Motor Vehicle Identification Requirements

REFERENCE: 1978-79 General Appropriations Act, Part II, Section 24, Paragraph (K)

In accordance with the referenced Act, it is requested that the State-owned vehicle(s) described below be exempted from the requirement to display permanent license tags and other state identification.

I have personally evaluated this request and verify that the vehicle(s) described below are actually involved in undercover law enforcement work to the extent that the actual investigation of criminal cases or the investigators' physical well-being would be jeopardized if they were so identified.

A brief statement of particulars in support of each request is attached.

VEHICLE DESCRIPTION				DO NOT WRITE IN THIS SPACE
Req. #	Make	Year	Identification No.	License Assigned
1	Plymouth Volare	1978	HL41D8F225027	
2	Plymouth Volare	1978	HL41D8F224994	
3	AMC Matador	1976	A6A857H354094	
4	Plymouth Volare	1978	HL41D8F225035	
5	Plymouth Volare	1978	HL41D8F225009	

List additional requests on a separate sheet in this same format.

November 8, 1978
Date

Robert C. Warron
Head, Requesting Agency

PART TWO

TO: State Budget and Control Board

With reference to the motor vehicle(s) listed above for which an exemption from the identification requirements of the referenced Act is requested, it is my opinion that:

(a) request number(s) 1-5 should be granted;

(b) request number(s) _____ should not be granted.

11-8-78
Date

JP Strom
Chief, S. C. Law Enforcement Division

PART THREE

TO: Mr. Emory P. Austin, Director, Motor Vehicle Division
Department of Highways and Public Transportation

After consultation with the Chief of the State Law Enforcement Division, it has been determined by the State Budget and Control Board that the motor vehicle(s) listed above as request number(s) _____ should be exempted from identification requirements of the referenced Act, and the Board hereby grants these exemption(s).

Date

Director, Division of Motor Vehicle Management
for State Budget and Control Board

Copies to: Agency
Chief SLED w/Enclosures
File w/Enclosures

ENC 1+2

DMVM Form 1-79

PART ONE

FROM: South Carolina Tax Commission
PO Box 125
Columbia, South Carolina 29214

4 of 7

TO: State Budget and Control Board
Division of Motor Vehicle Management
Box 633, Columbia, SC 29202

SUBJECT: Request for Exemption from Motor Vehicle Identification Requirements

REFERENCE: 1978-79 General Appropriations Act, Part II, Section 24, Paragraph (K)

In accordance with the referenced Act, it is requested that the State-owned vehicle(s) described below be exempted from the requirement to display permanent license tags and other state identification.

I have personally evaluated this request and verify that the vehicle(s) described below are actually involved in undercover law enforcement work to the extent that the actual investigation of criminal cases or the investigators' physical well-being would be jeopardized if they were so identified.

A brief statement of particulars in support of each request is attached.

VEHICLE DESCRIPTION				DO NOT WRITE IN THIS SPACE
Req. #	Make	Year	Identification No.	License Assigned
1	Pontiac Lemans	1977	2D29Y7P298329	
2	AMC Matador	1976	A6A857H354119	
3	Pontiac Lemans	1977	2D29Y7P281088	
4	Ford Torino	1975	5A27H125639	
5	Plymouth Volare	1978	HL41D8F224999	

List additional requests on a separate sheet in this same format.

November 8, 1978
Date

Robert C. Wesson
Head, Requesting Agency

PART TWO

TO: State Budget and Control Board

With reference to the motor vehicle(s) listed above for which an exemption from the identification requirements of the referenced Act is requested, it is my opinion that:

- (a) request number(s) 1-5 should be granted;
(b) request number(s) _____ should not be granted.

11-8-78
Date

JP Stur
Chief, S. C. Law Enforcement Division

PART THREE

TO: Mr. Emory P. Austin, Director, Motor Vehicle Division
Department of Highways and Public Transportation

After consultation with the Chief of the State Law Enforcement Division, it has been determined by the State Budget and Control Board that the motor vehicle(s) listed above as request number(s) _____ should be exempted from identification requirements of the referenced Act, and the Board hereby grants these exemption(s).

Date
Copies to: Agency
Chief SLED w/Enclosures
File w/Enclosures

Director, Division of Motor Vehicle Management
for State Budget and Control Board

ENC 142

DMVM Form 1-79

PART ONE

FROM: South Carolina Tax Commission
PO Box 125
Columbia, South Carolina 29214

5 of 7

TO: State Budget and Control Board
Division of Motor Vehicle Management
Box 633, Columbia, SC 29202

SUBJECT: Request for Exemption from Motor Vehicle Identification Requirements

REFERENCE: 1978-79 General Appropriations Act, Part II, Section 24, Paragraph (K)

In accordance with the referenced Act, it is requested that the State-owned vehicle(s) described below be exempted from the requirement to display permanent license tags and other state identification.

I have personally evaluated this request and verify that the vehicle(s) described below are actually involved in undercover law enforcement work to the extent that the actual investigation of criminal cases or the investigators' physical well-being would be jeopardized if they were so identified.

A brief statement of particulars in support of each request is attached.

VEHICLE DESCRIPTION				DO NOT WRITE IN THIS SPACE
Req. #	Make	Year	Identification No.	License Assigned
1	Pontiac - Bonneville	1975	2P49R5X143658	
2	Ford - LTD	1976	6U66S142236	
3	Oldsmobile - 88	1978	3L69R8X150616	
4	Pontiac - Lemans	1977	2029Y7P297809	
5				

List additional requests on a separate sheet in this same format.

November 8, 1978
Date

Robert C. Wasson
Head, Requesting Agency

PART TWO

TO: State Budget and Control Board

With reference to the motor vehicle(s) listed above for which an exemption from the identification requirements of the referenced Act is requested, it is my opinion that:

(a) request number(s) 1-4 should be granted;

(b) request number(s) _____ should not be granted.

11-8-78
Date

J.P. Strawn
Chief, S. C. Law Enforcement Division

PART THREE

TO: Mr. Emory P. Austin, Director, Motor Vehicle Division
Department of Highways and Public Transportation

After consultation with the Chief of the State Law Enforcement Division, it has been determined by the State Budget and Control Board that the motor vehicle(s) listed above as request number(s) _____ should be exempted from identification requirements of the referenced Act, and the Board hereby grants these exemption(s).

Date

Director, Division of Motor Vehicle Management
for State Budget and Control Board

Copies to: Agency
Chief SLED w/Enclosures
File w/Enclosures

ENC 1+2

DNVM Form 1-79

PART ONE

FROM: South Carolina Tax Commission
Criminal Intelligence Dept.
P.O. Box 125
Columbia, South Carolina 29214

6 OF 7

TO: State Budget and Control Board
Division of Motor Vehicle Management
Box 633, Columbia, SC 29202

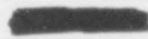

SUBJECT: Request for Exemption from Motor Vehicle Identification Requirements

REFERENCE: 1978-79 General Appropriations Act, Part II, Section 24, Paragraph (K)

In accordance with the referenced Act, it is requested that the State-owned vehicle(s) described below be exempted from the requirement to display permanent license tags and other state identification.

I have personally evaluated this request and verify that the vehicle(s) described below are actually involved in undercover law enforcement work to the extent that the actual investigation of criminal cases or the investigators' physical well-being would be jeopardized if they were so identified.

A brief statement of particulars in support of each request is attached.

VEHICLE DESCRIPTION				DO NOT WRITE IN THIS SPACE
Req. #	Make	Year	Identification No.	License Assigned
1	Plymouth, Fury	1978	RL41K8A187943	
2	Plymouth, Fury	1978	RL41K8A187942	
3				
4				
5				

List additional requests on a separate sheet in this same format.

Date

11/8/78

Head, Requesting Agency

PART TWO

TO: State Budget and Control Board

With reference to the motor vehicle(s) listed above for which an exemption from the identification requirements of the referenced Act is requested, it is my opinion that:

(a) request number(s) 1 & 2 should be granted;

(b) request number(s) _____ should not be granted.

Date

11-8-78

Chief, S. C. Law Enforcement Division

PART THREE

TO: Mr. Emory P. Austin, Director, Motor Vehicle Division
Department of Highways and Public Transportation

After consultation with the Chief of the State Law Enforcement Division, it has been determined by the State Budget and Control Board that the motor vehicle(s) listed above as request number(s) _____ should be exempted from identification requirements of the referenced Act, and the Board hereby grants these exemption(s).

Date

Copies to: Agency
Chief SLED w/Enclosures
File w/Enclosures

Director, Division of Motor Vehicle Management
for State Budget and Control Board

ENC 142

DMVM Form 1-79

PART ONE

FROM: South Carolina Tax Commission

Criminal Intelligence Dept.P. O. Box 125Columbia, South Carolina 29214

7 OF 7

TO: State Budget and Control Board
Division of Motor Vehicle Management
Box 633, Columbia, SC 29202

SUBJECT: Request for Exemption from Motor Vehicle Identification Requirements

REFERENCE: 1978-79 General Appropriations Act, Part II, Section 24, Paragraph (K)

In accordance with the referenced Act, it is requested that the State-owned vehicle(s) described below be exempted from the requirement to display permanent license tags and other state identification.

I have personally evaluated this request and verify that the vehicle(s) described below are actually involved in undercover law enforcement work to the extent that the actual investigation of criminal cases or the investigators' physical well-being would be jeopardized if they were so identified.

A brief statement of particulars in support of each request is attached.

VEHICLE DESCRIPTION				DO NOT WRITE IN THIS SPACE
Req. #	Make	Year	Identification No.	License Assigned
1	Pontiac Lemans	1977	2D29Z7B108989	REDACTED
2	Plymouth Fury	1977	RK41K7A269649	REDACTED
3	Plymouth Fury	1977	RK41K7A269650	REDACTED
4	Plymouth Fury	1978	RL41K8A187941	REDACTED
5	Plymouth Fury	1978	RL41K8A187944	REDACTED

List additional requests on a separate sheet in this same format. Continued

Date

Head, Requesting Agency

PART TWO

TO: State Budget and Control Board

With reference to the motor vehicle(s) listed above for which an exemption from the identification requirements of the referenced Act is requested, it is my opinion that:

(a) request number(s) 1-5 should be granted;

(b) request number(s) _____ should not be granted.

Date

Chief, S. C. Law Enforcement Division

PART THREE

TO: Mr. Emory P. Austin, Director, Motor Vehicle Division
Department of Highways and Public Transportation

After consultation with the Chief of the State Law Enforcement Division, it has been determined by the State Budget and Control Board that the motor vehicle(s) listed above as request number(s) 1-5 should be exempted from identification requirements of the referenced Act, and the Board hereby grants these exemption(s).

Date

Director, Division of Motor Vehicle Management
for State Budget and Control Board

Copies to: Agency
Chief SLED w/Enclosures
File w/Enclosures

ENC 1+2

DMVM Form 1-79

State of South Carolina

South Carolina Tax Commission

COLUMBIA

ROBERT C. WASSON
CHAIRMAN



JOHN H. LAFITTE, JR.
CHARLES N. PLOWDEN
ROBERT C. WASSON
COMMISSIONERS

November 13, 1978

IN REPLY REFER
TO

Mr. Allan J. Spence, Director
Division of Motor Vehicle Management
State Budget and Control Board
Box 633
Columbia, South Carolina 29202

Dear Mr. Spence:


Enclosed are completed Forms DMVM 1-79 designed by the Division of Motor Vehicle Management for use in requesting exemption from motor vehicle identification requirements along with copies of memorandums from both this writer and Mr. R. L. Chaplin, Jr., Director of the Tax Commission's Criminal Intelligence Department, which we believe provide justification for our request. As you will note the Tax Commission's request for exemption from these requirements include vehicles that are assigned to the members of the Tax Commission and to the Executive Director of the Tax Commission.

As explained in Mr. Chaplin's memorandum this is not a new request but a request for continuation of the use of unidentified tags that have been in use for approximately five years.

It is, therefore, respectfully requested that you support our request for exemption from identification all of the subject vehicles.

Yours very truly,

SOUTH CAROLINA TAX COMMISSION
LICENSE TAX DIVISION
J. W. LAWSON, DIRECTOR


A. L. Skinner
General Field Supervisor

ALS/rr

Benefit Control

South Carolina
Employment Security Commission



COMMISSION

C. Lem Harper, Chairman
W. Marshall Comer, Vice-Chairman
Frank E. Baldwin, Commissioner

1550 Gadsden Street
P. O. Box 995
Columbia, S.C. 29202

EXECUTIVE DIRECTOR

Robert E. "Jack" David

March 10, 1977

Chief J. P. Strom
State Law Enforcement Division
Broad River Road
P. O. Box 21398
Columbia, South Carolina 29221

Dear Chief Strom:

This Agency has adopted the following policy in regard to the detection and prosecution of cases where fraud is involved:

"It is the policy of the South Carolina Employment Security Commission to pursue under the Benefit Control System all possibilities of fraud to detect, identify and prosecute with the view of recovering funds obtained through fraudulent means. In the pursuit of this effort, final decision to prosecute would be recommended by the Executive Director and approved by the Commissioners. Weekly progress reports will be submitted to the Deputy Director and Director and the Commissioners. Cases requiring surveillance and/or actions involving the Deputy, Director or Commissioners will be referred to the the Executive Director on a confidential memorandum with backup information as deemed necessary.

In support of the detection and prosecution efforts, direct participation of top management will be employed when needed and justified. In view of the above policy and the possible repercussions involved in driving automobiles with readily identifiable State tags, automobiles driven by the three Commissioners and the Deputy and Executive Director will be licensed with covered tags."

-continued-

ENC1(3)

Chief J. P. Strom
Page 2

March 10, 1977

In view of the above policy statement, it is respectfully requested that you approve the use of covered tags for the cars listed above.

Sincerely,

Robert E. David
Executive Director

PART ONE

FROM: Robert E. David, Executive Director
South Carolina Employment Security Commission
Post Office Box 995
Columbia, South Carolina 29202

TO: State Budget and Control Board
Division of Motor Vehicle Management
Box 633, Columbia, SC 29202

SUBJECT: Request for Exemption from Motor Vehicle Identification Requirements

REFERENCE: 1978-79 General Appropriations Act, Part II, Section 24, Paragraph (K)

In accordance with the referenced Act, it is requested that the State-owned vehicle(s) described below be exempted from the requirement to display permanent license tags and other state identification.

I have personally evaluated this request and verify that the vehicle(s) described below are actually involved in undercover law enforcement work to the extent that the actual investigation of criminal cases or the investigators' physical well-being would be jeopardized if they were so identified.

A brief statement of particulars in support of each request is attached.

VEHICLE DESCRIPTION				DO NOT WRITE IN THIS SPACE
Req. #	Make	Year	Identification No.	License Assigned
1	Buick	1977	4P69R7H505563	
2	Buick	1975	4P69J5Y101930	
3	Ford	1976	6U63H177800	
4	Ford	1976	6U63H176827	
5	Ford	1976	6U63H177816	

List additional requests on a separate sheet in this same format.

November 14, 1978
Date

Robert E. David
Head, Requesting Agency

PART TWO

TO: State Budget and Control Board

With reference to the motor vehicle(s) listed above for which an exemption from the identification requirements of the referenced Act is requested, it is my opinion that:

(a) request number(s) 1, 2, 3, 4, & 5 should be granted;

(b) request number(s) _____ should not be granted.

November 14, 1978
Date

W. P. Starn
Chief, S. C. Law Enforcement Division

PART THREE

TO: Mr. Emory P. Austin, Director, Motor Vehicle Division
Department of Highways and Public Transportation

After consultation with the Chief of the State Law Enforcement Division, it has been determined by the State Budget and Control Board that the motor vehicle(s) listed above as request number(s) _____ should be exempted from identification requirements of the referenced Act, and the Board hereby grants these exemption(s).

