

MINUTES OF  
Budget and  
Control Board  
Meeting  
February 26, 1981

State of South Carolina  
**State Budget and Control Board**

RICHARD W. RILEY, CHAIRMAN  
GOVERNOR  
GRADY L. PATTERSON, JR.  
STATE TREASURER  
EARLE E. MORRIS, JR.  
COMPTROLLER GENERAL



Box 12444  
Columbia  
29211

REMBERT C. DENNIS  
CHAIRMAN, SENATE FINANCE COMMITTEE  
TOM G. MANGUM  
CHAIRMAN, WAYS AND MEANS COMMITTEE

WILLIAM T. PUTNAM  
EXECUTIVE DIRECTOR

February 26, 1981

MEMORANDUM

TO: Budget and Control Board Division Directors

FROM: William A. McInnis, Secretary *WAM*

SUBJECT: Budget and Control Board Actions at February 26, 1981 Meeting

At the referenced meeting, the Budget and Control Board took the following actions:

1. Approved the minutes of polls conducted on February 11 and 19 and of an executive session poll conducted on February 13, 1981;
2. Ratified actions taken in (a) a poll dated February 11, 1981 in which the transfer of \$1,000 of personal service funds into a travel account to finance travel through the remainder of the fiscal year was approved for the Joint Legislative Committee to Study the Problems of Alcohol and Drug Abuse; (b) an executive session poll dated February 13, 1981 in which a consultant services contract between Robert C. Toomey, Jr., and the Governor's Office of Executive Policy Programs Division of Health and Human Resources was approved; and (c) a poll dated February 19, 1981 in which the retention and transfer of the balance of personal service funds for a vacated Management Analyst position allocated from the Civil Contingent Fund was approved for the Office of Executive Director;
3. Concurred in the actions of the Joint Appropriations Review Committee which added additional conditional approvals to six items approved by the Board at its February 10 meeting;
4. Approved the School for the Deaf and the Blind selection of Carter-Goble Associates, Inc., to perform a study intended to assess spatial needs of the residential school campus for the purpose of reallocating space as appropriate;
5. Approved consultant services contracts between (a) the Interagency Council on Public Transportation and Post Buckley Schuh & Jernigan, Inc.; and (b) the Department of Social Services and Blue Cross/Blue Shield of South Carolina;

15070

State of South Carolina  
**State Budget and Control Board**



RICHARD W. RILEY, CHAIRMAN  
GOVERNOR  
GRADY L. PATTERSON, JR.  
STATE TREASURER  
EARLE E. MORRIS, JR.  
COMPTROLLER GENERAL

Box 12444  
Columbia  
29211

REMBERT C. DENNIS  
CHAIRMAN, SENATE FINANCE COMMITTEE  
TOM G. MANGUM  
CHAIRMAN, WAYS AND MEANS COMMITTEE

WILLIAM T. PUTNAM  
EXECUTIVE DIRECTOR

February 26, 1981

MEMORANDUM

TO: Budget and Control Board Division Directors

FROM: William A. McInnis, Secretary *WAM*

SUBJECT: Budget and Control Board Actions at February 26, 1981 Meeting

At the referenced meeting, the Budget and Control Board took the following actions:

1. Approved the minutes of polls conducted on February 11 and 19 and of an executive session poll conducted on February 13, 1981;
2. Ratified actions taken in (a) a poll dated February 11, 1981 in which the transfer of \$1,000 of personal service funds into a travel account to finance travel through the remainder of the fiscal year was approved for the Joint Legislative Committee to Study the Problems of Alcohol and Drug Abuse; (b) an executive session poll dated February 13, 1981 in which a consultant services contract between Robert C. Toomey, Jr., and the Governor's Office of Executive Policy Programs Division of Health and Human Resources was approved; and (c) a poll dated February 19, 1981 in which the retention and transfer of the balance of personal service funds for a vacated Management Analyst position allocated from the Civil Contingent Fund was approved for the Office of Executive Director;
3. Concurred in the actions of the Joint Appropriations Review Committee which added additional conditional approvals to six items approved by the Board at its February 10 meeting;
4. Approved the School for the Deaf and the Blind selection of Carter-Goble Associates, Inc., to perform a study intended to assess spatial needs of the residential school campus for the purpose of reallocating space as appropriate;
5. Approved consultant services contracts between (a) the Interagency Council on Public Transportation and Post Buckley Schuh & Jernigan, Inc.; and (b) the Department of Social Services and Blue Cross/Blue Shield of South Carolina;

15070

6. Received as information a Finance Division (Engineering) report on permanent improvement projects released by staff as shown on Summary 27-81 (4 projects), Summary 20-81 (1 project), and Summary 34-81 (2 projects);
7. Authorized the Division of General Services to notify Mrs. Mary McEachern that she may acquire for \$5 a small desk used by Mr. McEachern after having been advised that the Surplus Property Officer has determined the desk has little or no commercial value;
8. Received as information a Finance Division (Budget Development) summary of changes in authorized positions for the 1980-81 fiscal year by total, general fund, federal funds or other funds;
9. Approved an Aiken County proposal to change the amount of the Hospital Facilities Revenue Bonds issue from not exceeding \$4,000,000 as approved at the January 13, 1981 meeting, to not exceeding \$4,500,000, on the condition that the required reviews by the Attorney General's Office be completed with satisfactory results (for the Aiken Community Hospital project);
10. Approved an extension of Union Camp's agreement to remove sand materials from the South Carolina side of Savannah (Back) River for maintenance of the dikes around their pollution control facility on Hutchinson Island;
11. Approved an easement in Charleston County to the United States of America to construct and maintain a ten inch potable waterline across Noisette Creek to provide a secondary source of water to the Naval Weapons Station in Charleston;
12. Agreed with a procedure suggested by Executive Director Putnam, under which the Board would advise the House Judiciary Committee of its intention to review the model procurement code bill after it is reported out by the Committee and is in printed form;
13. Received a copy of numerous proposed changes of the statutes relating to fireworks as developed by the Board of Pyrotechnic Safety;
14. Authorized the Medical University to purchase properties located at 29 Mill Street, 31 Mill Street, and 143 Ashley Avenue for a purchase price not to exceed \$184,100 and to finance this acquisition using excess Plant Improvement and/or Institution Bond debt service funds;
15. Adopted a resolution approving a petition from Aiken County to issue \$2,700,000 of Hospital Revenue Bonds on the condition that the management fee agreement with National Health Corporation be amended to provide that any portion of such fee due in any year that cannot be paid from current revenues will be forfeited and not carried over to future years as an accrued liability, in a follow-up to a previous action on this subject at the August 19, 1980 meeting;

16. Approved the establishment and release of a project providing for the renovation of Bradham and Manning Halls at South Carolina State College at an estimated cost of \$1,760,000 to be financed by means of Student and Faculty Housing Revenue Bonds;

17. Approved the establishment and release of the following University of South Carolina - Columbia Campus permanent improvement projects: (a) Russell House Modification/Greene Street/Signage/Commissary, \$1,800,000, excess Student Facilities Bond debt service funds; (b) parking facilities west of Sumter Street, phase I, \$500,000, excess Parking Facilities Bond debt service funds; (c) Woodrow Dormitory renovations, \$750,000, excess Student and Faculty Housing Revenue Bond debt service funds; and (d) McKissick renovation, \$400,000, Renovation Reserve funds;

18. Approved the release of vocational education facility projects authorized in Act 518 of 1980 for York School District No. 1, \$50,000; Spartanburg County School District No. 3 - Broome, \$290,000; and Aiken - New High School, \$500,000, on the condition that these three districts have indicated that unencumbered alternate funds are available to finance these projects temporarily and have agreed to finance the projects from the alternate sources on a permanent basis in the event the 1980 State bond authorizations are never made available to them;

19. Adopted resolutions making provision for the issuance and sale of \$60,000,000 of State Capital Improvement Bonds and authorizing the issuance of \$60,000,000 of Bond Anticipation Notes in anticipation of the issuance of Capital Improvement Bonds and authorized State Treasurer Patterson to use his judgment to do whatever is in the best interest of the State on the question of issuing bonds or notes pursuant to these Board actions;

20. Confirmed and ratified the conveyance of eight one-thousandths of an acre, more or less, of land by the John de la Howe School to McCormick County to provide a site for a meter and approved the granting of an easement containing twenty-six hundredths of an acre, more or less, to McCormick County by the John de la Howe School to be used for locating water lines and related apparatus;

21. Agreed to hold its next meeting at 10:00 a.m. on Tuesday, March 10, 1981, as previously scheduled;

22. Awarded the bid for life, accidental death and dismemberment, and long-term disability insurance to the Liberty Life Insurance Company, contingent upon successful negotiations concerning the general contract language and the interest rate on existing reserves;

23. Approved a negotiated personnel settlement agreement involving the Vocational Rehabilitation Department;

B&C Board Actions  
Feburary 26, 1981  
Page 4

24. Approved salary increases for four individuals employed by Clemson University;
25. Agreed to receive as information and to let the time expire on State Employee Grievance Committee findings and decision in a case involving the Department of Mental Retardation; and
26. Ratified actions taken in executive session.

WAM:dw

15073

MINUTES OF BUDGET AND CONTROL BOARD MEETING

FEBRUARY 26, 1981                      9:00 A. M.

The Budget and Control Board met at 9:00 a.m. on Thursday, February 26, 1981 in the Governor's conference room with the following members in attendance:

Governor Richard W. Riley  
Mr. Grady L. Patterson, Jr.  
Mr. Earle E. Morris, Jr.  
Senator Rembert C. Dennis  
Representative Tom G. Mangum

Staff members attending were Executive Director William T. Putnam; Board Secretary William A. McInnis; Governor's Executive Assistant Katherine M. Clarke; Finance Division Director Edgar A. Vaughn, Jr.; General Services Division Director T. Michael Copeland; Personnel Division Director Jack S. Mullins; Senate Finance Committee staff member Nettie Bryan; and Administrative Assistant Donna K. Williams.

MINUTES OF PREVIOUS MEETINGS - Draft versions of the minutes of polls conducted on February 11 and 19 and of an executive session poll conducted on February 13, 1981 previously had been furnished to Board members.

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

BLUE AGENDA - Executive Director Putnam advised the Board that the required reviews in connection with blue agenda item 8, relating to an Aiken County proposal to increase the amount of an Industrial Revenue Bond issue, had not yet been completed and asked that this item be given conditional approval.

Upon a motion by Mr. Patterson, seconded by Representative Mangum, the Budget and Control Board gave conditional approval to item 8 and approved all other items on the blue agenda.

Blue agenda items are identified as such in these minutes.

2 - 2/26/81

BUDGET AND CONTROL BOARD - RATIFICATION OF ACTIONS PREVIOUSLY APPROVED

(BLUE AGENDA #1) - Upon a motion by Mr. Patterson, seconded by Representative Mangum, the Budget and Control Board, in keeping with the spirit of the Freedom of Information Act, ratified the following actions taken previously:

(a) A poll dated February 11, 1981 in which the transfer of \$1,000 of personal service funds into a travel account to finance travel through the remainder of the fiscal year was approved for the Joint Legislative Committee to Study the Problems of Alcohol and Drug Abuse;

(b) An executive session poll dated February 13, 1981 in which a consultant services contract between Robert C. Toomey, Jr., and the Governor's Office of Executive Policy Programs Division of Health and Human Resources was approved; and

(c) A poll dated February 19, 1981 in which the retention and transfer of the balance of personal service funds for a vacated Management Analyst position allocated from the Civil Contingent Fund was approved for the Office of Executive Director.

Additional detail may be found in the minutes of the referenced polls.

FINANCE DIVISION (GRANTS AND CONTRACTS) - CONDITIONAL APPROVALS ADDED

BY JOINT APPROPRIATIONS REVIEW COMMITTEE (BLUE AGENDA #2) - Upon a motion by Mr. Patterson, seconded by Representative Mangum, the Budget and Control Board concurred in the actions of the Joint Appropriations Review Committee which added additional conditional approval to six items approved by the Board at its February 10, 1981 meeting.

Information relating to this matter has been retained in these files and is identified as Exhibit 1.

15075

SCHOOL FOR THE DEAF AND THE BLIND - A&E SELECTION APPROVAL REQUEST

(BLUE AGENDA #3) - Upon a motion by Mr. Patterson, seconded by Representative Mangum, the Budget and Control Board approved the School for the Deaf and the Blind selection of Carter-Goble Associates, Inc., to perform a study intended to assess spatial needs of the residential school campus for the purpose of reallocating space as appropriate.

Information relating to this matter has been retained in these files and is identified as Exhibit 2.

CONSULTANT SERVICES CONTRACTS (BLUE AGENDA #4) - Upon a motion by

Mr. Patterson, seconded by Representative Mangum, the Budget and Control Board approved the following consultant services contracts:

(a) Interagency Council on Public Transportation

Consultant: Post Buckley Schuh & Jernigan, Inc., Columbia, SC

Maximum Amount: \$19,575; 100% state funds

Time Period: 3/1/81 - 6/30/81

Purpose: To conduct an evaluation of a coordinated transportation services demonstration program in the Santee-Lynches region of South Carolina.

(b) Department of Social Services

Consultant: Blue Cross/Blue Shield of South Carolina, Columbia, SC

Maximum Amount: \$57,000; 90% federal funds, 9.5% other funds  
(Division of Research & Statistical Services),  
0.5% state funds

Time Period: 4/1/80 - 12/31/81

Purpose: To provide program provider orientation and training services for the HCFA common coding pilot program; develop uniform user manuals; assist DSS on an as-needed basis in the overall implementation of the pilot program by provider type by aiding and resolving any unexpected problems incurred during the phase-in schedule.

Information relating to this matter has been retained in these files and is identified as Exhibit 3.

FINANCE DIVISION (ENGINEERING) - PROJECTS RELEASED BY STAFF (BLUE AGENDA #5) - Upon a motion by Mr. Patterson, seconded by Representative Mangum, the Budget and Control Board received as information a Finance Division (Engineering) report on permanent improvement projects released by staff as shown on Summary 27-81 (four projects), Summary 30-81 (one project), and Summary 24-81 (two projects).

Information relating to this matter has been retained in these files and is identified as Exhibit 4.

GENERAL SERVICES - SURPLUS DESK (BLUE AGENDA #6) - Upon a motion by Mr. Patterson, seconded by Representative Mangum, the Budget and Control Board authorized the General Services Division to notify Mrs. Mary McEachern that she may acquire for \$5 a small desk used by Mr. McEachern, after having been advised that the Surplus Property Officer has determined the desk has little or no commercial value.

Information relating to this matter has been retained in these files and is identified as Exhibit 5.

FINANCE DIVISION (BUDGET DEVELOPMENT) - ANALYSIS OF CHANGE IN AUTHORIZED POSITIONS BY SOURCE OF FUNDS, 1980-81 (BLUE AGENDA #7) - Upon a motion by Mr. Patterson, seconded by Representative Mangum, the Budget and Control Board received as information a Finance Division (Budget Development) summary of changes in authorized positions for the 1980-81 fiscal year by total, general fund, federal funds or other funds.

Information relating to this matter has been retained in these files and is identified as Exhibit 6.

HOSPITAL FACILITIES REVENUE BONDS (BLUE AGENDA #8) - Upon a motion by Mr. Patterson, seconded by Representative Mangum, the Budget and Control Board approved an Aiken County proposal to change the amount of the Hospital Facilities Revenue Bonds issue from not exceeding \$4,000,000 as approved at the January 13, 1981 meeting, to not exceeding \$4,500,000 on behalf of the Aiken Community Hospital project, on the condition that the required reviews by the Attorney General's Office be completed with satisfactory results.

Information relating to this matter has been retained in these files and is identified as Exhibit 7.

UNION CAMP - SOUTH CAROLINA SAND LEASE AGREEMENT (BLUE AGENDA #9) - Upon a motion by Mr. Patterson, seconded by Representative Mangum, the Budget and Control Board approved an extension of Union Camp's agreement to remove sand materials from the South Carolina side of the Savannah (Back) River for maintenance of the dikes around their pollution control facility on Hutchinson Island.

Information relating to this matter has been retained in these files and is identified as Exhibit 8.

GENERAL SERVICES - EASEMENT IN CHARLESTON COUNTY (BLUE AGENDA #10) - Upon a motion by Mr. Patterson, seconded by Representative Mangum, the Budget and Control Board approved an easement in Charleston County to the United States of America to construct and maintain a ten-inch potable waterline across Noisette Creek to provide a secondary source of water to the Naval Weapons Station in Charleston.

Information relating to this matter has been retained in these files and is identified as Exhibit 9.

MODEL PROCUREMENT CODE - Upon a motion by Mr. Patterson, seconded by Representative Mangum, the Budget and Control Board added to the blue agenda and agreed with a procedure suggested by Executive Putnam under which the Board would advise the House Judiciary Committee of its intention to review the model procurement code bill after it is reported out by the Committee and is in printed form.

BOARD OF PYROTECHNIC SAFETY - Upon a motion by Mr. Patterson, seconded by Representative Mangum, the Budget and Control Board added to the blue agenda and received as information a copy of numerous proposed changes of the statutes relating to fireworks as developed by the Board of Pyrotechnica Safety.

Information relating to this matter has been retained in these files and is identified as Exhibit 10.

FINANCE DIVISION (ENGINEERING) - MEDICAL UNIVERSITY PROPOSAL TO PURCHASE THREE LOTS - Upon a motion by Mr. Morris, seconded by Mr. Patterson, the Budget and Control Board authorized the Medical University to purchase properties located at 29 Mill Street, 31 Mill Street, and 143 Ashley Avenue for a purchase price not to exceed \$184,100 and to finance this acquisition using excess Plant Improvement and/or Institution Bond debt service funds.

Information relating to this matter has been retained in these files and is identified as Exhibit 11.

AIKEN COUNTY - CONTRACTUAL MATTER RELATING TO HOSPITAL REVENUE BONDS - The Budget and Control Board without objection agreed to consider this item in open session rather than in executive session and, upon a motion by Senator Dennis, seconded by Mr. Patterson, adopted a resolution approving a petition from Aiken County to issue \$2,700,000 of Hospital Revenue Bonds on the condition

that the management fee agreement with National Health Corporation be amended to provide that any portion of such fee due in any year that cannot be paid from current revenues will be forfeited and not carried over to future years as an accrued liability. This Board action was taken as a follow-up to a previous action on this subject at the August 19, 1980 meeting.

Information relating to this matter has been retained in these files and is identified as Exhibit 12.

FINANCE DIVISION (ENGINEERING) - ESTABLISHMENT AND RELEASE OF PERMANENT IMPROVEMENT PROJECT FOR SOUTH CAROLINA STATE COLLEGE - Upon a motion by Representative Mangum, seconded by Mr. Patterson, the Budget and Control Board approved the establishment and release of a project providing for the renovation of Bradham and Manning Halls at South Carolina State College at an estimated cost of \$1,760,000 to be financed by means of Student and Faculty Housing Revenue Bonds.

Information relating to this matter has been retained in these files and is identified as Exhibit 13.

FINANCE DIVISION (ENGINEERING) - RELEASE OF PERMANENT IMPROVEMENT PROJECTS - Upon a motion by Mr. Patterson, seconded by Representative Mangum, the Budget and Control Board approved the establishment and release of the following University of South Carolina - Columbia Campus permanent improvement projects: (a) Russell House Modification/Greene Street/Signage/Commissary, \$1,800,000, excess Student Facilities Bond debt service funds; (b) parking facilities west of Sumter Street, phase I, \$500,000, excess Parking Facilities Bond debt service funds; (c) Woodrow Dormitory renovations, \$750,000, excess

8 - 2/26/81

Student and Faculty Housing Revenue Bond debt service funds; and (d) McKissick renovation, \$400,000, Renovation Reserve funds.

Information relating to this matter has been retained in these files and is identified as Exhibit 14.

DEPARTMENT OF EDUCATION (VOCATIONAL EDUCATION) - REQUESTED RELEASE OF 1980 CAPITAL IMPROVEMENT BOND PROJECTS - Upon a motion by Mr. Patterson, seconded by Senator Dennis, the Budget and Control Board approved the release of vocational education facility projects authorized in Act 518 of 1980 for York School District No. 1, \$50,000; Spartanburg County School District No. 3 - Broome, \$290,000; and Aiken - New High School, \$500,000, on the condition that these three districts have indicated that unencumbered alternate funds are available to finance these projects temporarily and have agreed to finance the projects from the alternate sources on a permanent basis in the event the 1980 bond authorizations are never made available to them.

Information relating to this matter has been retained in these files and is identified as Exhibit 15.

STATE TREASURER - ISSUANCE OF CAPITAL IMPROVEMENT BOND ANTICIPATION NOTES - Upon a motion by Representative Mangum, seconded by Senator Dennis, the Budget and Control Board added to the agenda and adopted resolutions making provision for the issuance and sale of \$60,000,000 of State Capital Improvement Bonds and authorizing the issuance of \$60,000,000 of Bond Anticipation Notes in anticipation of the issuance of Capital Improvement Bonds and authorized State Treasurer Patterson to use his judgment to do whatever is in the best interest of the State on the question of issuance bonds or notes pursuant to these Board actions.

Information relating to this matter has been retained in these files and is identified as Exhibit 16.

15081

JOHN DE LA HOWE SCHOOL - EASEMENT TO MCCORMICK COUNTY - Upon a motion by Senator Dennis, seconded by Mr. Patterson, the Budget and Control Board added to the agenda and confirmed and ratified the conveyance of eight one-thousandths of an acre, more or less, of land by the John de la Howe School to McCormick County to provide a site for a meter and approved the granting of an easement containing twenty-six hundredths of an acre, more or less, to McCormick County by John de la Howe School to be used for locating water lines and related apparatus.

Information relating to this matter has been retained in these files and is identified as Exhibit 17.

FUTURE MEETING - The Budget and Control Board agreed to hold its next meeting at 10:00 a.m. on Tuesday, March 10, 1981.

EXECUTIVE SESSION - Upon a motion by Mr. Patterson, seconded by Representative Mangum, the Budget and Control Board agreed to consider one contractual matter and three personnel matters in executive session whereupon Governor Riley declared the meeting to be in executive session.

RATIFICATION OF EXECUTIVE SESSION ACTIONS - Upon a motion by Mr. Morris, seconded by Mr. Patterson, the Budget and Control Board ratified the following actions taken in executive session:

(1) Awarded the bid for life, accidental death and dismemberment, and long-term disability insurance to the Liberty Life Insurance Company, contingent upon successful negotiations concerning the general contract language and the interest rate on existing reserves;

(2) Approved a negotiated personnel settlement agreement involving the Vocational Rehabilitation Department;

10 - 2/26/81

(3) Approved salary increases for four individuals employed by Clemson University; and

(4) Agreed to receive as information and to let the time expire on State Employee Grievance Committee findings and decision in a case involving the Department of Mental Retardation.

The meeting was adjourned at 10:20 a.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 Press Secretary in the State House and near the Board Secretary's office in the Wade Hampton Office Building at 8:45 a.m. on Tuesday, February 24, 1981.]

15083

# EXHIBIT

STATE BUDGET AND CONTROL BOARD

FEB 26 1981

NO. 1 BLUE AGENDA

MEETING OF February 26, 1981

STATE BUDGET & CONTROL BOARD ITEM NUMBER

2

---

Agency: Finance Division (Grants and Contracts)

---

Subject: Conditional Approvals Added by Joint Appropriations Review Committee

Grants Services Administrator Oliver advises that the Joint Appropriations Review Committee, at its February 18 meeting, added additional conditional approvals to the six items approved by the Board at its February 10 meeting.

The additional conditional approval provides that "the number of new positions will be reduced in accordance with the amount awarded if it is less than requested..."

---

Board Action Requested:

Concur in actions of Joint Appropriations Review Committee.

---

Staff Comment:

---

Attachments:

Oliver February 19 memorandum to Putnam

15084



# EXHIBIT

FEB 26 1981

NO. 1

## STATE OF SOUTH CAROLINA

## STATE BUDGET & CONTROL BOARD

OFFICE OF THE STATE AUDITOR

P.O. BOX 11333

COLUMBIA

29211

EDGAR A. VAUGHN, JR., CPA  
STATE AUDITOR  
(803) 758-3106

JESSE A. COLES, JR., PhD  
DEPUTY STATE AUDITOR  
(803) 758-3106

### MEMORANDUM

TO: William T. Putnam, Executive Director  
Budget and Control Board

FROM: George F. Oliver, Director of Grant Services *G. Oliver*

DATE: February 19, 1981

SUBJECT: Added Conditional Approvals on State Agency Grant Requests

The Joint Appropriations Legislative Review Committee, at their meeting on February 18, 1981, added additional conditional approvals to the attached state agency grant requests (as underlined) which included new personnel that would be employed on these grant programs. This condition was not included when these requests were approved by the Budget and Control Board on February 10, 1981.

The added condition is intended to ensure that if a grant is awarded in an amount less than the requested authorization, any new personnel hired on the program would be reduced in accordance with the amount received.

Section 4 of Act 651 requires a concurrence between the Budget and Control Board and the Joint Review Committee on these federal grant requests.

It is recommended that at their next meeting the Budget and Control Board concur with the additional condition to the grant requests from the three technical schools and three colleges.

Attachment

15085

## EXHIBIT

FEB 26 1981 NO. 1

STATE BUDGET &amp; CONTROL BOARD

SUMMARY  
FEDERAL GRANTS AND CONTRACTS REQUESTS

DATE: February 19, 1981

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.			
Lander College	1-H21-007	488,380	7-1-81 6-30-82	390,347 80%	98,033IK 20%	0	7 4T	8	U.S. Dept. of Education - 84.031 To continue support for the career counseling and placement office, develop a minority counselor pro- gram, employ a coordinator for the evening continuing education program, and expand college management information system.	Conditional Approval	Provided new personnel are within authorized ceiling of agency, the number of new positions will be reduced in accordance with the amount awarded if it is less than requested, and temporary personnel are employed for six months or less. Agency received \$166,114 for FY 1980-81.
S.C. State College	1-H24-015	136,273	4-1-81 3-31-82	136,273 100%	0	0	3	0	Community Services Administration - 49.002 A program designed to revitalize the bond between the College and the rural community, provide S.C. State College rural interns with experience in the rural community, and to assist the local community action agency in serving the rural population. Program will concentrate on elderly and handicapped citizens. 40 students will be used as interns in the program.	Conditional Approval	Provided new employees are within authorized ceiling for agency and the number of new positions will be reduced in accordance with the amount awarded if it is less than requested. Program was not in- cluded in 1981-82 budget request.

15086

## STATE BUDGET &amp; CONTROL BOARD

FEB 26 1981

NO. 1

## EXHIBIT

SUMMARY  
FEDERAL GRANTS AND CONTRACTS REQUESTS

DATE: February 19, 1981

DATE: February 19, 1981

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
3 Winthrop College	1-H47-016	422,516	7-1-81 7-31-83	422,516 100%	0	0	2.5	0	U.S. Dept. of Education - 84.031 A 25-month program for strengthening a developing institution's secondary teacher education program. The funds will be used to re-design the teacher edu- cation curriculum and provide more field experi- ence for student teachers at several class levels.	Conditional Approval	Provided new personnel hired on this program are within authorized ceiling for FY 1981-82 and the number of new positions will be reduced in accordance with the amount awarded if it is less than requested. Program was not included in 1981-82 budget request.
4 Beaufort TEC	1-H59-047	213,666	7-1-81 6-30-82	157,883 74%	55,783 26% 25,055IK 30,728C	0	6	0	U.S. Dept. of Education - 84.031 To assist Beaufort TEC in planning, management and evaluation, faculty and staff development, and student retention.	Conditional Approval	Provided new personnel are within authorized ceiling and the number of new positions will be reduced in accor- dance with the amount awarded if it is less than requested.

15087

15087

STATE BUDGET &amp; CONTROL BOARD

FEB 26 1981

NO.

1

GCR Unit  
Recommendation  
B&C Board/  
GCR Subcommittee  
Recommendation

EXHIBIT

SUMMARY  
FEDERAL GRANTS AND CONTRACTS REQUESTS

DATE: February 19, 1981

State Agency	State Identifier	Amount	Time Period	% of Fed. Funds	% of State Funds	% of Other Funds	Personnel New	Personnel Cont.	Federal Agency/ CFDA/ Program Purpose	GCR Unit Recommendation B&C Board/ GCR Subcommittee Recommendation	Remarks
3 Aiken TEC	1-H59-049	92,315	7-1-81 6-30-82	92,315 100%	0	0	5	0	U.S. Dept. of Education - 84.031 To assist Aiken TEC in the strengthening of their academic, administrative, and student services.	Conditional Approval	Provided new personnel are within authorized ceiling and the number of new positions will be reduced in accordance with the amount awarded if it is less than requested.
3 Orangeburg-Calhoun TEC	1-H59-050	395,661	7-1-81 6-30-82	323,881 82%	0	71,780 18%	8 4T	8	U.S. Dept. of Education - 84.031 To assist Orangeburg-Calhoun TEC in the strengthening of their academic, administrative, and student services.	Conditional Approval	Provided new personnel are within authorized ceiling, the number of new positions will be reduced in accordance with the amount awarded if it is less than requested, and temporary personnel are hired for six months or less.

15088

# EXHIBIT

STATE BUDGET AND CONTROL BOARD

FEB 26 1981

NO. 2 BLUE AGENDA

MEETING OF February 26, 1981

STATE BUDGET & CONTROL BOARD

ITEM NUMBER

3

---

Agency: School for the Deaf and the Blind

---

Subject: A&E Selection Approval Request

Please refer to attachments for details.

---

Board Action Requested:

Approve selection of Carter-Goble Associates, Inc., to perform a study intended to assess spatial needs of the residential school campus for the purpose of reallocating space as appropriate.

---

Staff Comment:

---

Attachments:

Dent February 18 memorandum to McPherson plus attachments

15089

A. BARON HOLMES, IV  
President



**SOUTH CAROLINA SCHOOL  
FOR THE DEAF AND THE BLIND**  
SPARTANBURG, SOUTH CAROLINA 29302

February 18, 1981

**EXHIBIT**

FEB 26 1981 NO. 2

STATE BUDGET & CONTROL BOARD

Mr. John McPherson  
State Engineer  
207 Wade Hampton Office Building  
P. O. Box 11333  
Columbia, S. C. 29211

Dear Mr. McPherson:

The firm we selected for the Space Allocation Study, Carter-Goble Associates, Inc., reported more state fees than the other applicant but that other applicant was not deemed qualified, (self-admittedly) to take the project and thus this factor was of no importance in our decision-making.

Sincerely,

A handwritten signature in dark ink, appearing to read "Douglas F. Dent".