Date _____
Copies to: Agency
Chief SLED w/Enclosures
File w/Enclosures

Director, Division of Motor Vehicle Management
for State Budget and Control Board

ENC 3

DNVM Form 1-79

PART ONE

FROM: Robert E. David, Executive Director
South Carolina Employment Security Commission
Post Office Box 995
Columbia, South Carolina 29202

TO: State Budget and Control Board
Division of Motor Vehicle Management
Box 633, Columbia, SC 29202

SUBJECT: Request for Exemption from Motor Vehicle Identification Requirements

REFERENCE: 1978-79 General Appropriations Act, Part II, Section 24, Paragraph (K)

In accordance with the referenced Act, it is requested that the State-owned vehicle(s) described below be exempted from the requirement to display permanent license tags and other state identification.

I have personally evaluated this request and verify that the vehicle(s) described below are actually involved in undercover law enforcement work to the extent that the actual investigation of criminal cases or the investigators' physical well-being would be jeopardized if they were so identified.

A brief statement of particulars in support of each request is attached.

VEHICLE DESCRIPTION				DO NOT WRITE IN THIS SPACE
Req. #	Make	Year	Identification No.	License Assigned
1	Buick	1977	4P69R7H505563	
2	Buick	1975	4P69J5Y101930	
3	Ford	1976	6U63H177800	
4	Ford	1976	6U63H176827	
5	Ford	1976	6U63H177816	

List additional requests on a separate sheet in this same format.

November 14, 1978
Date

Robert E. David
Head, Requesting Agency

PART TWO

TO: State Budget and Control Board

With reference to the motor vehicle(s) listed above for which an exemption from the identification requirements of the referenced Act is requested, it is my opinion that:

- (a) request number(s) 1, 2, 3, 4, & 5 should be granted;
(b) request number(s) _____ should not be granted.

November 14, 1978
Date

W. P. Starn
Chief, S. C. Law Enforcement Division

PART THREE

TO: Mr. Emory P. Austin, Director, Motor Vehicle Division
Department of Highways and Public Transportation

After consultation with the Chief of the State Law Enforcement Division, it has been determined by the State Budget and Control Board that the motor vehicle(s) listed above as request number(s) _____ should be exempted from identification requirements of the referenced Act, and the Board hereby grants these exemption(s).

Date

Director, Division of Motor Vehicle Management
for State Budget and Control Board

Copies to: Agency
Chief SLED w/Enclosures
File w/Enclosures

ENC 3

DMVM Form 1-79

South Carolina
Employment Security Commission



COMMISSION

W. Marshall Comer, Chairman
Frank E. Baldwin, Vice-Chairman
C. Lem Harper, Commissioner

EXECUTIVE DIRECTOR

Robert E. "Jack" David

1550 Gadsden Street
P. O. Box 995
Columbia, S.C. 29202

November 14, 1978

Chief J. P. Strom
State Law Enforcement Division
Broad River Road
Post Office Box 21398
Columbia, South Carolina 29221

Dear Chief Strom:

This Agency policy regarding the detection and prosecution of cases where fraud is involved is still in effect. This policy was set forth in my letter to you of March 10, 1977 (copy attached).

Sincerely,


Robert E. David
Executive Director

Attachment
REF: AS-6



N. B. HEYWARD, EXEC. DIRECTOR
1315 BLANDING STREET
COLUMBIA, SOUTH CAROLINA 29201

TELEPHONE 756-3361

State Board of Medical Examiners of South Carolina

1315 Blanding Street

Columbia, South Carolina 29201

October 13, 1978

VERNONE MERCHANT JR. M.D. PRES. ANDERSON
1221 N. FANT ST. 29421 ph. 226-6236
CHARLES W. BRICE JR. M.D. V. PRES. CHESTER
CHESTER MALL 29706 ph. 385-2964
FOSTER MARSHALL II M.D. SEC. COLUMBIA
3321 MEDICAL PARK RD. 29203 ph. 252-1009
A. RICHARD JOHNSTON M.D. ST. GEORGE
401 RIDGE ST. 29477 ph. 563-3401
WILLIAM P. TURNER M.D. GREENWOOD
P.O. BOX 979 29646 ph. 229-2565
HAROLD S. GILMORE M.D. NICHOLS
ROUTE 2 29591 ph. 326-2236
ERNEST A. JOHNSON D.O. SUMMERVILLE
100 W. 5TH ST. 29403 ph. 871-1242
FREDERICK F. ADAMS JR. M.D. SPARTANBURG
147 OAKWOOD AVE. 29302 ph. 582-8135
J. ERNEST LATHAM M.D. GREENVILLE
24 VARDRY ST. 29601 ph. 233-3801

Mr. Allen J. Spence
Director, Motor Vehicle Management
P.O. Box 633
Columbia, SC 29202

RECEIVED

NOV 10 1978

DIVISION OF MOTOR
VEHICLE MANAGEMENT

Dear Mr. Spence:

Reference is made to the two automobiles used by our Investigators, a 1976 Matador and a 1978 Plymouth Volare. Both of these automobiles have regular licenses and do not have identifying state insignias.

The investigations that are made by our Investigators and all matters pertaining to these investigations are confidential. The confidentiality of these investigations has been upheld by both the state and federal courts. In addition, our Investigators frequently and continuously work with Narcotic and Drug Control authorities in situations that require the utmost care to maintain the cover of undercover agents.

It is imperative to our investigative operations that we retain unidentified vehicles for our two Investigators. Therefore, it is requested that you approve the continued use of regular licenses on the two aforementioned vehicles.

The use of the two unidentified vehicles by our Investigators will be closely monitored to assure that they are only used for official purposes.

Your assistance in obtaining a regular license for the recently purchased Volare was greatly appreciated.

Sincerely,

Barney Heyward

N. B. Heyward
Executive Director

NBH:mbb

ENC 1 (4)

PART ONE

FROM: The State Board of Medical Examiners of SC
1315 Blanding St.
Columbia, SC 29201

RECEIVED

NOV 10 1978

DIVISION OF MOTOR
VEHICLE MANAGEMENT

TO: State Budget and Control Board
Division of Motor Vehicle Management
Box 633, Columbia, SC 29202

SUBJECT: Request for Exemption from Motor Vehicle Identification Requirements

REFERENCE: 1978-79 General Appropriations Act, Part II, Section 24, Paragraph (K)

In accordance with the referenced Act, it is requested that the State-owned vehicle(s) described below be exempted from the requirement to display permanent license tags and other state identification.

I have personally evaluated this request and verify that the vehicle(s) described below are actually involved in undercover law enforcement work to the extent that the actual investigation of criminal cases or the investigators' physical well-being would be jeopardized if they were so identified.

A brief statement of particulars in support of each request is attached.

VEHICLE DESCRIPTION				DO NOT WRITE IN THIS SPACE
Req. #	Make	Year	Identification No.	License Assigned
1	Plymouth - Volare	1978	HL41 CBF 256596	
2	AMC - Matador	1976	A6A857H318454	
3				
4				
5				

List additional requests on a separate sheet in this same format.

11-9-78
Date

N.B. Heyward
Head, Requesting Agency N. B. Heyward
Executive Director

PART TWO

TO: State Budget and Control Board

With reference to the motor vehicle(s) listed above for which an exemption from the identification requirements of the referenced Act is requested, it is my opinion that:

(a) request number(s) 1 & 2 should be granted;

(b) request number(s) _____ should not be granted.

11-15-78
Date

J. C. Strom
Chief, S. C. Law Enforcement Division

PART THREE

TO: Mr. Emory P. Austin, Director, Motor Vehicle Division
Department of Highways and Public Transportation

After consultation with the Chief of the State Law Enforcement Division, it has been determined by the State Budget and Control Board that the motor vehicle(s) listed above as request number(s) _____ should be exempted from identification requirements of the referenced Act, and the Board hereby grants these exemption(s).

Date

Copies to: Agency
Chief SLED w/Enclosures
File w/Enclosures

Director, Division of Motor Vehicle Management
for State Budget and Control Board

ENC 4

DMVM Form 1-79

PART ONE

FROM: The State Board of Medical Examiners of SC
1315 Blanding St.
Columbia, SC 29201

RECEIVED

NOV 10 1978

DIVISION OF MOTOR
VEHICLE MANAGEMENT

TO: State Budget and Control Board
Division of Motor Vehicle Management
Box 633, Columbia, SC 29202

SUBJECT: Request for Exemption from Motor Vehicle Identification Requirements

REFERENCE: 1978-79 General Appropriations Act, Part II, Section 24, Paragraph (K)

In accordance with the referenced Act, it is requested that the State-owned vehicle(s) described below be exempted from the requirement to display permanent license tags and other state identification.

I have personally evaluated this request and verify that the vehicle(s) described below are actually involved in undercover law enforcement work to the extent that the actual investigation of criminal cases or the investigators' physical well-being would be jeopardized if they were so identified.

A brief statement of particulars in support of each request is attached.

VEHICLE DESCRIPTION				DO NOT WRITE IN THIS SPACE
Req. #	Make	Year	Identification No.	License Assigned
1	Plymouth - Volare	1978	HL41 C8F 256596	
2	AMC - Matador	1976	A6A857H318454	
3				
4				
5				

List additional requests on a separate sheet in this same format.

11-9-78
Date

N. B. Heyward
Head, Requesting Agency N. B. Heyward
Executive Director

PART TWO

TO: State Budget and Control Board

With reference to the motor vehicle(s) listed above for which an exemption from the identification requirements of the referenced Act is requested, it is my opinion that:

- (a) request number(s) 142 should be granted;
(b) request number(s) _____ should not be granted.

11-15-78
Date

J. C. Strom
Chief, S. C. Law Enforcement Division

PART THREE

TO: Mr. Emory P. Austin, Director, Motor Vehicle Division
Department of Highways and Public Transportation

After consultation with the Chief of the State Law Enforcement Division, it has been determined by the State Budget and Control Board that the motor vehicle(s) listed above as request number(s) _____ should be exempted from identification requirements of the referenced Act, and the Board hereby grants these exemption(s).

Date

Director, Division of Motor Vehicle Management
for State Budget and Control Board

Copies to: Agency
Chief SLED w/Enclosures
File w/Enclosures

ENC 4

DMVM Form 1-79



STATE OF SOUTH CAROLINA
BUDGET AND CONTROL BOARD
DIVISION OF MOTOR VEHICLE MANAGEMENT
P. O. BOX 633
COLUMBIA, S.C. 29202

ALLAN J. SPENCE
DIRECTOR
PHONE (803) 758 7814

Chief J. P. Strom
State Law Enforcement Division
P. O. Box 21398
Columbia, South Carolina 29221

Dear Chief:

In accordance with Section 24, paragraph (K), General Appropriation Act 1978-1979, the attached request(s) for confidential license plate(s) from The State Board of Medical Examiners is forwarded for your review and recommendations to the Budget and Control Board. Please return all correspondence to this office.

To protect the confidential nature of these requests, this office will deliver to SLED by courier.

Your consideration and prompt reply will be greatly appreciated. If I can assist in any way, please advise.

Sincerely,

A handwritten signature in cursive script, appearing to read "Allan J. Spence".

Allan J. Spence
Director

AJS:lsu
Enclosures:

William C. Mescher
President and
Chief Executive Officer

November 2, 1978

RECEIVED

NOV 3 1978

DIVISION OF
VEHICLE MANAGEMENT

State of South Carolina
Budget and Control Board
Division of Motor Vehicle Management
P. O. Box 633
Columbia, SC 29202

Attention: Mr. John Snipes

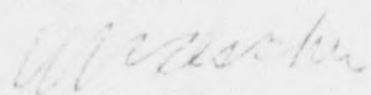
Dear Sir:

This is in reference to the issuance of a 1979 Validation/License Sticker for a 1978 Chevrolet Malibu Classic, license tag #JHX 265 - serial #1W1948D526508, owned by the South Carolina Public Service Authority.

This automobile is issued to Otis R. Hillyer, Security Officer of this company. Mr. Hillyer is also a SLED Agent for the State of South Carolina. In his duties as Security Officer, he is often involved in investigations and/or arrests with other SLED Officers.

Enclosed is the completed form received from your office. Please issue the above mentioned Validation/License Sticker for this vehicle.

Sincerely,


W. C. Mescher
President

WCM:jmg

Enclosure

cc: J. P. Strom
Chief
S. C. Law Enforcement Division
Newberry Highway
Columbia, SC 29200

PART ONE

FROM: South Carolina Public Service Authority
223 N. Live Oak Drive
Moncks Corner, South Carolina 29461

TO: State Budget and Control Board
 Division of Motor Vehicle Management
 Box 633, Columbia, SC 29202


SUBJECT: Request for Exemption from Motor Vehicle Identification Requirements

REFERENCE: 1978-79 General Appropriations Act, Part II, Section 24, Paragraph (K)

In accordance with the referenced Act, it is requested that the State-owned vehicle(s) described below be exempted from the requirement to display permanent license tags and other state identification.

I have personally evaluated this request and verify that the vehicle(s) described below are actually involved in undercover law enforcement work to the extent that the actual investigation of criminal cases or the investigators' physical well-being would be jeopardized if they were so identified.

A brief statement of particulars in support of each request is attached.

VEHICLE DESCRIPTION				DO NOT WRITE IN THIS SPACE
Req. #	Make	Year	Identification No.	License Assigned
1	Chevrolet-Malibu	1978	1W1948D526508	
2	Classic			
3				
4				
5				

List additional requests on a separate sheet in this same format.

November 2, 1978
 Date

W. M. McCall
 Head, Requesting Agency President

PART TWO

TO: State Budget and Control Board

With reference to the motor vehicle(s) listed above for which an exemption from the identification requirements of the referenced Act is requested, it is my opinion that:

- (a) request number(s) 1 should be granted;
 (b) request number(s) _____ should not be granted.

11-15-78
 Date

JP Strom
 Chief, S. C. Law Enforcement Division

PART THREE

TO: Mr. Emory P. Austin, Director, Motor Vehicle Division
 Department of Highways and Public Transportation

After consultation with the Chief of the State Law Enforcement Division, it has been determined by the State Budget and Control Board that the motor vehicle(s) listed above as request number(s) _____ should be exempted from identification requirements of the referenced Act, and the Board hereby grants these exemption(s).

 Copies to: Agency
 Chief SLED w/Enclosures
 File w/Enclosures

Director, Division of Motor Vehicle Management
 for State Budget and Control Board

ENC 5

DMVM Form 1-79

PART ONE

FROM: South Carolina Public Service Authority
223 N. Live Oak Drive
Moncks Corner, South Carolina 29461

TO: State Budget and Control Board
Division of Motor Vehicle Management
Box 633, Columbia, SC 29202


SUBJECT: Request for Exemption from Motor Vehicle Identification Requirements

REFERENCE: 1978-79 General Appropriations Act, Part II, Section 24, Paragraph (K)

In accordance with the referenced Act, it is requested that the State-owned vehicle(s) described below be exempted from the requirement to display permanent license tags and other state identification.

I have personally evaluated this request and verify that the vehicle(s) described below are actually involved in undercover law enforcement work to the extent that the actual investigation of criminal cases or the investigators' physical well-being would be jeopardized if they were so identified.

A brief statement of particulars in support of each request is attached.

VEHICLE DESCRIPTION				DO NOT WRITE IN THIS SPACE
Req. #	Make	Year	Identification No.	License Assigned
1	Chevrolet-Malibu	1978	1W1948D526508	
2	Classic			
3				
4				
5				

List additional requests on a separate sheet in this same format.

November 2, 1978
Date

W. M. McCall
Head, Requesting Agency President

PART TWO

TO: State Budget and Control Board

With reference to the motor vehicle(s) listed above for which an exemption from the identification requirements of the referenced Act is requested, it is my opinion that:

- (a) request number(s) 1 should be granted;
(b) request number(s) _____ should not be granted.

11-15-78
Date

J. P. Strom
Chief, S. C. Law Enforcement Division

PART THREE

TO: Mr. Emory P. Austin, Director, Motor Vehicle Division
Department of Highways and Public Transportation

After consultation with the Chief of the State Law Enforcement Division, it has been determined by the State Budget and Control Board that the motor vehicle(s) listed above as request number(s) _____ should be exempted from identification requirements of the referenced Act, and the Board hereby grants these exemption(s).

Date

Director, Division of Motor Vehicle Management
for State Budget and Control Board

Copies to: Agency
Chief SLED w/Enclosures
File w/Enclosures

ENC 5

DMVM Form 1-79



STATE OF SOUTH CAROLINA
BUDGET AND CONTROL BOARD
DIVISION OF MOTOR VEHICLE MANAGEMENT
P. O. BOX 633
COLUMBIA, S.C. 29202

ALLAN J. SPENCE
DIRECTOR
PHONE (803) 758-7818

Chief J. P. Strom
State Law Enforcement Division
P. O. Box 21398
Columbia, South Carolina 29221

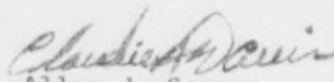
Dear Chief:

In accordance with Section 24, paragraph (K), General Appropriation Act 1978-1979, the attached request(s) for confidential license plate(s) from Santee Cooper Public Service Authority is forwarded for your review and recommendations to the Budget and Control Board. Please return all correspondence to this office.

To protect the confidential nature of these requests, this office will deliver to SLED by courier.

Your consideration and prompt reply will be greatly appreciated. If I can assist in any way, please advise.

Sincerely,

for 
Allan J. Spence
Director

AJS:lsu
Enclosures:

This request is for all nine vehicles assigned to the DSS Investigative Division. All of them are used in investigations that if the identity were revealed would jeopardize the investigation or cause injury to the investigators physical well-being.

ENCL (6)

PART ONE

FROM: Carl Chase, Jr., Director
Division of Investigation
S.C. Department of Social Services
Post Office Box 1520, Columbia, SC 29202

TO: State Budget and Control Board
Division of Motor Vehicle Management
Box 633, Columbia, SC 29202

SUBJECT: Request for Exemption from Motor Vehicle Identification Requirements

REFERENCE: 1978-79 General Appropriations Act, Part II, Section 24, Paragraph (K)

In accordance with the referenced Act, it is requested that the State-owned vehicle(s) described below be exempted from the requirement to display permanent license tags and other state identification.

I have personally evaluated this request and verify that the vehicle(s) described below are actually involved in undercover law enforcement work to the extent that the actual investigation of criminal cases or the investigators' physical well-being would be jeopardized if they were so identified.

A brief statement of particulars in support of each request is attached.

VEHICLE DESCRIPTION				DO NOT WRITE IN THIS SPACE
Req. #	Make	Year	Identification No.	License Assigned
1	Plymouth	1977	BK41K7A221313	
2	Plymouth	1977	BK41K7A221317	
3	Plymouth	1977	BK41K7A221316	
4	Plymouth	1978	HL41D8F256484	
5	Plymouth	1977	BK41K7A221314	

List additional requests on a separate sheet in this same format.

November 9, 1978
Date

Carl Chase
Head, Requesting Agency

PART TWO

TO: State Budget and Control Board

With reference to the motor vehicle(s) listed above for which an exemption from the identification requirements of the referenced Act is requested, it is my opinion that:

(a) request number(s) 1 thru 3 should be granted;

(b) request number(s) _____ should not be granted.

11-15-78
Date

J.P. Strom
Chief, S. C. Law Enforcement Division

PART THREE

TO: Mr. Emory F. Austin, Director, Motor Vehicle Division
Department of Highways and Public Transportation

After consultation with the Chief of the State Law Enforcement Division, it has been determined by the State Budget and Control Board that the motor vehicle(s) listed above as request number(s) _____ should be exempted from identification requirements of the referenced Act, and the Board hereby grants these exemption(s).

Date

Copies to: Agency
Chief SLED w/Enclosures
File w/Enclosures

Director, Division of Motor Vehicle Management
for State Budget and Control Board

ENC 6

DDVM Form 1-79

PART ONE

FROM: Carl Chase, Jr., Director
Division of Investigation
S.C. Department of Social Services
Post Office Box 1520, Columbia, SC 29202

TO: State Budget and Control Board
Division of Motor Vehicle Management
Box 633, Columbia, SC 29202

SUBJECT: Request for Exemption from Motor Vehicle Identification Requirements

REFERENCE: 1978-79 General Appropriations Act, Part II, Section 24, Paragraph (K)

In accordance with the referenced Act, it is requested that the State-owned vehicle(s) described below be exempted from the requirement to display permanent license tags and other state identification.

I have personally evaluated this request and verify that the vehicle(s) described below are actually involved in undercover law enforcement work to the extent that the actual investigation of criminal cases or the investigators' physical well-being would be jeopardized if they were so identified.

A brief statement of particulars in support of each request is attached.

VEHICLE DESCRIPTION				DO NOT WRITE IN THIS SPACE
Req. #	Make	Year	Identification No.	License Assigned
1	Plymouth	1977	RK41K7A221313	
2	Plymouth	1977	RK41K7A221317	
3	Plymouth	1977	RK41K7A221316	
4	Plymouth	1978	HL41D8F256484	
5	Plymouth	1977	RK41K7A221314	

List additional requests on a separate sheet in this same format.

November 9, 1978
Date

Carl Chase
Head, Requesting Agency

PART TWO

TO: State Budget and Control Board

With reference to the motor vehicle(s) listed above for which an exemption from the identification requirements of the referenced Act is requested, it is my opinion that:

(a) request number(s) 1 thru 9 should be granted;

(b) request number(s) _____ should not be granted.

11-15-78
Date

J.P. Stum
Chief, S. C. Law Enforcement Division

PART THREE

TO: Mr. Emory P. Austin, Director, Motor Vehicle Division
Department of Highways and Public Transportation

After consultation with the Chief of the State Law Enforcement Division, it has been determined by the State Budget and Control Board that the motor vehicle(s) listed above as request number(s) _____ should be exempted from identification requirements of the referenced Act, and the Board hereby grants these exemption(s).

Date

Director, Division of Motor Vehicle Management
for State Budget and Control Board

Copies to: Agency
Chief SLED w/Enclosures
File w/Enclosures

ENC 6

DNVM Form 1-79

Vehicle Description

Req. #	Make	Year	Identification No.	License Assigned
6.	Pontiac	1977	2D2947P406370	
7.	Matador	1976	A6A857H354048	
8.	Plymouth	1978	HL41D8F22503	
9.	Plymouth	1977	RK41K7A221315	

November 9, 1978
Date

Carl Han
Head, Requesting Agency



STATE OF SOUTH CAROLINA
BUDGET AND CONTROL BOARD
DIVISION OF MOTOR VEHICLE MANAGEMENT
P. O. BOX 633
COLUMBIA, S. C. 29202

ALLAN J. SPENCE
DIRECTOR
PHONE (803) 758 7816

Chief J. P. Strom
State Law Enforcement Division
P. O. Box 21398
Columbia, South Carolina 29221

Dear Chief:

In accordance with Section 24, paragraph (K), General Appropriation Act 1978-1979, the attached request(s) for confidential license plate(s) from S.C. Department of Social Services is forwarded for your review and recommendations to the Budget and Control Board. Please return all correspondence to this office.

To protect the confidential nature of these requests, this office will deliver to SLED by courier.

Your consideration and prompt reply will be greatly appreciated. If I can assist in any way, please advise.

Sincerely,

A handwritten signature in cursive script, appearing to read "Allan J. Spence".

Allan J. Spence
Director

AJS:lsW
Enclosures:

STATE OF SOUTH CAROLINA
DIVISION OF GENERAL SERVICES
BUDGET AND CONTROL BOARD

100 GERVAIS STREET, COLUMBIA, S. C. 29201



FURMAN E. McEACHERN, JR.
DIVISION DIRECTOR
(803) 758-2226

INSPECTION SERVICES

STATE FIRE MARSHAL'S
OFFICE
MANUFACTURED HOUSING
BOARD
BARRIER-FREE DESIGN
BOARD
(803) 758-2941

MEMORANDUM

To: Mr. Allan J. Spence, Director, Motor Vehicle Management
From: Henry M. Morgan, Office of the State Fire Marshal
Subject: Regular License Plates for State Vehicle 1-08-075, SZA 344
Date: November 8, 1978

LP GAS & ANHYDROUS
AMMONIA BOARD
(803) 758-2247

It is requested that a regular license plate for the 1977 Pontiac, 1-08-075, SZA 344, driven by Mr. Richard Neeley, Fire and Life Safety Inspector for Inspection Services, be issued due to the fact that Mr. Neeley must inspect places of business catering to fireworks and he must restrict illegal fireworks being brought into the state.

We are frequently tipped off that deliveries will be made at such and such a place at a certain time which often requires simply a stake-out. We find it rather difficult to keep this vehicle inconspicuous with state identification license plates. We feel it would be advantageous for Mr. Neeley to have regular license plates in the performance of his duties.

ENC1(7)

PART ONE

FROM: Division of Inspection Services
Division of General Services
300 Gervais St.
Columbia, S.C. 29201

TO: State Budget and Control Board
Division of Motor Vehicle Management
Box 633, Columbia, SC 29202


SUBJECT: Request for Exemption from Motor Vehicle Identification Requirements

REFERENCE: 1978-79 General Appropriations Act, Part II, Section 24, Paragraph (K)

In accordance with the referenced Act, it is requested that the State-owned vehicle(s) described below be exempted from the requirement to display permanent license tags and other state identification.

I have personally evaluated this request and verify that the vehicle(s) described below are actually involved in undercover law enforcement work to the extent that the actual investigation of criminal cases or the investigators' physical well-being would be jeopardized if they were so identified.

A brief statement of particulars in support of each request is attached.

VEHICLE DESCRIPTION				DO NOT WRITE IN THIS SPACE
Req. #	Make	Year	Identification No.	License Assigned
1	Pontiac	77	1-08-075	
2				
3				
4				
5				

List additional requests on a separate sheet in this same format.

November 3, 1978
Date


Head, Requesting Agency

PART TWO

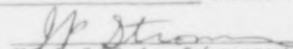
TO: State Budget and Control Board

With reference to the motor vehicle(s) listed above for which an exemption from the identification requirements of the referenced Act is requested, it is my opinion that:

(a) request number(s) 1 should be granted;

(b) request number(s) _____ should not be granted.

11-15-78
Date


Chief, S. C. Law Enforcement Division

PART THREE

TO: Mr. Emory F. Austin, Director, Motor Vehicle Division
Department of Highways and Public Transportation

After consultation with the Chief of the State Law Enforcement Division, it has been determined by the State Budget and Control Board that the motor vehicle(s) listed above as request number(s) _____ should be exempted from identification requirements of the referenced Act, and the Board hereby grants these exemption(s).

Date

Director, Division of Motor Vehicle Management
for State Budget and Control Board

Copies to: Agency
Chief SLED w/Enclosures
File w/Enclosures

ENC 7

DMVM Form 1-79

PART ONE

FROM: Division of Inspection Services
Division of General Services
300 Gervais St.
Columbia, S.C. 29201

TO: State Budget and Control Board
Division of Motor Vehicle Management
Box 633, Columbia, SC 29202


SUBJECT: Request for Exemption from Motor Vehicle Identification Requirements

REFERENCE: 1978-79 General Appropriations Act, Part II, Section 24, Paragraph (K)

In accordance with the referenced Act, it is requested that the State-owned vehicle(s) described below be exempted from the requirement to display permanent license tags and other state identification.

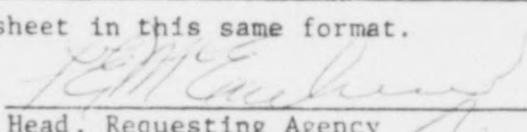
I have personally evaluated this request and verify that the vehicle(s) described below are actually involved in undercover law enforcement work to the extent that the actual investigation of criminal cases or the investigators' physical well-being would be jeopardized if they were so identified.

A brief statement of particulars in support of each request is attached.

VEHICLE DESCRIPTION				DO NOT WRITE IN THIS SPACE
Req. #	Make	Year	Identification No.	License Assigned
1	Pontiac	77	1-08-075	
2				
3				
4				
5				

List additional requests on a separate sheet in this same format.

November 3, 1978
Date


Head, Requesting Agency

PART TWO

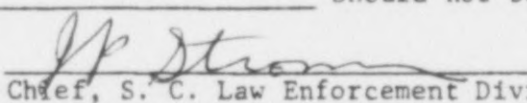
TO: State Budget and Control Board

With reference to the motor vehicle(s) listed above for which an exemption from the identification requirements of the referenced Act is requested, it is my opinion that:

(a) request number(s) 1 should be granted;

(b) request number(s) _____ should not be granted.

11-15-78
Date


Chief, S. C. Law Enforcement Division

PART THREE

TO: Mr. Emory P. Austin, Director, Motor Vehicle Division
Department of Highways and Public Transportation

After consultation with the Chief of the State Law Enforcement Division, it has been determined by the State Budget and Control Board that the motor vehicle(s) listed above as request number(s) _____ should be exempted from identification requirements of the referenced Act, and the Board hereby grants these exemption(s).

Date

Director, Division of Motor Vehicle Management
for State Budget and Control Board

Copies to: Agency
Chief SLED w/Enclosures
File w/Enclosures

ENC 7

DMVM Form 1-79



STATE OF SOUTH CAROLINA
BUDGET AND CONTROL BOARD
DIVISION OF MOTOR VEHICLE MANAGEMENT
P. O. BOX 833
COLUMBIA, S.C. 29202

ALLAN J. SPENCE
DIRECTOR
PHONE (803) 758-7816

Chief J. P. Strom
State Law Enforcement Division
P. O. Box 21398
Columbia, South Carolina 29221

Dear Chief:

In accordance with Section 24, paragraph (K), General Appropriation Act 1978-1979, the attached request ☒ for confidential license plate ☒ from Office Of State Fire Marshal is forwarded for your review and recommendations to the Budget and Control Board. Please return all correspondence to this office.

To protect the confidential nature of these requests, this office will deliver to SLED by courier.

Your consideration and prompt reply will be greatly appreciated. If I can assist in any way, please advise.

Sincerely,

A handwritten signature in cursive script, appearing to read "Allan J. Spence".

Allan J. Spence
Director

AJS:lsu
Enclosures:

MEMORANDUM

To: Mr. F.E. McEachern, Jr., Director, Division of General Services
From: Henry M. Morgan, Office of the State Fire Marshal
Subject: Non-SG License Plates for Vehicle Used by Richard Neeley
Date: November 3, 1978

In order to obtain a non-SG license plate for Richard Neeley's state vehicle, we need your approval on the attached three forms to be returned to Motor Vehicle Management. Mr. Neeley had a non-SG license last year to aid him in his explosives inspections over the state.



STATE OF SOUTH CAROLINA
BUDGET AND CONTROL BOARD
DIVISION OF MOTOR VEHICLE MANAGEMENT
P. O. BOX 633
COLUMBIA, S. C. 29202

ALLAN J. SPENCE
DIRECTOR
PHONE (803) 758 7810

November 1, 1978

To: Mr. Heary Morgan, Director
Fire Marshal
300 Gervais Street
Columbia, S.C. 29201

Our records indicate your agency has 1 vehicles with non-SG license plates.

The attached form has been approved for use by the Budget and Control Board and the Chief of the South Carolina Law Enforcement Division for use in obtaining Budget and Control Board approval for non-SG license plates.

Please fill in the attached form on all vehicles you feel meet the criteria outlined on the form and return to this office no later than November 15, 1978.

If I can be of assistance, please advise.

Sincerely,

A handwritten signature in cursive script, appearing to read "Allan J. Spence".

Allan J. Spence
Director

AJS:hc

Enclosure



State of South Carolina
BUDGET AND CONTROL BOARD
Local Government Division
State Capitol
Columbia, South Carolina 29201

Woody Brooks
Executive Director
(803) 758-3606

From time to time, the Division of Local Government is involved in the acquisition of land, right of ways, and so forth using State and Federal money.

When an identifiable State or Federal car is seen in the vicinity the land seems to go up in price, I don't know why.

A handwritten signature in cursive script that reads "Woody Brooks".