Douglas F. Dent, Chairman  
Board of Commissioners

DFD/b

**RECEIVED**  
FEB 20 1981

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

15090

A. BARON HOLMES, IV  
President



**SOUTH CAROLINA SCHOOL  
FOR THE DEAF AND THE BLIND**

SPARTANBURG, SOUTH CAROLINA 29302

February 18, 1981

**EXHIBIT**

FEB 26 1981

NO. **2**

STATE BUDGET & CONTROL BOARD

Mr. John McPherson  
State Engineer  
207 Wade Hampton Office Building  
P. O. Box 11333  
Columbia, S. C. 29211

Dear Mr. McPherson:

Per the requirement of your office, I hereby attest to the fact that the amount of prior state work done by each of the two firms responding was, in fact, taken into consideration in the selection of the firm here, Carter-Goble. It shall be noted, however, that Carter-Goble was the only one of the two submitting proposals to qualify.

Sincerely,

A handwritten signature in dark ink, appearing to read "Douglas F. Dent". The signature is fluid and cursive, with a large, sweeping "D" at the beginning.

Douglas F. Dent, Chairman  
Board of Commissioners

DFD/b

**15091**



House of Representatives - State of South Carolina

EXHIBIT

Charles E. Hodges  
District No. 104-Horry County  
4307 Broad Street  
Loris, S.C. 29569

FEB 26 1981

NO. 228 Blatt Building  
Columbia, S.C. 29211

STATE BUDGET & CONTROL BOARD

Tel. (803) 758-8316

Committees:

Ways and Means  
Capital Improvements Bond Review Committee - Chairman  
S.C. Committee on Tourism and Trade - Chairman  
Public Transportation Study - Vice Chairman  
State Reorganization Commission - Chairman  
Majority Leader

December 15, 1980

Mr. William A. McInnis  
Deputy Executive Director  
State Budget and Control Board  
212 Wade Hampton Bldg.  
Columbia, South Carolina 29201

In re: S23-81; School for Deaf and  
Blind - Space Allocation Study

Dear Mr. McInnis:

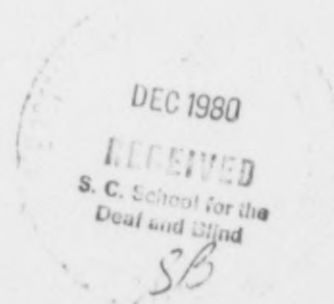
This is to advise of the Joint Bond Review Committee's approval of the temporary financing of a Space Allocation Study for the School for the Deaf and Blind as outlined in your letter of December 11 (Summary #23-81), through the use of \$15,000 of school funds pending the release of the \$30,000 authorized in the 1980 Bond Act.

With kind regards,

Sincerely,

*Charles E. Hodges*  
Charles E. Hodges, Chairman  
Joint Bond Review Committee

CEH:lc



15092

1/12/81

State Budget and Control Board  
Finance Division - State Engineer  
A & E SELECTION APPROVAL REQUEST

EXHIBIT

FEB 26 1981

NO. 2

(See instructions on back of this form.) STATE BUDGET &amp; CONTROL BOARD

1. Agency/Institution: S.C. SCHOOL for DEAF/BLIND
2. Contact Person: Dr A. Baron Holmes Phone: 585 7711
3. Project Name: Space Allocation STUDY
4. Project Number and Description: S-23-81 Study to assess  
spatial needs of residential School campus for reallocation purposes  
and to SAVE capital improvement costs
5. Estimated Cost: (a) A&E Fees: 15,000
- (b) Construction: 0
- (c) Total Project: 15,000
6. Source of Funds for Project: Approved for funding from 1/2 of \$30,000  
in current year Agency bond appropriation (now frozen); if not  
unfrozen, then from internally-generated funds such as Patient Fees.

A/E FIRMS SELECTED:

Order of Preference	Firm		Reported State Work in Two Years Prior to _____ (Date this project first advertised)		
			A/E Contracts		Construction Costs
	Name	Location	#	Fee Amount	
1	Carter-Goble & Assoc., Inc	Columbia SC	3	\$55,000	0
2	Advanced Technology Assoc. (Joe Burgess) (did not qualify)	Rockwell SC	0	0	0
3					

## CERTIFICATION BY STATE ENGINEER:

I have reviewed the documents submitted in support of this request for approval of an A&E selection and have determined that the selection procedure required by law and by Budget and Control Board policy has been followed.

✓  
State Engineer

Date

15093

Addendum TO "C"

# EXHIBIT

FEB 26 1981 NO. 2

SOUTH CAROLINA SCHOOL  
FOR THE DEAF AND THE BLIND

STATE BUDGET & CONTROL BOARD

## OUTLINE TASKS - SPACE NEEDS ANALYSIS

### TASK 1.0 - DEFINE SPACE PLANNING CRITERIA AND STANDARDS

- . Literature search for criteria/standards
- . Comparison with other institutional standards
- . Consensus on appropriate criteria/standards

### TASK 2.0 - CONDUCT SPACE INVENTORY

- . Develop checklist for inventory
- . Review existing floor plans
- . Inventory all structures
- . Define categories of spaces
  - a. Living
  - b. Program
  - c. Social/Recreation
  - d. Work
  - e. Support
- . Identify existing space allocations

### TASK 3.0 - IDENTIFY NEED FOR SPACE BY CATEGORIES

- . Define individual/group space needs by activity
- . Develop estimates of demand
  - a. Quantitative
  - b. Qualitative
- . Develop comparative analysis of spatial needs to current supply
- . Define shortfall by activity category

### TASK 4.0 - PRESENT ALTERNATIVE SPATIAL USE CONFIGURATIONS

- . Define opportunities for improving spatial efficiency
- . Define need for new or renovated space
- . Present options by categories of activities
- . Define preliminary cost impact of improvements
- . Develop phasing program

15094

Carter-Goble Associates

## *Addendum TO "C"*

### SCOPE OF SERVICES FOR SPACE NEEDS ANALYSIS OF THE SOUTH CAROLINA SCHOOL FOR THE DEAF AND THE BLIND

#### Task 1 - Develop Program Statements

The purpose of this initial task is to develop an understanding of the program objectives of each of the three schools, and to define the spatial requirements of each. This task will also define the physical and functional linkages between each of the schools and central services, such as administration, food service, and recreation.

The major steps in this task include the following:

- . Interview central administration; directors of each school; and component managers.
- . Define program objectives for each school and central functions.
- . Identify physical linkages and services between each school and central administration, services and activities.

The result of this task will be the development of a mission statement for the objectives of each school and the central functions which defines the general spatial needs and linkages of each school.

## Task 2 - Define Space Planning Criteria and Standards

The major objective of this task is to determine the spatial standards that have been developed for various other types of institutional settings related to the care and treatment of the physically handicapped. These standards will be used as a yardstick to compare existing space allocations to those standards or design criteria developed for similar types of institutions.

The major components included in this task are noted as follows:

- . Literature search for existing criteria/standards.
- . Comparison with other types of institutional standards.
- . Consensus development on appropriate criteria/standards.

The major output of this task will be the quantitative definition of the space requirements for various functions to be included in the living, educational, recreational, and support service areas.

## Task 3 - Conduct Spatial Efficiency Inventory

This task will be dedicated to determining the amount of space allocated to each function and activity within the campus. This information will be developed from on-site observations as well as the use of existing drawings for the campus.

The major steps involved in this task involve the following:

- . Develop checklist for on-site inventory analysis.
- . Review existing floor plans.
- . Inventory all structures.
- . Define categories and the efficiency in the use of spaces:
  - a. Living
  - b. Program
  - c. Social/Recreational
  - d. Work
  - e. Support
- . Identify existing space allocation.
- . Define current level of space efficiency.

The major product of this task will be a listing of all of the spaces for the various schools and central administration and central services for the entire campus. In addition, during this task, an analysis will be made of the current level of efficiency in the use of space.

#### Task 4 - Identify Need for Space by Categories

The purpose of this task will be to define the space requirements and functions of each of the three schools, central administration, and central support services. This analysis will then be compared to the existing supply of space within the campus setting so that options for more efficient use of existing space can be developed as well as the identification of the need for any future construction.

15097

The major components of this task include the following:

- . Define individual/group space needs by activity.
- . Develop estimates of demand:
  - a. Quantitative
  - b. Qualitative
- . Develop comparative analysis of spatial needs to current supply of space.
- . Define shortfall in space by school, function, or activity.

The output of this task will include a determination of the amount of space required for each school or activity within the campus and an estimate of future spatial needs. This information will then be compared to the existing space and a determination made of the need for new space as opposed to more efficient use of existing facilities and space.

#### Task 5 - Present Alternative Space Use Configurations

The objective of this task will be to prepare a plan for more efficient use of space within the existing campus. In this task, a phasing program will also be identified which suggests the priorities for improvements, as well as the impact of the plan upon the operations of the total school complex.

This task will include the following basic steps, among others:

- . Define opportunities for improving spatial efficiency.
- . Define need for new or renovated space.
- . Present options for improvement by school or categories of functions.
- . Define operational impact of space efficiency improvements.
- . Develop phasing program for improvements.

The basic product of this task will be a written and illustrated plan for improving the use of space within the total campus complex. The plan will identify the recommended location for all activities and the important physical linkages between the various schools and services. The plan will also identify a prioritized program for improvements over the next five years.

**15099**

# ESTIMATED PERSON-HOURS AND COST

STAFF	Task 1.0 - Develop Program Statements	Task 2.0 - Define Space Planning Standards	Task 3.0 - Conduct Inventory	Task 4.0 - Identify Space Needs	Task 5.0 - Present Alternative Plans	TOTAL HOURS	HOURLY RATE*	TOTAL COST
S. Carter	16	4	16	24	24	84	\$54.85	\$4,607.40
L. Nordquist	16	8	24	24	24	96	36.80	3,532.80
T. McKeever	--	--	16	--	16	32	15.35	491.20
J. Montgomery	4	--	8	--	16	28	16.75	469.00
TOTAL HOURS	36	12	64	48	80	240		\$9,100.40
Travel/Per Diem								400.00
TOTAL								\$9,500.40

\*Hourly rate includes labor, fringe, overhead, and profit.  
Profit is computed at 10 percent.

15100

172M D

# Carter-Goble Associates Inc.

Planning Consultants

4501 Richland Street-Post Office Box 11287-Columbia South Carolina 29211-Telephone 803-766-7525

January 12, 1981

Mr. Ron Spencer  
South Carolina School for the Deaf and Blind  
Cedar Springs Station  
Spartanburg, South Carolina 29302

Dear Mr. Spencer:

Per your telephone request of January 8, 1981, I am enclosing a list of the projects which our firm completed for the State of South Carolina during the last two years. These projects are presented by title and the amount of the contract.

Intercity Study - Division of Economic Development and Transportation	\$14,000
S. C. Public Transportation Marketing Manual - Division of Economic Development and Trans- portation	11,000
S. C. Department of Corrections Standards Implementation and Technical Assistance - SCDC	30,000

I trust that this information satisfies your request. I will look forward to the opportunity to present our firm's qualifications and interest in the study for the School for the Deaf and the Blind in the near future.

Sincerely,

CARTER-GOBLE ASSOCIATES, INC.

*Stephen A. Carter*

Stephen A. Carter, AICP  
Principal

SAC/kb

15101

---

A. BARON HOLMES, IV  
President



**SOUTH CAROLINA SCHOOL  
FOR THE DEAF AND THE BLIND**

SPARTANBURG, SOUTH CAROLINA 29302

---

SPARTANBURG HERALD, SPARTANBURG, S.C., TUESDAY, DECEMBER 23, 1980—Page B5

---

**LEGAL NOTICE  
NOTICE TO ARCHITECTS**

South Carolina School for The Deaf and The Blind will accept resumes from architectural and engineering firms to do a Space Allocation Study for the campus. Please submit these resumes to Ron Spencer at the campus (P.O. Box Cedar Springs Station) by January 6, 1981.

---

**15102**

# EXHIBIT

FEB 26 1981

NO. 2

STATE BUDGET & CONTROL BOARD

## E. LIST OF FIRMS INTERVIEWED.

1. Carter-Goble & Associates, Inc.  
Columbia, South Carolina

- a. Three contracts
- b. None
- c. Total A & E Fees - \$55,000

(Past two years prior to advertisement date)

2. Advanced Technology Associates  
Roebuck, South Carolina

- a. No contract
- b. No construction
- c. No A & E Fees

- F.
1. Carter-Goble & Associates, Inc., Columbia, S. C.
  2. Advanced Technology Associates, Roebuck, S. C.
  3. Lockwood Greene Engineers, Spartanburg, S. C.  
(phone reply only, no official response)

## G. Newspaper affidavit

The newspaper advertisement inadvertently failed to include in it, the statement on submitting list of past contracts, but School representatives phoned each applicant regarding this request, following it up with a letter. The responses thereto are attached. Thus, the substance of the statement was, in fact, relayed to each applicant.

15103

# EXHIBIT

STATE BUDGET AND CONTROL BOARD

FEB 26 1981

NO. 3

BLUE AGENDA

MEETING OF February 26, 1981

ITEM NUMBER

4

## STATE BUDGET & CONTROL BOARD

Agency: (a) Interagency Council on Public Transportation  
(b) Department of Social Services

Subject: Consultant Services Contracts

(a) Interagency Council on Public Transportation

Consultant: Post Buckley Schuh & Jernigan, Inc., Columbia, SC

Maximum Amount: \$19,575; 100% State funds

Time Period: 3/1/81 - 6/30/81

Purpose: To conduct an evaluation of a coordinated transportation services demonstration program in the Santee-Lynches region of South Carolina.

(b) Department of Social Services

Consultant: Blue Cross/Blue Shield of South Carolina, Columbia, SC

Maximum Amount: \$57,000; 90% federal funds, 9.5% other funds (Division of Research & Statistical Services), 0.5% State funds

Time Period: 4/1/80 - 12/31/81

Purpose: To provide program provider orientation and training services for the HCFA common coding pilot program; develop uniform user manuals; assist DSS on an as-needed basis in the overall implementation of the pilot program by provider type by aiding and resolving any unexpected problems incurred during the phase-in schedule.

Board Action Requested:

Approve

Staff Comment:

Attachments:

Report on Consultants forms plus attachments

15104

STATE AUDITOR'S OFFICE

REPORT ON CONSULTANTS

FEB 19 1981

Name of State Agency: Interagency Council on Public Transportation - DHPT

Date of Report: February 19, 1981 Prepared by: John A. Ritner, Jr.

Name of Consultant or Firm: Post Buckley Schuh & Jernigan, Inc.

Address of Consultant or Firm: Bankers Trust Tower, P. O. Box 106, Columbia, S. C. 29202

Terms of Consultant Contract:

Beginning Date: March 1, 1981 Ending Date June 30, 1981

Rate of Pay: \$ actual per                     ; Maximum under this contract: \$ 19,575

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

Purpose or Goal of Consultant:

To conduct an evaluation of a coordinated transportation services demonstration program in the Santee Lynches region of South Carolina. This project is the final phase of a three-year pilot demonstration program involving the Santee Wateree Regional Transportation Authority under the auspices of Act 644, Part II, Section 26 of the Acts of 1978, as amended.

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

Yes XX No                     

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

The selection of this firm was made by a special Selection Review Committee of the Interagency Council on Public Transportation. Its selection was endorsed by the full Council at its February 3, 1981 meeting.

EXHIBIT

FEB 26 1981 NO. 3

STATE BUDGET & CONTROL BOARD

15105



VIRGIL L. CONRAD  
COMMISSIONER

FEB 10 1981



South Carolina  
Department of Social Services

P. O. BOX 1520  
Columbia, South Carolina 29202

February 6, 1981

Mr. Edgar A. Vaughn, Jr.  
State Auditor  
Post Office Box 11333  
Columbia, South Carolina 29211

Dear Mr. Vaughn:

The South Carolina Department of Social Services is requesting Budget and Control Board approval of the proposed contract with Blue Cross/Blue Shield of South Carolina for the provision of program provider orientation and training services for the H.C.F.A. Common Coding Pilot Project. The contract will not exceed \$57,000 during the contract period.

The proposed contract presently has Federal approval at the original proposed amount of \$32,000. However, a budget amendment is currently under review for \$57,000.

Enclosed are two copies of the Report on Consultants and the proposed contract for which we request the appropriate approvals. If additional information is required, please contact either Ms. Gwen Power at 758-8182 or Mr. Bruce E. Bondo at 758-8180.

Sincerely,

Virgil L. Conrad  
Commissioner

VLC:smbd

Enclosure(s)

EXHIBIT

FEB 26 1981 NO. 3

STATE BUDGET & CONTROL BOARD

15106

South Carolina Board of Social Services

MARY D. DUSENBERRY CHAIRMAN AT-LARGE CLEMSON	GEORGE D. HAMILTON MEMBER FIRST DISTRICT WALTERBORO	DR. OSCAR P. BUTLER, JR. MEMBER SECOND DISTRICT ORANGEBURG	W. JERRY FEDDER MEMBER THIRD DISTRICT SENECA	JOHN C. WILLIAMS, JR. MEMBER FOURTH DISTRICT SPARTANBURG	DR. AGNES H. WILSON MEMBER FIFTH DISTRICT SUMTER	LUCY C. THROWER MEMBER SIXTH DISTRICT FLORENCE
---	--	---	---	---	---	---

# EXHIBIT

STATE BUDGET AND CONTROL BOARD

FEB 26 1981

NO. 4

BLUE AGENDA

MEETING OF February 26, 1981

ITEM NUMBER

5

STATE BUDGET & CONTROL BOARD

Agency: Finance Division (Engineering)

Subject: Projects Released by Staff

Please refer to attachments for listings of projects approved for release by staff.

Board Action Requested:

Receive as information.

Staff Comment:

Attachments:

Summary 27-81 (4 projects); Summary 20-81 (1 project); Summary 34-81 (2 projects).

15107

FEB 11 1981

EXHIBIT  
 FEB 26 1981  
 STATE BUDGET & CONTROL BOARD  
 NO. 4

## SUMMARY OF PERMANENT IMPROVEMENT PROJECT ACTIONS PROPOSED BY STATE AGENCIES AND INSTITUTIONS

Assembled by staff of State Budget and Control Board. Summary forwarded to Joint Bond Review Committee 12/29/80.

Date

Page 3 of 4.

NUMBER

27-81

NAME OF AGENCY OR INSTITUTION	ACTION PROPOSED	FUNDING CHANGE PROPOSED Amount/Source	PROJECT NUMBER	PROJECT NAME/PURPOSE OF REVISION/IMPACT ON SCOPE	COMMITTEE REVIEW	BOARD APPROVAL
5. PARKS, RECREATION & TOURISM (see 5d below) Support documents pp. 30-31.	Revise budget (decrease) to \$19,000 (a)	Deduct \$1,000 of Capital Improvement Bond funds, Act 194 of 1979, General Park Improvements. Transfer to P28-008.	P28-047	Andrew Jackson State Park - Building Renovation (Near Lancaster) - The agency has determined that the funds can be made available to the Hickory Knob project.	JBR COMMITTEE APPROVED PER POLL 1/29/81	App by staff 2-11-81
(see 5d below) Support documents pp. 30 & 32.	Revise budget (decrease) to \$34,910 (b)	Deduct \$10,000 Capital Improvement Bond funds, Act 194 of 1979, General Park Improvements. Transfer to P28-008.	P28-051	Greenwood State Park Renovation - The agency has determined that the funds can be made available to the Hickory Knob project.	JBR COMMITTEE APPROVED PER POLL 1/29/81	App by staff 2-11-81
(see 5d below) Support documents pp. 30 & 33.	Revise budget (decrease) to \$25,945.16 (c)	Deduct \$5,054.84 Capital Improvement Bond funds, Act 225 of 1975, General Park Improvements. Transfer to P28-008.	P28-005	Erosion Control - State Parks - The Agency has determined that the funds can be made available to the Hickory Knob project.	JBR COMMITTEE APPROVED PER POLL 1/29/81	App by staff 2-11-81
Support documents pp. 30 and 34-37.	Revise budget (increase) to \$2,237,735 (d)	Add \$427,544 1) Cap. Improve. Bonds Act 225 of 1975: (\$100,418.12) Act 225 of 1975: (\$5,054.84) Act 194 of 1979 (\$11,000) 2) Federal Funds 1-77 Project, (\$111,071.04) HCBS funds, \$200,000	P28-008	Hickory Knob State Park - Golf Course (Near McCormick) Act 518 of 1980 authorized \$674,044 additional Capital Improvement Bond funds for this project. The agency requests authorization to advance funding to this project pending the release of the 1980 funds.	JBR COMMITTEE APPROVED PER POLL 1/29/81	
Support documents pp. 38.	Revise budget (increase) to \$650,000 (e)	Add \$100,000, Capital Improvement Bond funds, Act 1377 of 1968	P28-012	Lynches River State Park - Swimming Pool (Near Florence) - Act 518 of 1980 authorized \$100,000 of Capital Improvement Bond funds. Authorization is requested to advance 1968 funds until the 1980 funds are released.	JBR COMMITTEE APPROVED PER POLL 1/29/81	App by staff 2-11-81

15108

FEB 13 1981

EXHIBIT  
FEB 26 1981  
NO. 4  
STATE BUDGET & CONTROL BOARD

RECEIVED JAN 21 1981

## SUMMARY OF PERMANENT IMPROVEMENT PROJECT ACTIONS PROPOSED BY STATE AGENCIES AND INSTITUTIONS

Assembled by staff of State Budget and Control Board. Summary forwarded to Joint Bond Review Committee 1/21/81.

NUMBER

30-81

Date

Page 1 of 2

NAME OF AGENCY OR INSTITUTION	ACTION PROPOSED	FUNDING CHANGE PROPOSED Amount/Source	PROJECT NUMBER	PROJECT NAME/PURPOSE OF REVISION/IMPACT ON SCOPE	COMMITTEE REVIEW	BOARD APPROVAL
DEPARTMENT OF MENTAL HEALTH (1) Supporting document pp. 1-3	Establish source of funds	\$500,000 Excess Paying Patient Fees Debt Service Fund	Not yet assigned	Compliance with Federal Handicapped Law - To release the project upon approval of the Department's Capital Improvements Plan as provided in Act 518 of 1980, Section 1, Article 15 (Item 1 of the proviso).		
(2) Supporting document pp. 4-5	Establish source of funds	\$50,000 Excess Paying Patient Fees Debt Service Fund	Not yet assigned	Safety Devices for Range Hoods - To release the project upon approval of the Department's Capital Improvements Plan as provided in Act 518 of 1980, Section 1, Article 15 (Item 2 of the proviso).		
(3) Supporting document pp. 6-7	Establish source of funds	\$400,000 Excess Paying Patient Fees Debt Service Fund	J12-019	Roof Replacements - 4 Buildings at S.C. State Hospital - To release the project upon approval of the Department's Capital Improvements Plan as provided in Act 518 of 1980, Section 1, Article 15 (Item 3 of the proviso).		
(4) Supporting document pp. 8-10	Establish source of funds and revise budget	\$5,445,000 Excess Paying Patient Fees Debt Service Fund \$4,875,000, Act 518 of 1980 \$570,000 revision	J12-011	Energy Facility - State Hospital - To release the project upon approval of the Department's Capital Improvements Plan as provided in Act 518 of 1980, Section 1, Article 15 (Item 4 of the proviso).		
(5) Supporting document pp. 11-14	Establish source of funds	\$10,200,000 Excess Paying Patient Fees Debt Service Fund	J12-010	Rodney Pavillion - 300-Bed ICF Addition to Tucker Center - To release the project upon approval of the Department's Capital Improvements Plan as provided in Act 518 of 1980, Section 1, Article 15 (Item 5 of the proviso).	JBR COMMITTEE APPROVED 2/10/81	APPROVED 2-12-81
(6) Supporting document pp. 15-16	Establish source of funds	\$64,000 Excess Paying Patient Fees Debt Service Fund	Not yet assigned	64-Bed Facility - Crafts-Farrow - To release the project upon approval of the Department's Capital Improvements Plan as provided in Act 518 of 1980, Section 1, Article 15 (Item 6 of the proviso).		

15109

FEB 10 1981

EXHIBIT  
FEB 26 1981 NO. 4  
STATE BUDGET & CONTROL BOARD

## SUMMARY OF PERMANENT IMPROVEMENT PROJECT ACTIONS PROPOSED BY STATE AGENCIES AND INSTITUTIONS

Assembled by staff of State Budget and Control Board. Summary forwarded to Joint Bond Review Committee 1/23/81.

Date

Page 1 of 1.

NUMBER

34-81

NAME OF AGENCY OR INSTITUTION	ACTION PROPOSED	FUNDING CHANGE PROPOSED Amount/Source	PROJECT NUMBER	PROJECT NAME/PURPOSE OF REVISION/IMPACT ON SCOPE	COMMITTEE REVIEW	BOARD APPROVAL
MENTAL RETARDATION (a)	Revise budget (increase) to \$372,682	Add \$131,682 Excess Debt Service Funds	J16-039	Two Eight-Bed Community Residences at Gaffney - Piedmont Region - To provide for award of low bid received 12/10/80. BID EXPIRES 2/10/81. \$124,275 additional funds were needed to meet low bid. The additional \$7,407 to be added to the project will be distributed to basic equipment, landscaping and miscellaneous project costs.	JBR COMMITTEE APPROVED PER POLL 2/3/81	App by Staff 2-9-81
Supporting document pp. 1-6						App by Staff 2-9-81
(b)	Revise Budget (increase) to \$244,942	Add \$110,942 Excess Debt Service Funds	J16-037	Eight-Bed Community Residence at Walterboro - Coastal Region - To provide for award of low bid received 11/26/80. BID EXPIRES 2/10/81. \$92,179 in additional funds were needed to meet low bid. The additional \$18,763 to be added will be distributed to basic equipment, landscaping, and miscellaneous project costs.	JBR COMMITTEE APPROVED PER POLL 2/3/81	App by Staff 2-9-81
Supporting document pp. 7-12						

15110

# EXHIBIT

STATE BUDGET AND CONTROL BOARD

FEB 26 1981

NO. 5 BLUE AGENDA

MEETING OF February 26, 1981

STATE BUDGET & CONTROL BOARD ITEM NUMBER

6

Agency: Division of General Services

Subject: Surplus Desk

The Division of General Services requests authority to notify Mrs. Mary McEachern that she has permission to acquire a desk of Mr. McEachern's that has been stored at Surplus Property. The desk is very old and has little or no commercial value. A value of \$5.00 has been placed on the desk.

Board Action Requested:

Staff Comment:

Attachments: Letter from Mr. Bill Altman

15111



Mike Copeland  
DIRECTOR

STATE OF SOUTH CAROLINA  
DIVISION OF GENERAL SERVICES  
BUDGET AND CONTROL BOARD  
BOSTON AVENUE  
WEST COLUMBIA, S. C. 29169

W. M. ALTMAN, JR.  
SURPLUS PROPERTY OFFICER  
PHONE: (803) 758-2626  
(803) 758-3641

EXHIBIT

February 13, 1981

FEB 26 1981 NO. 5

STATE BUDGET & CONTROL BOARD

MEMORANDUM

TO: Mr. Mike Copeland, Director  
Division of General Services

FROM: W. M. Altman, Jr.  
Surplus Property Officer *WMA*

Shortly after Mr. McEachern's retirement we stored at this warehouse one small desk which had been located in his office. It is my understanding that the desk was transferred to his office from another state agency; however, there is no state serial number on the desk.

The desk is very old and in my opinion has little or no commercial value.

I have been informed that Mrs. McEachern would like to acquire this desk.

WMAjr:cd

15112

# EXHIBIT

STATE BUDGET AND CONTROL BOARD

FEB 26 1981

NO. 6

BLUE AGENDA

MEETING OF February 26, 1981

ITEM NUMBER

7

STATE BUDGET & CONTROL BOARD

---

Agency: Finance Division (Budget Development)

---

Subject: Analysis of Change in Authorized Positions by Source of Funds, 1980-81

Please refer to attachment which is a summary of changes in authorized positions for the 1980-81 fiscal year by total, general fund, federal funds or other funds.

---

Board Action Requested:

Receive as information.

---

Staff Comment:

---

Attachments:

Referenced report

15113

FEB 23 1981

## EXHIBIT

State Auditor's Office  
Analysis of Change In Authorized Positions  
By Source of Fund

FEB 26 1981

NO. 6

## STATE BUDGET &amp; CONTROL BOARD

	Total Fund	General Fund	Federal Fund	Other Fund
1980-81 Appropriation Act 7/1/80	63,586	45,304	5,801	12,481
Adjustment:				
1979-80 Supplemental Appropriation Act		8		-8
Budget and Control Board Adjustments	93	23	38	32
Total Adjustments	93	31	38	24
Adjusted Base 7/1/80	63,679	45,335	5,839	12,505
Operations:				
State Auditor's Office				
Authorized Changes By Month				
July	5	5	-	-
August	5	8	-7	4
September	-	-	-	-
October	-30	297	14	-341
November	-	-	-	-
December	1	-	1	-
January	45	-0-	45	-0-
Total State Auditor's Office				
Authorized Adjustment				
Thru January 1981	26	310	53	-337
State Personnel Division				
Authorized Changes By Month				
July	-127	-76	-34	-17
August	-39	-18	-14	-7
September	-30	-16	-9	-5
October	-146	-11	-10	-125
November	-14	-9	-1	-4
December	-19	-9	-4	-6
January	-9	-5	-2	-2
Total State Personnel Division				
Authorized Adjustments				
Thru January 1981	-384	-144	-74	-166
Budget and Control Board				
Total Authorized Changes				
Thru January 1981	-358	166	-21	-503
Adjusted Base - 1/31/81	63,321	45,501	5,818	12,002

2/18/81  
Office of Budget Development

15114

The State of South Carolina



Office of the Attorney General

KAREN LeCRAFT HENDERSON  
Senior Assistant Attorney General

WADE HAMPTON OFFICE BUILDING  
POST OFFICE BOX 11549  
COLUMBIA, S. C. 29211  
TELEPHONE 803-758-8667

March 3, 1981

MAR 04 1981

EXHIBIT

FEB 26 1981

NO. 7

STATE BUDGET & CONTROL BOARD

DANIEL R. McLEOD  
ATTORNEY GENERAL

Honorable William T. Putnam  
Executive Director  
State Budget and Control Board  
Wade Hampton State Office Building  
Columbia, South Carolina

Re: \$4,500,000 Aiken County, South  
Carolina, Industrial Revenue  
Bonds (Hospital Corporation of  
America Project)

Dear Mr. Putnam:

Regarding the above-referenced bonds which were originally to be issued in the amount of \$4,000,000, the increase in amount to \$4,500,000 does not alter the conclusion reached in the opinion letter of January 12, 1981, and the State Board is free to approve the increase in its discretion.