EX-111 (8)

PART ONE

FROM: Mr. Woody Brooks
 Division of Local Government
 State Capitol
 Columbia, SC 29201

TO: State Budget and Control Board
 Division of Motor Vehicle Management
 Box 633, Columbia, SC 29202

SUBJECT: Request for Exemption from Motor Vehicle Identification Requirements

REFERENCE: 1978-79 General Appropriations Act, Part II, Section 24, Paragraph (K)

In accordance with the referenced Act, it is requested that the State-owned vehicle(s) described below be exempted from the requirement to display permanent license tags and other state identification.

I have personally evaluated this request and verify that the vehicle(s) described below are actually involved in undercover law enforcement work to the extent that the actual investigation of criminal cases or the investigators' physical well-being would be jeopardized if they were so identified.

A brief statement of particulars in support of each request is attached.

VEHICLE DESCRIPTION				DO NOT WRITE IN THIS SPACE
Req. #	Make	Year	Identification No.	License Assigned
1	MER 4DS	74	4254S549814	
2				
3				
4				
5				

List additional requests on a separate sheet in this same format.

November 14, 1978
 Date

Woody Brooks
 Head, Requesting Agency

PART TWO

TO: State Budget and Control Board

With reference to the motor vehicle(s) listed above for which an exemption from the identification requirements of the referenced Act is requested, it is my opinion that:

(a) request number(s) 1 should be granted;

(b) request number(s) _____ should not be granted.

11-16-78
 Date

J.P. Starn
 Chief, S. C. Law Enforcement Division

PART THREE

TO: Mr. Emory F. Austin, Director, Motor Vehicle Division
 Department of Highways and Public Transportation

After consultation with the Chief of the State Law Enforcement Division, it has been determined by the State Budget and Control Board that the motor vehicle(s) listed above as request number(s) _____ should be exempted from identification requirements of the referenced Act, and the Board hereby grants these exemption(s).

Date

Director, Division of Motor Vehicle Management
 for State Budget and Control Board

Copies to: Agency
 Chief SLED w/Enclosures
 File w/Enclosures

ENC 8

DNVM Form 1-79

JUSTIFICATION

It is respectfully requested that the Agency Director of the South Carolina Department of Youth Services have an unmarked vehicle for the following reasons:

The Director of this Agency must, and should be, on call twenty-four hours a day, seven days a week. His vehicle is, in effect, an extension of his office. He must maintain contact with the Department at all times. His authority ranges on a state-wide basis and his travel is extensive to maintain a smooth operation of the Department of Youth Services. He responds to most AWOL calls especially during the evening hours. It is felt that by his having an unmarked vehicle, we are still in compliance with the South Carolina Motor Vehicle Management Policy as outlined in Chapter Five.. The Departmental Motor Vehicle Management Policy, which has been approved by the Board of Youth Services, internally authorizes him to have an unmarked vehicle.

If any further justification is required to obtain an unmarked vehicle including license tags for a South Carolina vehicle, please advise.

ENC 1 (9)

JUSTIFICATION

NON-PERMANENT LICENSE TAGS

RE: Plymouth, 1978, RL41K8A201904
[REDACTED], Chief Public Safety

This vehicle is assigned to the Chief of Public Safety, Department of Youth Services and is used for portal to portal as approved by the Board of Youth Services under AP&P 5.7 (S. C. Department of Youth Services Motor Vehicle Management Policy). This individual is on call twenty-four hours per day, seven days per week for emergencies arising within the agency; riot/disorder, fire, escape/runaway, medical, natural catastrophe, other incidents that may be designated as an emergency by the State Director or Deputy Director for Institutional Services which may require the calling out of some or all employees of the Department of Youth Services. It is also used for interstate transport of committed juvenile offenders, investigations, and stake-outs for criminal acts against the State i.e., Department of Youth Services. The vehicle is used for coordination with outlying law enforcement agencies involving juvenile offenders throughout the State of South Carolina. This individual is also involved in special investigations as approved by the Board of the Department of Youth Services.

In many instances, this vehicle is used in investigations of juveniles who are residing in high crime areas in which a marked car would bring negative results in the investigation. If the vehicle is marked as a law enforcement vehicle, it would be highly susceptible to vandalism and notoriety of law enforcement personnel in the area.

ENCI (10)

JUSTIFICATION

NON-PERMANENT LICENSE TAGS

RE: Plymouth, 1975, PH41K5D175959
~~REDACTED~~, Youth Field Investigators

This vehicle is assigned to the Youth Field Investigators, Department of Youth Services and is used for portal to portal as approved by the Board of Youth Services under AP&P 5.7 (S. C. Department of Youth Services Motor Vehicle Management Policy). Investigators are on call twenty-four hours per day, seven days per week. The vehicle is used for interstate transport of committed juvenile offenders, investigations, and stake outs for criminal acts against the State i.e., Department of Youth Services. The vehicle is also used for coordination with outlying law enforcement agencies involving juvenile offenders. Investigators are also involved in special investigations as assigned by the Chief of Public Safety.

In many instances, this vehicle is used in investigations of juveniles who are residing in high crime areas in which a marked car would bring negative results in the investigation. If the vehicle is marked as a law enforcement vehicle, it would be highly susceptible to vandalism and notoriety of law enforcement personnel in the area.

ENC (11)

PART ONE

FROM: Grady A. Decell, State Director
S. C. Department of Youth Services
P. O. Box 21487
Columbia, South Carolina 29221

TO: State Budget and Control Board
Division of Motor Vehicle Management
Box 633, Columbia, SC 29202

SUBJECT: Request for Exemption from Motor Vehicle Identification Requirements

REFERENCE: 1978-79 General Appropriations Act, Part II, Section 24, Paragraph (K)

In accordance with the referenced Act, it is requested that the State-owned vehicle(s) described below be exempted from the requirement to display permanent license tags and other state identification.

I have personally evaluated this request and verify that the vehicle(s) described below are actually involved in undercover law enforcement work to the extent that the actual investigation of criminal cases or the investigators' physical well-being would be jeopardized if they were so identified.

A brief statement of particulars in support of each request is attached.

VEHICLE DESCRIPTION				DO NOT WRITE IN THIS SPACE
Req. #	Make	Year	Identification No.	License Assigned
1	Plymouth	77	PM41K7D221675	
2	Plymouth Fury	78	RL41K8A201904	
3	Plymouth Fury III	75	PH41K5D175959	
4				
5				

List additional requests on a separate sheet in this same format.

November 13, 1978
 Date

Grady A. Decell
 Head, Requesting Agency

PART TWO

TO: State Budget and Control Board

With reference to the motor vehicle(s) listed above for which an exemption from the identification requirements of the referenced Act is requested, it is my opinion that:

(a) request number(s) 1-3 should be granted;

(b) request number(s) _____ should not be granted.

Date

11-16-78
[Signature]
 Chief, S. C. Law Enforcement Division

PART THREE

TO: Mr. Emory P. Austin, Director, Motor Vehicle Division
Department of Highways and Public Transportation

After consultation with the Chief of the State Law Enforcement Division, it has been determined by the State Budget and Control Board that the motor vehicle(s) listed above as request number(s) _____ should be exempted from identification requirements of the referenced Act, and the Board hereby grants these exemption(s).

Date

Director, Division of Motor Vehicle Management
for State Budget and Control Board

Copies to: Agency
Chief SLED w/Enclosures
File w/Enclosures

ENC 9, 10 + 11

DMM Form 1-79

SOUTH CAROLINA DEPARTMENT OF CORRECTIONS

NON-STATE GOVERNMENT LICENSE TAGS REQUEST

The South Carolina Department of Corrections currently has assigned ten non-State government license tags. As required in paragraph (k), Section 24, Part II, General Appropriations Bill, 1978-1979, after careful screening we are requesting non-State license tags for these vehicles based on the mandatory responsibility of those to whom these vehicles are assigned for the operations of the Department which includes but is not limited to investigations, escape apprehensions, and any other emergency situations confronting this agency.

<u>Req. #</u>	<u>Vehicle #</u>	<u>Assigned to</u>
1	100	William D. Leeke Commissioner
2	101	Hubert M. Clements D/Commissioner, Admin.
3	102	Charles A. Leath D/Commissioner, Operations
4	103	Paul I. Weldon D/Commissioner, Program Servs.
5	113	John T. O'Neal Chief Investigator
6	210	Joe Martin Warden, Central Corr. Inst.
7	501	R. M. Stevenson Coordinator of Institutional Operations, Midlands Region
8	601	W. D. Catoe Coordinator of Institutional Operations, Appalachian Region
9	800	L. J. Allen Regional Administrator, Coastal
10	810	Jerald Thames Warden, Wateree River Corr. Inst.

November 10, 1978
fes

ENC1 (12)

PART ONE

FROM: William D. Leeke, Commissioner
 S.C. Department of Corrections
 P.O. Box 21787
 Columbia, S.C. 29221

TO: State Budget and Control Board
 Division of Motor Vehicle Management
 Box 633, Columbia, SC 29202

SUBJECT: Request for Exemption from Motor Vehicle Identification Requirements

REFERENCE: 1978-79 General Appropriations Act, Part II, Section 24, Paragraph (K)

In accordance with the referenced Act, it is requested that the State-owned vehicle(s) described below be exempted from the requirement to display permanent license tags and other state identification.

I have personally evaluated this request and verify that the vehicle(s) described below are actually involved in undercover law enforcement work to the extent that the actual investigation of criminal cases or the investigators' physical well-being would be jeopardized if they were so identified.

A brief statement of particulars in support of each request is attached.

VEHICLE DESCRIPTION				DO NOT WRITE IN THIS SPACE
Req. #	Make	Year	Identification No.	License Assigned
1	Chrysler	1977	CL41N7D186735	
2	Ford	1978	BA27F217652	
3	Ford	1978	BA27F217651	
4	Plymouth	1977	RK41K7A249965	
5	Dodge	1974	WK41N4A257246	

List additional requests on a separate sheet in this same format.

Continued on Attachment

November 10, 1978

Date

Head, Requesting Agency
 William D. Leeke, Commissioner
 Department of Corrections

PART TWO

TO: State Budget and Control Board

With reference to the motor vehicle(s) listed above for which an exemption from the identification requirements of the referenced Act is requested, it is my opinion that:

(a) request number(s) 1 thru 10 should be granted;

(b) request number(s) _____ should not be granted.

11-16-78

Date

Chief, S. C. Law Enforcement Division

PART THREE

TO: Mr. Emory P. Austin, Director, Motor Vehicle Division
 Department of Highways and Public Transportation

After consultation with the Chief of the State Law Enforcement Division, it has been determined by the State Budget and Control Board that the motor vehicle(s) listed above as request number(s) _____ should be exempted from identification requirements of the referenced Act, and the Board hereby grants these exemption(s).

Date

Director, Division of Motor Vehicle Management
 for State Budget and Control Board

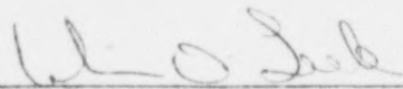
Copies to: Agency
 Chief SLED w/Enclosures
 File w/Enclosures

ENC 12

DMVM Form 1-79

VEHICLE DESCRIPTION				DO NOT WRITE IN THIS SPACE
Req. #	Make	Year	Identification No.	License Assigned
6	Pontiac	1977	2D29Y7P275303	
7	Ford	1974	4N53S107557	
8	Plymouth	1975	PH41K5D172306	
9	Pontiac	1977	2D29Y7P10022	
10	Plymouth	1977	RK41K7A249953	

November 10, 1978
Date


Head, Requesting Agency
William D. Leeke, Commissioner
Department of Corrections

PART ONE

FROM: Mr. Woody Brooks
Division of Local Government
State Capitol
Columbia, SC 29201

TO: State Budget and Control Board
Division of Motor Vehicle Management
Box 633, Columbia, SC 29202

SUBJECT: Request for Exemption from Motor Vehicle Identification Requirements

REFERENCE: 1978-79 General Appropriations Act, Part II, Section 24, Paragraph (K)

In accordance with the referenced Act, it is requested that the State-owned vehicle(s) described below be exempted from the requirement to display permanent license tags and other state identification.

I have personally evaluated this request and verify that the vehicle(s) described below are actually involved in undercover law enforcement work to the extent that the actual investigation of criminal cases or the investigators' physical well-being would be jeopardized if they were so identified.

A brief statement of particulars in support of each request is attached.

VEHICLE DESCRIPTION				DO NOT WRITE IN THIS SPACE
Req. #	Make	Year	Identification No.	License Assigned
1	MER 4DS	74	4Z54S549814	
2				
3				
4				
5				

List additional requests on a separate sheet in this same format.

November 14, 1978
Date

Woody Brooks
Head, Requesting Agency

PART TWO

TO: State Budget and Control Board

With reference to the motor vehicle(s) listed above for which an exemption from the identification requirements of the referenced Act is requested, it is my opinion that:

(a) request number(s) 1 should be granted;

(b) request number(s) _____ should not be granted.

11-16-78
Date

J.P. Starn
Chief, S. C. Law Enforcement Division

PART THREE

TO: Mr. Emory P. Austin, Director, Motor Vehicle Division
Department of Highways and Public Transportation

After consultation with the Chief of the State Law Enforcement Division, it has been determined by the State Budget and Control Board that the motor vehicle(s) listed above as request number(s) _____ should be exempted from identification requirements of the referenced Act, and the Board hereby grants these exemption(s).

Date

Director, Division of Motor Vehicle Management
for State Budget and Control Board

Copies to: Agency
Chief SLED w/Enclosures
File w/Enclosures

ENC 8

DMVM Form 1-79

PART ONE

FROM: Grady A. Decell, State Director
S. C. Department of Youth Services
P. O. Box 21487
Columbia, South Carolina 29221

TO: State Budget and Control Board
Division of Motor Vehicle Management
Box 633, Columbia, SC 29202

SUBJECT: Request for Exemption from Motor Vehicle Identification Requirements

REFERENCE: 1978-79 General Appropriations Act, Part II, Section 24, Paragraph (K)

In accordance with the referenced Act, it is requested that the State-owned vehicle(s) described below be exempted from the requirement to display permanent license tags and other state identification.

I have personally evaluated this request and verify that the vehicle(s) described below are actually involved in undercover law enforcement work to the extent that the actual investigation of criminal cases or the investigators' physical well-being would be jeopardized if they were so identified.

A brief statement of particulars in support of each request is attached.

VEHICLE DESCRIPTION				DO NOT WRITE IN THIS SPACE
Req. #	Make	Year	Identification No.	License Assigned
1	Plymouth	77	PM41K7D221675	
2	Plymouth Fury	78	RL41K8A201904	
3	Plymouth Fury III	75	PH41K5D175959	
4				
5				

List additional requests on a separate sheet in this same format.

November 13, 1978
Date

Grady A. Decell
Head, Requesting Agency

PART TWO

TO: State Budget and Control Board

With reference to the motor vehicle(s) listed above for which an exemption from the identification requirements of the referenced Act is requested, it is my opinion that:

(a) request number(s) 1-3 should be granted;

(b) request number(s) _____ should not be granted.

11-16-78
Date

[Signature]
Chief, S. C. Law Enforcement Division

PART THREE

TO: Mr. Emory P. Austin, Director, Motor Vehicle Division
Department of Highways and Public Transportation

After consultation with the Chief of the State Law Enforcement Division, it has been determined by the State Budget and Control Board that the motor vehicle(s) listed above as request number(s) _____ should be exempted from identification requirements of the referenced Act, and the Board hereby grants these exemption(s).

Date

Director, Division of Motor Vehicle Management
for State Budget and Control Board

Copies to: Agency
Chief SLED w/Enclosures
File w/Enclosures

ENC 9, 10 + 11

DMVM Form 1-79

PART ONE

FROM: William D. Leeke, Commissioner
 S.C. Department of Corrections
 P.O. Box 21787
 Columbia, S.C. 29221

TO: State Budget and Control Board
 Division of Motor Vehicle Management
 Box 633, Columbia, SC 29202

SUBJECT: Request for Exemption from Motor Vehicle Identification Requirements

REFERENCE: 1978-79 General Appropriations Act, Part II, Section 24, Paragraph (K)

In accordance with the referenced Act, it is requested that the State-owned vehicle(s) described below be exempted from the requirement to display permanent license tags and other state identification.

I have personally evaluated this request and verify that the vehicle(s) described below are actually involved in undercover law enforcement work to the extent that the actual investigation of criminal cases or the investigators' physical well-being would be jeopardized if they were so identified.

A brief statement of particulars in support of each request is attached.

VEHICLE DESCRIPTION				DO NOT WRITE IN THIS SPACE
Req. #	Make	Year	Identification No.	License Assigned
1	Chrysler	1977	CL41N7D186735	
2	Ford	1978	8A27F217652	
3	Ford	1978	8A27F217651	
4	Plymouth	1977	RK41K7A249965	
5	Dodge	1974	WK41N4A257246	

List additional requests on a separate sheet in this same format.

Continued on Attachment

November 10, 1978
 Date

W. D. Leeke
 Head, Requesting Agency
 William D. Leeke, Commissioner
 Department of Corrections

PART TWO

TO: State Budget and Control Board

With reference to the motor vehicle(s) listed above for which an exemption from the identification requirements of the referenced Act is requested, it is my opinion that:

(a) request number(s) 1 thru 10 should be granted;

(b) request number(s) _____ should not be granted.

11-16-78
 Date

J. P. Strum
 Chief, S. C. Law Enforcement Division

PART THREE

TO: Mr. Emory P. Austin, Director, Motor Vehicle Division
 Department of Highways and Public Transportation

After consultation with the Chief of the State Law Enforcement Division, it has been determined by the State Budget and Control Board that the motor vehicle(s) listed above as request number(s) _____ should be exempted from identification requirements of the referenced Act, and the Board hereby grants these exemption(s).

Date

Director, Division of Motor Vehicle Management
 for State Budget and Control Board

Copies to: Agency
 Chief SLED w/Enclosures
 File w/Enclosures

ENC 12

DMVM Form 1-79

STATE BUDGET AND CONTROL BOARD

MEETING OF November 20, 1978

AGENDA ITEM NUMBER 6

EXHIBIT XI

11/20/78

6

Agency: General Services

Subject: Ashley Center Office Lease Amendment

Because several changes have occurred since the execution of the original lease, dated December 20, 1976, between the State and Ashley Center, an amendment to the lease is proposed which embodies the following:

(1) The description of the leased premises contained in Section One of the December 20, 1976, Office Lease is amended to show that the five floors leased thereunder shall be floors three through seven, inclusive.

(2) The July 29, 1977 Agreement (which, among other things, provided for the lease by the State of 13,448 net square feet of additional office space on the first floor and 6,452 net square feet of additional office space on the second floor) is deleted and in lieu thereof, the State agrees to lease all of the first floor, 1,500 square feet (net) on the second floor east and adjacent to the bathroom, and 10,900 square feet (net) on the eighth floor, all under the terms and conditions of Paragraph 4 of the Office Lease.

(3) The State's first right of refusal contained in Section Four of the Office Lease is waived for the tenth floor until June 1, 1979.

(4) A provision in Section Four of the Office Lease relating to the right of the State to take over complete management of the building in the event it should occupy 100% of the building is deleted in its entirety and is of no further force or effect.

(5) State approval of and agreement to the relocation of the drive-way on Parcel "B" with such relocation being accomplished by Ashley Square.

The Division of General Services recommends that this amendment be executed so that the lease accurately reflects the conditions as of this time.

Board Action Requested:

Approve

Staff Comment:

Attachments:

General Services agenda notes and copy of referenced lease amendment

STATE BUDGET AND CONTROL BOARD
DIVISION OF GENERAL SERVICES
AGENDA

November 20, 1978

I. Right-of-Way--Cowpens Project

South Carolina State Housing Authority requests right-of-way for Duke Power Company to provide electric service to homes for the elderly in Cowpens as shown on drawing by Blackwood Associates, Inc. dated November 5, 1976, revised May 12, 1977 and drawing of Carlisle and Love Architects dated February 22, 1978. It is recommended that the Budget and Control Board approve the granting of this right-of-way.

II. Right-of-Way--City of Columbia

City of Columbia requests right-of-way for new water line across State property adjacent to Bull Street between Confederate and Harden Street Extension. This water line has been recommended by Improved Risk Mutual Insurance Companies and by the City Fire Department to upgrade and provide adequate fire protection for State agencies in this area. It is recommended that the Board approve granting of this right-of-way.

→ III. Amendment to Ashley Center Office Lease

The State and Ashley Center entered into an office lease dated December 20, 1976, for office space in the Ashley Center Building in Charleston. Since the execution of the original lease there have been changes in the space to be occupied by State agencies and Ashley Center has made a change in the driveway to serve the building. Since these items were spelled out in detail in the original lease, it is necessary to execute an amendment to correct the space to be occupied by State agencies and to show the change in the driveway which is an improvement over that originally proposed.

There were two other sections of the lease the owners desired to amend. The State had a first right of refusal and inasmuch as the State does not anticipate leasing any space on the tenth floor, the owners request that this provision be waived until June 1, 1979.

Another provision provided that should the State occupy 100% of the building the State had the right to take over complete management of the building. Inasmuch as the State will not occupy 100% of the building this section is of no further force or effect. It is recommended that this amendment be executed to provide that the lease for Ashley Center accurately reflect the conditions as of this date.

STATE OF SOUTH CAROLINA, }
COUNTY OF RICHLAND. } AMENDMENT TO LEASE

This Amendment entered into this _____ day of _____, 1978, by and between The State of South Carolina by its authorized agency, The State Budget and Control Board, herein referred to as "State", and Ashley Center, a Limited Partnership, herein referred to as "Ashley Center".

WITNESSETH

WHEREAS, State and Ashley Center entered into that certain Office Lease, dated December 20, 1976, for certain office space in the Ashley Center office building located at the northwest corner of the intersection of Spring Street and Hagood Street in Charleston, South Carolina;

WHEREAS, by Agreement, dated June 29, 1977, the State and Ashley Center agreed, among other things, to lease additional office space on the first floor (13,448 net square feet) and second floor (6,452 net square feet).

WHEREAS, the parties hereto desire to modify certain terms and conditions of the Lease and amendment thereto.

NOW, THEREFORE, FOR AND IN CONSIDERATION of Ten (\$10.00) Dollars and other valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

The description of the leased premises contained in Section One of the December 20, 1976, Office Lease is hereby amended to show that the five floors leased thereunder shall be floors three through seven, inclusive.

The June 29, 1977 Agreement for the lease of additional space in said office building is hereby deleted

and in lieu thereof, the State hereby agrees to lease all of the first floor, 1,500 square feet (net) on the second floor east and adjacent to the bathroom, and 10,900 square feet (net) on the eighth floor, all under the terms and conditions of Paragraph Four of said Office Lease.

The first right of refusal contained in Section Four of the Office Lease is hereby waived for the tenth floor until June 1, 1979.

The following provision in Section Four of the Office Lease is hereby deleted in its entirety and is of no further force or effect:

"The parties anticipate that over the life of the Lease, Tenant and State agencies will lease additional space in the project, and in the event that one hundred (100%) per cent of the building is leased by Tenant or State agencies, the parties agree as follows:

(a) Tenant shall be responsible for the upkeep of the demised premises and shall furnish at its own expense all services, utilities, water and sewer, maintenance, management, repairs, replacements, janitorial, security and other services and materials necessary for the maintenance and operation of the building (both interior and exterior), parking area and grounds, to the end that at the termination of this Lease, the improvements will be in as good repair and condition as at the beginning of the term, normal wear and tear excepted, and

(b) Tenant shall pay to Landlord as annual rental for the property and improvements (including the parking garage) an amount equal to the sum of the (i) annual debt service; (ii) property taxes; and (iii) insurance, plus a net return to Landlord before income taxes of five (5%) per cent of the total of (i), (ii) and (iii) above. Provided that in the event of one hundred (100%) per cent occupancy by Tenant or other State agencies as provided hereinabove, Tenant, at its option, may pay when due such debt service, taxes and insurance for and on behalf of Landlord directly to the respective mortgagee, tax authorities and insurance agent."

The State hereby approves and agrees to the relocation of the drive-way on Parcel "B" with such relocation being accomplished by Ashley Square, a Limited Partnership, granting a non-exclusive easement in perpetuity over Parcel "B" and Ashley Center, a Limited Partnership, deeding Parcel "A" to Ashley Square. Said parcels being more particularly shown on Exhibit "A", which is attached hereto and made a part hereof.

4/20
X1

The provisions of the original Office Lease, dated December 20, 1976, and all other amendments or agreements in connection therewith shall continue in full force and effect except as modified hereunder.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed the day and year first above written.

WITNESSES:

LANDLORD: Ashley Center, a
Limited Partnership

By: _____
General Partner

By: _____
General Partner

AS TO TENANT:

TENANT:

THE STATE OF SOUTH CAROLINA, by
its Authorized Agency, The State
Budget and Control Board.

William A. McInnis

Anna K. Clark

By James B. Edwards
Honorable James B. Edwards,
Governor

By Grady L. Patterson
Honorable Grady L. Patterson, Jr.
State Treasurer

By Earle E. Morris, Jr.
Honorable Earle E. Morris, Jr.,
Comptroller General

By Rembert C. Dennis
Honorable Rembert C. Dennis,
Chairman, Senate Finance Committee

By Tom G. Mangum
Honorable Tom G. Mangum, Chairman
House Ways and Means Committee

The provisions of the original Office Lease, dated December 20, 1976, and all other amendments or agreements in connection therewith shall continue in full force and effect except as modified hereunder.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed the day and year first above written.

WITNESSES:

LANDLORD: Ashley Center, a
Limited Partnership

By: _____
General Partner

By: _____
General Partner

AS TO TENANT:

TENANT:

THE STATE OF SOUTH CAROLINA, by
its Authorized Agency, The State
Budget and Control Board.

By _____
Honorable James B. Edwards,
Governor

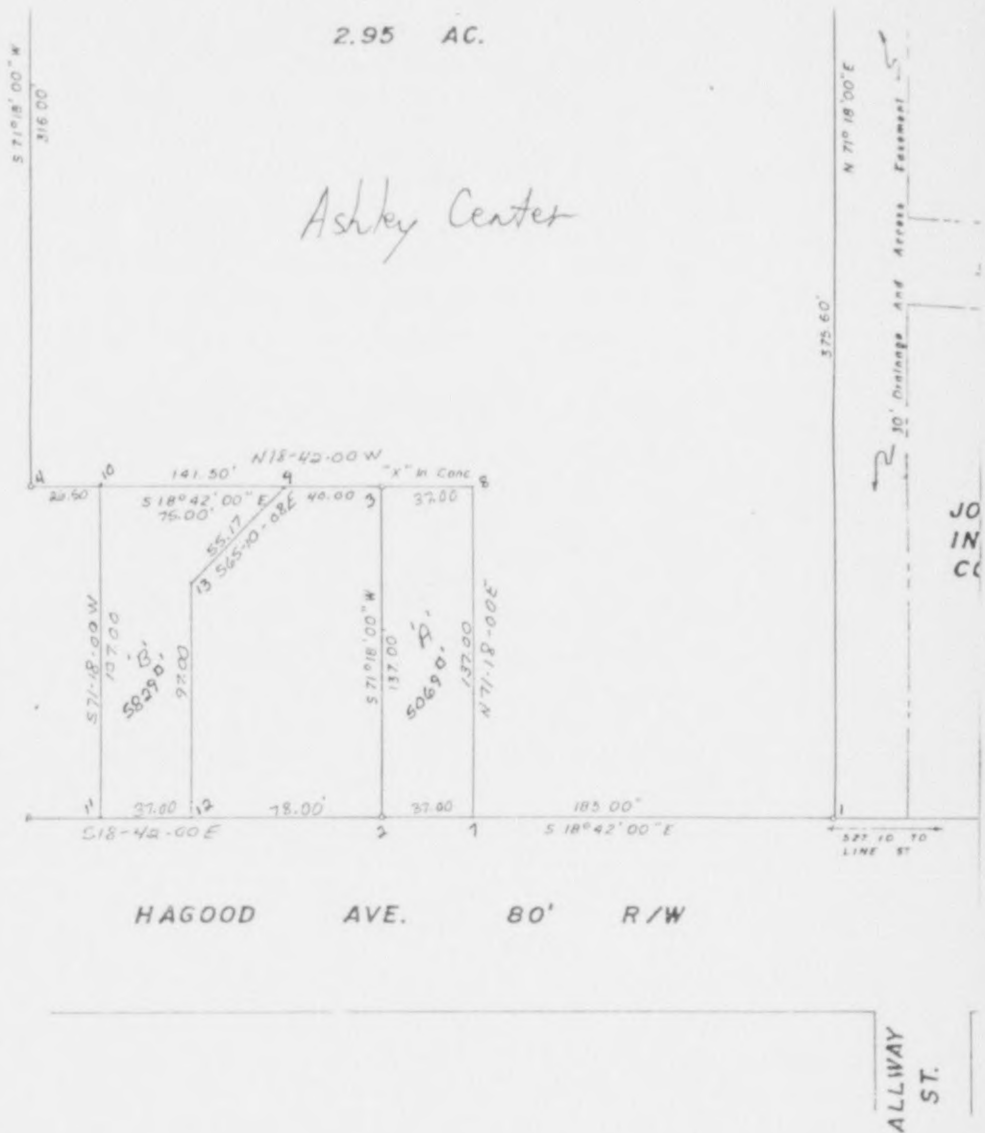
By _____
Honorable Grady L. Patterson, Jr.,
State Treasurer

By _____
Honorable Earle E. Morris, Jr.,
Comptroller General

By _____
Honorable Rembert C. Dennis,
Chairman, Senate Finance Committee

By _____
Honorable Tom G. Mangum, Chairman
House Ways and Means Committee

Ashley Center



PLAT OF A 2.95 ACRE TRACT OWNED BY ASHLEY CENTER
FILE 1" = 50' AUGUST 24, 1977

E. M. SEABROOK, JR., INC.
ENGINEERS — SURVEYORS — PLANNERS

Exhibit "A"

STATE BUDGET AND CONTROL BOARD

MEETING OF November 20, 1978

AGENDA ITEM NUMBER

EXHIBIT XII
11/20/78 7

Agency: Grants and Contracts Review Subcommittee

Subject: Grant and Contract Requests

A project listing dated November 6, 1978 is presented which includes 60 projects and the following funding:

Federal	\$7,874,530
State	1,544,827
Other	<u>81,777</u>
Total	<u>\$9,501,134</u>

Board Action Requested:

Approve Subcommittee recommendations

Staff Comment:

Attachments:

Morris 11/14/78 memorandum to Putnam plus attachments



STATE OF SOUTH CAROLINA

OFFICE OF THE STATE AUDITOR

P. O. BOX 11333

COLUMBIA

29211

EDGAR A. VAUGHN, JR., CPA
STATE AUDITOR

MEMORANDUM

TO: William T. Putnam, Executive Director
Budget and Control Board

FROM: Earle E. Morris, Jr., Comptroller General
Chairman, Grants and Contracts Subcommittee *E.E. Morris, Jr.*

DATE: November 14, 1978

The attached projected summary was provided in compliance with Section 5, Act 651 of 1978 (Joint Resolution) to the Joint Appropriations Review Committee on November 6, 1978 for any advice or recommendations. No comments were received from the Committee.

There are 60 projects from 26 state agencies who are requesting the following amounts from federal, state and other sources:

Federal Fund -	\$7,874,530
State Matching -	1,544,827
Other Matching -	81,777
	<u>\$9,501,134</u>

(These total funds include \$894,404 in 19 subcontracts between state agencies.)

The total number of personnel to be hired or retained on these programs is as follows:

New Personnel	Continuing Personnel
Full-Time - 86.11	Full-Time - 102.15
Part-Time - 139.6	Part-Time - 16.75
<u>225.71</u>	<u>118.90</u>

The Grants and Contracts Subcommittee recommendations for these programs are reflected in Column 10 of the attached Summary.