With kind regards,

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

Karen LeCraft Henderson  
Senior Assistant Attorney General

KLH:jvh

15115

MEETING OF February 26, 1981

FEB 26 1981

NO. 7

ITEM NUMBER

8

Agency: Aiken County

## STATE BUDGET &amp; CONTROL BOARD

Subject: Petition to Issue Hospital Facilities Revenue Bonds  
(Not Exceeding \$4,500,000, Aiken Community Hospital Project)

Representatives of the firm of King and Spalding of Atlanta advise that the amount of the issue proposed, which was approved by the Budget and Control Board at its January 13, 1981 meeting, should be changed from not exceeding \$4,000,000 to not exceeding \$4,500,000.

2/26/81: Floyd  
Powell:  
\$500,000  
increase would not  
change opinion expressed  
on \$4,000,000 issue amount  
WAM

Board Action Requested:

Approval.

Staff Comment:Attachments:

15116

CORRECTION

MEETING OF February 26, 1981

FEB 26 1981

NO.

7

ITEM NUMBER

8

Agency:

Aiken County

STATE BUDGET &amp; CONTROL BOARD

Subject:Petition to Issue Hospital Facilities Revenue Bonds  
(Not Exceeding \$4,500,000, Aiken Community Hospital Project)

Representatives of the firm of King and Spalding of Atlanta advise that the amount of the issue proposed, which was approved by the Budget and Control Board at its January 13, 1981 meeting, should be changed from not exceeding \$4,000,000 to not exceeding \$4,500,000.

2/26/81: Floyd  
Powell:  
\$500,000  
increase would not  
change opinion expressed  
on \$4,000,000 issue amount  
WAM

Board Action Requested:

Approval.

Staff Comment:Attachments:

15116

# EXHIBIT

FEB 26 1981 NO. 7

A RESOLUTION AMENDING A RESOLUTION STATE BUDGET & CONTROL BOARD  
APPROVING THE ISSUANCE BY AIKEN  
COUNTY, SOUTH CAROLINA, OF \$4,000,000  
AIKEN COUNTY, SOUTH CAROLINA INDUS-  
TRIAL DEVELOPMENT REVENUE BONDS  
(HOSPITAL CORPORATION OF AMERICA  
PROJECT), SERIES 1981, PURSUANT TO  
THE PROVISIONS OF TITLE 44, CHAPTER  
7, ARTICLE 11, CODE OF LAWS OF SOUTH  
CAROLINA, 1976

WHEREAS, Aiken County, South Carolina (the "County"), acting by and through its County Council, pursuant to Title 44, Chapter 7, Article 11, Code of Laws of South Carolina, 1976, as amended (the "Act"), submitted a petition (the "Petition") to the State Budget and Control Board of South Carolina (the "State Board") seeking the approval of the State Board for the issuance of its Aiken County, South Carolina Industrial Development Revenue Bonds (Hospital Corporation of America Project), Series 1981, in the aggregate principal amount of not exceed \$4,000,000 (the "Bonds"); and

WHEREAS, the County proposes to issue the Bonds and lend the proceeds of the sale of the Bonds to Hospital Corporation of America, a Tennessee corporation (the "Company"), under the terms of a Loan Agreement, in order to enable the Company to finance the acquisition, construction and installation of an expansion of the Aiken Community Hospital (the "Project"), located in the County; and

WHEREAS, the County submitted to the State Board with the Petition (i) proposed forms of said Loan Agreement and a Trust Indenture relating to the Bonds, (ii) a copy of the Certificate of Need, dated September 25, 1980, issued by the Department of Health and Environmental Control of South Carolina with respect to the Project, and (iii) annual reports of the Company for the years 1975 through and including 1979; and

WHEREAS, the State Board made an independent investigation of the matters set forth in the Petition, and on the basis of such investigation, the State Board adopted a Resolution on January 13, 1981 (the "Original Resolution"), in which the State Board found, determined and declared, among other things, that the financing of the Project through the issuance of the Bonds will promote the purposes intended to be served by the Act; and

WHEREAS, on the basis of the foregoing findings, the State Board approved the proposed undertaking of the County to finance the Project through the issuance of the Bonds (including changes in any details of said undertaking as finally consummated which do not materially affect said undertaking); and

15117

WHEREAS, the County has been informed by the Company that the Company desires to include in the Project certain items of machinery and equipment (the "Equipment") more fully described in Exhibit "A" attached hereto, which will be acquired, constructed and installed by the Company at Aiken Community Hospital as part of the expansion of the Hospital; and

WHEREAS, the Company has estimated that the cost of the acquisition, construction and installation of the Equipment will be \$500,000 and has requested that the County issue the Bonds in an aggregate principal amount not exceeding \$4,500,000 to finance the acquisition, construction and installation of the Project and the Equipment;

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

Section 1. The Original Resolution is hereby amended to provide for the approval by the State Board of the issuance of the Bonds in an aggregate principal amount of not exceeding \$4,500,000.

Section 2. All other provisions of the Original Resolution, as amended by this Resolution, are hereby ratified and confirmed in all respects.

Section 3. Notice of the action taken by the State Board in this Resolution shall be published in a newspaper having general circulation in the County in substantially the form set forth in Exhibit "B" to this Resolution.

Section 4. This Resolution shall take effect immediately.

## EXHIBIT

FEB 26 1981 NO. 7

STATE BUDGET & CONTROL BOARD

# EXHIBIT

FEB 26 1981

NO. 7

EXHIBIT "A"

STATE BUDGET & CONTROL BOARD

Two R-F Rooms (X-Ray Equipment)	\$327,254
Ultrasonic Duel Chamber	16,270
Monitoring Equipment	18,099
Omnibus-Omniwall	15,300
Pressure Monitor/Recorder	13,290
Transcutaneous Oxygen Monitor	12,012
Nova 4 + 4	25,000
TV Sets	15,200
Intraarticular Shaver	6,975
Linen Carts	8,700
Ma-1 Volume Ventilator	8,300
Two Memory Typewriters	10,400
Tray Carts	8,700
Celonscope	7,000
Gastroscope	7,500
TOTAL	<u>\$500,000</u>

15119

# EXHIBIT

FEB 26 1981

NO. 7

EXHIBIT "B"

STATE BUDGET & CONTROL BOARD

NOTICE PURSUANT TO THE PROVISIONS OF SECTION 44-7-1590,  
CODE OF LAWS OF SOUTH CAROLINA, 1976

Notice is hereby given pursuant to the provisions and requirements of Title 44, Chapter 7, Article 11, Code of Laws of South Carolina, 1976, as amended (the "Act"), that the State Budget and Control Board of South Carolina, pursuant to a Petition filed by Aiken County, South Carolina (the "County"), has given its approval to the following undertaking by the County (including changes in any details of said undertaking as finally consummated which do not materially affect said undertaking):

The issuance by the County of its Aiken County, South Carolina Industrial Development Revenue Bonds (Hospital Corporation of America Project), Series 1981, in the aggregate principal amount not to exceed \$4,500,000 (the "Bonds"), and the lending of the proceeds of the sale of the Bonds to Hospital Corporation of America, a Tennessee corporation (the "Company"), to enable the Company to finance the acquisition, construction and installation of an expansion of the Aiken Community Hospital, Inc.; the execution and delivery of a Loan Agreement, dated as of April 1, 1981, by and between the County and the Company, under the terms of which the Company will agree to make payments to the County sufficient to pay the principal of, the redemption premium (if any) and the interest on the Bonds as the same become due; and the execution and delivery of a Trust Indenture, dated as of April 1, 1981, by and between the County and Commerce Union Bank, Nashville, Tennessee, as Trustee, under the terms of which the Bonds will be issued and the County will pledge and assign to said Trustee all of its rights, title and interest in said Loan Agreement (except the right to certain indemnification payments) and the "Pledged Revenues" (as defined in said Trust Indenture) as security for the payment of the principal of, the redemption premium (if any) and the interest on the Bonds. The Project will be the sole property of the Company, and the County will not be vested with any interest in the Project by virtue of the issuance of the Bonds to finance the cost of the acquisition, construction and installation of the Project and the Project will not constitute any part of the security for the Bonds.

Drafts of said Loan Agreement and Trust Indenture are on file at the office of the County located in the Aiken County Office Building, Aiken, South Carolina.

The Department of Health and Environmental Control of South Carolina has issued its Certificate of Need, dated September 25, 1980, approving the acquisition, construction and installation of the Project, as required by the Act.

15120

Notice is further given that any interested party may at any time within twenty (20) days after the date of publication of this Notice, but not afterwards, challenge the validity of the action of the State Board in approving the above-described undertaking of the County, by action de novo, instituted in the Court of Common Pleas for Aiken County, South Carolina.

STATE BUDGET AND CONTROL BOARD  
OF SOUTH CAROLINA

By: \_\_\_\_\_  
William A. McInnis

Dated: February 26, 1981

EXHIBIT

FEB 26 1981 NO. 7

STATE BUDGET & CONTROL BOARD

15121

# EXHIBIT

FEB 26 1981

NO. 7

STATE OF SOUTH CAROLINA

STATE BUDGET & CONTROL BOARD

COUNTY OF RICHLAND

I, WILLIAM A. McINNIS, Secretary to the South Carolina State Budget and Control Board, DO HEREBY CERTIFY:

That the said State Budget and Control Board (the Board) is composed of the following:

His Excellency, Richard W. Riley, Governor and Chairman of the Board;

The Honorable Grady L. Patterson, Jr., State Treasurer;

The Honorable Earle E. Morris, Jr., Comptroller General;

The Honorable Rembert C. Dennis, Chairman of the Senate Finance Committee; and

The Honorable Tom G. Mangum, Chairman of the House Ways and Means Committee.

That due notice of a meeting of the Board, called to be held in Columbia, South Carolina at 9:00 A. M., Thursday, February 26, 1981, was given to all members in writing, and at least four (4) days prior to said meeting; that all members of said Board were present at said meeting, with the exception of:

None

That at said meeting, a Resolution, of which the attached is a true, correct and verbatim copy, was introduced by Mr. Patterson, who moved its adoption; said motion was seconded by Rep. Mangum, and upon the vote being taken and recorded it appeared that the following votes were cast:

FOR MOTION

5

AGAINST MOTION

0

That the Chairman thereupon declared the Resolution unanimously adopted and the original thereof has been duly entered in the permanent records of minutes of meetings of said Board in my custody as its Secretary.

*William A. McInnis*

Secretary

February 26, 1981

*Held until Atty Gen's Office letter  
received on 3/4/81 WAm*

15122

FEB 24 1981

KING & SPALDING

2500 TRUST COMPANY TOWER

ATLANTA, GEORGIA 30303

404/572-4600

1800 M STREET, N.W.  
WASHINGTON, D. C. 20036  
202/466-7640

February 23, 1981

EXHIBIT

FEB 26 1981

NO. 7

STATE BUDGET & CONTROL BOARD

Mr. William A. McInnis  
Secretary  
State Budget and Control Board  
Room 212  
Wade Hampton Office Building  
Capitol Complex  
Columbia, South Carolina 29201

Re: \$4,500,000 Aiken County, South Carolina Industrial  
Development Revenue Bonds (Hospital Corporation of  
America Project), Series 1981

Dear Mr. McInnis:

Enclosed are an original and eight copies of a Resolution which we have prepared in connection with the issuance of the bonds in caption.

As you know, the State Board adopted a Resolution on January 13, 1981, approving the issuance of Bonds by Aiken County, South Carolina in the aggregate principal amount of not exceeding \$4,000,000, to finance the construction of an expansion of the Aiken Community Hospital. Hospital Corporation of America, the owner of Aiken Community Hospital, has revised the description of the Project to include certain items of machinery and equipment necessary for the operation of the Hospital. These items of machinery and equipment and their costs are more fully described in Exhibit "A" to the enclosed Resolution.

Hospital Corporation of America estimates that the cost of these items of machinery and equipment will be \$500,000 and has asked Aiken County to issue the Bonds in an aggregate principal amount of not exceeding \$4,500,000 so that the acquisition and installation of these items of machinery and equipment can be included in the Project. We have been advised by Hospital Corporation of America that this machinery and equipment is either already covered by the Certificate of Need included as part of the Petition of Aiken County or is not subject to the Certificate of Need laws of South Carolina because the cost of each item is less than \$150,000.

15123

Mr. William A. McInnis  
February 22, 1981  
Page -2-

# EXHIBIT

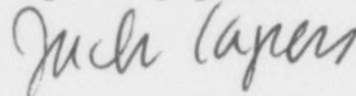
FEB 26 1981 NO. 7

## STATE BUDGET & CONTROL BOARD

The enclosed Resolution is intended only to amend the Resolution of the State Board adopted on January 13, 1981, to increase the approved amount of the Bonds from \$4,000,000 to \$4,500,000. As you can see, the Resolution directs the Clerk of Aiken County to provide for publication of the Notice of Adoption of the Resolution in the legal advertiser for Aiken County. We propose to publish the same notice which was published after the adoption of the Resolution on January 13, 1981, with only the amount of the Bonds modified to reflect the new size of the bond issue.

We would appreciate the State Board acting on this Resolution at its meeting on Thursday, March 5, 1981. Please call me or Barbara Brown if you will need any additional information in order to complete your files on this matter.

Very truly yours,



John D. Capers, Jr.

JDCjr/ks

Enclosure

cc: Mr. Pope B. McIntire  
Mr. Douglas D. Batchelor, Jr.  
Mr. C. Wesley Smith  
Ms. Barbara A. Brown

15124

# EXHIBIT

FEB 26 1981 NO. 7

## STATE BUDGET & CONTROL BOARD

A RESOLUTION AMENDING A RESOLUTION APPROVING THE ISSUANCE BY AIKEN COUNTY, SOUTH CAROLINA, OF \$4,000,000 AIKEN COUNTY, SOUTH CAROLINA INDUSTRIAL DEVELOPMENT REVENUE BONDS (HOSPITAL CORPORATION OF AMERICA PROJECT), SERIES 1981, PURSUANT TO THE PROVISIONS OF TITLE 44, CHAPTER 7, ARTICLE 11, CODE OF LAWS OF SOUTH CAROLINA, 1976

WHEREAS, Aiken County, South Carolina (the "County"), acting by and through its County Council, pursuant to Title 44, Chapter 7, Article 11, Code of Laws of South Carolina, 1976, as amended (the "Act"), submitted a petition (the "Petition") to the State Budget and Control Board of South Carolina (the "State Board") seeking the approval of the State Board for the issuance of its Aiken County, South Carolina Industrial Development Revenue Bonds (Hospital Corporation of America Project), Series 1981, in the aggregate principal amount of not exceed \$4,000,000 (the "Bonds"); and

WHEREAS, the County proposes to issue the Bonds and lend the proceeds of the sale of the Bonds to Hospital Corporation of America, a Tennessee corporation (the "Company"), under the terms of a Loan Agreement, in order to enable the Company to finance the acquisition, construction and installation of an expansion of the Aiken Community Hospital (the "Project"), located in the County; and

WHEREAS, the County submitted to the State Board with the Petition (i) proposed forms of said Loan Agreement and a Trust Indenture relating to the Bonds, (ii) a copy of the Certificate of Need, dated September 25, 1980, issued by the Department of Health and Environmental Control of South Carolina with respect to the Project, and (iii) annual reports of the Company for the years 1975 through and including 1979; and

WHEREAS, the State Board made an independent investigation of the matters set forth in the Petition, and on the basis of such investigation, the State Board adopted a Resolution on January 13, 1981 (the "Original Resolution"), in which the State Board found, determined and declared, among other things, that the financing of the Project through the issuance of the Bonds will promote the purposes intended to be served by the Act; and

WHEREAS, on the basis of the foregoing findings, the State Board approved the proposed undertaking of the County to finance the Project through the issuance of the Bonds (including changes in any details of said undertaking as finally consummated which do not materially affect said undertaking); and

15125

WHEREAS, the County has been informed by the Company that the Company desires to include in the Project certain items of machinery and equipment (the "Equipment") more fully described in Exhibit "A" attached hereto, which will be acquired, constructed and installed by the Company at Aiken Community Hospital as part of the expansion of the Hospital; and

WHEREAS, the Company has estimated that the cost of the acquisition, construction and installation of the Equipment will be \$500,000 and has requested that the County issue the Bonds in an aggregate principal amount not exceeding \$4,500,000 to finance the acquisition, construction and installation of the Project and the Equipment;

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

Section 1. The Original Resolution is hereby amended to provide for the approval by the State Board of the issuance of the Bonds in an aggregate principal amount of not exceeding \$4,500,000.

Section 2. All other provisions of the Original Resolution, as amended by this Resolution, are hereby ratified and confirmed in all respects.

Section 3. Notice of the action taken by the State Board in this Resolution shall be published in a newspaper having general circulation in the County in substantially the form set forth in Exhibit "B" to this Resolution.

Section 4. This Resolution shall take effect immediately.

## EXHIBIT

FEB 26 1981 NO. 7

STATE BUDGET & CONTROL BOARD

15126

# EXHIBIT

FEB 26 1981 NO. 7

EXHIBIT "A"

STATE BUDGET & CONTROL BOARD

Two R-F Rooms (X-Ray Equipment)	\$327,254
Ultrasonic Duel Chamber	16,270
Monitoring Equipment	18,099
Omnibus-Omniwall	15,300
Pressure Monitor/Recorder	13,290
Transcutaneous Oxygen Monitor	12,012
Nova 4 + 4	25,000
TV Sets	15,200
Intraarticular Shaver	6,975
Linen Carts	8,700
Ma-1 Volume Ventilator	8,300
Two Memory Typewriters	10,400
Tray Carts	8,700
Celonscope	7,000
Gastroscope	7,500
TOTAL	<u>\$500,000</u>

15127

# EXHIBIT

FEB 26 1981

NO. 7

EXHIBIT "B"

STATE BUDGET & CONTROL BOARD

NOTICE PURSUANT TO THE PROVISIONS OF SECTION 44-7-1590,  
CODE OF LAWS OF SOUTH CAROLINA, 1976

Notice is hereby given pursuant to the provisions and requirements of Title 44, Chapter 7, Article 11, Code of Laws of South Carolina, 1976, as amended (the "Act"), that the State Budget and Control Board of South Carolina, pursuant to a Petition filed by Aiken County, South Carolina (the "County"), has given its approval to the following undertaking by the County (including changes in any details of said undertaking as finally consummated which do not materially affect said undertaking):

The issuance by the County of its Aiken County, South Carolina Industrial Development Revenue Bonds (Hospital Corporation of America Project), Series 1981, in the aggregate principal amount not to exceed \$4,500,000 (the "Bonds"), and the lending of the proceeds of the sale of the Bonds to Hospital Corporation of America, a Tennessee corporation (the "Company"), to enable the Company to finance the acquisition, construction and installation of an expansion of the Aiken Community Hospital, Inc.; the execution and delivery of a Loan Agreement, dated as of April 1, 1981, by and between the County and the Company, under the terms of which the Company will agree to make payments to the County sufficient to pay the principal of, the redemption premium (if any) and the interest on the Bonds as the same become due; and the execution and delivery of a Trust Indenture, dated as of April 1, 1981, by and between the County and Commerce Union Bank, Nashville, Tennessee, as Trustee, under the terms of which the Bonds will be issued and the County will pledge and assign to said Trustee all of its rights, title and interest in said Loan Agreement (except the right to certain indemnification payments) and the "Pledged Revenues" (as defined in said Trust Indenture) as security for the payment of the principal of, the redemption premium (if any) and the interest on the Bonds. The Project will be the sole property of the Company, and the County will not be vested with any interest in the Project by virtue of the issuance of the Bonds to finance the cost of the acquisition, construction and installation of the Project and the Project will not constitute any part of the security for the Bonds.

Drafts of said Loan Agreement and Trust Indenture are on file at the office of the County located in the Aiken County Office Building, Aiken, South Carolina.

The Department of Health and Environmental Control of South Carolina has issued its Certificate of Need, dated September 25, 1980, approving the acquisition, construction and installation of the Project, as required by the Act.

15128

Notice is further given that any interested party may at any time within twenty (20) days after the date of publication of this Notice, but not afterwards, challenge the validity of the action of the State Board in approving the above-described undertaking of the County, by action de novo, instituted in the Court of Common Pleas for Aiken County, South Carolina.

STATE BUDGET AND CONTROL BOARD  
OF SOUTH CAROLINA

By: \_\_\_\_\_  
William A. McInnis

Dated: February 26, 1981

EXHIBIT  
FEB 26 1981 NO. 7  
STATE BUDGET & CONTROL BOARD

15129

# EXHIBIT

STATE BUDGET AND CONTROL BOARD

FEB 26 1981

NO. 8

BLUE AGENDA

MEETING OF February 26, 1981

ITEM NUMBER

9

STATE BUDGET & CONTROL BOARD

Agency: Division of General Services

Subject: Union Camp - South Carolina Sand Lease Agreement

The Division of General Services recommends approval of the attached Agreement which is an "extension" of Union Camp's previous Agreement which is due to expire June 30, 1981, and has been updated by changing the Code section and including the county. The Agreement provides a nonexclusive option for Union Camp to remove sand materials from the South Carolina side of Savannah Back River for maintenance of the dikes around their pollution control facility on Hutchinson Island, and will expire in June of 1986. No sand has been removed during the past four (4) years. Coastal Council and Water Resources have no objections to renewing this Lease Agreement.

Board Action Requested:

Staff Comment:

Attachments: Lease Agreement

15130

# EXHIBIT

FEB 26 1981 NO. 8

STATE OF SOUTH CAROLINA )  
COUNTY OF JASPER )

STATE BUDGET & CONTROL BOARD

THIS AGREEMENT made this 30th day of June, 1981, between the State of South Carolina, by and through the South Carolina Division of General Services, State Budget and Control Board, hereinafter referred to as "State", acting pursuant to power vested in it under provisions of Section 11-9-630 of the Code of Laws of South Carolina for 1976, and Union Camp Corporation, a corporation, hereinafter referred to as "Union Camp".

## WITNESSETH

State, for and in consideration of the sum of One (\$1.00) Dollar to it in hand paid and in further consideration of the payments hereinafter mentioned, hereby sells and grants to Union Camp, its successors and assigns, the nonexclusive right to mine and remove from the bottom of the Savannah River (Back River) on the South Carolina side of said river, sand materials from an area generally described as follows:

That area in Jasper County, South Carolina, lying North and East of the Georgia-South Carolina boundary line as established by the U.S. Coast and Geodetic Survey, and bounded North by Clydesdale Creek; East by the mean low watermark of Back River on the South Carolina side; and South by the Seaboard Coast Line Railroad Crossing over Back River.

Union Camp shall pay to State a minimum of Eight Hundred (\$800) Dollars per year, payable in advance, during the period of this contract, or any renewal thereof.

Union Camp shall pay to State for the sand material mined and removed from said river beds the sum of Ten (10¢) cents per cubic yard against which price of Ten (10¢) cents per cubic yard shall be credited in each year during the life of this contract, or any renewal thereof, Eight Hundred (\$800) Dollars, minimum payment hereinabove provided. Such ten (10¢) cents per cubic yard payment shall only be credited against the Eight Hundred (\$800) Dollars paid in the year sand shall be mined and removed, and said Eight Hundred (\$800) Dollars per year minimum rental is not cumulative for the purpose of crediting the value of sand mined and removed. Union Camp shall pay to State within Sixty (60) days

after each anniversary of this Agreement, or any renewal thereof, all sums which may be due by Union Camp to State in excess of the minimum payment of Eight Hundred (\$800) Dollars herein provided for and paid in advance. On demand, Union Camp will make available to State, or its agents, its books and records concerning material mined and removed under this Agreement at the office of Union Camp in Savannah, Georgia during reasonable business hours.

In the event a third party shall request an agreement from the State to remove sand from the area described herein, Union Camp shall have the first option to remove the sand requested by said third party, or in the alternative, shall pay the State not to enter into an agreement with said third party, such payment being equal to the payment offered the State for cubic yards of sand to be removed by said third party.

The volume of cubic yards of sand mined and removed by Union Camp shall be determined in the following manner:

Fill volume of sand materials mined and removed shall be measured for payment after it has been dredged and placed on the site. Volume determination shall be by the "average and area" method, utilizing surveyed cross sections of the upper surface and using settlement plate data to establish the shape of the base of the fill. Locations for centerline stations and settlement plates shall be shown on Union Camp's construction drawings employed in connection with placement.

When materials to be mined and removed by Union Camp under the terms of this Agreement in one continuous operation shall exceed Fifty Thousand (50,000) cubic yards, such mining and removal shall be accomplished by hydraulic suction dredge. When less than Fifty Thousand (50,000) cubic yards of materials are to be removed by Union Camp under this Agreement in one continuous operation, such mining and removal of such materials may be accomplished by dragline, hydraulic dredge or mechanical dredge, or by any combination thereof, so long as the work to be accomplished by such means is done in a workmanlike manner.

Union Camp may not transfer or assign its rights under this Agreement without first obtaining the written consent and approval of State.

Union Camp, its successors and assigns, shall have the non-exclusive right to remove such sand materials for a period of one (1)

year from the date hereof, and shall have the right and option for four (4) separate and additional renewals of this Agreement for a term of one (1) year each upon the same terms as herein provided. Unless Union Camp shall, at least sixty (60) days prior to the termination of this Agreement, or any renewal period thereof, give written notice to State of its intention not to exercise its option as herein provided and not to renew this Agreement for an additional period of one (1) year, this Agreement shall be determined to have been automatically renewed for an additional period of one (1) year each year during said four renewal periods. Such notice of its right to cancel and not renew this Agreement by Union Camp shall be sufficiently given to State by such notice being sent by certified or registered mail of the United States, addressed to State at the address at which the consideration for this Agreement is then payable. Union Camp's right and option to renew this Agreement as herein provided may not be abridged except upon Union Camp's default in the terms hereof.

IT IS UNDERSTOOD AND AGREED between the parties hereto that the title to any and all materials covered by this Agreement shall be and remain in the State of South Carolina until such time as such materials are severed from the premises described herein.

Union Camp hereby agrees that prior to any mining or removal of sand or the commencement of any other work below the mean high water mark of the State under this agreement it shall procure any Federal, State or local permits necessary for such work.

Union Camp, its successors and assigns, hereby agrees to hold the State harmless from any and all actions, claims, or causes of action for injuries to any person or property resulting from the work done pursuant to this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by its proper officer or officers thereunto duly authorized as of the day and year first above written.

Signed, sealed and delivered  
in the presence of:

\_\_\_\_\_

\_\_\_\_\_

DIVISION OF GENERAL SERVICES  
FOR  
SOUTH CAROLINA BUDGET AND  
CONTROL BOARD

BY: \_\_\_\_\_

BY: \_\_\_\_\_

15133

UNION CAMP CORPORATION

Signed, sealed and delivered  
in the presence of:

RAC Teresa S. Zedaker  
Robert A. Chonin

BY: James M. Ruthe  
Executive Vice President

ATTEST: Thompson  
Assistant Secretary

100

# EXHIBIT

FEB 26 1981 NO. 8

STATE OF SOUTH CAROLINA )  
COUNTY OF JASPER )

STATE BUDGET & CONTROL BOARD

PERSONALLY appeared before me \_\_\_\_\_  
and made oath that he/she saw the within named South Carolina Division of  
General Services for the State Budget and Control Board by \_\_\_\_\_  
\_\_\_\_\_ sign, seal and as its act and deed, deliver  
the within written Agreement for the uses and purposes therein mentioned,  
and that he/she with \_\_\_\_\_ witnessed the  
execution thereof.

SWORN to before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1981.  
\_\_\_\_\_  
(L.S.)  
Notary Public for South Carolina  
My Commission Expires: \_\_\_\_\_

STATE OF GEORGIA )  
COUNTY OF CHATHAM )

PERSONALLY appeared before me Robert A. Cronin  
and made oath that he/~~she~~ saw the within named Union Camp Corporation, by  
James M. Piette, Executive Vice President and,  
Thomas J. Dillon, Assist. Secretary, sign, seal and as its act and  
deed deliver the within written Agreement for the uses and purposes therein  
mentioned and that he/~~she~~ with Teresa Zedaker witnessed  
the execution thereof.

SWORN to before me this 10th  
day of February, 1981.  
Thelma Ann Dodd (L.S.)  
Notary Public for ~~South Carolina~~ Georgia  
My Commission Expires: \_\_\_\_\_  
THELMA ANN DODD  
Notary Public, Chatham County, Ga.  
My Commission Expires Mar. 7, 1982

APPROVED BY STATE BUDGET AND CONTROL BOARD  
February 26, 1981

W. I. Putnam  
W. I. Putnam, Executive Director

15135

# EXHIBIT

STATE BUDGET AND CONTROL BOARD FEB 26 1981 NO. 9 BLUE AGENDA

MEETING OF February 26, 1981 STATE BUDGET & CONTROL BOARD ITEM NUMBER 10

---

Agency: Division of General Services

---

Subject: Easement in Charleston County

---

The Division of General Services recommends approval of the proposed easement in Charleston County to The United States of America. The United States of America plans to construct and maintain a 10" potable underground waterline across Noisette Creek to provide a secondary source of water to the Naval Weapons Station in Charleston, South Carolina.

---

Board Action Requested:

---

---

Staff Comment:

---

---

Attachments: Easement

---

15136

# EXHIBIT

FEB 26 1981 NO. 9

STATE BUDGET & CONTROL BOARD

STATE OF SOUTH CAROLINA )  
COUNTY OF CHARLESTON ) EASEMENT

THIS EASEMENT, made and entered into this 12 day of February, 1980, by and between the South Carolina Budget and Control Board, as Grantor (hereinafter "STATE"), and The United States of America, as Grantee.

## WITNESSETH

WHEREAS, the United States of America proposes to construct and maintain a 10" potable underground waterline across Noisette Creek to provide a secondary source of water to the Naval Weapons Station, Charleston, South Carolina; said waterline being more particularly shown and delineated on a plat prepared by Davis and Floyd, Inc., entitled "Plat Showing Easement for waterline to be acquired by Department of the Navy from the State of South Carolina", dated July 16, 1980; and,

WHEREAS, the STATE is the prima facie owner, in trust, of the beds of navigable streams in the State as well as marshlands lying below the mean high water line; and,

WHEREAS, pursuant to Section 1-11-80 of the Code of Laws of South Carolina, 1976, the STATE is empowered to grant certain right-of-way or easements through and over riverbeds and marshlands for construction and maintenance of pipelines over, on, or under such land or marshland as are owned by the State; and,

WHEREAS, the United States of America is desirous of obtaining the hereinafter described easement through and over riverbeds and marshlands in Charleston County, and the STATE considers the granting of such an easement to be in the public interest.

NOW, THEREFORE, the STATE as Grantor, in consideration of the sum of One (\$1.00) Dollar and other valuable consideration, receipt of which is hereby acknowledged, does hereby grant, remise, and release unto United States of America, its successors and assigns, a right-of-way easement in, to, upon, and over the below described portion of riverbed

# EXHIBIT

FEB 26 1981

NO. 9

particularly described as follows:

STATE BUDGET & CONTROL BOARD

All that certain piece or strip of land located in the County of Charleston, State of South Carolina described as follows to wit: a twenty and no hundredths (20.00) feet perpetual easement lying east of the bridge crossing Noisette Creek on Ave "D" North from point C to point D on a survey line. The survey line is described as follows: commencing at a point one hundred fifteen and no hundredths (115.00) feet measured in a southerly direction along the center line of Ave "D" North from the center line of North Second Street to point A, thence turning and running South 66 degrees 51 minutes 16 seconds east a distance of twelve and sixty-three hundredths (12.63) feet to point B, thence turning and running South 23 degrees 08 minutes 44 seconds West a distance of nine and sixty hundredths (9.60) feet to point C, being the point of beginning, thence running South 23 degrees 08 minutes 44 seconds West a distance of one hundred twenty-six and ninety-seven hundredths (126.97) feet to point D. Said strip of land is more fully shown on a plat prepared by Davis & Floyd, Inc., entitled "Plat Showing Easement for Water Line to be Acquired by Department of the Navy from the State of South Carolina", dated July 16, 1980, which is attached hereto and made a part hereof.

The United States of America hereby agrees and covenants with the STATE that The United States of America, its successors and assigns, shall not block or obstruct navigable waters or cause unreasonable adverse impact on fish, wildlife, or water quality in its use of the easement area.

The United States of America shall use the easement area solely for the purposes incidental with the construction, operation, or maintenance of a 10" underground potable waterline and shall maintain such easement area and 10" potable waterline in good condition. The United States of America further agrees and covenants that The United States of America shall to the extent authorized by the Federal Tort Claims Act (28 U.S.C., Sections 1346(B) & 2671 et seq.) indemnify and hold harmless the STATE from and against any and all liabilities, claims, causes of action and expenses including, but not limited to, reasonable costs and attorney fees, resulting in personal injury or death to any person or persons or damage to any property at any time that arises from or is incident to the construction, operation, maintenance, or use of the easement granted herein.

This easement may be terminated by the STATE, in its discretion and such interests as the STATE may have shall revert to the STATE, if The United States of America, its successors and assigns: (1) quits and abandons all use of such underground potable waterline, in which case

# EXHIBIT

FEB 26 1981

NO. 9

## STATE BUDGET & CONTROL BOARD

this easement of right-of-way shall terminate thirty (30) days after the date of such abandonment; or (2) continues an uncorrected violation or breach, provided further, it is understood and agreed that this easement is not to be construed as an easement granted to the exclusion of the STATE, or to others later granted a similar right.

IN WITNESS WHEREOF, this instrument is being executed in accordance with the action of the South Carolina Budget and Control Board at its meeting held on the 26 day of February, <sup>1981</sup>~~1980~~.

WITNESSES:

STATE OF SOUTH CAROLINA

Donna K. Williams

BY: Richard W. Riley  
Governor Richard W. Riley

William A. McInnis

THE UNITED STATES OF AMERICA

Larry W. Mullins

BY: W. J. Woods  
Contracting Officer  
Southern Division  
Naval Facilities Command

Elizabeth L. Dotson

ATTORNEY GENERAL OF SOUTH CAROLINA

APPROVED BY: Daniel T. W. W.

15139

# EXHIBIT

FEB 26 1981 NO. 9

STATE OF SOUTH CAROLINA )  
COUNTY OF CHARLESTON )

STATE BUDGET & CONTROL BOARD  
PROBATE

PERSONALLY appeared before me Donna K. Williams  
and made oath that he/she saw the within named South Carolina Budget  
and Control Board by Governor Richard W. Riley, sign, seal, and as their  
act and deed deliver the within written Easement and that he/she along  
with William A. McInnis witnessed the execution thereof.

Donna K. Williams

SWORN to before me this 26  
day of February, <sup>1981</sup>1980.

Sue C. Crapps (L.S.)  
Notary Public for South Carolina

My Commission Expires: \_\_\_\_\_

~~My~~ Commission Expires September 21, 1989

PERSONALLY appeared before me ELIZABETH S. DOTSON  
and made oath that he/she saw the within named United States of America  
by W. J. WOODS, the Contracting Officer for the  
Southern Division Naval Facilities Command, sign, seal, and as its  
act and deed deliver the within written Easement and that he/she along  
with NANCY W. MULLINS witnessed the execution thereof.

Elizabeth S. Dotson

SWORN to before me this 12<sup>th</sup>  
day of February, 1981.

E. Raymond Andrews (L.S.)  
Notary Public for South Carolina

My Commission Expires: 12 April 1984

15140

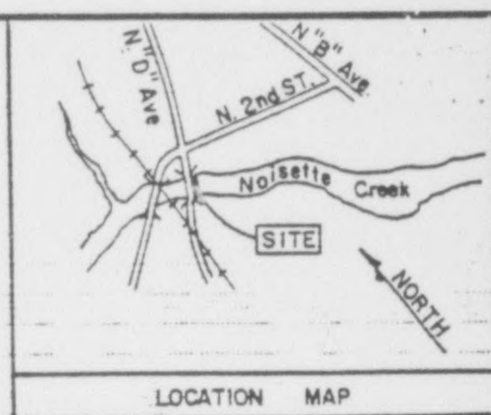
# EXHIBIT

FEB 26 1981 NO. 9

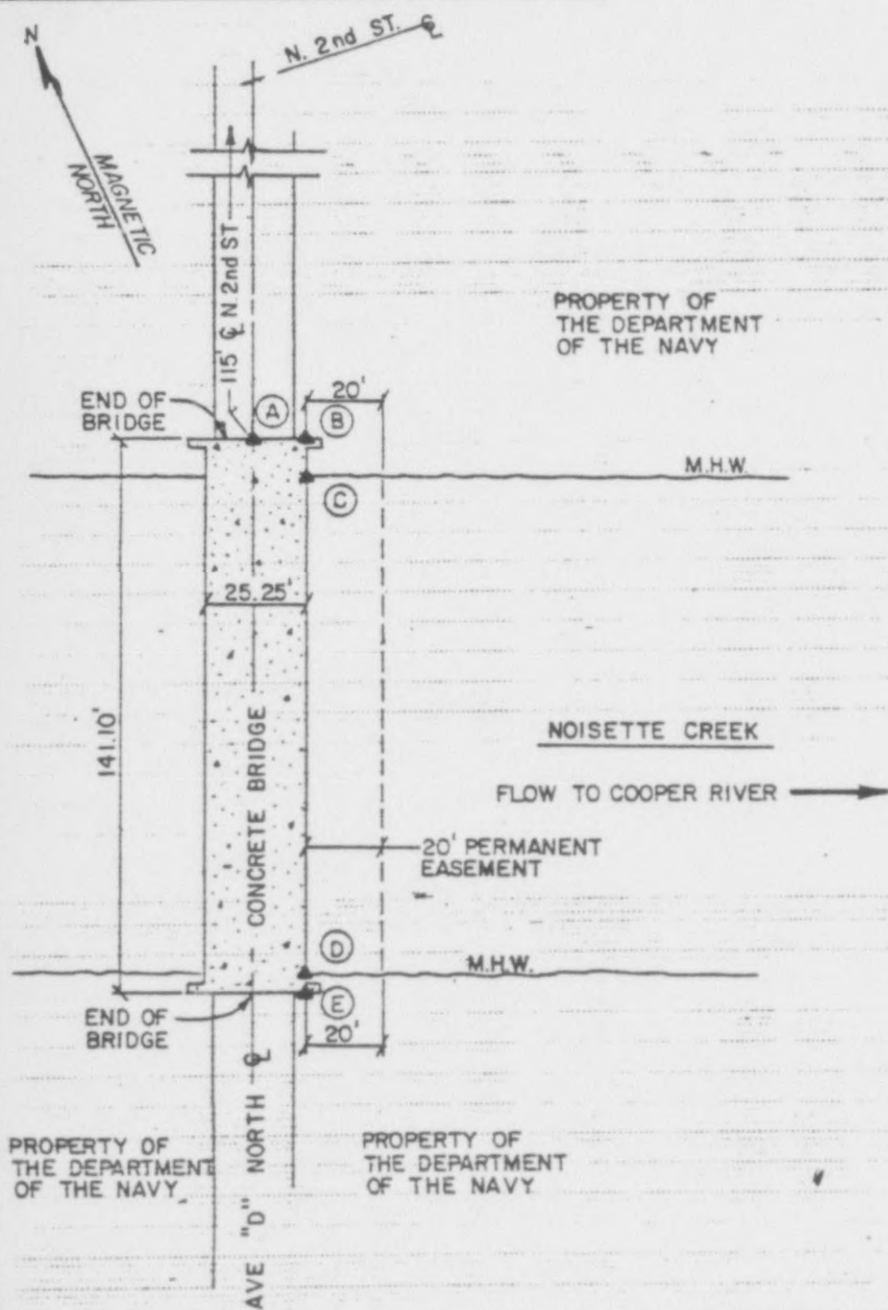
STATE BUDGET & CONTROL BOARD

15399

NOTE: APPROVAL OF THIS PLAT ONLY  
CONSTITUTES APPROVAL OF PERMANENT  
EASEMENT SHOWN HEREON



LOCATION MAP



## LEGEND:

- EASEMENT LINE
- TRAVERSE POINT

POINTS	BEARING	DISTANCE
A - B	S66°51'16"E	12.63'
B - C	S23°08'44"W	9.60'
C - D	S23°08'44"W	126.97'
D - E	S23°08'44"W	4.53'

## PLAT SHOWING

EASEMENT FOR WATER LINE

TO BE ACQUIRED BY

DEPARTMENT OF THE NAVY

FROM

THE STATE OF SOUTH CAROLINA

LOCATED AT

CHARLESTON NAVAL SHIPYARD

CHARLESTON COUNTY, S.C.

SCALE: 1" = 50'

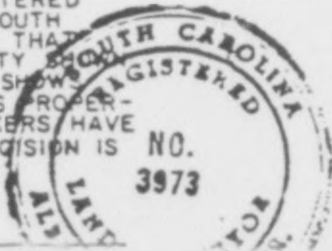
JULY 16, 1980

DAVIS & FLOYD, INC.

P.O. BOX 11024  
CHARLESTON, S.C. 29411

I, ALBERT HEATLEY JR., A REGISTERED  
SURVEYOR OF THE STATE OF SOUTH  
CAROLINA, DO HEREBY CERTIFY THAT  
I HAVE SURVEYED THE PROPERTY SHOWN  
HEREON AND THAT THIS PLAT SHOWS  
THE TRUE DIMENSIONS OF THIS PROPER-  
TY AND ALL NECESSARY MARKERS HAVE  
BEEN INSTALLED AND THE PRECISION IS  
1/5000

*Albert Heatley Jr.*



15141

# EXHIBIT

Add the following section to the Code:

FEB 26 1981 NO. 10

Section 23-35-05: ENUMERATION OF PERMISSIBLE FIREWORKS. STATE BUDGET & CONTROL BOARD

It shall be unlawful for persons to possess, sell, offer for sale, store, transport or use within this State any fireworks other than the permissible fireworks herein enumerated. The permissible fireworks consist of Federal Department of Transportation Class C "Common Fireworks" only, and shall mean such articles of fireworks as are enumerated as Federal Department of Transportation Class C "Common Fireworks" in Title 49, Code of Federal Regulations, Part 173.100.

15142

# EXHIBIT

Section 23-35-10 shall be amended to read:

FEB 26 1981 NO. 10

Section 23-35-10: DEFINITIONS.

STATE BUDGET & CONTROL BOARD

For the purpose of this chapter, the following terms are defined as meaning;

BOARD - The State Board of Pyrotechnic Safety.

FIREWORKS (Common) - Fireworks devices suitable for use by the public and designed primarily to produce visible effects by combustion. Classified by the Federal Department of Transportation as Class "C" Explosives.

FIREWORKS (Special) - Fireworks often referred to as "Display Fireworks" and are classified by the Federal Department of Transportation as Class "B" Explosives.

JOBBER - A person or firm licensed to sell fireworks to retail dealers only.

MANUFACTURER - A person or firm who is licensed to engage in the assembly of a firework item or items.

PERMANENT RETAILER - A person or firm doing business on a continuous basis throughout the year at the same location.

PERMISSIBLE FIREWORKS - Such articles of fireworks as are enumerated as Federal Department of Transportation Class C "Common Fireworks" in Title 49, Code of Federal Regulations, Part 173.100.

PYROTECHNICS - The art of making or the manufacture and use of fireworks. A display of fireworks. Inclusive of Federal Department of Transportation Class "C" and Class "B" Explosives.

RETAIL SALESPERSON - Any person employed by a licensed retail dealer to engage in the handling or sale of fireworks on behalf of the dealer.

SEASONABLE RETAILER - A person or firm, operating a fireworks facility during the peak seasons of July 4th and/or New Year's.

WHOLESALE DISTRIBUTOR - A person or firm licensed to sell fireworks to licensed Jobbers and/or Retail dealers.

15143

TYPE A DISPLAY - Any display requiring shells to be fired from mortars set pieces more than sixteen feet high shall be classified as Type A.

Section 40-56-10 shall be deleted from Chapter 56 and transferred to Chapter 35,

Section 23-35-15 and when amended shall read:

Section 23-35-15: STATE BOARD OF PYROTECHNIC SAFETY CREATED; MEMBERSHIP; TERMS; VACANCIES; MEETINGS; COMPENSATION; ASSSISTANCE.

There is hereby created the State Board of Pyrotechnic Safety. The Board shall be composed of seven members of whom one shall be a member of the Senate, appointed by the President of the Senate; one shall be a member of the House, appointed by the Speaker of the House, and five shall be appointed by the Governor of whom one shall be a Pyrotechnics Retailer, one shall be a Pyrotechnics Wholesaler or Jobber, one shall be a member of the Fire Service, and two shall be members of the General Public who shall not possess any pecuniary interest in any entity engaged in a business directly affecting or involving the sale of Pyrotechnics. The Chairman shall be elected for a one year term. Terms of office for members shall be as follows: the member of the Senate and the House shall serve for two years; the Pyrotechnics Retailer and Wholesaler or Jobber, and member of the Fire Service shall serve for three years; the two members of the Public shall serve for two years. All members shall serve until their successors are appointed and qualify. The Board shall meet at least annually and not more than once per month. Any Board member who misses at least three consecutive meetings, unless excused, shall be dismissed from the Board upon unanimous vote by the Board and his/her position shall be filled for the remainder of the original appointment by a designee to be named by the appointing authority. All meetings shall be scheduled at the call of the Chairman. All members shall receive mileage, per diem and subsistence as provided by law for members of boards, committees and commissions for days on which they are

transacting official business, to be paid from appropriations from the general fund of the State.

?? The General Services Division of the State Budget and Control Board shall supervise the enforcement of the laws and regulations of the State Board of Pyrotechnic Safety and shall employ personnel necessary to carry out the duties of this Board. The terms for Board members as set forth in this section shall be from the date of original appointment.

15146

Section 40-56-20 shall be deleted from Chapter 56 and transferred to Chapter 35,

Section 23-35-20 and when amended shall read:

Section 23-35-20: DUTIES OF THE BOARD; ASSISTANCE BY THE GENERAL SERVICES DIVISION OF THE STATE BUDGET AND CONTROL BOARD; BOARD LICENSE REQUIRED; FEES; FORMS OF LICENSE; DISPLAY OF LICENSE; DENIAL, SUSPENSION OR REVOCATION; APPEAL; HEARING.

(1) It shall be the duty of the Board created in 23-35-15 to promulgate regulations relating to the storage, transportation, sale and use of Pyrotechnics in this State. The General Services Division of the State Budget and Control Board shall assist the Board in the preparation of necessary regulations and supervise the enforcement thereof. The Board shall also recommend to the General Assembly, legislation it deems necessary for the safety and control of the sale of pyrotechnics. Provided, however, prior to submission of any regulations to the General Assembly by the Board the regulations shall be approved by the State Budget and Control Board.

(2) No person shall engage in the business of selling fireworks wholesale or retail in the State without being licensed by the Board, through the Pyrotechnic Safety Section, Division of General Services, under the provisions of this section. A license issued shall authorize the holder to engage in the business permitted by the license.

All license applications shall be accompanied by the required fee as set forth herein.

(3) All licenses shall be granted or refused within thirty days after application therefor, and shall expire, unless sooner revoked or suspended, on the date so signified on each license.

(4) The license fee for such licenses shall be as follows:

- a. Permanent Retailer - Fifty Dollars Annually
- b. Seasonable Retailer - Fifty Dollars Annually
- c. Jobber - Four Hundred Dollars Annually
- d. Wholesaler Distributor - One Thousand Dollars Annually
- e. Manufacturer - Twenty-Five Hundred Dollars Annually.

Licenses and fees as stated in this section are valid only at the location to which they are issued. Should re-location of a facility occur during the license year, relicensing as set forth in paragraphs five, six, and seven of this section shall be required.

(5) The issuance of licenses shall be subject to regulations promulgated by the Board and no license shall be issued to an applicant until the premises where such fireworks are to be stored or sold has been inspected by the Pyrotechnic Safety Section or its Agents and it is determined that such facility meets the standards as set forth in the regulations for the storage and sale of permissible fireworks in South Carolina.

(6) No person or firm may be issued a retail fireworks license who is not already licensed by the State Tax Commission for sales tax purposes and who has not held such sales tax license for at least sixty days, stating the address of the intended fireworks facility location. It shall be the duty of each dealer to conspicuously display all licenses in his place of business and no license provided for herein shall be transferred nor shall a person be permitted to operate under a license issued to any other person.

(7) The respective licenses and permits shall be issued on such form or forms as the Board may determine and all license fees collected by the Board shall be deposited in the general fund of the State.

(8) The Pyrotechnic Safety Section shall have the authority to deny any appli-

cation for a license or permit for violation of this chapter or rules and regulations promulgated by the Board.

(9) The Pyrotechnic Safety Section shall have the authority to serve written notice upon any person or dealer of fireworks in South Carolina, to appear before the Board and show cause as to why his/her license or permit shall not be suspended or revoked for violation of this chapter or rules and regulations promulgated by the Board.

(10) Any person aggrieved by any ruling of the Pyrotechnic Safety Section may appeal to the Board within fifteen (15) days after such ruling or action. Such appeal shall be in writing. The full Board shall give the aggrieved person at least thirty (30) days notice of the time and place of the hearing and shall state in writing its findings and determination after such hearing and its decision in the matter. Appeals from decisions of the Board shall be to the Court of Common Pleas.

(11) The orders of the Pyrotechnic Safety Section, regarding a fireworks facility, in a situation determined to be an emergency and imminent danger to public safety shall not be stayed by court order pending a hearing before the State Board of Pyrotechnic Safety.

Section 23-35-25 shall be added and shall read:

Section 23-35-25: PENALTIES FOR MANUFACTURING OR SELLING WITHOUT A LICENSE OR PERMIT.

Any person or firm manufacturing or selling fireworks without first obtaining the required license or permit, or operating with an expired license or permit, shall be deemed guilty of a misdemeanor and upon conviction shall be fined not less than One Thousand Dollars or imprisoned not less than thirty days or both.

# EXHIBIT

FEB 26 1981

NO. 10

Section 23-35-30 shall be added and shall read:

## STATE BUDGET & CONTROL BOARD

Section 23-35-30: PERMISSIBLE FIREWORKS SHALL BE PROPERLY IDENTIFIED.

No permissible articles of common fireworks shall be sold, offered for sale, possessed, stored or used in the state unless they shall be properly named to conform to the nomenclature of 23-35-05 and unless they are certified as Federal Department of Transportation Class C "Common Fireworks" on all shipping cases and by printing on the article to be of sufficient size and so positioned as to be readily recognized by law enforcement officials and the general public.

15151

Section 23-35-35 shall be added and shall read:

Section 23-35-35: "FIREWORKS" SHALL NOT INCLUDE TOY PISTOLS OR SIMILAR DEVICES.

The term fireworks shall not include toy paper caps which contain less than twenty-five hundredths of a grain of explosive compounds, toy pistols, toy canes, toy guns or other devices using paper caps and the sale and use of these items shall be permitted at all times.

15152

Section 23-35-40 shall be amended to read:

Section 23-35-40: EXCEPTIONS TO APPLICATION OF CHAPTER.

Nothing in this chapter shall apply:

- (1) To the shipping, sale, possession and use of fireworks for public displays, and such items of fireworks which are to be used for public display only and which are otherwise prohibited for sale and use within the State shall include display shells designed to be fired from mortars and display set pieces of fireworks classified by the regulations of the Federal Department of Transportation as "Class B Special Fireworks," and shall not include such items of commercial fireworks as cherry bombs, tubular salutes repeating bombs, aerial bombs torpedoes;
- (2) To the manufacture, storage, sale or use of signals necessary for the safe operation of railroads or other public or private transportation;
- (3) To illumination devices for photographic use;
- (4) To the military or naval forces of the State or United States;
- (5) To peace officers; and
- (6) To the sale or use of blank cartridges for ceremonial, theatrical or athletic events.

Section 23-35-50 shall be amended to read:

Section 23-35-50: EXCEPTIONS FOR STORAGE AND SALE OF AGRICULTURAL AND DISPLAY FIREWORKS BY LICENSED DISTRIBUTOR.

Nothing in this Chapter shall prohibit a licensed wholesale distributor from storing all Class B fireworks used for display or agricultural purposes. Such display and agricultural fireworks shall be stored in accordance with the regulations promulgated by the State Board of Pyrotechnic Safety, and records of purchases and sales shall be kept for inspection by authorized officials. Any distributor engaged in the sale of Class B display fireworks shall provide to the purchaser, necessary permit forms along with a copy of the Boards regulations regarding Type A fireworks displays. No sale of display fireworks is to be conducted prior to the issuance of a permit.

Section 23-35-60 shall be amended to read:

Section 23-35-60: PERMITS AND OTHER REQUIREMENTS FOR FIREWORKS DISPLAYS;  
PENALTY FOR VIOLATION.

Any person who desires to hold a fireworks display shall first obtain a permit from the Pyrotechnic Safety Section, Division of General Services, in triplicate. One copy shall be forwarded to the Supplier of the fireworks, one copy returned to the applicant and one copy shall be retained by the Department of Pyrotechnic Safety.

All fireworks display material shall be purchased from a dealer licensed in South Carolina who will supply a minimum of \$300,000 insurance protection for any accidents that might occur during the display. A copy of the insurance protection shall be forwarded to the Pyrotechnic Safety Section along with the permit application.

Any display requiring shells to be fired from mortars or set pieces more than sixteen feet high shall be classified as Type A, and when such display is used, an experienced fireworks operator so certified by the Pyrotechnic Safety Section shall be in charge for the protection of the spectators.

Any display which includes no uncased shells and is confined to Federal Department of Transportation Class C "Common Fireworks" only, shall not require a permit and may be fired by anyone who shall assume responsibility for insurance. No commercial firework items such as "Cherry Bombs", T-N-T, M-80's or other domestic items for commercial fireworks of a similar type shall be considered as display fireworks.

Any display which includes no uncased shells and is confined to Federal Depart-

ment of Transportation Class C "Common Fireworks" along with set pieces or racks less than twelve feet in height, may be fired by anyone who shall assume insurance responsibility after obtaining a permit from the Pyrotechnic Safety Section, Division of General Services.

The permit shall be issued on such form as the Pyrotechnic Safety Section, Division of General Services, may deem necessary. Any person who violates the provisions of this section shall be deemed guilty of a misdemeanor and, upon conviction, shall be fined not more than One Thousand Dollars or imprisoned for not more than ninety days or both.

Section 23-35-70 shall be deleted and amended to read:

Section 23-35-70: SALES TO AND PURCHASES FROM UNLICENSED PERSONS PROHIBITED;  
RECORDS SHALL BE KEPT OPEN.

No wholesaler shall be allowed to sell fireworks to any nonlicensed jobber or retailer, and the records of all retailers, jobbers and wholesalers shall be open for inspection by authorized officials to check sales or purchases.

Retailers shall purchase fireworks only from a manufacturer, jobber or wholesaler licensed to do business in South Carolina.

Section 23-35-80 shall be amended to read:

Section 23-35-80: MANNER IN WHICH FIREWORKS SHALL BE STORED BY WHOLESALERS AND JOBBERS.

Fireworks to be sold at wholesale shall be stored in a room set aside for the storage of fireworks only. Over the entrance to this room shall be posted a sign reading "FIREWORKS -- NO SMOKING -- KEEP OPEN FLAMES AWAY."

Section 23-35-90 shall be amended to read:

Section 23-35-90: MANNER IN WHICH FIREWORKS SHALL BE STORED AND DISPLAYED BY RETAILERS.

All retailers shall store permissible fireworks in the original unbroken containers in which such fireworks were shipped and received. Any such fireworks that are displayed or offered in bulk outside such original containers shall be displayed in accordance with rules and regulations promulgated and adopted by the State Board of Pyrotechnic Safety. No fireworks shall be displayed in windows or where the sun may shine through glass onto the fireworks. At all places where fireworks are stored or sold, the area used by the patrons shall be unobstructed, with clear access to an outside door. Such areas where fireworks are stored must have posted signs containing the words "NO-SMOKING" in letters not less than four inches high, on a contrasting background. No person under the age of eighteen years shall be employed as a salesman or handler of fireworks.

15159

Section 23-35-100 shall be amended to read:

Section 23-35-100: FIREWORKS SHALL NOT BE KEPT FOR SALE NEAR CERTAIN FLAMMABLE SUBSTANCES.

Fireworks shall not be sold or kept for sale in a place of business where paint, oils, varnishes, turpentine or gasoline or other flammable substances are kept in unbroken containers, unless in a separate and distinct section or department of the store.

15160

---

Section 23-35-110 shall be amended to read:

Section 23-35-110: SALE OF FIREWORKS TO MINORS AND DISCHARGE OF FIREWORKS IN CERTAIN CIRCUMSTANCES AND AREAS UNLAWFUL.

It shall be unlawful:

- (1) To offer for sale or to sell permissible fireworks to children under the age of fourteen years unless accompanied by a parent;
- (2) To explode or ignite fireworks within six-hundred feet of any Church, Hospital, Asylum, School, Place of assembly, Service Station, Bulk Storage Plant or any other facility that stores or dispenses flammable liquids;
- (3) To explode or ignite fireworks within one-hundred feet of where fireworks are stored, sold or offered for sale;
- (4) To ignite or discharge any permissible fireworks within or throw the same from any motor vehicle; and
- (5) To place or throw any ignited fireworks into or at any motor vehicle.
- (6) To ignite or discharge fireworks in such a manner so as to constitute a threat to the personal safety or property of another.

Section 23-35-120 shall be amended to read:

Section 23-35-120: STORAGE AND ASSEMBLY OF PUBLIC DISPLAY MATERIAL; PENALTY.

A manufacturer or wholesaler shall obtain a permit from the Pyrotechnic Safety Section, Division of General Services, to store or assemble materials for public fireworks displays. No dealer may store public display material in the same building where Class C "Common Fireworks" are offered for sale.

The provisions of this chapter shall not be construed as prohibiting continuous interstate commerce through this State into another state of any item of fireworks permitted for shipment by the regulations of the Federal Department of Transportation. It shall be unlawful to ship into or through this State or possess, sell or use, under any circumstances, any article of fireworks that is forbidden for transportation by the Federal Department of Transportation regulations.

Any person who violates the provisions of this section shall be deemed guilty of a misdemeanor and, upon conviction, shall be fined not more than One Thousand Dollars or imprisoned for not more than thirty days.

Section 23-35-130 shall be amended to read:

Section 23-35-130: MANUFACTURE, STORAGE, TRANSPORTATION, SALE, OR POSSESSION OF CERTAIN FIREWORKS ILLEGAL.

It shall be unlawful in this State to possess, sell, store, advertise for sale, manufacture or transport fireworks commonly called, M-100, M-80, Ground Salutes, Cherry Bombs, Bulldog Salutes, Ash Cans, Silver Salutes or any other fireworks classified in excess of Federal Department of Transportation Class C "Common Fireworks". Each device shall constitute a separate offense and any person who violates the provisions of this section shall be deemed guilty of a Felony and upon conviction shall be fined not less than Five Thousand Dollars nor more than Twenty-five Thousand Dollars and/or imprisoned for not less than one year nor more than ten years per offense. In addition, any motor vehicle or other conveyance used in violating this section shall be confiscated as set forth in Section 23-35-170 of this chapter.

15163

Section 23-35-140 shall be amended to read:

Section 23-35-140: ENFORCEMENT.

(1) The Pyrotechnic Safety Section, under the General Services Division of the State Budget and Control Board shall be primarily responsible for the enforcement of all laws and regulations regarding Pyrotechnics in South Carolina.

As part of its duties, the Pyrotechnic Safety Section shall:

- a. Enforce and supervise the enforcement of the provisions of this Chapter and rules and regulations under Section 23-35-20.
- b. Inspect any building, vehicle, or conveyance where pyrotechnics may be stored, sold or transported to see that the laws of the State are enforced.
- c. Coordinate and conduct training programs on law enforcement for pyrotechnics at the local and State level.
- d. Implement a uniform statewide enforcement program.

(2) The State Fire Marshal or his Agents, any Resident Fire Marshal, and Fire Chief or his Agent shall have the authority at any reasonable hour to inspect any building where pyrotechnic materials (fireworks) may be stored or sold to insure compliance with the Rules and Regulations promulgated and adopted by the State Board of Pyrotechnic Safety. Upon determining violations, any official named in this section may confiscate any fireworks not in compliance with the Rules and Regulations.

(3) Enforcement procedures exercised by those authorities named in paragraph two (2) above of this section shall be governed by this legislation and in accordance with procedures as set forth and adopted by the State Board of Pyrotechnic Safety in its Rules and Regulations.