TELEPHONES (AREA CODE 803)

ADMINISTRATION
756-3106

BUDGET DIVISION
756-7415

AUDITING DIVISION
756-8406

GRANTS AND CONTRACTS
756-7707

ENGINEERING
756-2657

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

DATE: November 6, 1978

DATE: November 6, 1978

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	Personnel		Federal Agency/CFDA/ Program Purpose	GCR Unit	Remarks
							New	Cont.		Recommendation B&C Board/ GCR Subcommittee Recommendation	
1 S.C. Judicial Dept.	9-B04-002	1,028	12/10/78 12/24/78	525 51%	58 6%	445 43%	0	0	Office of Criminal Justice Programs (LEAA) - 16.500 To defray the expense of a circuit judge to a decision-making skills & techniques conference to be held at the National Judicial College, Reno, Nevada.	Approval	
2 Disaster Preparedness Agency	9-D35-005	843,567	10/1/78 9/30/79	632,000 75%	211,567 25%	0	0	14	Defense Civil Preparedness Agency - 12.315 To develop effective civil defense organizations in the state & political subdivisions in order to coordinate emergency activities in the event of nuclear disaster.	Approval	
3 Adjutant General's Office	9-E24-002	798,079	10/2/78 9/1/79	541,266 68%	256,813 32%	0	0	0	Nat'l. Guard Bureau, Dept. of Defense - 12.400 To fund the construction of new National Guard Armory for Abbeville.	Approval	This project has been coordinated with the State Engineer's office.

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

DATE: November 6, 1978

DATE: November 6, 1978											
State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	Personnel		Federal Agency/CFDA/ Program Purpose	GCR Unit Recommendation B&C Board/ GCR Subcommittee Recommendation	Remarks
4 Adjutant General's Office	9-E24-003	1,021,725	10/2/78 6/30/80	698,171 68%	323,554 32%	0	0	0	Nat'l. Guard Bureau, Dept. of Defense - 12.400 To fund the construction of a National Guard Armory at Hartsville.	Approval	This project has been coordinated with the State Engineer's office
5 Adjutant General's Office	9-E24-004	44,083	9/28/78 Until Complete	31,636 72%	12,447 28%	0	0	0	Nat'l. Guard Bureau, Dept. of Defense - 12.400 To provide for architect/engineer plans, specifications and supervision of construction of a National Guard Armory at Newberry.	Approval	This project has been coordinated with the State Engineer's office
6 Adjutant General's Office	9-E24-005	33,657	10/2/78 Until Complete	24,375 72%	9,282 28%	0	0	0	Nat'l. Guard Bureau, Dept. of Defense - 12.400 To provide architect/engineer funds for plans, specifications & supervision of construction of a Nat'l. Guard Armory at Georgetown.	Approval	This project has been coordinated with the State Engineer's office
7 Adjutant General's Office	9-E24-006	629,580	10/2/78 9/30/79	415,724 66%	213,856 34%	0	0	0	Nat'l. Guard Bureau, Dept. of Defense - 12.400 To fund the construction of a completely new National Guard Armory at Jefferson.	Approval	This project has been coordinated with the State Engineer's office

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

DATE: November 6, 1978

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	Personnel		Federal Agency/ CFDA/ Program Purpose	GCR Unit Recommendation	Remarks
							New	Cont.		GCR Subcommittee Recommendation	
8 Adjutant General's Office	9-E24-007	26,147	10/2/78 Until Complete	18,546 71%	7,601 29%	0	0	0	Nat'l. Guard Bureau, Dept. of Defense - 12.400 To provide for architect/ engineer plans, specifica- tions & supervision of construction of a National Guard Armory at Ft. Mill.	Approval	This project has been coordinated with the State Engineer's office.
9 Adjutant General's Office	9-E24-008	29,835	10/2/78 Until Complete	21,333 72%	8,502 28%	0	0	0	Nat'l. Guard Bureau, Dept. of Defense - 12.400 To provide architect/ engineer services for plans, specifications & super- vision of a National Guard Armory at Camden.	Approval	This project has been coordinated with the State Engineer's office.
10 Clemson	9-H12-019	82,962	6/1/79 5/31/80	74,188 89%	8,774 11%	0	0	2	HEW - 13.451 To provide training to the vocational teachers in teaching handicapped students by developing methods & materials that would allow the teachers to meet the special needs of the handicapped.	Approval	

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

DATE: November 6, 1978

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	Personnel		Federal Agency/ CFDA/ Program Purpose	CCR Unit Recommendation B&C Board/ CCR Subcommittee Recommendation	Remarks
							New	Cont.			
11 College of Charleston	9-H15-012	127,356	6/1/79 5/30/80	89,000 70%	38,356 30%	0	.5	0	U.S. Office of Education 13.451 A program to train 300 teachers for the severely handicapped. Program will provide required certification of these teachers which will include the trainable mentally retarded.	Approval	
12 College of Charleston	9-H15-013	46,034	6/1/79 5/30/80	40,000 87%	6,034 13%	0	4	0	U.S. Office of Education 13.451 To provide regular in-service training to regular educators in order to prepare them to successfully educate mildly handicapped children in a regular classroom system.	Approval	
13 S.C. State College	9-H24-009	72,212	6/1/79 5/30/80	72,212 100%	0	0	1T	2	U.S. Office of Education 13.451 A program to train B.S. & M. Ed. special education students, in-service regular education teachers, & paraprofessionals to teach the handicapped.	Approval	

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

DATE: November 6, 1978

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	Personnel		Federal Agency/ CFDA/ Program Purpose	GCR Unit Recommendation B&C Board/ GCR Subcommittee Recommendation	Remarks
							New	Cont.			
14 S.C. State College	9-H24-010	79,682	6/1/79 5/30/80	79,682 100%	0	0	2 34T	0	U.S. Office of Education 13.451 A program designed to train preschool (in-service & pre-service) handicapped teachers, paraprofessionals & parents in the Bamberg, Calhoun, Dorchester & Orangeburg areas.	Approval	
15 USC	9-H27-052	15,055	7/1/79 6/20/80	15,055 100%	0	0	3T	0	National Science Foundation 47.009 A program to train Jr. High School teachers during the summer in methods of employing relatively economical equipment to give "hands on" approach to science.	Approval	
16 USC	9-H27-053	28,880	8/27/79 7/30/80	28,880 100%	0	0	1T	8T	National Science Foundation 47.009 A program to train elementary school teachers, grades 5- 7, in a summer institute in order to improve science teachers' basic knowledge in order to better instruct elementary students.	Approval	

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

DATE: November 6, 1978

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	Personnel		Federal Agency/ CFDA/ Program Purpose	GCR Unit Recommendation B&C Board/ GCR Subcommittee Recommendation	Remarks
							New	Cont.			
17 USC	9-H27-054	27,671	6/6/79 7/3/79	23,640 85%	4,031 15%	0	5T	4T	National Science Foundation 47.048 To provide an in-service training program that will upgrade the teaching performance & preparation of classes for high school chemistry teachers.	Approval	
18 USC	9-H27-055	30,941	6/11/79 6/30/80	30,941 100%	0	0	1T	3T	National Science Foundation 47.048 To provide funds to conduct an environmental education summer institute for selected elementary school teachers. Program should prepare them to offer leadership in developing environmental educational program for their elementary school classes.	Approval	
19 USC - Sumter	9-H43-002	23,168	6/1/79 6/31/80	23,168 100%	0	0	2T	3	National Science Foundation 47.009 A program to provide continuing education of elementary & secondary school teachers in teaching methods of physics.	Approval	

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

DATE: November 6, 1978

DATE: November 6, 1978

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	Personnel		Federal Agency/CFDA/ Program Purpose	GCR Unit	Remarks
							New	Cont.		Recommendation B&C Board/ GCR Subcommittee Recommendation	
20 OSC- Sumter	9-H43-003	11,213	8/1/79 5/30/80	11,213 100%	0	0	0	2 1T	National Science Foundation 47.048 A program to upgrade the chemistry background of secondary teachers in Sumter, Clarendon, Kershaw, Lee & Darlington counties thru a summer continuing education program.	Approval	
21 Winthrop College	9-H47-015	5,000	10/1/79 9/30/80	5,000 100%	0	0	0	0	U.S. Dept. of Education 13.406 To provide eligible library materials in the areas of business, gerontology, nursing, anthropology and biology.	Approval	
22 Winthrop College	9-H47-016	72,689	7/1/79 6/30/80	72,689 100%	0	0	4 2T	0	U.S. Dept. of Education 13.451 A program to provide cooperative intervention strategy & comprehensive specialized services to approx. 50 handicapped children (0-8 yrs.) thru 6-week intervention/remediation services with parent education, follow-up consultation & training.	Approval	

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

DATE: November 6, 1978

DATE: NOVEMBER 8, 1980											
State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	Personnel		Federal Agency/CFDA/Program Purpose	GCR Unit	Remarks
							New	Cont.		Recommendation B&C Board/ GCR Subcommittee Recommendation	
23 Winthrop College	9-H47-017	62,120	6/1/79 5/30/80	62,120 100%	0	0	2	0	U.S. Dept. of Education 13.451 A program to train teachers, paraprofessionals, parents, to work with severely and profoundly handicapped & seriously emotionally disturbed & autistic persons.	Approval	
24 Medical University (Charleston Higher Education Consortium)	9-H51-021	78,390	1/1/78 12/31/78	67,573 86%	6,517 8%	4,300 6%	4T	0	U.S. Dept. of Education 13.557 A program to establish an adult center for career & educational planning that is founded on community-wide planning in Berkeley, Charleston & Dorchester counties.	Approval	This program is operated by Charleston Higher Ed. Consortium which is not a state agency but receives support from colleges & universities & Marine Resources Div. of Wildlife in the form of in-kind administrative & professional assistance.

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

DATE: November 6, 1978

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	Personnel New Cont.		Federal Agency/ CFDA/ Program Purpose	GCR Unit Recommendation B&C Board/ GCR Subcommittee Recommendation	Remarks
25 Medical University (Charleston Higher Education Consortium)	9-H51-022	8,600	8/1/78 6/30/79	4,300 50%	1,200 14%	3,100 36%	1T	0	Subcontract S.C. Arts Commission - 45,011 A program to introduce a performing artist to people who do not normally attend live professional perform- ing arts events.	Approval	This program is operated by the Charleston Higher Ed. Consortium which is not a state agency, but receives support from colleges, universities & Marine Resources, Div. of Wild life for administrative & professional assistance.
26 Medical University	9-H51-025	106,174	7/1/79 6/30/80	98,873 93%	7,301 7%	0	3	.15	National Institute of Mental Health - 13.921 A supplemental program to expand the model of the present consultation/ liaison service & to pro- vide new teaching services in psychiatric consultation Liaison in institutions near the MUSC Medical Center.	Approval	
27 Medical University	9-H51-026	174,383	7/1/79 6/30/80	162,021 93%	12,362 7%	0	2.25	0	National Institute of Mental Health - 13.259 An educational program to train child psychiatrist practitioners. Training is centered around super- vised direct patient care in the clinical sections of the Medical Univ. hospital & Dept. of Psychiatry & Behavioral Sciences.	Approval	

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

DATE: November 6, 1978

November 6, 1978											
State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	Personnel		Federal Agency/CFDA/ Program Purpose	GCR Unit	Remarks
							New	Cont.		Recommendation B&C Board/ GCR Subcommittee Recommendation	
28 Medical University	9-H51-027	207,357	7/1/79 6/30/80	207,357 100%	0	0	1	0	Nat'l. Institute for Mental Health, DHEW - 13.244 A program to provide training in psychiatric specialties to physicians.	Approval	Federal grant will provide salaries for 10 50% of the effort of current faculty in the amount of \$72,932.
29 Orangeburg-Calhoun TEC	9-H59-050	177,498	10/1/78 9/30/79	177,498 100%	0	0	19	0	Subcontract Governor's Office of Manpower Planning (CETA) - 17.232 Title VI To provide job training & employment opportunities for economically disadvantaged (unemployed & under-employed) persons & to assure that training & other services lead to maximum employment opportunities in the private sector & enhance the possibility of self-sufficiency.	Conditional Approval	Provided the salaries for all new public service employment (PSSE) participants hired by state agencies under CETA Title II & VI are sufficiently below the \$10,000 ceiling to allow for a cost of living & merit increase annually without augmentation of state appropriated fund without B&C Board approval.

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

DATE: November 6, 1978

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	Personnel		Federal Agency/ CFDA/ Program Purpose	GCR Unit Recommendation B&C Board/ GCR Subcommittee Recommendation	Remarks
							New	Cont.			
30 Greenville TEC	9-H59-070	27,720	7/1/79 6/30/80	19,300 70%	4,720 17%	3,700 13%	12T	0	Appalachian Council of Governments - 23.004 To provide laboratory exercises, demonstrations, & clinical experience for the 650 students enrolled in the allied health division thru the purchase of necessary equipment such as a Norco Bio System with cassette data recorder & Norco Trace System.	Approval	
31 Greenville TEC	9-H59-071	13,325	7/1/79 6/30/80	9,020 68%	1,500 11%	2,805 21%	3T	0	Appalachian Council of Governments - 23.004 To establish a short course curriculum at night for practicing dental assistants for the purpose of increasing job capabilities & to receive additional training for renewal of their certificates.	Approval	

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

DATE: November 6, 1978

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	Personnel		Federal Agency/ CFDA/ Program Purpose	GCR Unit Recommendation B&C Board/ GCR Subcommittee Recommendation	Remarks
							New	Cont.			
32 Greenville TEC	9-H59-072	19,900	1/1/79 12/30/79	0	0	19,900 100%	1.5	0	The Kellogg Foundation To establish a community resource center to serve as a clearinghouse for statistical information primarily designed to pro- vide demographic data rela- tive to the labor market, including job skills and paraprofessional occupations to better utilize the re- sources of the Greenville area's labor force.	Approval	This project is pro- posed to be funded by a private foundation (Kellogg) for 3 yrs. There will be no state or local money involved
33 Tri-County TEC	9-H59-073	24,290	4/1/79 3/30/80	15,405 63%	8,885 37%	0	0	.75T	Subcontract Commission on on Higher Education 13.491 Title I, Part A To reduce the incidence of death or permanent brain damage from cardiopulmonary problems in rural areas. It is proposed that Tri- County will train 825 resi- dents of the 3 county area in cardiopulmonary resus- itation so that they can render assistance while ambulance or rescue squad are enroute to the scene.	Approval	

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

DATE: November 6, 1978

DATE: November 6, 1978

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	Personnel		Federal Agency/CFDA/ Program Purpose	GCR Unit Recommendation	Remarks
							New	Cont.		GCR Subcommittee Recommendation	
34 Tri-County TEC	9-H59-074	31,122	4/1/79 3/30/80	19,346 62%	10,504 34%	1,272 4%	1	0	Subcontract Commission on Higher Education - 13.557 To identify individuals with high blood pressure out of a target group of 600-800 residents of the Tri-County area promoting good nutritional & health habits to these citizens & to offer an outlined life-style that may be beneficial in the prevention of coronary heart disease.	Approval	
35 Tri-County TEC	9-H59-075	44,554	4/1/79 3/31/80	24,355 55%	19,594 44%	605 1%	2	0	Subcontract Commission on Higher Education - 13.557 To fund a center for women who have been out of the work force &, due to money circumstances, wish to & need to re-enter work force. This center will provide career counseling, education & referral information & continuing education courses.	Approval	

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FEDERAL GRANTS AND CONTRACTS REQUESTS

DATE: November 6, 1978

DATE: November 6, 1978

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	Personnel		Federal Agency/CFDA/ Program Purpose	GCR Unit Recommendation	Remarks
							New	Cont.		GCR Subcommittee Recommendation	
36 Tri-County TEC	9-H59-076	39,515	4/1/79 3/30/80	24,074 61%	6,765 17%	8,676 22%	2 .20T	0	Subcontract Commission on Higher Education - 13.491 To plan & implement a multi-purpose training project which will allow each senior citizen to meet his/her individual needs or desires for training to upgrade basic skills or learn a new skill. In addition, counseling will be provided.	Approval	
37 Tri-County TEC	9-H59-077	18,120	6/1/79 5/30/80	12,080 67%	6,040 33%	0	.36	0	National Science Foundation 47.048 To design the content & methods of instruction of 2 laboratory oriented chemistry courses which will be added to the Gen. Engineering Technology curriculum, since the Science Dept. does not offer courses specifically designed to give the students the lab skills needed to be employed successfully in industry in the quality control field.	Approval	

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FEDERAL GRANTS AND CONTRACTS REQUESTS

DATE: November 6, 1978

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	Personnel		Federal Agency/ CFDA/ Program Purpose	GCR Unit Recommendation B&C Board/ GCR Subcommittee Recommendation	Remarks
							New	Cont.			
38 Greenville TEC	9-H59-078	59,834	7/1/79 6/30/80	28,499 48%	19,861 33%	11,474 19%	.5	3	Subcontract Commission on Higher Education - 13.491 Title I This request for second year funding proposes to continue the Continuing Education, expand the counselling services to include the evening hours & to disseminate a package of information concerning the center to agencies & institutions across the nation.	Approval	
39 Greenville TEC	9-H59-079	50,000	12/1/78 2/28/79	25,000 50%	12,500 25%	12,500 25%	0	0	Subcontract Office of Criminal Justice (LEAA) 16.502 To increase the usable space in a criminal justice education facility now under construction on the Greenville TEC campus.	Approval	Commission on Higher Education determined that since the building construction was begun on 2/1/78 & is now 80% complete & the entire program & plan was approved by St. Bd. for Tech. & Comp. Ed. & the local Bd. for Greenville TEC, all prior to passage of the Lake Bill, in their opinion this project does not come under their purview.