(4) The Pyrotechnic Safety Section shall submit to the State Budget and

Control Board, an Annual report, no later than August Thirty-One, each year, covering the previous fiscal year, consisting of, but not limited to the following information regarding pyrotechnics throughout South Carolina; Licenses issued, revoked, or suspended; Regulatory inspections, violations, corrections; Property loss and personal injury; Criminal investigations, prosecutions, confiscations. Local Fire and Police authorities shall forward to the Pyrotechnic Safety Section, upon request, information to be used in the formulation of this report.

Section 23-35-150 shall be amended to read:

Section 23-35-150: PENALTIES.

Any person violating any provision of this Chapter or rules and regulations promulgated by the State Board of Pyrotechnic Safety shall, unless otherwise specifically provided in this Chapter, be deemed guilty of a misdemeanor and, upon conviction, shall be punished:

(1) For a first offense, by a fine of not less than One Hundred Dollars nor more than Two Hundred Dollars or imprisonment for not more than thirty days.

(2) For a second offense, by a fine of not less than Five Hundred Dollars nor more than Twenty-five Hundred Dollars or imprisonment for not less than sixty days, or both.

(3) For a third offense, and/or any subsequent offenses, by a fine of not less than One Thousand Dollars or more than Five Thousand Dollars or imprisonment of not less than ninety days nor more than one year, or both.

In addition to the above penalties, the license of any wholesaler, jobber, or retailer shall be permanently revoked upon conviction for a third offense and no license shall be issued to any person who is associated with or whose base operation is in substantially the same site as that of a person whose license has been permanently revoked.

Section 23-35-160 shall be amended to read:

Section 23-35-160: MANUFACTURE OF FIREWORKS IN SOUTH CAROLINA.

No person or firm shall engage in the business of manufacturing fireworks in South Carolina without being licensed by the Board, through the Pyrotechnic Safety Section, Division of General Services. The cost of such license shall be Twenty-five Hundred Dollars annually and shall be issued after approval of the applicant and his facility in accordance with regulations promulgated and adopted by the Board for the manufacture of fireworks in South Carolina.

Revocations, denial or suspension of license or distribution of manufactured products, shall be in compliance with Section 23-35-20 of this chapter.

Section 23-35-170 shall be amended to read:

23-35-170: FORFEITURE AND DISPOSITION OF CONVEYANCES USED TO TRANSPORT ILLEGAL FIREWORKS OR EXPLOSIVES.

(1) All conveyances including, but not limited to, trailers, aircraft, motor vehicles, and water going vessels which are used or intended for use to unlawfully conceal, contain, or transport or in any manner facilitate the unlawful concealment, containment, or transportation of fireworks or explosives as prohibited by State law shall, except as otherwise provided herein, be forfeited to the State.

(2) Forfeiture of such conveyances shall be accomplished by petition of the Attorney General or his designee to the Circuit Court setting forth the facts upon which the seizure was made, along with the make, model and year of the conveyance, the person in whose name the conveyance is registered, the person who holds the title hereto, and the type and quantity of the fireworks or explosives found in the forfeited conveyance. After hearing, upon due notice to the registered owner and any lein holder of record with the Department of Highways and Public Transportation in the case of a motor vehicle, or lein holder of record with the applicable governmental agency in the case of any other conveyance, the court shall determine whether or not the conveyance is subject to forfeiture under the provisions of this section, with due consideration to the interest of any of the following innocent parties: owner, parent, legal guardian or lein holder, including a finding as to whether or not a lawful arrest, search and seizure were made for an offense which involves the conveyance seized. If the judge shall find the conveyance to be subject to forfeiture, he shall issue an order declaring such conveyance to be forfeited to the State and

ordering transfer of title to such conveyance to the agency designated by the Attorney General.

(3) Whenever property is forfeited under the provisions of this section, the Attorney General may in his discretion:

1. provide for the transfer of title to such property to the law enforcement agency making the seizure; or
2. require the Division of General Services to take custody of the property and remove it for disposition in accordance with law. Any proceeds from any sale of property forfeited under the provisions of this act by the Division of General Services shall be remitted to the State Treasurer to be placed in the General Fund. For the purpose of this section, whenever the seizure of property is accomplished as a result of a joint effort by more than one law enforcement agency, the law enforcement agency initiating the investigation shall be deemed to be the agency making the seizure. Provided, however, in the event the State Enforcement Agency as set forth in Section 23-35-140 (1) of this Chapter is involved, upon request, or otherwise, they shall be deemed to be the Agency making the seizure. The proceeds from the sale of any conveyance which is confiscated and used for law enforcement, and is subsequently sold shall be placed in the General Fund of the unit of government of the agency making the seizure.

(4) The interest of the following persons or entities in a conveyance seized under the provision of this section shall not be forfeited if the court determines him to be:

- a. an innocent owner, parent-owner or guardian-owner whose conveyance is used, or intended for use, for the concealment, containment or transportation

of an illegal firework or explosive unless it shall appear to the court that such owner, parent-owner or guardian-owner was a consenting party to, or privy to, or had knowledge of the concealment, containment or transportation of said illegal products.

b. a lien holder of record with the Department of Highways and Public Transportation in the case of a motor vehicle, or lien holder of record with the applicable governmental agency in the case of any other conveyance; an officer, equity owner or a manager of a duly licensed rental agency unless it shall appear to the court that those persons named in this section had knowledge of or was privy to the actual or intended concealment, containment, or transportation of the illegal fireworks or explosives in the conveyance seized.

c. in the case of a company, corporation, or partnership doing business as a common carrier of goods for hire, the interest of such entity shall not be forfeited unless it appears to the court that an agent, employee, or servant of the entity had knowledge of or was privy to the actual or intended concealment, containment, or transportation of the illegal fireworks or explosives in the conveyance seized.

(5) Any confiscated conveyance, not subject to forfeiture herein, shall be returned without delay to the owner upon presentation or proof of ownership to the confiscating law enforcement agency.

(6) The lien of any innocent person or other legal entity, duly recorded with the Department of Highways and Public Transportation, shall continue in force upon transfer of title of any forfeited conveyance and any transfer of title shall be subject to such lien. Provided, that in the event of a forfeiture the lien holder shall be required to execute an affidavit in a post-forfeiture proceeding that such lien holder had no knowledge of the conveyance use by the owner

and was not a consenting party or privy to the violation which resulted in the forfeiture.

(7) Notice of the seizure and hearing shall be accomplished by:

- a. Personal service of the owner of record; lien holder of record by certified copy of the petition for forfeiture or notice of hearing or,
- b. by certified mail, to the last known address of the owner of record as appears on the title to the conveyance; or to the lien holder of record by mailing a copy of the petition for forfeiture or notice of hearing to the applicable governmental agency which normally records such liens. Proof of service may be established by affidavit.

## EXHIBIT

FEB 26 1981 NO. 10

STATE BUDGET & CONTROL BOARD //

15171

# EXHIBIT

STATE BUDGET AND CONTROL BOARD

FEB 26 1981

NO. 11

REGULAR SESSION AGENDA

MEETING OF February 26, 1981

ITEM NUMBER

2

STATE BUDGET & CONTROL BOARD

---

Agency: Finance Division (Engineering)

---

Subject: Medical University Proposal to Purchase Three Lots

The Medical University has proposed to purchase the properties located at 29 Mill Street, 31 Mill Street, and 143 Ashley Avenue which are directly adjacent to the campus of the Medical University as shown on the attached map.

Two appraisals of these properties have been secured, one of which indicates a total value for the three parcels of \$180,200 and the second shows a total value of \$184,100. The Medical University proposes to finance the acquisition of these properties, if approved, using excess debt service funds in the Plant Improvement Bond debt service account and the Institution Bond debt service account.

The Commission on Higher Education, at its January 8, 1981 meeting, approved the acquisition of these properties provided the total cost does not exceed \$184,100.

The Joint Bond Review Committee granted its approval to the referenced request at its February 10, 1981 meeting.

---

Board Action Requested:

Authorize Medical University to purchase the properties located at 29 Mill Street, 31 Mill Street, and 143 Ashley Avenue for a purchase price not to exceed \$184,100 and to finance the acquisition using excess Plant Improvement and Institution Bond debt service funds.

---

Staff Comment:

---

Attachments:

Wise November 7, 1980 letter to Boozer; Boozer January 9, 1981 letter to Putnam; McInnis January 21, 1981 letter to Hodges; Hodges February 13, 1981 letter to McInnis

15172



House of Representatives - State of South Carolina

FEB 13 1981

EXHIBIT

Charles E. Hodges  
District No. 104-Horry County  
4307 Broad Street  
Loris, S.C. 29569

FEB 26 1981 NO. 11 228 Blatt Building  
Columbia, S.C. 29211  
STATE BUDGET & CONTROL BOARD  
Tel. (803) 758-8316

Committees:

Ways and Means  
Capital Improvements Bond Review Committee - Chairman  
S.C. Committee on Tourism and Trade - Chairman  
Public Transportation Study - Vice Chairman  
State Reorganization Commission - Chairman  
Majority Leader

February 13, 1981

Mr. William A. McInnis  
Deputy Executive Director  
State Budget & Control Board  
212 Wade Hampton Bldg.  
Columbia, S. C. 29201

In re: S33-81; Medical University  
of S. C. - Purchase 3 lots

Dear Mr. McInnis:

At the meeting of the Joint Bond Review Committee held February 10, the Committee reviewed your letter of January 21 (Summary #33-81) advising of the Medical University's request to purchase 3 properties at a total cost not to exceed \$184,100 and to be financed from the Plant Improvement Bond Debt Service Account and the Institution Bond Debt Service Account and further advising that the Commission on Higher Education has approved this request.

This is to advise of the Joint Bond Review Committee's approval of the purchase of these 3 properties.

With kind regards,

Sincerely,

*Charles E. Hodges*  
Charles E. Hodges, Chairman  
Joint Bond Review Committee

CEH:lc

15173

State of South Carolina  
**State Budget and Control Board**

RICHARD W. RILEY, CHAIRMAN  
GOVERNOR  
GRADY L. PATTERSON, JR.  
STATE TREASURER  
FARLEE MORRIS, JR.  
COMPTROLLER GENERAL

Box 12444  
Columbia  
29211

REMBERT C. DENNIS  
CHAIRMAN, SENATE FINANCE COMMITTEE  
TOM G. MANGUM  
CHAIRMAN, WAYS AND MEANS COMMITTEE

WILLIAM T. PUTNAM  
EXECUTIVE DIRECTOR

January 21, 1981

**EXHIBIT**

**FEB 26 1981 NO. 11**

**STATE BUDGET & CONTROL BOARD**

The Honorable Charles E. Hodges, Chairman  
Joint Bond Review Committee  
228 Blatt Office Building  
Columbia, SC 29201

Dear Representative Hodges:

Re: Summary 33-81, Medical University Proposal to Purchase  
Three Lots

The Medical University proposes to purchase the properties located at 29 Mill Street, 31 Mill Street and 143 Ashley Avenue, properties directly adjacent to the campus of the Medical University as shown on the map attached. Two appraisals of these properties have been secured. One appraisal indicates a total value for the three parcels of \$180,200 and the second appraisal shows a total value of \$184,100.

The Commission on Higher Education has approved the request to purchase the three properties provided the total cost does not exceed \$184,100.

The Medical University proposes to finance the acquisition, if approved, using excess debt service funds in the Plant Improvement Bond debt service account and the Institution Bond debt service account.

The supporting documentation on this request consists of Commission on Higher Education Executive Director Howard Boozer's January 9 letter indicating the Commission's approval, Mr. Wise's November 7 letter to Dr. Boozer requesting approval of the project and the referenced map. In addition, a single copy of the appraisals is being forwarded to Ms. Lib Croft for Committee reference.

**15174**

# EXHIBIT

The Honorable Charles E. Hodges  
Page 2 - Summary 33-81  
January 21, 1981

FEB 26 1981 NO. 11

STATE BUDGET & CONTROL BOARD

Please let us know if you need additional information on this proposal or if we might assist the Committee in its review of it.

Sincerely,

*William A. McInnis*

William A. McInnis  
Deputy Executive Director

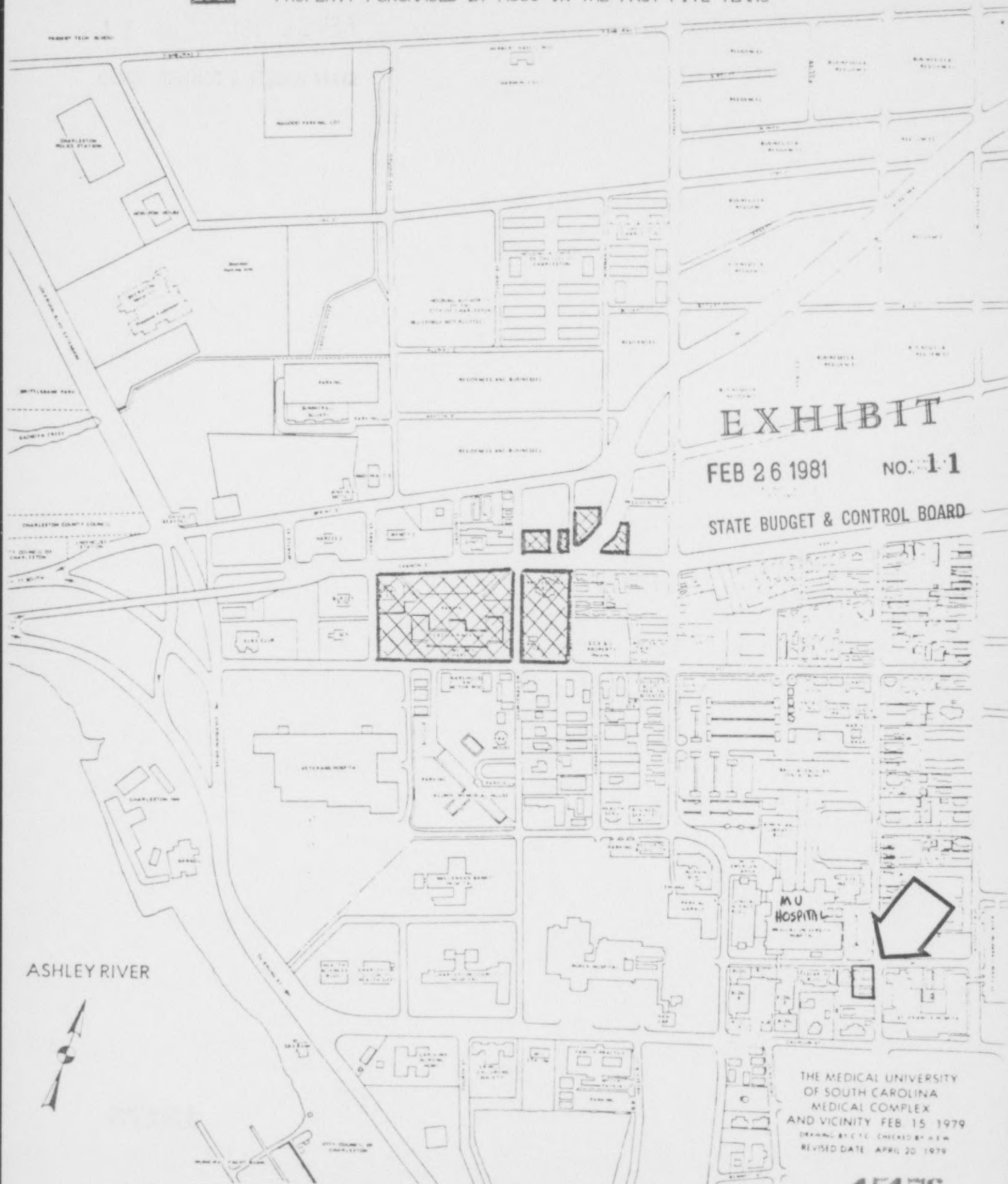
WAM:dw

Enclosures

cc: Lib Croft  
Mike Ey  
Scott Inkley  
John Wise  
Mike Windham  
John McPherson  
Kitty Clarke

15175

☒ PROPERTY PURCHASED BY MUSC IN THE PAST FIVE YEARS



EXHIBIT

FEB 26 1981

NO. 1-1

STATE BUDGET & CONTROL BOARD

THE MEDICAL UNIVERSITY  
OF SOUTH CAROLINA  
MEDICAL COMPLEX  
AND VICINITY FEB 15 1979  
DRAWING BY C.T.C. CHECKED BY A.E.W.  
REVISED DATE APRIL 20 1979

15176

JAN 10 1981

SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION

RUTLEDGE BUILDING  
1429 SENATE STREET  
COLUMBIA, S. C. 29201

HOWARD R. BOOZER  
EXECUTIVE DIRECTOR

TELEPHONE  
803/758-2407

January 9, 1980

EXHIBIT

FEB 26 1981 NO. 11

STATE BUDGET & CONTROL BOARD

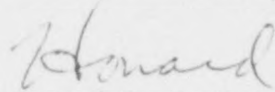
Mr. William T. Putnam  
Executive Director  
State Budget and Control Board  
Wade Hampton Building  
Columbia, SC 29211

Dear Bill:

Enclosed is a request from the Medical University of South Carolina to purchase three properties using excess cash from debt service accounts. Two appraisals of the parcels are included.

On January 8, 1981, the Commission approved the request, provided total cost does not exceed \$184,100.

Sincerely yours,

  
Howard R. Boozer

HRB:dm

Enclosure

cc: President William H. Knisely

15177

EXHIBIT

FEB 26 1981

NO. 11



STATE BUDGET & CONTROL BOARD

171 ASHLEY AVENUE / CHARLESTON, SOUTH CAROLINA 29403

November 7, 1980

Dr. Howard R. Boozer, Executive Director  
South Carolina Commission on Higher Education  
1429 Senate Street  
Columbia, South Carolina 29201

Dear Dr. Boozer:

The Medical University of South Carolina has been presented with an opportunity to purchase three pieces of property which are directly adjacent to our main campus. If this property is obtained, the buildings would be razed and the land used to provide desperately needed parking for the Medical University. Funds for this purchase would come from excess cash in the Plant Improvement Bond Debt Service Account and the Institutional Bond Debt Service Account.

Because it is imperative for us to proceed as soon as possible if we are to acquire this property, it is requested that the Commission on Higher Education and the State Budget and Control Board authorize the Medical University to negotiate with the owners on a selling price.

Enclosed are two professional appraisals of the three parcels, which are located at 31 Mill Street, 29 Mill Street and 143 Ashley Avenue. The same information is being sent to the Budget and Control Board for review. Please let me know if other information is needed and we will respond immediately.

Your continuing assistance in these matters is greatly appreciated.

Sincerely yours,

John E. Wise, Vice President  
Administration and Finance

JW:an

Enclosures

# EXHIBIT

STATE BUDGET AND CONTROL BOARD

FEB 26 1981

NO. 12

EXECUTIVE SESSION AGENDA

MEETING OF February 26, 1981

ITEM NUMBER

1

STATE BUDGET & CONTROL BOARD

---

Agency: Aiken County

---

Subject: Contractual Matter Relating to Hospital Revenue Bonds

At the Board meeting held on August 19 and 20, 1980, the Board granted conditional approval to an Aiken County proposal to issue \$2,700,000 of Hospital Facilities Revenue Bonds for the Aiken County Nursing Home project on the condition that the required reviews by the Auditor's Office and by the Attorney General's Office be completed with satisfactory results. This matter has been under review since that time.

Senior Assistant Attorney General Karen Henderson, in a letter dated January 6, 1981, indicates that the petition and other documents submitted to the Board on this matter have been reviewed and that they appear to be in order.

Assistant State Auditor David R. Smith, in a memorandum to Mr. Vaughn dated January 27, 1981, has forwarded the results of the reviews conducted by the Auditor's Office which indicate their belief that "revenues from the project possibly could prove insufficient to service outstanding debt, particularly in the initial years of the project, 1982 to 1984 inclusive."

Aiken County Attorney C. Wesley Smith and Mr. LaRoche of National Health Corporation, located in Tennessee, plan to be present to discuss this matter with the Board.

Carried over from February 10, 1981 meeting after giving assurance to parties involved that a decision would be rendered at the present meeting.

---

Board Action Requested:

Consider

---

Staff Comment:

---

Attachments:

Smith January 27 memorandum to Vaughn and Henderson January 6 letter to Putnam

15179

EXHIBIT

The State of South Carolina

FEB 26 1981

NO. 12



STATE BUDGET & CONTROL BOARD

JAN 06 1981

Office of the Attorney General

KAREN LeCRAFT HENDERSON  
Senior Assistant Attorney General

WADE HAMPTON OFFICE BUILDING  
POST OFFICE BOX 11549  
COLUMBIA S C 29211  
TELEPHONE 803-758-8667

DANIEL R. McLEOD  
ATTORNEY GENERAL

January 6, 1981

Honorable William T. Putnam  
Executive Director  
State Budget and Control Board  
Wade Hampton State Office Building  
Columbia, South Carolina

Re: \$2,700,000 Aiken County, South  
Carolina, Hospital Facilities  
Revenue Bonds, Series 1980 (Aiken  
County Nursing Home 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 Sections 44-7-1410 et seq., CODE OF LAWS OF SOUTH CAROLINA, 1976, as amended, and the same appear, in our opinion, to be in order.

With kind regards,

A handwritten signature in cursive script, reading 'Karen LeCraft Henderson'.

Karen LeCraft Henderson  
Senior Assistant Attorney General

KLH:jvh

15180

RESOLUTION APPROVING THE ISSUANCE BY AIKEN COUNTY, SOUTH CAROLINA, OF \$2,700,000 HOSPITAL REVENUE BONDS FOR THE PURPOSE OF ACQUIRING, BY PURCHASE AND CONSTRUCTION, PROPERTY CONSTITUTING A NURSING HOME PROJECT PURSUANT TO THE PROVISIONS OF TITLE 44, CHAPTER 7, ARTICLE 11, CODE OF LAWS OF SOUTH CAROLINA, 1976, AS AMENDED (THE "ACT")

WHEREAS, Aiken County, South Carolina (the "County") desires to finance the acquisition, construction and equipping of a 132-bed nursing home facility within Aiken County, South Carolina as authorized by the "Hospital Revenue Bond Act," Sections 44-7-1410 et seq. of the Code of Laws of South Carolina, as amended, and proposes to issue bonds which will be revenue bonds of the County secured by revenues and receipts derived from the Project; and

WHEREAS, the County is required to obtain the approval of the South Carolina State Budget and Control Board and the South Carolina Department of Health and Environmental Control; and

WHEREAS, the County has, by appropriate resolutions of its County Council, agreed to issue said revenue bonds subject to the approval of the State Budget and Control Board of South Carolina and further resolution or ordinance of the County Council; and

WHEREAS, the State Budget and Control Board has reviewed, pursuant to the above-cited Act, the County Council resolution and proposed ordinance and other documents required to be submitted to this Board by the County Council;

NOW, THEREFORE, BE IT RESOLVED BY THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA that said Board hereby finds that the proposed undertaking of the County consisting of the acquisition, construction, equipping and operation of a nursing home is intended to promote the purposes of the Hospital Revenue Bond Act and may be reasonably anticipated to actually effect such results; and this Board further finds, after a review of the financial statements of the guarantor, National Health Corporation, of the Financial Feasibility Study prepared by May, Zima and Company and of the Debt Service Reserve Fund requirements, as well as the Certificate of Need issued to the County by the Department of Health and Environmental Control of South Carolina, and other factors presented by Aiken County and National Health Corporation, that the financing of the proposed undertaking by the County through the issuance of Bonds will promote the purposes intended to be served by the Act; and, on the condition that the management fee agreement with National Health Corporation be amended to provide that any portion of such fee due in any year that cannot be paid from current revenues will be forfeited and not carried over to future years as an accrued liability, this Board does hereby approve, pursuant to Section 44-7-1590 of the Code of Laws of South Carolina, 1976, as amended, the issuance by Aiken County, South Carolina of \$2,700,000 Hospital Revenue Bonds to finance the proposed undertaking of the County.

BE IT FURTHER RESOLVED that notice of this approval shall be published at least once in a newspaper having general circulation in Aiken County, South Carolina. Said Notice shall set forth the action taken by this Board as well as the approval issued by the Aiken County Council and the action taken by the Department of Health and Environmental Control and shall be published in the form substantially as set forth as Exhibit A of this Resolution.

EXHIBIT

FEB 26 1981

NO. 12

15181

STATE BUDGET & CONTROL BOARD

NOTICE PURSUANT TO PROVISIONS OF SECTION 44-7-1590,  
CODE OF LAWS OF SOUTH CAROLINA, 1976  
(THE HOSPITAL REVENUE BOND ACT)

Notice is hereby given pursuant to the provisions and requirements of Title 44, Chapter 7, Article 11, being Sections 44-7-1410, et seq., of the Code of Laws of South Carolina, 1976, as amended (the "Act"), that the State Budget and Control Board of South Carolina, following the filing of a petition by the County Council of Aiken County (the "County Board"), has given its approval to the following borrowing and undertaking (including changes in any details of the said financing as finally consummated which do not materially affect the said financing and undertaking), viz.:

The acquisition, construction and equipping of a 132-bed nursing care facility in Aiken County (hereinafter referred to as the "Project"). To finance the acquisition, construction and equipping of the Project, the County Board will issue \$2,700,000 of Aiken County First Mortgage Revenue Bonds (the "Bonds") pursuant to the Act. The Project will be operated and managed by National Health Corporation, a proprietary Tennessee corporation qualified to do business in the State of South Carolina pursuant to a Full-Service Agreement for Management and Operating Services. In addition, National Health Corporation will enter into a guaranty agreement whereby it will unconditionally guarantee the payment of principal and interest on the Bonds to the bond trustee and National Health Corporation will be granted an option and right of first refusal agreement by the County Board with respect to the real property on which the Project is located. The Bonds will be additionally secured by an Indenture and Mortgage and Deed of Trust which will constitute a foreclosable lien upon the Project.

The County Board, pursuant to Ordinance adopted on \_\_\_\_\_, has found and determined, in accordance with §44-7-1480 of the Code of Laws of South Carolina, 1976, as amended:

- (a) There is a need for the project in Aiken County, South Carolina.
- (b) National Health Corporation is financially responsible and capable of fulfilling its obligations under the Full Service Agreement for Management and Operating Services, Agreement to Guarantee and Guaranty Agreement, including the obligations to make the payments required thereunder, to operate on behalf of the County the Project and to discharge such other responsibilities as may be imposed under such agreements.

EXHIBIT

FEB 26 1981 NO. 12

15182

STATE BUDGET & CONTROL BOARD

- (c) Adequate provisions have been made in the Indenture for the payment of the principal of and interest on the Bonds and any necessary reserves therefor.
- (d) The Full Service Agreement for Management and Operating Services obligates the Company to provide for the maintenance and insurance with respect to the Project out of the revenues derived from the Project.
- (e) The public facilities, including utilities and public services necessary for the Project, will be made available.
- (f) The acquisition, construction, equipping, financing and operating of the properties described in the aforesaid Indenture will serve a public purpose by providing necessary nursing home facilities and will promote the common good and general welfare of the County and serve the health care needs and nursing home requirements of persons residing in Aiken County South Carolina, and the surrounding area.
- (g) The Project is to be provided pursuant to the provisions of the Act.

The South Carolina Department of Health and Environmental Control on \_\_\_\_\_ issued its Certificate of Need approving the Project.

Notice is further given that any interested party may, at any time within twenty (20) days after the date of publication of this Notice, but not afterwards, challenge the validity of the action of the State Budget and Control Board, the County Council of Aiken County and/or the Department of Health and Environmental Control of South Carolina by action de novo instituted in the Court of Common Pleas for Aiken County, South Carolina.

STATE BUDGET AND CONTROL BOARD

by: William A. McInnis  
Secretary

DATED: February 26, 1981

EXHIBIT

FEB 26 1981 NO. 12

STATE BUDGET & CONTROL BOARD

# EXHIBIT

STATE OF SOUTH CAROLINA

FEB 26 1981 NO. 12

COUNTY OF RICHLAND

STATE BUDGET & CONTROL BOARD

I, WILLIAM A. McINNIS, Secretary to the South Carolina State Budget and Control Board, DO HEREBY CERTIFY:

That the said State Budget and Control Board (the Board) is composed of the following:

His Excellency, Richard W. Riley, Governor and Chairman of the Board;

The Honorable Grady L. Patterson, Jr., State Treasurer;

The Honorable Earle E. Morris, Jr., Comptroller General;

The Honorable Rembert C. Dennis, Chairman of the Senate Finance Committee; and

The Honorable Tom G. Mangum, Chairman of the House Ways and Means Committee.

That due notice of a meeting of the Board, called to be held in Columbia, South Carolina at 9:00 A. M., Tuesday, February 26, 1981, was given to all members in writing, and at least four (4) days prior to said meeting; that all members of said Board were present at said meeting, with the exception of:

None

That at said meeting, a Resolution, of which the attached is a true, correct and verbatim copy, was introduced by Senator Dennis, who moved its adoption; said motion was seconded by Mr. Patterson, and upon the vote being taken and recorded it appeared that the following votes were cast:

FOR MOTION

5

AGAINST MOTION

0

That the Chairman thereupon declared the Resolution unanimously adopted and the original thereof has been duly entered in the permanent records of minutes of meetings of said Board in my custody as its Secretary.

William A. McInnis

Secretary

February 26, 1981

*Follow-up to an action taken  
on August 19, 1980.*

15184

*WAM*



EXHIBIT

FEB 26 1981

NO. 12

STATE OF SOUTH CAROLINA

STATE BUDGET & CONTROL BOARD

OFFICE OF THE STATE AUDITOR

P.O. BOX 11333

COLUMBIA

29211

EDGAR A. VAUGHN, JR., CPA  
STATE AUDITOR

JESSE A. COLES, JR., PhD  
DEPUTY STATE AUDITOR  
(803) 758-3106

DAVID R. SMITH, CPA  
ASSISTANT STATE AUDITOR  
(803) 758-8406

To: Edgar A. Vaughn, Jr., State Auditor

From: F. E. Powell, Auditing Division *FEP*

Subject: Industrial Revenue Bond Issue - Aiken County,  
\$2,700,000 for Nursing Home Project

Date: February 24, 1981

Attached is a revised addendum to our original report dated January 27, 1981 concerning review of the proposed industrial revenue bond issue cited above. This revised addendum incorporates a recommendation (Paragraph 8) that any management and guaranty fees to NHC that cannot be paid on a current basis will be forfeited and not carried over to future years as an accrued liability. This recommendation is in accordance with your suggestion per our discussion on February 23, 1981.