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FEDERAL GRANTS AND CONTRACTS REQUESTS

DATE: November 6, 1978

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	Personnel		Federal Agency/ CFDA/ Program Purpose	GCR Unit Recommendation B&C Board/ GCR Subcommittee Recommendation	Remarks
							New	Cont.			
40 Trident TEC	9-H59-080	140,232	11/1/78 10/30/79	140,232 100%	0	0	14	0	Subcontract Governor's Office of Manpower Planning 17.232 Title VI To fund the development & publication of lab exercise manuals for each of the 7 disciplines involved to cover all applicable courses within each program. In addition, the 14 employees to be involved would assist the instructors in the operation & maintenance of the labs.	Conditional Approval	Provided the salaries for all new public service employment (PSE) participants hired by state agencies under CETA Titles II & VI are sufficiently below the \$10,000 ceiling to allow for a cost of living & merit increase annually without augmentation of state appropriated funds without B&C Board approval.
41 Tri-County TEC	9-H59-081	5,000	10/1/79 9/30/80	5,000 100%	0	0	0	0	U.S. Office of Education DHEW - 13.406 To fund the purchase of eligible library materials for Tri-County TEC.	Approval	
42 Greenville TEC	9-H59-082	43,000	10/1/79 9/30/80	5,000 12%	25,000 58%	13,000 30%	0	0	U.S. Office of Education DHEW - 13.406 To fund the purchase of eligible materials for the library of Greenville TEC.	Approval	This is a continuous program but the matching is not required by Federal regulations.

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FEDERAL GRANTS AND CONTRACTS REQUESTS

DATE: November 6, 1978

DATE: November 6, 1978		GCR Unit Recommendation B&C Board/ GCR Subcommittee Recommendation									
State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	New	Cont.	Federal Agency/ CFDA/ Program Purpose	Remarks	
43 Dept. of Education	9-H63-008	47,318	2/1/79 1/31/80	33,123 70%	14,195 30%	0	0	2	Subcontract DOA Office of Highway Safety - 20.600 Continuation of 2 additional school bus driver instructors to conduct instruction & certification on a state-wide basis to meet the increased workload and complexity of training.	Approval Second year of a 3 year award.	
44 Dept. of Education	9-H63-009	41,600	10/9/78 9/30/79	29,120 70%	12,480 30%	0	0	0	Subcontract DOA Office of Highway Safety - 20.600 To purchase equipment and supplies for State Highway Safety Program to train school bus drivers.	Approval	
45 School for Deaf and Blind	9-H75-015	111,405	8/15/79 6/14/80	111,405 100%	0	0	6	0	U.S. Office of Education DHEW - 13.451 The establishment of a regional service delivery system for the training of personnel serving the sensory impaired population in the school districts of S.C. which offer educational programs for the sensory impaired.	Approval	

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FEDERAL GRANTS AND CONTRACTS REQUESTS

DATE: November 6, 1978

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	Personnel		Federal Agency/ CFDA/ Program Purpose	GCR Unit Recommendation B&C Board/ GCR Subcommittee Recommendation	Remarks
							New	Cont.			
46 DHHC	9-J04-040	821,549	10/1/78 9/30/79	796,914 97%	24,635 3%	0	2	28	HEW - 13.714 To provide surveys to determine whether or not a facility that is certified or desiring certification meets the Conditions of Participation under Medicare and Medicaid.	Approval	
47 Mental Retardation	9-J16-003	106,655	1/1/79 6/30/79	73,570 69%	33,085 31%	0	11	0	HEW thru Office of Health & Social Development - 13.630 To provide 16 developmentally disabled individuals a homelike residential setting that will enable them to live in their own community & avail themselves of community based programs, jobs and services.	Approval	

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

DATE: November 6, 1978

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	Personnel		Federal Agency/ CFDA/ Program Purpose	GCR Unit Recommendation B&C Board/ GCR Subcommittee Recommendation	Remarks
							New	Cont.			
48 Mental Retardation	9-J16-008	46,734	10/1/78 12/31/78	46,734 100%	0	0	0	28	U.S. Dept. of Labor thru Office of Manpower - 17.231 Title VI To employ disadvantaged individuals who are under- employed or unemployed in public service positions within the Dept. of Mental Retardation that will benefit the clients.	Conditional Approval	(1) Provided the salaries for all new public service employment (PSE) participants hired by state agencies under DETA Titles II & VI are sufficiently below the \$10,000 ceiling to allow for a cost of living merit increase annually without augmentation of state appropriated funds without B&C Board approval; (2) that in- direct costs be included in the project contract
49 Mental Retardation	9-J16-009	104,068	7/1/78 6/30/79	104,068 100%	0	0	0	11	HEW thru Dept. of Education 13.445 To prepare students who are legally deaf & blind for a vocational workshop thru comprehensive evalua- tion & adjustment services	Approval	

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

DATE: November 6, 1978

DATE: November 6, 1978		GCR Unit										
		Recommendation										
		B&C Board/										
		GCR Subcommittee										
		Recommendation										
		Remarks										
State Agency		State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	Personnel New Cont.		Federal Agency/ CFDA/ Program Purpose		
50	Vocational Rehabilitation	9-L08-002	10,000	10/1/78 9/30/79	10,000 100%	0	0	0	0	U.S. Dept. of Labor thru Office of Manpower - 17.240 To provide physical examinations & minor medical services, as needed, to youth 16-21 years of age who are participants in the Youth Employment and Training Program.	Approval	
51	State Housing Authority	9-L32-001	1,674,084	10/1/78 9/30/79	1,674,084 100%	0	0	0	7	HUD - 14.156 To provide lower income families help in obtaining decent, safe & sanitary housing thru housing assistance payments & placement.	Approval	
52	Human Affairs Commission	9-L36-001	35,000	10/1/78 3/31/79	35,000 100%	0	0	0	0	Equal Employment Opportunity Commission To conduct 4 workshops in the state for public and private employers on the role & responsibilities of the U.S. EEOC and the State Human Affairs Comm.	Approval	

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

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State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	Personnel New Cont.		Federal Agency/ CFDA/ Program Purpose	GCR Unit Recommendation B&C Board/ GCR Subcommittee Recommendation	Remarks
53 Department of Corrections	9-N04-019	725,000	4/16/79 8/15/79	543,750 75%	181,250 25%	0	0	0	Environmental Protection Agency - 66.418 To construct improved wastewater facilities at Oaklawn, Travelers Rest, MacDougall & Wateree Correctional Institutions.	Approval	
54 Probation, Parole & Pardon Board	9-N08-002	15,179	1/3/79 4/2/79	13,724 90%	1,455 10%	0	0	0	LEAA through OCJP - 16.502 To conduct a study to identify the percentage of of offenders presently being incarcerated who could be retained in community pro- grams & to establish spe- cific guidelines that could be used to systematically select offenders for either community or institutional control.	Approval	
55 Probation, Parole & Pardon Board	9-N08-003	3,767	8/1/78 10/30/78	3,405 90%	362 10%	0	0	0	LEAA through OCJP - 16.502 To send 4 regional directors & 1 agent-in-charge to the 3rd Annual Institute of the American Probation & Parole Asso. & the 108th Congress of Corrections.	Approval	

SUMMARY
FEDERAL GRANTS AND CONTRACTS REQUESTS

DATE: November 6, 1978

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	Personnel		Federal Agency/ CFDA/ Program Purpose	GCR Unit Recommendation B&C Board/ GCR Subcommittee Recommendation	Remarks
							New	Cont.			
56 Youth Services	9-N12-007	36,968	9/1/79 5/31/80	36,968 100%	0	0	0	0	HEW - 13.451 To provide in-service training for 90 teachers in order to improve their ability to deal with handicapped children,	Approval	
57 Youth Services	9-N12-008	25,000	11/1/78 2/28/78	25,000 100%	0	0	0	0	LEAA through OCJP subgrant 16,516 To provide 40 hours of organized in-service training for youth counselors & social workers.	Approval	
58 Dept. of Agriculture	9-P16-001	67,484	10/1/78 9/30/79	33,743 50%	33,741 50%	0	2	0	U.S. Dept. of Agriculture 10.516 To measure the feasibility & desirability of providing input market news service thru the collection of price data on key agricultural ingredients to agricultural ingredient users.	Approval	

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							New	Cont.			
59 Employment Security Commission	9-R60-007	112,263	5/14/79 9/30/79	112,263 100%	0	0	100	0	Subcontract Governor's Office of Manpower - 17.242 Title I To fund the employment of 100 young people between the ages of 16 & 21 who will work in Employment Security offices through- out the state. These young people, 50% of whom will come from economically dis- advantaged homes, will serve in clerical positions.	Approval	
60 Employment Security Commission	9-R60-017	135,362	11/1/78 10/30/79	135,362 100%	0	0	6	0	Dept. of Labor, Employment & Training Admin. - 17.207 To exert a positive in- fluence on the process by which people choose jobs & careers by providing them with current, accurate & locally relevant occupa- tional, education & train- ing information, assisting people to make smoother transmission at key points during their career life, such as the transition from school to work or return to the labor force.	Approval	

EXHIBIT XIII
11/20/78

1979-80 BUDGET

SUMMARY

Estimated Revenue 1979-80		\$ 1,533,338,000
Revisions:		
Earned on Investments	\$ 1,000,000	
Misc. Dept. Revenue - Insurance Commission	<u>175,000</u>	1,175,000
		1,534,513,000
Budget Requests 1979-80 - Agency Detail		<u>1,474,080,747</u>
Balance		60,432,253
Provision For Base Pay Increase - State Employees:		
Agency Heads - 6% Estimated	\$ 1,498,289	
State Employees - 6% Estimated	<u>28,478,204</u>	29,976,493
Balance		30,280,760
List Of Tentative Recommendations		<u>22,082,867</u>
Balance		<u>\$ 8,197,893</u>

1979-80 BUDGET
TENTATIVE RECOMMENDATIONS
AGENCY SCHEDULE OF ADDITIONAL INCREASES

AGENCY CODE	AGENCY & PROGRAM	STATE FUNDS
A20	Legislative Audit Council	
	Reinstate one auditor	11,000
	Reinstate one secretary	8,999
	Three CETA positions-funding change	34,221
	Employer Contributions	8,132
	Increments for positions	<u>2,711</u>
	Total Legislative Audit Council	<u>65,063</u>
B04	Judicial Department	
	The Court	
	Equipment	14,500
	To maintain schedule of equipment replacement	
	Board of Com. on Griev. and Dis.	
	Classified Position (1)	
	Legal Secretary I	8,227
	Employer Contributions	1,472
	To support work load presently one secretary is serving five (5) lawyers	
	Miscellaneous General Operating	3,000
	To cover increase cost of witness fees and transcripts	
	Circuit Courts	
	Travel	12,500
	To compensate judges for mandatory continuing legal education	
	Family Courts	
	Travel	12,500
	To compensate judges for mandatory continuing legal education	
	Reinstate Amounts in Administrative Fund	<u>20,000</u>
	Total Judicial Department	<u>72,199</u>
D10	Governor's Office - SLED	
	General Law Enforcement	
	Motor Vehicle Equipment	476,000
	To continue the motor vehicle replacement schedule	
	Criminal Justice Information and Communication System	
	Data Processing Equipment 221,000	
	Less: Department Revenue 135,000	86,000
	To cover increase monthly cost of Hardware as recommended by Computer System Management	
	Total Governor's Office - SLED	<u>562,000</u>

AGENCY CODE	AGENCY & PROGRAM	STATE FUNDS
E08	Secretary of State	
	Keeping State Records	
	Postage	15,000
	To restore 5% reduction	
	Office Supplies	12,500
	To reprint all forms required to reflect new Secretary of State. Requested funding (6,782) sufficient only for regular ope- rations.	
	Rent	1,000
	To restore 5% reduction	
	Administration of Securities Act	
	Rent	587
	To restore 5% reduction	
	Office Supplies	250
	To restore 5% reduction	
	Total Secretary of State	<u>29,337</u>
E12	Comptroller General Administration	
	Travel	800
	Telephone & Telegraph	2,000
	Repairs	1,400
	Other Contractual Services	500
	In-service Training	300
	Printing-State	1,100
	Office Supplies	8,500
	Motor Vehicle Supplies	700
	Postage	2,500
	Photocopying Supplies	500
	Rents- Equipment	5,216
	Insurance	150
	Office Equipment	<u>5,000</u>
	Total for Program	<u>28,766</u>
	Local Government	
	Travel	500
	Telephone & Telegraph	1,500
	Other Contractual Services	1,500
	Printing	400
	Office Supplies	1,051
	Motor Vehicle Supplies	500
	Postage	1,786
	Office Equipment	<u>1,650</u>
	Total for Program	<u>8,887</u>
	To increase routine items to bring appropriation more in line with historical expenditures and for reasonably projected expenditures.	
	Total Comptroller General	<u>37,653</u>
E20	Attorney General	
	Administration	45,000
	Lease of Computer Equipment to allow agency assumption of Criminal Docket Report System and administrative files.	
	Civil	15,000
	Increase to pay Tidelands litigation expenses assumed from Division of General Services.	
	Criminal	5,000
	Increase to pay fees for transcripts in criminal cases	
	Child Support	181,936
	Assumption and increase of State match formerly funded to Department of Social Services	
	Total Attorney General	<u>246,936</u>

AGENCY CODE	AGENCY & PROGRAM	STATE FUNDS
E32	State Reorganization Commission	
	Administration	5,330
	Temporary positions - to provide funds for continuing use of part-time pages and student interns for research - on a reduced level from previous years.	
		2,670
	Per Diem - Additional commission meetings - re: "Sunset Law" are anticipated.	
	Total	<u>8,000</u>
F04	B & C Finance Division	
	Computer Operations	
	Reinstate 6 positions	107,783
	Cut on 5% reduction	
	Equipment	37,596
	Restore 5% reductions	
	Three Computer Operators and Analysts To increase staff.	87,626
	Computer Management	
	Adjust prior positions upgraded	26,761
	Administration	
	Outside Audit Fees	7,500
	Funds to provide audit of Finance Division.	
	Grants	
	Grants operating expenses	7,707
	Restore 5% reduction.	
	Budget	
	Two Budget Assistants	30,957
	Increase staff for workload.	
	Auditing	
	Five Auditors and Accounting Specialist	101,996
	Increase staff.	
	Total	<u>407,926</u>
F16	Motor Vehicle Management	
	Operating Expenses	27,083
	To restore reductions and provide for increased operations under motor vehicle management act.	
	Motor Vehicle Supplies	5,283
	To provide inventory of replacement parts.	
	Grants Administrator	16,065
	To change fund source on CETA positions.	
	Per Diems - Council Members	2,400
	To provide council members.	
	Four CETA Positions	45,872
	To change funding source for 4 CETA positions.	
	Total	<u>96,703</u>
F20	Retirement Division	
	Reinstate 7 classified positions	72,593
	Additional telephone lines	1,320
	Reinstate maintenance agreements	1,940
	Postage increases	8,580
	To restore 5% reductions	
	Increased actuarial fees	<u>6,000</u>
	Total	<u>90,433</u>