RECEIVED

FEB 24 1981

STATE AUDITOR'S OFFICE  
DIVISION OF ADMINISTRATION

*62,000 Mgt*  
*26,000 Guar fee*

15185

National Health Corporation and Subsidiaries (NHC)  
Financial Statement Review (Addendum)

Re: Industrial Revenue Bond Issue, Aiken County -  
\$2,700,000 for Aiken County Nursing Home

1. This memorandum is an addendum to our previous report on the Aiken County Nursing Home project issued on January 27, 1981. A revised financial feasibility study dated February 6, 1981 pertaining to the project has been submitted for our review. This addendum covers only our review of the revised feasibility study. The comments in Paragraph 6 of our prior report covering review of the audited financial statements of NHC for the years ended September 30, 1978, 1979 and 1980 together with a comparison of key financial ratios of NHC with other guarantors of county bond issues remain valid and unchanged as the revised feasibility study has no effect thereon.
2. The revised financial feasibility study was prepared by May, Zima and Company, Certified Public Accountants, Atlanta, Georgia who also prepared the original study. The revised study covers estimated projections for five years beginning July 1, 1982 and ending June 30, 1987. The original study was for a five year period commencing January 1, 1982 and ending December 31, 1986. We assume the difference of six months in the projections is based upon an expected delay in completion of project construction, i.e. the original study was apparently based on construction being completed by December 31, 1981, whereas the revised study now forecasts project completion by June 30, 1982.
3. The revised study makes the following assumptions for projection of gross revenues:

		Rate Per Day				
<u>Classification</u>	<u>Percentage</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
Private Pay	20%	40.00	43.20	46.65	50.40	54.40
Medicaid	75%	38.00	40.07	42.60	45.32	48.27
Medicare	5%	42.00	44.07	46.60	49.32	52.27

The per diem rates for private patients per the revised study represent slight increases in all five years compared with the original study. Rates for Medicaid patients as revised represent small increases for the initial three years and slight decreases in the final two years. Medicare rates per the revised study were unchanged for the initial year and decreased in the remaining four years. We believe the changes in per diem rates as noted are reasonable in the circumstances. The percentage breakdown of patient classification as indicated above is unchanged from the initial study.

3. (continued)

As pointed out in Paragraph 2 of our prior memo, we believe the assumption that 20% of total patients would be private is overly optimistic. The revised study contains no additional evidence in support of the 20% ratio therefore our previous assertion still stands. We have therefore again made our adjusted revenue projections by using 5% for estimated private pay patients and 90% for Medicaid.

4. The original study projected an average interest rate on bonds outstanding of 11% however the revised study projects an average rate of 14%. In view of continued high prevailing interest rates we believe that 14% is much more realistic and accept the increase as a valid change.
5. In comparing operating expenses per the original study with operating expenses per the revised study, we noted that, with the exception of consultants' fees and the management and guaranty fee, the amounts listed for the various expense items in the initial year of operations per the original study are unchanged in the initial year projections of the revised study. As noted in Paragraph 2 of this memo, the initial period of the original study was January 1, 1982 to December 31, 1982 whereas the initial period of the revised study is July 1, 1982 to June 30, 1983. The use of exactly the same base expense figures for the initial year of operations in the revised study would imply that there was no inflation occurring during the six months period January 1, 1982 to June 30, 1982. Inasmuch as both the original and the revised study assume an inflation rate of 9% per year for operating expenses, we believe that using the same identical operating expenses for the initial year of the revised study has resulted in an understatement of operating expenses for all five years of the feasibility study. We have, therefore, adjusted operating expenses per the revised study to allow for the effect of inflation on the initial year of operations which in turn results in an upward adjustment of operating expenses in each of the four succeeding years.
6. Changes in estimated net income of the project as a result of revision of assumptions outlined in Paragraphs 3, 4 and 5 is illustrated as follows:

6. (continued)

	YEAR				
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
Gross Patient Revenue:					
Per original study	1,526,526	1,842,599	1,995,330	2,149,241	2,321,225
Per revised study	1,580,790	1,876,960	1,996,070	2,130,000	2,274,630
Per Office of State Auditor	1,568,502	1,855,416	1,968,271	2,095,126	2,232,554
Operating Expenses:					
Per Original study	1,106,724	1,345,126	1,468,665	1,595,355	1,738,233
Per revised study	1,119,630	1,357,320	1,470,720	1,598,320	1,737,720
Per Office of State Auditor	1,141,759	1,383,977	1,499,731	1,629,863	1,772,343
Interest Expense:					
Per original study	297,000	297,000	294,250	291,500	288,200
Per revised study	378,000	378,000	375,200	372,400	368,900
Net Income (Loss)					
Per original study	14,136	88,644	119,065	147,495	178,177
Per revised study	( 27,110)	29,620	38,280	47,560	59,490
Per Office of State Auditor	( 61,402)	(18,365)	( 18,253)	( 18,508)	( 16,785)

7. The revised feasibility study based projected revenues on assumed occupancy rates of 85% for the initial year and 95% for each of the next four years. These rates are unchanged from the original study. As explained in our initial memo, we again point out that if actual occupancy rates incurred are only 3% less than projections, gross revenue for each of the five years would be materially affected. The estimated reduction would be approximately \$55,000 in the initial year and \$58,000, \$62,000, \$66,000 and \$70,000 in the succeeding four years. While it can perhaps be argued that a reduction in occupancy would be accompanied by a reduction in some variable operating expenses, we do not believe any possible reductions in expenses would materially offset the loss of gross revenues if the occupancy rate declines. A reduction in occupancy rates in the range of only 3 to 5% could endanger the projects ability to meet debt service obligations. Such a decrease in occupancy is not unrealistic considering the current political atmosphere for reduced governmental spending.
8. In consideration of the possibility of the project not achieving sufficient revenues to fund, on a current basis, both management and guaranty fees and debt service requirements, we recommend that the management and guaranty fee agreements with NHC be amended to provide that any portion of such fees that cannot be paid from current revenues will be forfeited and not carried over to future years as an accrued liability. Such an arrangement would enhance the projects debt service coverage in the event that project occupancy declines from forecast rates as pointed out in Paragraph 7.

STATE OF SOUTH CAROLINA  
COUNTY OF AIKEN

# EXHIBIT

FEB 26 1981 NO. 12

STATE BUDGET & CONTROL BOARD

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

## P E T I T I O N

The Petition of the Aiken County Council (the County Board) pursuant to Article 11, Chapter 7, Title 44, Code of Laws of South Carolina (the Act), respectfully shows:

1. The County Board is the governing body of Aiken County, and is the "County Board" of Aiken County referred to in the Act.

2. The Act authorizes the County Board, subject to obtaining the approval and findings from the State Budget and Control Board and the South Carolina Department of Health and Environmental Control, required by the Act, to acquire and construct hospital facilities, and to issue bonds for the purpose of defraying the cost of acquiring hospital facilities.

3. The County Board has determined to acquire, construct and equip a 132 bed skilled and intermediate care nursing facility (the Project) and has determined that the

15189

cost of acquiring, constructing and equipping the Project, including the cost of issuing the bonds hereinafter described, requires at this time the borrowing of approximately \$2,700,000 and that it will therefore be necessary that the County Board issue at this time approximately \$2,700,000 Aiken County Hospital Facilities First Mortgage Revenue Bonds, Series 1980 (Aiken County Nursing Home Project) (the Bonds) the proceeds of which shall be used to defray the cost of acquiring, constructing and equipping the Project.

4. The County Board has obtained from the South Carolina Department and Environmental Control a Certificate of Need for the Project and in that connection there is included with this Petition such Certificate of Need relating to the Project.

5. Pursuant to the Act, the County Board sets forth the following information:

A. The Project to be financed out of the proceeds of the Bonds consists of a 132 bed skilled and intermediate care nursing facility.

B. The South Carolina Department of Health and Environmental Control has issued a Certificate of Need for the Project.

C. The amount now required to meet the cost of the Project is approximately \$2,700,000.

D. The proposed Bond Ordinance, a copy of which is enclosed with this Petition, provides in general:

(i) To finance the cost of the acquisition, construction and equipping of the Project, the County will issue at this time not exceeding \$2,700,000 of Bonds which will be secured by a

pledge of the revenues derived from the operation of the Project.

(ii) Proceeds derived from the sale of the Bonds will be deposited with a Corporate Trustee under the said Bond Ordinance and will be applied for the payment of the costs incident to the acquisition, construction and equipping of the Project (including the repayment to the County of advances made for such purposes), the issuance of the Bonds, capitalized interest, debt service reserve and working capital for the Project.

(iii) The Bond Ordinance also provides for the establishment of funds from revenues of the Project, to pay the amount necessary to meet the payment of principal and interest and premium, if any, on the Bonds as the same become due, and to pay the cost of maintaining the Project in good repair and the cost of keeping it properly insured.

(iv) The Bond Ordinance contains no provision imposing any pecuniary liability upon the County or which would create a charge upon its general credit or taxing power.

7. As additional security for the Bonds, the County will mortgage the real property owned by the County including the Project, to the Corporate Trustee under the Bond Ordinance and will grant the Corporate Trustee a security interest in the personal property owned by the County located on such real property for the benefit of the bondholders.

8. The County proposes to enter into an Agreement for Management and Operating Services (the Management Agreement) with National Health Corporation, a Tennessee Corporation (the Manager) whereby the Manager will manage the Project for a fee of 4% of the gross revenues of the Project. The Manager will also guaranty payment of the principal of,

premium, if any, and interest on the Bonds for a fee of 1% of the outstanding principal amount of Bonds for ten years and \$1,500 per month thereafter. Draft copies of the Management Agreement and the Guaranty Agreement are included herewith.

9. It is the intent of the County Board that the Bond Ordinance, Management Agreement and Guaranty Agreement shall be finally executed and delivered in substantially the form of those enclosed forms, there will be no changes which will substantially affect the undertaking of the County as now outlined therein.

Upon the basis of the foregoing, the County Board respectfully prays that the State Budget and Control Board accept the filing of this Petition and the documents enclosed herewith above described, and that the State Board do as soon as practical make such investigation as it deems advisable, and that 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 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 said undertaking of the County, give published notice of its approval in the manner set forth in of the Act.

August 12, 1980.

Respectfully submitted,  
AIKEN COUNTY, SOUTH CAROLINA

BY Robert H. Ekin  
Chairman of the Aiken County  
Council

Attest: Jean B. Newsome /kc  
Clerk of the Aiken County Council

EXHIBIT

FEB 26 1981 NO. 12

STATE BUDGET & CONTROL BOARD

15193

transmission - 4 pages

Contact State Budget & Control Bd. @ 5606 before 9:00 AM 2/26/81

As proposed by Atty Doug Earthman

RESOLUTION APPROVING THE ISSUANCE OF REVENUE  
BONDS BY AIKEN COUNTY, SOUTH CAROLINA, FOR  
THE PURPOSE OF ACQUIRING, BY PURCHASE AND  
CONSTRUCTION, PROPERTY CONSTITUTING A NURSING  
HOME PROJECT FOR OPERATION AND MANAGEMENT BY  
NATIONAL HEALTH CORPORATION

EXHIBIT

FEB 26 1981 NO. 12

STATE BUDGET & CONTROL BOARD

WHEREAS, Aiken County, South Carolina (the "County") desires to finance the acquisition, construction and equipping of a 132-bed nursing home facility within Aiken County, South Carolina as authorized by the "Hospital Revenue Bond Act," Sections 44-7-1410 et seq. of the Code of Laws of South Carolina, as amended, and proposes to issue bonds which will be revenue bonds of the County secured by revenues and receipts derived from the Project; and

WHEREAS, the County is required to obtain the approval of the South Carolina State Budget and Control Board and the South Carolina Department of Health and Environmental Control; and

WHEREAS, the County has, by appropriate resolutions of its County Council, agreed to issue said revenue bonds subject to the approval of the State Budget and Control Board of South Carolina and further resolution or ordinance of the County Council; and

WHEREAS, the State Budget and Control Board has reviewed, pursuant to the above-cited Act, the County Council resolution and proposed ordinance and other documents required to be submitted to this Board by the County Council;

NOW, THEREFORE, BE IT RESOLVED BY THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA that said Board hereby finds that the proposed nursing home acquisition, construction, equipping and operation are intended to promote the purposes of the Hospital Revenue Bond Act and may be reasonably anticipated to actually effect such results; and this Board further finds after a review of the financial statements of the guarantor, National Health Corporation, of the Financial Feasibility Study prepared by May, Zima and Company and of the Debt Service Reserve Fund requirements, as well as the Certificate of Need issued to the County by the Department of Health and Environmental Control of South Carolina, and other factors presented by Aiken County, South Carolina, and National Health Corporation, that said proposed revenue bond issue is economically feasible; and this Board does hereby approve, pursuant to Section 44-7-1590 of the Code of Laws of South Carolina, 1976, as amended, the issuance by Aiken County, South Carolina of the proposed \$2,700,000 revenue bonds.

15194

BE IT FURTHER RESOLVED that notice of this approval shall be published at least once in a newspaper having general circulation in Aiken County, South Carolina. Said notice shall set forth the action taken by this Board as well as the approval issued by the Aiken County Council and the action taken by the Department of Health and Environmental Control and shall be published in the form substantially as set forth as Exhibit A of this Resolution.

## EXHIBIT

FEB 26 1981 NO. 12

STATE BUDGET & CONTROL BOARD

15195

*Exhibit A*

NOTICE PURSUANT TO PROVISIONS OF SECTION 44-7-1590,  
CODE OF LAWS OF SOUTH CAROLINA, 1976  
(THE HOSPITAL REVENUE BOND ACT)

Notice is hereby given pursuant to the provisions and requirements of Title 44, Chapter 7, Article 11, being Sections 44-7-1410, et seq., of the Code of Laws of South Carolina, 1976, as amended (the "Act"), that the State Budget and Control Board of South Carolina, following the filing of a petition by the County Council of Aiken County (the "County Board"), has given its approval to the following borrowing and undertaking (including changes in any details of the said financing as finally consummated which do not materially affect the said financing and undertaking), viz.:

The acquisition, construction and equipping of a 132-bed nursing care facility in Aiken County (hereinafter referred to as the "Project"). To finance the acquisition, construction and equipping of the Project, the County Board will issue \$2,700,000 of Aiken County First Mortgage Revenue Bonds (the "Bonds") pursuant to the Act. The Project will be operated and managed by National Health Corporation, a proprietary Tennessee corporation qualified to do business in the State of South Carolina pursuant to a Full-Service Agreement for Management and Operating Services. In addition, National Health Corporation will enter into a guaranty agreement whereby it will unconditionally guarantee the payment of principal and interest on the Bonds to the bond trustee and National Health Corporation will be granted an option and right of first refusal agreement by the County Board with respect to the real property on which the Project is located. The Bonds will be additionally secured by an Indenture and Mortgage and Deed of Trust which will constitute a foreclosable lien upon the Project.

The County Board, pursuant to Ordinance adopted on \_\_\_\_\_, has found and determined, in accordance with §44-7-1480 of the Code of Laws of South Carolina, 1976, as amended:

- (a) There is a need for the project in Aiken County, South Carolina.
- (b) National Health Corporation is financially responsible and capable of fulfilling its obligations under the Full Service Agreement for Management and Operating Services, Agreement to Guarantee and Guaranty Agreement, including the obligations to make the payments required thereunder, to operate on behalf of the County the Project and to discharge such other responsibilities as may be imposed under such agreements.

EXHIBIT

FEB 26 1981 NO. 12

STATE BUDGET & CONTROL BOARD 15196

- (c) Adequate provisions have been made in the Indenture for the payment of the principal of and interest on the Bonds and any necessary reserves therefor.
- (d) The Full Service Agreement for Management and Operating Services obligates the Company to provide for the maintenance and insurance with respect to the Project out of the revenues derived from the Project.
- (e) The public facilities, including utilities and public services necessary for the Project, will be made available.
- (f) The acquisition, construction, equipping, financing and operating of the properties described in the aforesaid Indenture will serve a public purpose by providing necessary nursing home facilities and will promote the common good and general welfare of the County and serve the health care needs and nursing home requirements of persons residing in Aiken County South Carolina, and the surrounding area.
- (g) The Project is to be provided pursuant to the provisions of the Act.

The South Carolina Department of Health and Environmental Control on \_\_\_\_\_ issued its Certificate of Need approving the Project.

Notice is further given that any interested party may, at any time within twenty (20) days after the date of publication of this Notice, but not afterwards, challenge the validity of the action of the State Budget and Control Board, the County Council of Aiken County and/or the Department of Health and Environmental Control of South Carolina by action de novo instituted in the Court of Common Pleas for Aiken County, South Carolina.

\_\_\_\_\_  
STATE BUDGET AND CONTROL BOARD

by: \_\_\_\_\_  
Secretary

DATED: \_\_\_\_\_

15197

# FEDERAL EXPRESS

PLEASE COMPLETE ALL INFORMATION IN THE 3 BLOCKS OUTLINED IN ORANGE  
SEE BACK OF FORM SET FOR COMPLETE PREPARATION INSTRUCTIONS

AIRBILL NUMBER

00360

0180-0021-7

FROM (Your Name)

B. Douglas Earhman

COMPANY

BARING COX SELBY ALLEN ETAL

DEPARTMENT/FLOOR NO

STREET ADDRESS

165 MADISON 1ST TN BR BLDG 1100

CITY

MEMPHIS

STATE

TN

AIRBILL NO. 0185950844

ZIP ACCOUNT OR BOX NUMBER  
FOR DELIVERY ADDRESS

381103

YOUR NOTE REFERENCE NUMBERS (FIRST 12 CHARACTERS WILL ALSO APPEAR ON INVOICE)

19,573 Aiken

PAYMENT ☒ Bill Shipper

☐ Bill Recipient's F.E.C. Acct.

☐ Bill 3rd Party F.E.C. Acct.

☐ Bill Credit Card

☐ Cash in Advance

Account Number/Credit Card Number

SERVICES

CHECK ONLY ONE BOX

PRIORITY (ONE OF 11)

☒ 6X 1st.

1 ☐ Overnight

2 ☐ Overnight Express

3 ☐ Overnight

4 ☐ Overnight

5 ☐ Overnight

6 ☐ Overnight

7 ☐ Overnight

8 ☐ Overnight

9 ☐ Overnight

10 ☐ Overnight

11 ☐ Overnight

DELIVERY AND SPECIAL HANDLING

CHECK SERVICES REQUIRED

☐ HOLD FOR PICK UP AT FOLLOWING

☐ FEDERAL EXPRESS LOCATION SHOWN

☐ IN SERVICE GUIDE

☐ DELIVER

☐ DELIVER TO SPECIFIC ADDRESS

☐ DELIVER TO SPECIFIC ADDRESS (SEE INSTRUCTIONS)

☐ DELIVER TO SPECIFIC ADDRESS (SEE INSTRUCTIONS)

☐ DELIVER TO SPECIFIC ADDRESS (SEE INSTRUCTIONS)

☐ DELIVER TO SPECIFIC ADDRESS (SEE INSTRUCTIONS)

☐ DELIVER TO SPECIFIC ADDRESS (SEE INSTRUCTIONS)

☐ DELIVER TO SPECIFIC ADDRESS (SEE INSTRUCTIONS)

☐ DELIVER TO SPECIFIC ADDRESS (SEE INSTRUCTIONS)

☐ DELIVER TO SPECIFIC ADDRESS (SEE INSTRUCTIONS)

☐ DELIVER TO SPECIFIC ADDRESS (SEE INSTRUCTIONS)

☐ DELIVER TO SPECIFIC ADDRESS (SEE INSTRUCTIONS)

☐ DELIVER TO SPECIFIC ADDRESS (SEE INSTRUCTIONS)

☐ DELIVER TO SPECIFIC ADDRESS (SEE INSTRUCTIONS)

☐ DELIVER TO SPECIFIC ADDRESS (SEE INSTRUCTIONS)

☐ DELIVER TO SPECIFIC ADDRESS (SEE INSTRUCTIONS)

DATE

02-25-81

TO (Recipient's Name)

Edgar A. Vaughn, Jr.

COMPANY

State Auditor's Office

DEPARTMENT/FLOOR NO

STREET ADDRESS (P.O. BOX NUMBERS ARE NOT DELIVERABLE)

205 Wade Hampton Office Bldg

CITY

Columbia,

STATE

SC

IN FORWARDING THIS SHIPMENT SHIPPER ADDRESSES THAT  
F.E.C. SHALL NOT BE LIABLE FOR SPECIAL INCIDENT  
TAL OR CONSEQUENTIAL DAMAGES ARISING FROM  
CARRIAGE HEREOF F.E.C. O/S

ZIP ACCOUNT OR BOX NUMBER  
FOR DELIVERY ADDRESS

292111

EMP NO.

☐ CASH RECEIVED

☐ RETURN SHIPMENT

☐ THIRD PARTY

☐ ONE TO ONE

☐ ONE TO HOLD

☐ ONE TO HOLD

☐ ONE TO HOLD

☐ ONE TO HOLD

☐ ONE TO HOLD

☐ ONE TO HOLD

☐ ONE TO HOLD

☐ ONE TO HOLD

☐ ONE TO HOLD

☐ ONE TO HOLD

☐ ONE TO HOLD

☐ ONE TO HOLD

☐ ONE TO HOLD

☐ ONE TO HOLD

☐ ONE TO HOLD

☐ ONE TO HOLD

☐ ONE TO HOLD

DATE

AGT/PHO

AGT/PHO

AGT/PHO

AGT/PHO

AGT/PHO

AGT/PHO

AGT/PHO

AGT/PHO

AGT/PHO

AGT/PHO

AGT/PHO

AGT/PHO

AGT/PHO

AGT/PHO

AGT/PHO

AGT/PHO

AGT/PHO

AGT/PHO

AGT/PHO

AGT/PHO

ADVANCE ORIGIN

ADVANCE DESTINATION

OTHER

TOTAL CHARGES

DATE

DATE

DATE

DATE

DATE

DATE

DATE

DATE

DATE

DATE

DATE

DATE

DATE

DATE

DATE

DATE

DATE

RECIPIENT COPY (AFFIXED TO PACKAGE, GIVEN TO RECIPIENT AT DELIVERY)

# EXHIBIT

FEB 26 1981 NO. 12

STATE BUDGET & CONTROL BOARD

RESOLUTION NO. 80-8-54

COUNCIL ADMINISTRATOR FORM OF GOVERNMENT FOR AIKEN COUNTY

(APPROVING THE FINANCING OF THE ACQUISITION, CONSTRUCTION AND  
EQUIPPING OF HOSPITAL FACILITIES (NURSING HOME) IN AIKEN COUNTY  
THROUGH THE ISSUANCE OF NOT EXCEEDING TWO MILLION SEVEN HUNDRED  
THOUSAND DOLLARS (\$2,700,000) OF AIKEN COUNTY, SOUTH CAROLINA,  
HOSPITAL FACILITIES FIRST MORTGAGE REVENUE BONDS, SERIES 1980  
(AIKEN COUNTY NURSING HOME PROJECT) AND AUTHORIZING THE PETITION  
TO THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA FOR ITS  
APPROVAL OF SUCH UNDERTAKING PURSUANT TO ARTICLE 11, CHAPTER 7,  
TITLE 44, CODE OF LAWS OF SOUTH CAROLINA)

15199

A RESOLUTION  
APPROVING THE FINANCING OF THE ACQUISITION, CONSTRUCTION AND  
EQUIPPING OF HOSPITAL FACILITIES IN AIKEN COUNTY THROUGH THE  
ISSUANCE OF NOT EXCEEDING TWO MILLION SEVEN HUNDRED THOUSAND  
DOLLARS (\$2,700,000) OF AIKEN COUNTY, SOUTH CAROLINA,  
HOSPITAL FACILITIES FIRST MORTGAGE REVENUE BONDS, SERIES  
1980 (AIKEN COUNTY NURSING HOME PROJECT) AND AUTHORIZING THE  
PETITION TO THE STATE BUDGET AND CONTROL BOARD OF SOUTH  
CAROLINA FOR ITS APPROVAL OF SUCH UNDERTAKING PURSUANT TO  
ARTICLE 11, CHAPTER 7, TITLE 44, CODE OF LAWS OF SOUTH  
CAROLINA.

As an incident to the adoption of this Resolution, the  
Aiken County Council (the County Board) has made the  
following findings:

1. The County Board has determined to acquire,  
construct and equip a 132 bed skilled and intermediate care  
nursing home (the Project) to be owned by Aiken County (the  
County) through the issuance of Aiken County Hospital  
Facilities First Mortgage Revenue Bonds pursuant to the  
authorization of Article 11, Chapter 7, Title 44, Code of  
Laws of South Carolina. The County has undertaken plans for  
the acquisition, construction and equipping of the Project  
and has now determined that in order to provide the cost  
thereof approximately \$2,700,000 should now be raised. The  
County Board adopts this Resolution to evidence its approval  
of the issuance of not exceeding \$2,700,000 Aiken County,  
South Carolina Hospital Facilities First Mortgage Revenue  
Bonds, Series 1980 (Aiken County Nursing Home Project) (the  
Bonds) to finance the Project, and to authorize a Petition  
to the State Budget and Control Board (the State Board)  
setting forth the facts required by the Act.

2. The County Board has determined that there is a need for the Project and that issuance of the Bonds to finance the Project will not give rise to any pecuniary liability of Aiken County or a charge against its general credit or taxing power; and that the Bonds shall be payable solely by the County out of the moneys to be derived by the County from the operation of the Project.

3. The County Board has made arrangements with National Health Corporation, a Tennessee corporation (the Manager) whereby the Manager will manage the Project for a fee in the amount of 4% of the total gross revenues of the Project. The Manager will also guaranty payment of principal of, premium, if any, and interest on the Bonds pursuant to a Guaranty Agreement. The Guaranty Agreement also will provide for a fee to the Manager of 1% of the Bonds outstanding annually for ten years and \$1,500 per month thereafter.

4. The amount now required to finance the Project is approximately Two Million Seven Hundred Thousand Dollars (\$2,700,000).

5. The proceeds derived from the sale of the Bonds will be deposited in a construction fund and applied to the acquisition, construction and equipping of the Project, including capitalized interest, debt service reserves and working capital.

15201

6. The Bond Ordinance pursuant to which the Bonds are to be issued (the Bond Ordinance) makes provision for the establishment of funds to provide for the payment of principal of payment and interest on the Bonds, for a debt service reserve and to provide for the costs of operation and maintenance of the Project.

7. Adequate provision has been made by the County for public facilities, including utilities and public services necessary for the Project.

8. The Bonds will be issued pursuant to a Trust Agreement (the Trust Agreement) between Aiken County and a bank to be chosen as Trustee (The Trustee), prescribing the terms and conditions of the Bonds and the security therefor. The Trust Agreement will be in substantially the form previously used in hospital revenue bond financing.

9. Pursuant to a Mortgage and Security Agreement the County will grant a first mortgage lien on and security interest in the Project to a trustee bank for the benefit of the holders of the Bonds.

10. The County has previously made application to the South Carolina Department of Health and Environmental Control for a certificate of need for the Project. Such a certificate has been issued by the South Carolina Department of Health and Environmental Control and will be forwarded with the County Board's Petition to the State Board herein authorized.

11. Reserve funds for the payment of principal, interest and premium, if any, on the Bonds will be provided for in the Bond Ordinance.

12. The County Board has arranged for the sale of the Bonds through Buchanan & Co., Jackson, Mississippi.

NOW, THEREFORE, BE IT RESOLVED BY THE AIKEN COUNTY COUNCIL, IN MEETING DULY ASSEMBLED:

That the County Board finds that the facts set forth above are in all respects true and correct and on such basis determine to finance the Project above described, and to authorize the sale of the Bonds by Aiken County as aforesaid.

BE IT FURTHER RESOLVED:

The the Petition in form substantially as attached hereto be presented to the State Board to seek the approval required by the Act; and that said Petition shall be duly executed by the Chairman of the County Board and attested by its Clerk.

15203

STATE OF SOUTH CAROLINA  
COUNTY OF AIKEN

EXHIBIT A

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

P E T I T I O N

The Petition of the Aiken County Council (the County Board) pursuant to Article 11, Chapter 7, Title 44, Code of Laws of South Carolina (the Act), respectfully shows:

1. The County Board is the governing body of Aiken County, and is the "County Board" of Aiken County referred to in the Act.

2. The Act authorizes the County Board, subject to obtaining the approval and findings from the State Budget and Control Board and the South Carolina Department of Health and Environmental Control, required by the Act, to acquire and construct hospital facilities, and to issue bonds for the purpose of defraying the cost of acquiring hospital facilities.

3. The County Board has determined to acquire, construct and equip a 132 bed skilled and intermediate care nursing facility (the Project) and has determined that the

15204

cost of acquiring, constructing and equipping the Project, including the cost of issuing the bonds hereinafter described, requires at this time the borrowing of approximately \$2,700,000 and that it will therefore be necessary that the County Board issue at this time approximately \$2,700,000 Aiken County Hospital Facilities First Mortgage Revenue Bonds, Series 1980 (Aiken County Nursing Home Project) (the Bonds) the proceeds of which shall be used to defray the cost of acquiring, constructing and equipping the Project.

4. The County Board has obtained from the South Carolina Department and Environmental Control a Certificate of Need for the Project and in that connection there is included with this Petition such Certificate of Need relating to the Project.

5. Pursuant to the Act, the County Board sets forth the following information:

A. The Project to be financed out of the proceeds of the Bonds consists of a 132 bed skilled and intermediate care nursing facility.

B. The South Carolina Department of Health and Environmental Control has issued a Certificate of Need for the Project.

C. The amount now required to meet the cost of the Project is approximately \$2,700,000.

D. The proposed Bond Ordinance, a copy of which is enclosed with this Petition, provides in general:

(i) To finance the cost of the acquisition, construction and equipping of the Project, the County will issue at this time not exceeding \$2,700,000 of Bonds which will be secured by a

pledge of the revenues derived from the operation of the Project.

(ii) Proceeds derived from the sale of the Bonds will be deposited with a Corporate Trustee under the said Bond Ordinance and will be applied for the payment of the costs incident to the acquisition, construction and equipping of the Project (including the repayment to the County of advances made for such purposes), the issuance of the Bonds, capitalized interest, debt service reserve and working capital for the Project.

(iii) The Bond Ordinance also provides for the establishment of funds from revenues of the Project, to pay the amount necessary to meet the payment of principal and interest and premium, if any, on the Bonds as the same become due, and to pay the cost of maintaining the Project in good repair and the cost of keeping it properly insured.

(iv) The Bond Ordinance contains no provision imposing any pecuniary liability upon the County or which would create a charge upon its general credit or taxing power.

7. As additional security for the Bonds, the County will mortgage the real property owned by the County including the Project, to the Corporate Trustee under the Bond Ordinance and will grant the Corporate Trustee a security interest in the personal property owned by the County located on such real property for the benefit of the bondholders.

8. The County proposes to enter into an Agreement for Management and Operating Services (the Management Agreement) with National Health Corporation, a Tennessee Corporation (the Manager) whereby the Manager will manage the Project for a fee of 4% of the gross revenues of the Project. The Manager will also guaranty payment of the principal of,

15206

premium, if any, and interest on the Bonds for a fee of 1% of the outstanding principal amount of Bonds for ten years and \$1,500 per month thereafter. Draft copies of the Management Agreement and the Guaranty Agreement are included herewith.

9. It is the intent of the County Board that the Bond Ordinance, Management Agreement and Guaranty Agreement shall be finally executed and delivered in substantially the form of those enclosed forms, there will be no changes which will substantially affect the undertaking of the County as now outlined therein.

Upon the basis of the foregoing, the County Board respectfully prays that the State Budget and Control Board accept the filing of this Petition and the documents enclosed herewith above described, and that the State Board do as soon as practical make such investigation as it deems advisable, and that 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 thereof by the County through the issuance of the Bonds pursuant to the Act, including changes in any details of the said financing as

15207

finally consummated which do not materially affect the said undertaking of the County, give published notice of its approval in the manner set forth in of the Act.

August 12, 1980.

Respectfully submitted,  
AIKEN COUNTY, SOUTH CAROLINA

BY Carole H. Whiner  
Chairman of the Aiken County  
Council

Attest: Jan G. Newsome /cc  
Clerk of the Aiken County Council

15208

# EXHIBIT

FEB 26 1981 NO. 12

STATE OF SOUTH CAROLINA  
COUNTY OF AIKEN

STATE BUDGET & CONTROL BOARD

I, the undersigned, Clerk of the Aiken County Council,  
DO HEREBY CERTIFY:

That the foregoing is a true, correct and verbatim copy  
of the Resolution unanimously adopted by the said County  
Council at a duly called and regularly held meeting at which  
all members attended and remained throughout on August 12,  
1980.

IN WITNESS WHEREOF, I have hereunto set my hand and the  
Seal of the said County Council this 12th day of August,  
1980.

Jean G. Newcome /mc  
Clerk of the Aiken County Council

15209

EXHIBIT

FEB 26 1981

NO. 12

STATE BUDGET & CONTROL BOARD

C. WESLEY SMITH

ATTORNEY AT LAW

127 GREENVILLE ST. S.W.

AIKEN, SOUTH CAROLINA 29801

P.O. BOX 1581

TELEPHONE (803) 648-4239

December 22, 1980

Ms. Karen L. Henderson  
Assistant Attorney General  
Wade Hampton Office Bldg.  
P O Box 11549  
Columbia, South Carolina 29211

Dear Karen:

Enclosed please find a copy of the revised Full Service Agreement for Management and Operating Services and of the Option and Right of First Refusal Agreement between National Health Corporation and Aiken County, South Carolina. I am enclosing a copy of the Resolution which was passed by Aiken County Council in August, 1980 and which I believe has been sent to you earlier. We would like to obtain approval of this as soon as possible and if you have any questions, please do not hesitate to contact me or Mr. Earthman, as appropriate.

With best personal regards, I am,

Sincerely yours,

*C Wesley Smith*  
C. Wesley Smith (re)

CWS:re  
cc: B. Douglas Earthman

RECEIVED

S. C. ATTORNEY GENERAL

DATE 12-31-80

15210

WARING, COX, SKLAR, ALLEN, CHAFETZ & WATSON

LAWYERS

1100 FIRST TENNESSEE BUILDING

MEMPHIS, TENNESSEE

38103

TELEPHONE 901/525-2431

December 12, 1980

ROANE WARING JR.  
ROBERT L. COX  
JERALD H. SKLAR  
LOUIS F. ALLEN  
FRANK L. WATSON JR.  
SAMUEL D. CHAFETZ  
JOSEPH C. MCCARTY III  
BYRD DOUGLAS EARTHMAN  
JOHN E. KRUGER  
SAUL C. BELZ

WILLIAM E. FRULLA  
ROBERT S. KIRK JR.  
\*ADMITTED IN MICHIGAN  
DONALD F. WISEMAN  
LOUIS JAY MILLER  
CHARLES W. HILL  
JOHN W. SINDERS JR.  
PAUL D. AMOS  
EARLE J. SCHWARZ

COUNSEL  
ALLEN COX JR.  
ERICH WM. JAMES

ROANE WARING (1881-1958)  
SAM P. WALKER (1880-1957)

EXHIBIT

FEB 26 1981 NO. 12

STATE BUDGET & CONTROL BOARD

Ms. Karen LeCraft Henderson  
Assistant Attorney General  
Wade Hampton Office Building  
P. O. Box 11549  
Columbia, SC 29211

RE: \$2,700,000 First Mortgage Revenue Bonds,  
Series 1981, of Aiken County, South Carolina  
Our file: 19,573

Dear Ms. Henderson:

Enclosed herewith are the following items for your review in connection with the issuance of the captioned bonds:

1. Proposed Bond Ordinance of Aiken County, SC.
2. Copy of preliminary feasibility study by May, Zima & Co.
3. Current draft of the proposed Indenture of Mortgage and Deed of Trust.
4. Drafts of proposed Full Service Agreement for Management and Operating Services, Agreement to Guarantee, and Option and Right of First Refusal Agreement between National Health Corporation and Aiken County, SC.
5. Draft of proposed Guaranty Agreement.
6. Audited consolidated financial statements of National Health Corporation for the years ended September 30, 1979 and 1978 and unaudited consolidated statements for the eleven months ended August 31, 1980.

The dates of the bond documentation and bonds are likely to change prior to the issuance of the bonds. The use of proceeds of the bond issue are estimated to be as follows:

RECEIVED  
S. C. ATTORNEY GENERAL  
DATE 12-15-80

15211

Ms. Henderson  
December 12, 1980  
Page two

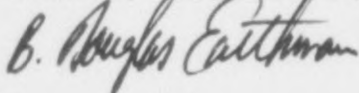
Land and Construction	\$1,720,000
Additional Equipment	98,725
Debt Service Reserve Fund	100,000
Interest on Bonds During Construction	455,000
Guarantor's Fee	30,000
Working Capital	166,275
Bond Discount	135,000
Underwriter's Fee	81,000
Legal, Printing, Title, Trustee & Misc.	82,500
TOTAL:	<u>\$2,868,500</u>
LESS Investment earnings	
during construction:	<u>- 168,500</u>
BOND ISSUE:	<u>\$2,700,000</u>

Copies of the Certificate of Need approval and Regional Health System Agency Approval will be forwarded by separate letter.

If you need additional information, please do not hesitate to call.

Very truly yours,

WARING, COX, SKLAR, ALLEN, CHAFETZ & WATSON



B. Douglas Earthman

BDE/plb

Enclosure

15212

EXHIBIT

SINKLER GIBBS & SIMONS FEB 26 1981

NO. 12

PROFESSIONAL ASSOCIATION

160 EAST BAY STREET  
CHARLESTON, SOUTH CAROLINA

STATE BUDGET & CONTROL BOARD

TELEPHONE

(803) 722-3366

MAILING ADDRESS:

POST OFFICE BOX 340

CHARLESTON, S. C. 29402

HUGER SINKLER  
CHARLES H. GIBBS  
ALBERT SIMONS, JR.  
G. DANA SINKLER  
THOMAS A. HUTCHESON  
ROBERT H. HOOD  
CHARLES F. AILSTOCK  
M. WILLIAM YOUNGBLOOD, JR.  
JOHN H. WARREN III  
STEPHEN E. DARLING  
JOHN P. LINTON  
HENRY B. FISHBURNE, JR.  
MARGARET A. CHRISTIAN  
CHARLTON deSAUSSURE, JR.  
MARVIN D. INFINGER  
LINDSAY D. WALKER  
P. MITCHELL JOHNSON, JR.  
CONNOR M. COGSWELL

August 14, 1980

Karen L. Henderson  
Assistant Attorney General  
Post Office Box 11549  
Columbia, SC 29211

Dear Karen:

I am enclosing a draft of the proposed management agreement between Aiken County and National Health Corporation. Several of the details in this draft are apparently still being negotiated, but I understand that this substantially reflects the agreement of the parties.

Very truly yours,

*Thomas A. Hutcheson*  
(TAH)

TAH:bjh  
Enclosure

RECEIVED  
S. C. ATTORNEY GENERAL  
DATE 8-15-80

15213

# EXHIBIT

C. WESLEY SMITH

ATTORNEY AT LAW

127 GREENVILLE ST., S.W.

AIKEN, SOUTH CAROLINA 29801

FEB 26 1981

NO. 12

STATE BUDGET & CONTROL BOARD

TELEPHONE (803) 648-4239

P.O. BOX 1584

August 13, 1980

Ms. Karen Henderson  
Assistant Attorney General  
Post Office Box 11549  
Columbia, South Carolina 29211

Re: Aiken County Nursing Home Bond Issue  
Resolution and Petition

Dear Karen:

Enclosed please find two signed originals of the Petition adopted by the Aiken County Council on August 12th, 1980 and of the Resolution to the Budget and Control Board for approval of a 2.7 million Bond Issue for financing a 132 bed semi and skilled care nursing home. We are trying to make the August 19th meeting. You will receive more information from Tom Hutchison.

If you have any questions, please call me.

Sincerely,

*C. Wesley Smith*  
C. Wesley Smith (RE)

CWS:re  
Enclosures

RECEIVED  
S. C. ATTORNEY GENERAL  
DATE 8-14-80

15214

# EXHIBIT

FEB 26 1981 NO. 12

## AGREEMENT TO GUARANTEE

STATE BUDGET & CONTROL BOARD

THIS AGREEMENT made this the \_\_\_\_ day of \_\_\_\_\_, 1980, by and between NATIONAL HEALTH CORPORATION, a Tennessee corporation qualified to do business in the State of South Carolina, hereinafter referred to as NHC, and AIKEN COUNTY, SOUTH CAROLINA, a body politic being the County Government of Aiken County, South Carolina, with its principal place of business in Aiken, South Carolina, hereinafter referred to as Owner;

### W I T N E S S E T H:

Owner is desirous of building and owning a long-term care facility in Aiken, South Carolina, and has applied for and received a Certificate of Need from the appropriate governmental authorities for the construction and operation of a 132-bed skilled and intermediate care facility; and

WHEREAS, Owner is desirous of issuing hospital facility revenue bonds pursuant to South Carolina law, which bonds shall not be secured or guaranteed by the full faith and credit of the County; and

WHEREAS, Owner has petitioned the State Budget and Control Board and has received approval from the State Budget and Control Board to authorize the issuance of said bonds, subject to the obtaining of a guarantor of said bonds suitable to said Budget and Control Board; and

WHEREAS, NHC has agreed to guarantee said bonds and to indemnify and hold the County harmless from having to pay same;

NOW, THEREFORE, upon the terms and conditions hereinafter set forth, the parties hereby agree as follows:

1. Guarantee of Bonds. NHC hereby agrees to execute an appropriately drafted Guaranty Agreement in favor of that certain bank to be designated

as Trustee of the Aiken County Hospital Facility Revenue Bonds, Series 1981, a copy of which proposed Guaranty Agreement being attached hereto and incorporated herein by reference.

2. Guarantor's Fees. As consideration for its execution of the guaranty, Owner shall pay to NHC each year for the first ten (10) years herefrom an annual amount equal to 1% of the face amount of the issued and outstanding Hospital Facilities Revenue Bonds, Series 1980, Aiken County, South Carolina (the Bonds) after subtracting therefrom the amount of any debt service reserve funded and held by the trustee bank. Thereafter, Owner shall pay to NHC a flat fee of \$1,500.00 per month. The guarantor's fee herein shall continue until the Series 1980 Aiken County, South Carolina Hospital Facilities Revenue Bonds have been paid in full or guarantor has been released of its guaranty obligations thereunder, whichever shall first occur.

3. Time and Terms of Fee Payment. The amount of the guarantor's fee shall be paid as follows:

a. The fee for the first fourteen (14) months shall be paid at the closing of the 1981 Series Bonds.

b. Commencing on the 15th month from the date of the closing of the 1981 Series Bonds, the fee shall be paid monthly in advance as project revenues allow.

4. Owner's Responsibility. It is hereby agreed between the parties that the guarantor's fee as provided for herein shall be paid solely out of the working capital and revenues and receipts of the facility to be constructed with the proceeds of said bond issue, and NHC covenants, promises and agrees that Aiken County shall not be liable out of any

15216

other funds for the payment of these guarantor's fees; provided, however, that unpaid guarantor's fees shall accrue as a liability of the facility, subordinate only to the lien of the 1981 Series Bonds or additions thereto.

5. Notices. Any notice, statement or demand required or permitted by this Agreement to be given by NHC to Owner shall be in writing, and shall be sent by registered or certified mail to Owner, said Aiken County Council, Attention County Chairman, P. O. Box 2040, Aiken, South Carolina, or such other address as Owner may, from time to time designate to NHC in writing. Any notice required or permitted by this Agreement to be given by Owner to NHC shall be in writing and shall be sent by registered or certified mail to President, National Health Corporation, P. O. Box 1398, Murfreesboro, Tennessee 37130, or such other address as NHC may, from time to time, designate to Owner in writing. Any such notice shall be deemed given as of the date of its receipt at the address to which such notice is to be directed regardless of any other date that may appear thereon.

6. Enforceability. Should any provisions of this Agreement be unenforceable, such unenforceability shall not affect the enforceability of the other provisions of the contract.

7. Waiver of Provisions. None of the conditions or provisions of this Agreement shall be held to have been waived by any act or knowledge of NHC, its agents or employee, but only by an instrument in writing, signed by an officer of NHC.

8. Entire Agreement. This Agreement shall constitute the entire Agreement between the parties relative to the subject matter hereof, notwithstanding any oral statements to the contrary, and this Agreement

15217

may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement cannot be changed or terminated orally, but only by writing signed by the party against whom such change or termination is asserted.

9. Law to Govern. This contract shall be construed and governed under the laws of the State of South Carolina.

Notwithstanding any provisions herein to the contrary, this Agreement shall be subject to all terms and provisions of the Trust Indenture, Security Agreement and Mortgage, all of these documents being documents executed in conjunction with the Series 1981 bond issue. Any terms and provisions of this agreement which are in conflict with the terms and provisions of the above-mentioned documents shall be null and void and of no effect.

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

NATIONAL HEALTH CORPORATION

BY: \_\_\_\_\_  
W. Andrew Adams, President

ATTEST:

\_\_\_\_\_  
Richard F. LaRoche, Jr., Secretary

AIKEN COUNTY, SOUTH CAROLINA

BY: \_\_\_\_\_  
Chairman

ATTEST:

\_\_\_\_\_  
Clerk

**15218**

# EXHIBIT

FEB 26 1981

NO. 12

## OPTION AND RIGHT OF FIRST REFUSAL AGREEMENT

STATE BUDGET & CONTROL BOARD

THIS AGREEMENT made this the 1st day of January, 1981, by and between NATIONAL HEALTH CORPORATION, a Tennessee corporation qualified to do business in the State of South Carolina, hereinafter referred to as NHC, and AIKEN COUNTY, SOUTH CAROLINA, a body politic being the County Government of Aiken County, South Carolina, with its principal place of business in Aiken, South Carolina, hereinafter referred to as Owner;

### W I T N E S S E T H:

FOR AND IN CONSIDERATION of Ten and No/100 (\$10.00) Dollars and other good and valuable consideration, the receipt of all of which is hereby acknowledged, Owner agrees as follows:

1. Option to Purchase. In the event that the Trustee of the Series 1981 Hospital Facilities Revenue Bonds issued by Owner declares a default in the payment of principal and/or interest on same and makes official written demand upon NHC under the Guaranty Agreement entered into between NHC and the Trustee, and in the further event that this default is not deemed by the arbitration panel chosen in accordance with paragraph 14 of the Full Service Agreement for Management and Operating Services entered into between the parties to be a result of an act of commission or omission by NHC, then in that event Owner shall first determine at its next regularly scheduled meeting of the County Council whether Owner desires to unconditionally assume NHC's obligations as guarantors on the bonds. In the event that Owner decides not to unconditionally assume guarantor's obligations under the Series 1981 Hospital Revenue

15219

Bonds, then in that event, Owner will immediately grant to NHC the option to purchase the land, building, furniture, fixtures, equipment, inventory, stock in trade, accounts receivable, and all other assets, tangible and intangible, constituting the 132-bed skilled and intermediate care facility constructed and opened out of the proceeds of the 1981 Series Hospital Facilities Revenue Bonds for a purchase price equal to the fair market value thereof as determined by an independent MAI appraiser duly licensed in the State of South Carolina chosen by agreement between the parties hereto, but in no event shall the net purchase price be less than the outstanding amount required to redeem in full the 1981 Series Hospital Facilities Revenue Bonds. On payment of the purchase price thus arrived at NHC shall assume all liabilities against said facility, accrued or contingent, long-term or short-term. NHC shall be solely responsible for arranging any and all financing required to consummate the purchase and pay in full the Series 1981 Hospital Facilities Revenue Bonds, but Owner agrees to cooperate with NHC to facilitate the refinancing by the issuance of Hospital Facility Revenue Bonds if feasible and if requested by NHC provided however, that refinancing by said Bond method shall be at the sole risk and expense of NHC and Owner shall be reimbursed by NHC for Owner's reasonable and necessary costs, expenses, and fees, including legal fees, incurred by reason of such cooperation regardless of whether or not such proposed refinancing by said Revenue Bonds can be successfully completed.

2. Option to Lease. In the event of a final administrative ruling to the effect that the Management and/or Guaranty Fee to be paid NHC is not a reimbursable expense under the Medicaid/Medicare Program, or

reasonable successors thereto, then the parties agree that NHC shall have the option to enter into a Lease Agreement with Owner for the nursing home, for a term co-terminum with the bond issue and for a lease payment equal to all principal and interest payments on the bonds, plus a sum equal to the real estate tax assessed in Aiken County, South Carolina, on a yearly basis, as if NHC actually owned the facility. The Lease shall grant Owner the same termination and default rights as contained in the Management Agreement (Exhibit A) and NHC shall continue to indemnify and hold the Owner harmless under the lease just as it is pursuant to Exhibit A.

3. Right of First Refusal. Owner additionally grants unto NHC a right of first refusal to purchase the facilities constructed utilizing the proceeds of the Series 1981 Hospital Facilities Revenue Bonds, which right is granted and shall be exercised as follows: In the event Owner desires to sell, lease, or transfer ownership in said facility, Owner shall advise NHC of its decision to so sell, lease, or transfer ownership, NHC shall then have 30 days in which to make a written offer to purchase the facility, which offer shall be accepted or rejected within a month thereafter. In the event the offer is rejected and Owner places the property for public sale, Owner further agrees to grant NHC a right to purchase the facility on the same terms and conditions as a third party has offered in writing to purchase the facility, and NHC shall have two (2) weeks to decide whether to purchase the facility on those said terms and conditions or allow the sale to occur with the third party. This obligation to offer the facility to NHC shall be a continuing one and shall not be terminated upon the rejection by NHC of any previous right of first refusal.

4. The rights and privileges granted, and the burdens imposed,

under this Option and Right of First Refual Agreement shall be co-terminus with the Guaranty Agreement between Trustee and NHC and shall terminate with the termination of said Guaranty Agreement for whatever reason.

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

NATIONAL HEALTH CORPORATION

BY: \_\_\_\_\_  
W. Andrew Adams, President

ATTEST:

\_\_\_\_\_  
Richard F. LaRoche, Jr., Secretary

AIKEN COUNTY, SOUTH CAROLINA

BY: \_\_\_\_\_  
Chairman-County Council

ATTEST:

\_\_\_\_\_  
Clerk

# EXHIBIT

FEB 26 1981

NO. 12

## OPTION AND RIGHT OF FIRST REFUSAL AGREEMENT STATE BUDGET & CONTROL BOARD

THIS AGREEMENT made this the \_\_\_\_ day of \_\_\_\_\_, 1980, by and between NATIONAL HEALTH CORPORATION, a Tennessee corporation qualified to do business in the State of South Carolina, hereinafter referred to as NHC, and AIKEN COUNTY, SOUTH CAROLINA, a body politic being the County Government of Aiken County, South Carolina, with its principal place of business in Aiken, South Carolina, hereinafter referred to as Owner;

### W I T N E S S E T H:

FOR AND IN CONSIDERATION of Ten and No/100 (\$10.00) Dollars and other good and valuable consideration, the receipt of all of which is hereby acknowledged, Owner agrees as follows:

1. Option to Purchase. In the event that the Trustee of the Series 1981 Hospital Facilities Revenue Bonds issued by Owner declares a default in the payment of principal and/or interest on same and makes official written demand upon NHC under the Guaranty Agreement entered into between NHC and the Trustee, and in the further event that this default is not deemed by the arbitration panel chosen in accordance with paragraph 14 of the Full Service Agreement for Management and Operating Services entered into between the parties to be a result of an act of commission or omission by NHC, then in that event Owner shall first determine at its next regularly scheduled meeting of the County Council whether Owner desires to unconditionally assume NHC's obligations as guarantors on the bonds. In the event that Owner decides not to unconditionally assume guarantor's obligations under the Series 1981 Hospital Revenue Bonds, then in that event, Owner will immediately grant to NHC the option to

15223

purchase the land, building, furniture, fixtures, equipment, inventory, stock in trade, accounts receivable, and all other assets, tangible or intangible, constituting the 132-bed skilled and intermediate care facility constructed and opened out of the proceeds of the 1981 Series Hospital Facilities Revenue Bonds for a purchase price equal to the fair market value thereof as determined by an independent MAI appraiser duly licensed in the State of South Carolina chosen by agreement between the parties hereto, but in no event shall the purchase price be less than the outstanding amount required to redeem in full the 1981 Series Hospital Facilities Revenue Bonds. The purchase price thus arrived at shall be paid by the assumption of all liabilities against said facility, accrued or contingent, long-term or short-term, plus NHC's promissory note for the balance, if any, payable at 13% over the remaining life of the Series 1981 Hospital Facilities Revenue Bonds in equal monthly payments.

2. Option to Lease. In the event of a final administrative ruling to the effect that the Management and/or Guaranty Fee to be paid NHC is not a reimbursable expense under the Medicaid/Medicare Programs, or reasonable successors thereto, then the parties agree that NHC shall ~~have the option to~~ enter into a Lease Agreement with Owner for the nursing home, for a term co-terminus with the bond issue and for a lease payment equal to all principal and interest payments on the bonds, plus a sum equal to the real estate tax assessed in Aiken County, South Carolina, on a yearly basis, as if NHC actually owned the facility. The Lease shall grant Owner the same termination and default rights as contained in the Management Agreement (Exhibit A) and NHC shall continue to indemnify and hold the Owner harmless under the lease just as it is pursuant to Exhibit A.

3. Right of First Refusal. Owner additionally grants unto NHC a

15224

right of first refusal to purchase the facilities constructed utilizing the proceeds of the Series 1980 Hospital Revenue Bonds, which right is granted and shall be exercised as follows: In the event Owner desires to sell, lease or transfer ownership in said facility, Owner shall advise NHC of its decision to so sell. NHC shall then have 60 days in which to make a written offer to purchase the facility, which offer shall be accepted or rejected within a month thereafter. In the event the offer is rejected and Owner places the property for public sale, Owner further agrees to grant NHC a right to purchase the facility on the same terms and conditions as a third party has offered in writing to purchase the facility, and NHC shall have two (2) weeks to decide whether to purchase the facility on those said terms and conditions or allow the sale to occur with the third party. This obligation to offer the facility to NHC shall be a continuing one and shall not be terminated upon the rejection by NHC of any previous right of first refusal.

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

NATIONAL HEALTH CORPORATION

BY: \_\_\_\_\_

ATTEST:

W. Andrew Adams, President

Richard F. LaRoche, Jr., Secretary

AIKEN COUNTY, SOUTH CAROLINA

BY: \_\_\_\_\_

Chairman

ATTEST:

\_\_\_\_\_  
Clerk

15225

# EXHIBIT

FEB 26 1981 NO. 12

STATE BUDGET & CONTROL BOARD<sup>2.1</sup>

## GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT, made as of the first day of December 1, 1980, by and between NATIONAL HEALTH CORPORATION (the "Guarantor"), and \_\_\_\_\_ as Trustee (the "Trustee"), organized and existing under the laws of the United States of America and having its principal place of business in the City of \_\_\_\_\_.

### WITNESSETH:

WHEREAS, AIKEN COUNTY, (the "Issuer") intends to issue its First Mortgage Revenue Bonds, Series 1980 (National Health Corporation, Guarantor), for nursing home development, in an aggregate principal amount of \$2,700,000, (the "Bonds"); and

WHEREAS, the Bonds are to be issued under and pursuant to an Indenture of Mortgage and Deed of Trust dated as of the date hereof (the "Indenture") between the Issuer and the Trustee; and

WHEREAS, the proceeds derived from the issuance of the Bonds are to be applied to the cost of the acquisition, construction, equipping and installation of certain nursing home facilities in Aiken, South Carolina (the "Project") for the benefit of the Guarantor; and

WHEREAS, the Guarantor desires that the Issuer issue the Bonds and apply the proceeds to the cost of the Project and is willing to enter into this Guaranty as an inducement to the purchase of the Bonds by all who shall at any time become holders of the Bonds;

NOW, THEREFORE, in consideration of the foregoing, the Guarantor does hereby covenant and agree with the Trustee as follows:

1. The Guarantor hereby unconditionally guarantees to the Trustee for the benefit of any present or future holder of any Bond and the interest coupons appertaining thereto, if any, the full and prompt payment of the principal of and premium, if any, and interest on any Bond when and as the same shall become due, whether at the stated maturity thereof, by acceleration or call for redemption or otherwise.

2. This Guaranty shall be a continuing, absolute and unconditional Guaranty and shall remain in full force and effect until the entire principal of, premium, if any, and interest on the Bonds shall have been paid or provided for according to the terms of the Indenture. This Guaranty is made in furtherance of the purposes for which the Guarantor was incorporated and is necessary to promote and further the business of the Guarantor and the assumption by the Guarantor of its obligations hereunder will result in direct financial benefits to the Guarantor.

15226

3. This is a guaranty of payment and not of collection, and the Guarantor expressly waives any right to require that any action be brought against the Issuer or to require that resort be had to any security. If the Issuer shall default in payment of the principal of, premium, if any, and interest on the Bonds when and as the same become due, whether by acceleration, call for redemption or otherwise, the Guarantor, upon demand by the Trustee, its successors or assigns, without notice other than such demand and without the necessity of further action by the Trustee or its successors or assigns, will promptly and fully make such payment. The Guarantor will pay all reasonable costs and expenses, including attorney's fees, paid or incurred by the Trustee, its successors and assigns, in connection with the enforcement of the obligation of the Issuer to pay the principal of, premium, if any, and interest on the Bonds or of the Guarantor under this Guaranty. All payments by the Guarantor shall be paid in lawful money of the United States of America. Each default in payment of the principal of, premium, if any, or interest on any Bond shall give rise to a separate cause of action hereunder, and separate suits may be brought hereunder as each cause of action arises.

4. The obligations of the Guarantor hereunder shall be absolute and unconditional and shall not be impaired, modified, released or limited by any occurrence or condition whatsoever, including without limitation (a) any compromise, settlement, release, waiver, renewal, extension, indulgence, change in or modification of any of the obligations and liabilities of the Issuer contained in the Bonds or the Indenture, (b) any impairment, modification, release or limitation of the liability of the Issuer or its estate, or any other security for the Bonds, in bankruptcy, or any remedy for the enforcement thereof, resulting from the operation of any present or future provision of the National Bankruptcy Act or other statute or from the decision of any court, (c) the assertion or exercise by the Issuer, its successors or assigns, or the Trustee, its successors or assigns, of any rights or remedies under the Indenture or this Guaranty or their delay in or failure to assert or exercise any such rights or remedies, and (d) the assignment or mortgaging or the purported assignment or mortgaging of all or any part of the interest of the Issuer in the Project.

5. The Guarantor unconditionally waives (a) notice of any of the matters referred to in Section 4 hereof and (b) any demand (except as specified in Section 3 hereof), proof or notice of non-payment of the principal of, premium, if any, or interest on the Bonds or other payments of money required by the Indenture or of default by the Issuer or the Trustee in performing and keeping any other covenant, condition or agreement required of them under the Indenture.

6. No act of commission or omission of any kind or at any time upon the part of the Trustee, its successors or assigns, in respect of any matter whatsoever shall in any way affect or impair the rights of the Trustee or any successor or assignee to enforce any right, power or benefit of the Trustee under this Guaranty, and no set-off, claim,

reduction or diminution of any obligation or any defense of any kind or nature which the Guarantor has or may have against the Issuer or the Trustee or any assignee or successor shall be available to or against any such assignee or successor in any suit or action brought by the Trustee, its successors or assigns to enforce any right, power or benefit under this Guaranty. Nothing in this Guaranty shall be construed as a waiver by the Guarantor of any rights or claims it may have against the Issuer or the Trustee under this Guaranty or otherwise, but any recovery upon such rights and claims shall be had from the Issuer or the Trustee separately, it being the intent of this Guaranty that the Guarantor shall be unconditionally and absolutely obligated to perform fully all of its obligations, agreements and covenants hereunder for the benefit of the holders of the Bonds and the interest coupons appertaining thereto.

7. Until the principal of and interest on the Bonds shall have been paid in full or provision for the payment thereof shall have been made in accordance with the Indenture, the Guarantor will maintain its corporate existence and will not, without the prior consent of the Trustee, dispose of all or substantially all of its business and assets or consolidate with or merge into any other corporation or permit one or more other corporations to consolidate with or merge into it, provided that the Guarantor may, without violating this Guaranty, consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it or may sell or otherwise transfer to another corporation all or substantially all of its business and assets and thereafter dissolve, provided that the surviving, resulting or transferee corporation shall have, after giving effect to such merger, consolidation or transfer, a net worth, computed according to generally accepted accounting principles consistent with the methods used in prior years, equal to not less than the net worth of the Guarantor, computed as aforesaid, immediately prior to such consolidation, merger or transfer, and if the Guarantor is not the surviving, resulting or transferee corporation, it assumes in writing all of the obligations of the Guarantor contained in this Guaranty and either qualifies to do business in South Carolina or files a consent to service of process with the Secretary of State of South Carolina, other appropriate state official, or the Trustee.