AGENCY CODE	AGENCY & PROGRAM	STATE FUNDS
H06	Higher Education Tuition Grants Committee	
	Tuition Grants	478,523
	To restore 5% reduction	
	Less: Reduction in Administration	<u>-6,307</u>
	Total Higher Education Tuition Grants Committee	<u>472,216</u>
H51	Medical University	
	Additional Rent - Summerall Center (Ashley Square)	<u>510,000</u>
H59	State Board for Technical and Comprehensive Education	
	Classified personnel, 3 positions	31,274
	Temporary personnel	15,000
	Industrial training program	250,000
	Other operating expenses	24,000
	Employer contributions	<u>5,327</u>
	Total Technical and Comprehensive Education	<u>325,601</u>
H63	State Department of Education (Action Pending)	
H71	Wil Lou Gray Opportunity School	
	Educational Program - Regular Unclassified	
	Position (1)	
	Classroom Teacher	15,000
	Employer Contribution	2,408
	This position was deleted to comply with B & C Board allocation.	<u> </u>
	Total	<u>17,408</u>
	Support Services	
	Other operating expenses	<u>25,000</u>
	To offset the increased cost of utilities (heat, lights, power and water).	
	Student Services	
	Classified positions (2)	
	Cottage parents	13,650
	Employer contributions	2,553
	This would allow 24 hours coverage on all five (5) dormitories.	<u> </u>
	Total	<u>16,203</u>
	Administration	
	Classified Position (1)	
	Director Student affairs	15,500
	Employer contributions	2,478
	To fulfill the number one priority of the school five year plans, a person to direct student life.	<u> </u>
	Total	<u>17,978</u>
	Total Wil Lou Gray Opportunity School	<u>76,589</u>
H79	Department of Archives & History	
	Various	77,733
	To restore eight positions of nine eliminated to meet 5% budget reduction.	
	State Records Management	7,000
	Shelving for records center - to facilitate storage.	
	Archives & Publications	12,450
	Additional employee to help with back log of unprocessed archival papers.	
	Local Records	3,575
	To provide additional funds for microfilms. Present level of funding insufficient to keep microfilming teams going at full pace	<u> </u>
	Total Archives and History	<u>100,758</u>

AGENCY CODE	AGENCY & PROGRAM	STATE FUNDS
H87	S. C. State Library	
	Administration	8,353
	To restore funds for staff assistant position	
	Administration	4,832
	To provide terminal leave for agency head - to retire June 30, 1979.	
	Administration	26,123
	To provide funds for increase in building rent.	
	Technical Services	14,864
	To restore some funds cut from book budget to meet 5% reduction.	
	Total State Library	<u>54,172</u>
J04	Department of Health and Environmental Control	
	Aid to Public Health Districts	361,106
	To provide State funds to finance salary increases and insurance for employees in County health units whose compensation is devided from County sources, authorized by proviso in Appropriation Act.	
	Rent	574,000
	To provide rent for new lab building.	
	Rent	99,243
	Simms/Aycock Building - additional	
	Subtotal	<u>1,034,349</u>
	Reduction in Personal Service - Vacancy allowance	<u>-114,000</u>
	Total Dept. of Health & Environmental Control	<u>920,349</u>
J12	Department of Mental Health	
	Upgrade Mental Health Technicians	985,000
	Annualize operation of three centers for local Court screening relating to commitment and expand by opening additional three centers	
	Subtotal	<u>885,000</u> <u>1,870,000</u>
	Reduction in Personal Service - Vacancy allowance	<u>-149,000</u>
	Total Department of Mental Health	<u>1,721,000</u>
J16	Department of Mental Retardation	
	Upgrade Mental Retardation Specialists	1,400,000
	Reduction in Personal Service - Vacancy allowance	<u>-30,000</u>
	Total Dept. of Mental Retardation	<u>1,370,000</u>

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AGENCY CODE	AGENCY & PROGRAM	STATE FUNDS
L04	Social Services	
	Child Support Enforcement	41,909
	Expand program	
	Medical Assistance Program	
	a. Medicaid Matching Rate Change	460,314
	b. Increased Utilization of Service	4,084,353
	Maintain Current Level	7,355,372
	Due to State fund deficit for FY 79 and change in matching rates	
	Subtotal	11,941,948
	Delete Child Support	-137,381
	Transferred to Attorney General.	
	Reduce Travel	-41,909
	Total Department of Social Services	11,762,658
L12	John De La Howe School	
	Increase Feed & Vet Supplies	19,626
	Eliminate new position - Social & Correctional	-10,342
	Eliminate new position - Secretarial	-6,904
	Reduce Employer Contribution	-2,380
	Total John De La Howe School	-0-
L40	Department of Veterans Affairs	
	Restore reduction in County Office Operations	5,173
	Decrease Travel	-2,000
	Total Department of Veterans Affairs	3,173
N04	Department of Corrections	
	Annualize consent order	254,000
	Funding change, approximately 71 security officers (CETA positions)	971,000
	Subtotal	1,225,000
	Administrative vacancy allowance	-46,000
	Total Department of Corrections	1,179,000
N08	Probation, Pardon, Parole Board	
	Fourteen parole officers, restore due to 5% reduction	181,473
	Total Probation, Pardon, Parole Board	181,473
N12	Department of Youth Services	
	Seventy one (71) Youth Counselor positions	649,450
	Total Department of Youth Services	649,450
N16	Juvenile Placement and Aftercare	
	Match on Grants taken over from counties & M.I.S. Probation and Intake -	171,000
	Hope House Grant Match	23,000
	Foster Homes - Increased payments	10,400
	Subtotal	204,400
	Administrative cut to balance	-4,400
	Total Juvenile Placement & Aftercare	200,000

<u>AGENCY CODE</u>	<u>AGENCY & PROGRAM</u>	<u>STATE FUNDS</u>
P08	Land Resources Cons. Commission	
	Dams & Reservoirs	
	Professional & other fees	25,000
	Additional funds to engage private engineering firms to assist in dam inspections.	
	Equipment	24,000
	To purchase 2 four-wheel drive vehicles for dam inspections.	
	Total Land Resources Cons. Commission	<u>49,000</u>
P12	State Forestry Commission	
	Forest Management	
	Supplies	63,153
	To provide for supplies, (fertilizer, chemicals, shipping bays and tree seed) to restore production of pine seedlings to a level to meet demand	
	Rent Equipment	14,000
	To rent aerial bucket trucks for seed collection	
	Supplies	17,000
	For annual fumigation of soils at tree nurseries to prevent charcoal root rot	
	Total State Forestry Commission	<u>94,153</u>
P24	Wildlife and Marine Resources Department	
	General Operations	<u>358,000</u>
P25	South Carolina Coastal Council	
	Administration and Operations	
	Motor Vehicle Equipment	<u>9,000</u>
	To replace portion of vehicles with high mileage	
	Total South Carolina Coastal Council	<u>9,000</u>
P28	Parks, Recreation and Tourism	
	Administration	
	State Parks	
	Operations-Dreher Island	35,000
	Dreher Island State Park to be put into operation	
	Operation-Lynches River Park	15,000
	Lynches River State Park swimming pool to be put into operation	
	Operation-Drayton Hall	7,937
	Drayton Hall State Part to supplement federal funds for operation	
	Total Parks, Recreation and Tourism	<u>57,937</u>
P32	State Development Board	
	Economic Development and Support	
	Advertising	40,000
	To restore part of cut in advertising budget made to meet 5% reduction	
	Terminal Leave	7,000
	Terminal leave for manager, Manpower Resources to retire June, 1979.	
	Total State Development Board	<u>47,000</u>

<u>AGENCY CODE</u>	<u>AGENCY & PROGRAM</u>	<u>STATE FUNDS</u>
R08	Industrial Commission Increase Travel	<u>8,964</u>
	Total Industrial Commission	<u>8,964</u>
R12	Workmen's Compensation Fund Reinstate two positions Employer contributions Reduce travel Reduce repair	21,622 3,659 -5,000 <u>-3,000</u>
	Total Workmen's Compensation Fund	<u>17,281</u>
R20	Insurance Commission Increase AIPSO	<u>175,000</u>
	Total Insurance Commission	<u>175,000</u>
R25	Board of Financial Institutions-Consumer Finance Reinstate Travel	<u>16,546</u>
R44	Tax Commission (Action Pending)	
R52	Ethics Commission Reduce Agency Head Reduce reclassification	-1,294 <u>-2,239</u>
	Total Ethics Commission	<u>-3,533</u>

AGENCY CODE	AGENCY & PROGRAM	STATE FUNDS
R68	Board of Architectural Examiners	2,050
	Per Diem - Board	
	To cover increase cost and the addition of two (2) new Board members (Consumer)	
	Office Supplies & Postage	200
	Examination Expenses	100
	To cover the cost of administering an additional examination per year	
	Legal Fees	500
	To cover increased court cost because of increased investigation activities	
	Agency Head-Increase Salary (Part-time Status)	658
	Total Board of Architectural Examiners	<u>3,508</u>
R76	Cemetery Board	200
	Per Diem - Board	
	To cover increase cost for Board member	
	Total Cemetery Board	<u>200</u>
R82	Contractor's Licensing Board	
	Office Supplies	3,748
	Postage	6,000
	Telephone	400
	To cover increase cost because of growth of the agency and inflation	
	Total Contractor's Licensing Board	<u>10,148</u>
R88	Dentistry Board	
	Contractual Services	5,400
	Supplies	600
	To cover additional examination cost, court cost, supplies, and postage cost due to more persons taking the examinations, more investigation and inflation	
	Total Dentistry Board	<u>6,000</u>
R99	Funeral Service	
	Contractual Services	1,000
	The demand for more inspections and enforcement requires more travel and related cost	
	Total Funeral Service Board	<u>1,000</u>
S04	Medical Examiners Board	
	Classified Position (1)	
	Clerk Typist I	
	Employer Contribution	7,277
	Contractual Services	8,000
	Supplies	1,200
	These have been a tremendous increase in the number of complaints requiring more investigation, hearings, and litigation. This has increased the office work load, court costs, travel, and per diem cost.	
	Total Medical Examiners Board	<u>16,477</u>
S12	Nursing Home Administrators	
	Per Diem - Board	560
	Travel	456
	To provide for the increase in the number of Board members (Consumer)	
	Supplies	200
	Postage	350
	To cover the cost of additional needs and inflation	

AGENCY CODE	AGENCY & PROGRAM	STATE FUNDS
S12	Rents-State Owned	60
	To cover General Services increase office rental cost	
	Equipment	400
	To cover the cost of one additional file cabinet and one calculator for office use	
	Total Nursing Home Administrators	<u>2,026</u>
S17	Board of Examiners in Opticianry	
	Other Operating Expenses	
	Travel	2,839
	Telephone and Telegraph	190
	Printing, Binding and Advertising	990
	Other Contractual Services	115
	Office Supplies	490
	Educational Supplies	150
	Postage	243
	Rents - Non State Owned	544
	Insurance	140
	Dues	200
	This is a new Board and the requested increase will bring the agency to a level that it needs to operate at a minimum level	
	Total Board of Examiners in Opticianry	<u>5,898</u>
S18	Board of Examiners in Optometry	
	Other Operating Expenses	
	Travel	3,137
	Telephone and Telegraph	425
	Printing	1,490
	Other Contractual Services	1,490
	Office Supplies	340
	Educational Supplies	300
	Postage	340
	Rents - Non State Owned	830
	Insurance	215
	Dues	340
	This is a new Board and the requested increase will bring the agency to a level that it needs to operate at a minimum level	
	Total Board of Examiners in Optometry	<u>8,907</u>
S20	Pharmaceutical Examiners	
	Per Diem - Board	2,100
	Travel	4,000
	To cover increased Board cost for present members and two (2) new Board members. Also to cost increase cost of other agency travel and per diem	
	Part-Time Help	1,500
	To help during the examinations and maintain current program of renewing permits and license	
	Rent - Other	1,000
	To cover space rental for examination to be given. No space available at other state facility	
	Total Pharmaceutical Examiners	<u>8,600</u>
S24	Physical Therapist Examiners Board	
	Contractual Services	2,600
	These funds are needed to provide for increase costs of exams, state printing of required forms and printing annual directory	
	Total Physical Therapist Examiners Board	<u>2,600</u>

AGENCY CODE	AGENCY & PROGRAM	STATE FUNDS
S12	Rents-State Owned	60
	To cover General Services increase office rental cost	
	Equipment	400
	To cover the cost of one additional file cabinet and one calculator for office use	
	Total Nursing Home Administrators	<u>2,026</u>
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S20	Pharmaceutical Examiners	
	Per Diem - Board	2,100
	Travel	4,000
	To cover increased Board cost for present members and two (2) new Board members. Also to cost increase cost of other agency travel and per diem	
	Part-Time Help	1,500
	To help during the examinations and maintain current program of renewing permits and license	
	Rent - Other	1,000
	To cover space rental for examination to be given. No space available at other state facility	
	Total Pharmaceutical Examiners	<u>8,600</u>
S24	Physical Therapist Examiners Board	
	Contractual Services	2,600
	These funds are needed to provide for increase costs of exams, state printing of required forms and printing annual directory	
	Total Physical Therapist Examiners Board	<u>2,600</u>

AGENCY CODE	AGENCY & PROGRAM	STATE FUNDS
S32	Psychology Examiners Board	
	Other Contractual Service	1,200
	The National Examination Fee has increased from \$30 to \$60. Their funds are needed to cover this cost increase	
	Dues	50
	The State Board's cost for membership in the nation organization has increased by \$50	
	Total Psychology Examiners Board	<u>1,250</u>
S36	Real Estate Commission	
	Classified Position (1)	
	Attorney I	
	Employer Contribution	17,441
	To comply with the Attorney General request	
	Per Diem - Board	1,000
	To cover cost of fund new Board member added by legislature	
	Printing	3,500
	Other Contractual Services	3,043
	To reestablish cuts made to comply with B & C Board allocation	
	Total Real Estate Commission	<u>24,984</u>
S40	Residential Home Builders Commission	
	Per Diem	2,000
	Travel	3,500
	To cover cost of two (2) new Board members added by legislature and restore cuts made to comply with B & C Board allocation	
	Supplies, Postage & Vehicle Supplies	6,300
	To restore costs made to comply with B & C Board allocation	
	Rents - State Owned	500
	To cover increase cost of General Office Rental	
	Equipment - Vehicle	4,500
	Provide for new vehicle cost after trade-in for 5 years old state owned vehicle	
	Total Residential Home Builders Commission	<u>16,800</u>
S52	Speech Pathology and Audiology Examiners Board	
	Per Diem	212
	Travel	42
	To cover increase Board cost	
	Office Supplies and Postage	130
	To cover increase activity, cost and inflation	
	Total Speech Pathology and Audiology Examiners Bd.	<u>384</u>
S56	Veterinary Medical Examiners	
	Other Operating Expenses	
	Travel	467
	Telephone and Telegraph	390
	Repairs	65
	Other Contractual Services	690
	Office Supplies	90
	Postage	190
	Rent - Other	65
	Insurance	50
	Dues	40
	To restore those funds needed to provide merit increment money and cut made to comply with B & C Board allocation	
	Total Veterinary Medical Examiners	<u>2,047</u>
	GRAND TOTAL	<u>\$22,082,866</u>