8. Each of the following shall constitute an event of default hereunder:

(a) If the Guarantor shall fail to pay any principal of, premium, if any, or interest on any Bond when and as the same become due, whether by acceleration, call for redemption or otherwise, upon demand by the Trustee to the Guarantor;

(b) If the Guarantor shall fail to observe and perform any other covenant, condition or agreement of the Guarantor under the Guaranty within 30 days after demand by the Trustee to the Guarantor specifying the particular covenant, condition or agreement, or, in the

case of any such default which cannot with due diligence be cured within such 30 day period, failure of the Guarantor to proceed promptly to cure the same and thereafter prosecute the curing of such default with due diligence;

(c) If the Guarantor shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts as they become due, or shall file a petition in bankruptcy, or shall be adjudicated a bankrupt or insolvent, or shall file a petition seeking any reorganization, arrangement, composition, readjustment, or similar relief under any present or future statute, law or regulation, or shall file an answer admitting or not contesting the material allegations of a petition against it in any such proceeding, or shall seek consent to or acquiesce in the appointment of any trustee, receiver or liquidator of the Guarantor or any material part of its properties;

(d) If, within 60 days after the commencement of any proceeding against the Guarantor seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, such proceeding shall not have been dismissed, or if within 60 days after the appointment without the consent or acquiescence of the Guarantor, of any trustee, receiver or liquidator of the Guarantor or of any material part of its properties, such appointment shall not have been vacated.

Whenever any event of default shall have happened and be continuing, the Trustee as provided in the Indenture may declare the entire unpaid principal of, premium, if any, and interest on the Bonds to be immediately due and payable.

9. The Guarantor represents and warrants that (a) it is a corporation duly organized under the laws of Tennessee, is duly qualified to do business as a foreign corporation and is in good standing in the State of South Carolina, has the power to enter into this Guaranty and by proper corporate action has been duly authorized to execute and deliver this Guaranty, and (b) the execution, delivery and performance of this Guaranty will not conflict with or constitute a violation or breach of, or a default under, the Guarantor's articles of incorporation or by-laws, both as amended, or any indenture, mortgage, deed of trust, note agreement or other agreement or instrument to which the Guarantor is a party.

10. This Guaranty shall be binding upon the Guarantor, its successors and assigns and all rights against the Guarantor arising under this Guaranty shall be for the sole benefit of the Trustee, its successors and assigns under the Indenture and the holders of the Bonds, all of whom shall be entitled to enforce performance and observance of this Guaranty to the same extent as if they were parties hereto. The Trustee and the holders of the Bonds shall be entitled to bring any suit, action or proceeding against the Guarantor for the

15229

enforcement of any provision of this Guaranty in its name as Trustee, without exhausting any other remedies which it may have pursuant to the terms of the Bonds or the Indenture and without resort to any other security held by or available to the Issuer or the Trustee.

11. All notices, approvals, consents, requests and other communications hereunder shall be by telephone and confirmed in writing and shall be deemed to have been given when the writing is delivered or mailed by first class registered or certified mail, postage prepaid, addressed: (a) if to the Guarantor: National Health Corporation, \_\_\_\_\_;

or (b) if to the Trustee: \_\_\_\_\_,  
\_\_\_\_\_, (Attn: Corporate Trust Department).

The Guarantor and the Trustee may, by notice given hereunder, designate any further or different addresses to which subsequent notices, approvals, consents, requests or other communications shall be sent or persons to whose attention the same shall be directed.

12. This Guaranty shall be governed by the applicable laws of South Carolina.

13. This Guaranty expresses the entire understanding and all agreements between the parties. Neither party has made or shall be bound by any agreement or representation to the other party which is not expressly set forth herein. This Guaranty shall not be modified or amended without the prior written consent of the Trustee given in accordance with the Indenture. No amendment, change, modification, alteration or termination of the Indenture shall be made which would in any way increase the Guarantor's obligations under this Guaranty without the prior written consent of the Guarantor.

15230

14. This Guaranty may be executed in several counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Guaranty to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers.

NATIONAL HEALTH CORPORATION

BY \_\_\_\_\_

(SEAL)

ATTEST:

\_\_\_\_\_  
Secretary

BY \_\_\_\_\_

(SEAL)

ATTEST:

\_\_\_\_\_

15231

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

Before me, the undersigned authority, a Notary Public within and for the State and County aforesaid, personally appeared \_\_\_\_\_ and \_\_\_\_\_, with whom I am personally acquainted, and who upon their oaths acknowledged themselves to be the President and Secretary, respectively, of National Health Corporation one of the within named bargainors, a Tennessee corporation, and that they, as such President and Secretary, being authorized so to do, executed the foregoing instrument (Guaranty) for the purposes contained therein by subscribing thereto the name of said corporation, and by affixing thereto and attesting the official seal of said corporation by themselves as such President and Secretary, respectively.

WITNESS my hand and official seal of office at \_\_\_\_\_  
this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

\_\_\_\_\_  
Notary Public

(SEAL)

My commission expires:  
\_\_\_\_\_

15232

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

Before me, the undersigned authority, a Notary Public within and for the State and County aforesaid, personally appeared \_\_\_\_\_ and \_\_\_\_\_, with whom I am personally acquainted, and who upon their oaths acknowledged themselves to be a Vice President and Trust Officer, respectively, of \_\_\_\_\_, one of the within named bargainors, a banking corporation, and that they, as such Vice President and Trust Officer, being authorized so to do, executed the foregoing instrument (Guaranty) for the purposes contained therein by subscribing thereto the name of said bank and by affixing thereto and attesting the official seal of said bank by themselves as such Vice President and Trust Officer, respectively.

WITNESS my hand and official seal of office at \_\_\_\_\_  
this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

\_\_\_\_\_  
Notary Public

(SEAL)

My commission expires:

\_\_\_\_\_

15233

# EXHIBIT /

FEB 26 1981 NO. 12

## STATE BUDGET & CONTROL BOARD

### FULL SERVICE AGREEMENT FOR MANAGEMENT AND OPERATING SERVICES

THIS AGREEMENT made and entered into as of the \_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by and between NATIONAL HEALTH CORPORATION, a corporation organized under the laws of the State of Tennessee and qualified to do business in the Commonwealth of South Carolina, hereinafter referred to as NHC, and AIKEN COUNTY, SOUTH CAROLINA, a body politic by and through its County Council, hereinafter referred to as OWNER;

#### W I T N E S S E T H:

WHEREAS, Owner is desirous of entering into a contract with NHC for the overseeing of construction and actual operation and management of Aiken County Health Care Center, and

WHEREAS, NHC is qualified in the supervision, operation and management of nursing homes and has been chosen by Owner from a large group of applicants for this position, and

WHEREAS, Owner desires to employ NHC to act as its general manager in supervising and directing said nursing home, and

WHEREAS, NHC is willing to furnish such services, all subject to the terms and conditions set forth in this Agreement,

NOW, THEREFORE, for and in consideration of the mutual covenants hereinafter contained, it is agreed as follows:

1. Appointment and Employment of NHC as Agent and General Manager of the Nursing Home. Owner hereby appoints and employs NHC as general manager to supervise and direct, and control the management and operation of the aforesaid nursing home upon the terms and conditions hereinafter stated, said appointment and employment to be effective as of the date hereof, and to continue in force thereafter for the period herein specified.

15234

2. Management, Operation and Maintenance. NHC shall be solely responsible for managing, operating and maintaining the nursing home of the Owner from the funds and revenues generated by the nursing home and from the reserve funds associated therewith. In connection with such management, operational and maintenance, NHC shall perform the following services:

(a) The selection, employment, termination of employment, supervision, direction, training of such employees as NHC determines to be reasonably necessary, and the assigning of the duties of all employees engaged in the operation of the nursing home, including an administrator and/or assistant administrator and all other such employees. The selection, terms of employment and termination thereof, including rates of compensation, and the supervision, direction, training and assignment of duties of all such employees, shall be the duty and responsibility of and shall be determined solely by NHC. In order to avoid any semblance or appearance of political favoritism in the employment of personnel, it is agreed that all employees shall be the employees and agents of NHC and not of Owner, provided further that all salaries and remuneration of every nature and type for employees shall be reimbursed to NHC out of project revenues and not out of NHC's management fee.

(b) The establishment of all prices, price schedules, rates and rate schedules, and in connection therewith the collection, receipt and giving receipts for all services and income of any nature from the nursing home operation.

(c) The making of such repairs, alterations and decorations for the nursing home as NHC may deem reasonable and necessary to the proper maintenance and operation thereof. However, no contract for

15235

repairs, alterations or decorations involving a single expenditure in excess of \$10,000.00 shall be entered into without Owner's prior written approval. In the event of an emergency requiring prompt action for the protection or safety of the building or to residents, NHC shall be empowered to take necessary action without prior written approval upon verbal notification to Owner, following which a written report of the occasion for such action and the action taken shall be made to Owner without delay. Further, NHC shall have authority including, but not limited, to furnish<sup>if</sup> and replace<sup>if</sup> furnishings with those of appropriate quality, maintaining the nursing home in excellent condition, and maintaining the highest reputation all from the depreciation and replacement reserve fund to be established for such purposes.

(d) The obtaining and granting of such concessions and privileges, including but not limited to, speech therapy, occupational therapy, inhalation therapy, physical therapy and rental of equipment as NHC may deem reasonably necessary or desirable in connection with the operation of the nursing home, provided that the local services, personnel and facilities shall be used when qualified and when available on terms and conditions no less favorable than those otherwise attainable by NHC.

(e) The installation of suitable accounting and internal auditing systems, including suitable books of control and account, and the preparation and filing of all required State and Federal cost reports.

(f) Generally, the negotiation of service and other contracts reasonably necessary or desirable in connection with the operation of the nursing home in the usual course of business, except as otherwise provided in this Agreement.

15236

(g) The purchasing of such inventories, provisions, supplies, and equipment as NHC may deem reasonably necessary in order to properly maintain and operate the nursing home. The Owner will have same rights that NHC may have to purchase products at discounts from various suppliers as a result of national contracts obtained by NHC. No equipment, etc. shall be purchased over \$10,000.00 without prior notification to and written approval from Owners.

(h) The planning, preparation of, and contracting for advertising and promotional programs for the nursing home.

(i) Generally, the performance of all acts reasonably necessary in connection with the operation of the nursing home in an efficient and proper manner and in accordance with standards and policies established or to be established by NHC for the operation of its nursing homes.

(j) To obtain and maintain all state and federal licenses, permits and other authorizations in accordance with recognized standards and regulations in order to operate a licensed nursing home.

(k) To incorporate the proposed nursing home in the NHC Patient Assessment System for the purpose of properly evaluating and auditing the required patient care.

3. Inspection of Accounts and Records, etc. All books, accounts and records maintained for the operation of the nursing home shall be open at all reasonable hours for inspection and audit by Owner or any qualified and experienced accountants selected by Owner for that purpose. Promptly after the close of each fiscal year an audit shall be made of the books and accounts of the nursing home by qualified and experienced auditors selected by Owner, the cost of which shall be an expense of

15237

operating the nursing home. The Owner shall retain the privilege of an independent audit by an auditor of his choice at his expense and at his discretion. However, this shall not be done to the point of undue harassment to the operators of the nursing home. NHC shall furnish Owner with an unaudited operating statement on a monthly basis at no additional cost to Owner.

4. Handling and Disposition of Funds. Funds originating from the financing of the construction of the home, as well as from the nursing home operation or from the Owner and coming into NHC's hands shall be received, handled, managed and disposed of as follows:

(a) All funds generated by the financing of the nursing home shall be managed for Owner by NHC and the investment thereof both before, during and after construction shall be as directed by NHC in accordance with bond document requirements. All funds received and generated by the operation of the nursing home, including any working capital furnished by Owner, shall be funds of Owner and shall be deposited in a reputable bank or banks chosen by NHC, in an agency account or accounts. NHC shall be under no liability or responsibility for any loss resulting from insolvency of any bank or banks in which funds, whether same are financing funds, working capital funds or operating funds, are deposited, *provided Owner reserves the right to approve the selection of any such bank.*

(b) Out of such agency accounts and bond document accounts where appropriate and allowable, NHC shall be free to pay operating expenses of the nursing home and to make other payments, including amortization of any loans and NHC compensation hereunder, in accordance with the terms of this Agreement or in accordance with the terms of any financing instrument controlling and directing the management and placement of funds.

15238

(c) Subject to the provisions of paragraph 10(c) hereinafter, NHC shall remit to the Owner such funds in the agency account which are in excess of the normal operating and working capital requirements of the nursing home, loan amortization requirements and reserves established by direction of the Owner.

(d) NHC, on behalf of the Owner, shall establish a patient trust account and shall establish and maintain records and procedures to account for all patients' funds deposited to the patient trust account, which records and procedures shall conform to the requirements of the Medicare and Medicaid Manual and all other applicable requirements.

5. NHC Not to Pledge Owner's Credit. NHC shall not in the purchase of goods, wares, merchandise, materials, supplies and services reasonably required in the ordinary course of business in the operation of the nursing home and any departments thereof operated by NHC, except as may be otherwise directed by the Owner in the performance by NHC of its obligations under this Agreement, pledge the credit of Owner, nor shall NHC in the name of, or on behalf of, Owner borrow any money or execute any promissory note, bill of exchange or other obligation without the express written consent and authorization of the Owner.

6. Reimbursement for Expenses. Everything done by NHC in the performance of its obligations and all its expense incurred under the portion of this Agreement relating to managerial services shall be for and on behalf of Owner and for Owner's account. In the event that NHC shall have advanced any funds in payment of expense in the maintenance or operation of the nursing home, then Owner agrees to reimburse NHC, with interest at 10% simple interest, but only out of profits or cash flow generated by the operation of the facility and not otherwise. NHC

15239

shall notify the Owner of such advancements and shall furnish the Owner with receipts evidencing such advancements. No interest shall be paid by Owner or deferred management or guarantee fees due NHC. It is understood that no salaries of employees of NHC shall be paid from the operation of the facility unless such employees are actually in an employee status with NHC in the operation of the nursing home facility at Aiken.

7. Insurance. Reasonable and adequate insurance protection in the management and operation of the nursing home shall be maintained by NHC for the protection of Owner, including, but not limited to, public and personal liability insurance, worker's compensation insurance, and all such insurance shall be subject to the approval of Owner and in accordance with bond document requirements. All policies shall have riders or endorsements which shall fully protect the interest of NHC in the same manner as if it were the insured thereunder.

8. Independent Contractors. Nothing herein contained shall be construed as creating a partnership or joint venture between the parties hereto or any relationship other than independent contractor. All salaries, costs, purchases and expenses incurred in the operation of the property shall be incurred solely by National Health Corporation as Agent for the account and benefit of Owner, and Owner shall be liable therefor, but only to the extent of project revenues and funds.

9. Indemnification.

A. NHC agrees to save, hold harmless and indemnify Owner from any and all liability and suits for damages, including attorney's fees and court costs incurred in connection with the management and operation of the Facility, unless such suits or liabilities arise from Owner's own negligence.

**15240**

B. NHC further agrees to save the Owner from liability for claims for injuries suffered by an employee or other person arising out of or relating to the management and operation of the Facility, and to carry, at the expense of the Facility, necessary public liability and worker's compensation insurance adequate to protect the parties hereto, which policy or policies shall name Owner as co-insured.

10. Cooperation by Owner.

(a) It is the intent of the parties that the nursing home be operated as a licensed nursing home, and Owner hereby agrees to cooperate fully with NHC to that end and to do all acts necessary for the performance of this Agreement.

(b) Owner agrees to establish and maintain a Committee or Agency comprised of no less than three (3) and no more than nine (9) individuals, which committee shall be delegated by appropriate Ordinance all of Owner's right and authority with regard to the operation of the nursing home in question as same are granted to Owner under the terms of this Agreement. This committee shall meet on a regularly scheduled basis with representatives of NHC to discuss, advise and recommend the necessary policies and procedures for the management of the facility. Owner agrees that once said committee is appropriately organized and in existence, that all notices and communications between Owner and NHC shall be the responsibility and province of said committee.

(c) Owner hereby agrees that all proceeds derived from the operation of the nursing home, as remitted pursuant to paragraph 4(c) above, shall be placed in a special account in Owner's name, which shall be managed for Owner by NHC. Owner covenants, promises and agrees that said funds in this account shall be used by the committee created above

15241

solely for the operation, improvements, expansion and any other purposes necessary therefor in connection with the nursing home managed by NHC, or funding other health care purposes such as indigent care which the Owner may fund or supervise and that said funds will not be utilized or appropriated by Owner for any other public or private purposes whatsoever during the term of this Agreement or that certain Guaranty Agreement between Owner and NHC entered into contemporaneously herewith, whichever shall last expire.

11. Term of Agreement. The initial term of this Agreement shall be for a period of ten (10) years. This Agreement will automatically renew for three (3) 15-year terms, all on the same terms as contained herein except for the per day management fee specified in Paragraph 12 hereinafter, unless there has been a default in this agreement as same is defined in Paragraph 14 hereinafter. Further, Owner may retain, at each renewal period, other management for the facility and concurrently therewith agrees to indemnify and hold NHC harmless from any liability incurred by NHC in connection with NHC's guarantee of the Revenue Bond Issue used to finance the nursing home project. At any time after 5 years from the date hereof, Owner may pay or otherwise unconditionally assume all responsibility for the remaining indebtedness and terminate this agreement concurrently therewith.

In the event this term, or any renewal term, is deemed (by law, regulation or final administrative ruling) to be unreasonable for Medicaid/Medicare Reimbursement purposes, then the term and all renewal terms shall be immediately and retroactively amended by agreement between the parties hereto. Upon termination of this Agreement all sums due NHC from Owner, whether evidenced by note or otherwise, shall become immediately

**15242**

due and payable.

In the event of default hereunder as same is defined in Paragraph 14, the party against whom such default occurs may terminate this agreement.

- 12. Compensation of NHC for Management and Operating Services.

(a) As compensation for the services to be rendered by NHC during the operating period, as set forth in this Agreement, Owner shall pay to NHC sums equal to 4% of the total gross revenues of the nursing home as shown on the monthly operating statement (and as adjusted annually on the year-end statement) payable by the 15th of the following month; provided, however, that in the event such an arrangement is deemed by law, regulation, or appropriate administrative ruling to be a non-allowable and/or non-reimbursable cost under either the Medicare or Medicaid programs or substantially equivalent successor programs thereto, then the parties hereby agree that NHC's compensation for services hereunder shall be calculated and paid on the basis of \$1.50 per patient day, payable monthly during the life of this agreement. Each year during the term of this agreement or its renewals, the alternative per patient day management fee shall be increased by the same percentage that the Consumer Price Index for all Urban Consumers, Medical Care Group, for the month and year of renewal exceeds the same Index for January, 1981.

(b) As compensation for services rendered by NHC in the review of the construction of the facility, NHC shall be reimbursed for its reasonable travel and living expenses.

**15243**

13. Working Capital. Owner shall make available to NHC for initial working capital the sum of \$200,000.00 from bond proceeds only.

14. Default. In the event either party to this agreement deems the other party to be in default under its obligations as contained hereunder, then said party shall be required to provide the alleged defaulting party with written detailed specifications of the nature of the alleged default. Upon the receipt of said written detailed specifications (which shall be deemed to have occurred on the date the specifications were mailed to the party by Certified Mail, Return Receipt Requested) the party being charged with the default shall have 30 days in which to (a) correct the alleged default or provide appropriate assurances to the charging party that the default will be timely corrected, or (b) file notice with the charging party that the party against whom the default has been charged denies that the factual matters alleged constitute a default under this Management Agreement. In the event this latter course is chosen, the parties do hereby covenant, promise and agree to each appoint (within 10 days of the above denial) an individual who shall be (1) an acting and licensed administrator of any long-term health care facility in the United States and (2) which individual shall also hold the title of Fellow in the American College of Health Care Administrators. These two individuals as chosen shall meet within two (2) weeks of their appointment and shall pick a third individual suitable to themselves (but with identical qualifications), which third individual shall be the third member of the panel. The panel thus chosen shall review (within 2 weeks of the appointment of third member) the written detailed specifications and the denial and responses thereto by the

**15244**

charged party and shall provide their professional opinion as to whether the matters before them constitute a default in the management of a licensed long-term care facility as same is known and understood within the custom of the long-term care industry. The party against whom the decision is rendered shall be responsible for the costs incurred in this arbitration panel. If said panel finds by a majority vote that a default has occurred, the party in default shall have 30 days therefrom to correct the default to the satisfaction of the panel or provide reasonable assurances of its correction, and if same is not accomplished, then the party shall be deemed in default, and this agreement may then be terminated at the option of the charging party.

15. Notices. Any notice, statement or demand required or permitted by this Agreement to be given by NHC to Owner shall be in writing, and shall be sent by registered or certified mail to Owner, said Aiken County Council, Attention Chairman-County Council, P. O. Box 2040, Aiken, South Carolina 29801, or such other address as Owner may, from time to time designate to NHC in writing. Any notice required or permitted by this Agreement to be given by Owner to NHC shall be in writing and shall be sent by registered or certified mail to P.O. Box 1398, Murfreesboro, Tennessee 37130, or such other address as NHC may, from time to time, designate to Owner in writing. Any such notice shall be deemed given as of the date of its receipt at the address to which such notice is to be directed regardless of any other date that may appear thereon.

16. Assignability of this Agreement. NHC shall have the right to assign its respective rights, interests and obligations hereunder to any associate or subsidiary company in which, at the time of such Agreement,

it or a subsidiary shall own directly or indirectly, a majority of the voting stock, or to any corporation with which it merges or is consolidated, or to which it sells a majority of its assets; provided, however, that such assignee expressly assumes, by a writing delivered to Owner, all of the obligations of NHC hereunder.

Owner shall have the right to assign this Agreement to any Purchaser, lessee or other transferee of substantially all of the assets comprising the facility, provided such purchaser, lessee, or transferee expressly assumes by a writing delivered to NHC all of the obligations of Owner hereunder, and upon such assumption, Owner shall be relieved of its liabilities hereunder. Except as provided, Owner shall have no right to assign its right hereunder without consent of NHC.

17. Enforceability. Should any provisions of this Agreement be unenforceable as between the parties, such unenforceability shall not affect the enforceability of the other provisions of the contract.

18. Waiver of Provisions. None of the conditions or provisions of this Agreement shall be held to have been waived by any act or knowledge of either party hereto, or its agents or employee, but only by an instrument in writing, signed by an officer of the party.

19. Entire Agreement. This Agreement shall constitute the entire Agreement between the parties relative to the subject matter hereof, notwithstanding any oral statements to the contrary, and this Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement cannot be changed or terminated orally, but only by writing signed by the party against whom such change or termination is asserted.

15246

20. Burdens and Benefits. This Agreement shall be binding upon and shall inure to the benefit of the respective legal representatives, successors, and assigns of NHC, Owner and any future owner or lessee of the nursing home.

21. Law to Govern. This contract shall be construed and governed under the laws of the State of South Carolina.

22. Subordination. The rights granted to NHC under the terms of this Agreement shall be subordinate to the interest of any mortgage loans against the nursing home now existing or hereafter created and also as to actual expenses incurred by the operation of the facility.

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

NATIONAL HEALTH CORPORATION

BY: \_\_\_\_\_  
W. Andrew Adams, President

ATTEST:

\_\_\_\_\_  
Richard F. LaRoche, Jr., Secretary

AIKEN COUNTY, SOUTH CAROLINA

BY: \_\_\_\_\_  
Chairman

ATTEST:

\_\_\_\_\_  
Clerk

15247

# EXHIBIT

FEB 26 1981

NO. 12

STATE BUDGET & CONTROL BOARD

## AGREEMENT FOR MANAGEMENT AND OPERATING SERVICES

THIS AGREEMENT made and entered into as of the \_\_\_\_ day of \_\_\_\_\_, 19\_\_, by and between NATIONAL HEALTH CORPORATION, a corporation organized under the laws of the State of Tennessee and qualified to do business in the Commonwealth of South Carolina, hereinafter referred to as NHC, and AIKEN COUNTY, SOUTH CAROLINA, a body of politic by and through its County Council, hereinafter referred to as OWNER;

### W I T N E S S E T H:

WHEREAS, Owner is desirous of entering into a contract with NHC for the overseeing of construction and actual operation and management of Aiken County Health Care Center, and

WHEREAS, NHC is qualified in the supervision, operation and management of nursing homes and has been chosen by Owner from a large group of applicants for this position, and

WHEREAS, Owner desires to employ NHC to act as its general manager in supervising, directing and controlling said nursing home, and

WHEREAS, NHC is willing to furnish such services, all subject to the terms and conditions set forth in this Agreement,

NOW, THEREFORE, for and in consideration of the mutual covenants hereinafter contained, it is agreed as follows:

1. Appointment and Employment of NHC as Agent and General of the Nursing Home. Owner hereby appoints and employs NHC as general manager to supervise, direct, and control the construction, management and operation of the aforesaid nursing home upon the

**15248**

terms and conditions hereinafter stated, said appointment and employment to be effective as of the date hereof, and to continue in force thereafter for the period herein specified.

2. Management, Operation and Maintenance. NHC shall be solely responsible for managing, operating and maintaining the nursing home of the Owner from the funds generated by the nursing home and from the reserve funds associated therewith for the purposes which said reserve funds can be expended for, supplementing any shortage of funds with the private funds of NHC if necessary to meet such management, operational and maintenance requirements. In connection with such management, operational and maintenance, NHC shall perform the following services:

(a) The selection, employment, termination of employment, supervision, direction, training of such employees as NHC determines to be reasonably necessary, and the assigning of the duties of all employees engaged in the operation of the nursing home, including an administrator and/or assistant administrator and all other such employees. The selection, terms of employment and termination thereof, including rates of compensation, and the supervision, direction, training and assignment of duties of all such employees, shall be the duty and responsibility of and shall be determined or controlled solely by NHC, provided however, that such shall be in accordance with competitive wage, salary, benefit and incentive plans provided further, however, any key employee incentive plans to be paid from nursing home revenues and not from the

management fee paid to NHC, shall be approved by the Owner. All such employees shall be the employees and agents of NHC and not of Owner.

(b) The establishment of all prices, price schedules, rates and rate schedules, and in connection therewith the collection, receipt and giving receipts for all services and income of any nature from the nursing home operation.

(c) The making of such repairs, alterations and decorations for the nursing home as NHC may deem reasonable and necessary to the proper maintenance and operation thereof. However, no contract for repairs, alterations or decorations involving a total expenditure in excess of \$10,000.00 shall be entered into without Owner's approval. In the event of an emergency requiring prompt action for the protection or safety of the building or to residents, NHC shall be empowered to take necessary action without prior written approval upon verbal notification to Owner following which a written report of the occasion for such action and the action taken shall be made to Owner without delay. Further, NHC shall have authority including, but not limited, to furnish and replace furnishings with those of appropriate quality, maintaining the nursing home in excellent condition, and maintaining the highest reputation from the depreciation and replacement reserve fund to be established for such purposes provided, however, that if sufficient funds are not available in such reserve fund, NHC shall advance any funds so required and shall repay itself such advanced funds whenever sufficient reserve funds are available.

(d) The obtaining and granting of such concessions and

privileges, including but not limited to, speech therapy, occupational therapy, inhalation therapy, physical therapy and rental of equipment as NHC may deem reasonably necessary or desirable in connection with the operation of the nursing home provided that the local services, personnel and facilities shall be used when qualified and when available on terms and conditions no less favorable than those otherwise attainable by NHC.

(e) The installation of suitable accounting and internal auditing systems, including suitable books of control and account, and the preparation and filing of all required State and Federal cost reports.

(f) Generally, the negotiation of service and other contracts reasonably necessary or desirable in connection with the operation of the nursing home in the usual course of business, except as otherwise provided in this Agreement.

(g) The purchasing of such inventories, provisions, supplies, and equipment as NHC may deem reasonably necessary in order to properly maintain and operate the nursing home. The Owner will have same rights that NHC may have to purchase products at discounts from various suppliers as a result of national contracts obtained by NHC. No single piece of equipment or other item costing over \$5,000.00 shall be purchased without prior notification to and written approval from Owner.

(h) The planning, preparation of, and contracting for advertising and promotional programs for the nursing home.

(i) Generally, the performance of all acts reasonably

necessary in connection with the operation of the nursing home in an efficient and proper manner and in accordance with standards and policies established or to be established by NHC for the operation of first-class nursing homes including evaluation not less than quarterly of the performance of all departments of the nursing home.

(j) To obtain and maintain all state and federal certifications, licenses, permits and other authorizations in accordance with recognized standards and regulations in order to certify and license the nursing home for participation in the Medicaid and Medicare programs and to additionally maintain such standards as to enable the nursing home to participate as a provider of services under contract with the Veteran's Administration.

(k) To incorporate the proposed nursing home in the NHC Patient Assessment System for the purpose of properly evaluating and auditing the required patient care.

3. Inspection of Accounts and Records, etc. All books, accounts and records maintained for the operation of the nursing home shall be open at all reasonable hours for inspection and audit by Owner or any qualified and experienced accountants selected by Owner for that purpose. Promptly after the close of each fiscal year an audit shall be made of the books and accounts of the nursing home by qualified and experienced auditors selected by Owner, the cost of which shall be an expense of operating the nursing home. The Owner shall retain the

privilege of a further independent audit by another auditor of its choice at its expense and at its discretion. However, this shall not be done to the point of undue harrassment to the operators of the nursing home. NHC shall furnish Owner with an unaudited operating statement on a monthly basis at no additional cost to Owner.

4. Handling and Disposition of Funds. Funds originating from the financing of the construction of the home, as well as from the nursing home operation or from the Owner and coming into NHC's hands shall be received, handled, managed and disposed of as follows:

(a) All funds generated by the financing of the nursing home shall be managed for Owner by NHC and the investment thereof both before, during and after construction shall be as directed by NHC in accordance with bond document requirements. All funds received and generated by the operation of the nursing home, including any working capital furnished by Owner, shall be funds of Owner and shall be deposited in a reputable bank or banks chosen by NHC, in an agency account or accounts. NHC shall be under no liability or responsibility for any loss resulting from insolvency of any bank or banks in which funds, whether same are financing funds, working capital funds or operating funds, are deposited.

(b) Out of such agency accounts and bond document accounts where appropriate and allowable, NHC shall be free to pay operating expenses of the nursing home and to make other payments, including amortization of any loans and NHC compensation hereunder, in

accordance with the terms of this Agreement or in accordance with the terms of any financing instrument controlling and directing the management and placement of funds and in accordance with any instructions of the Owner as to increasing the size of, or establishing, any reserve funds.

(c) Subject to the provisions of paragraph 10 (c) hereinafter, NHC shall remit to the Owner such funds in the agency account which are in excess of the normal operating and working capital requirements of the nursing home, loan amortization requirements and reserves established by direction of the Owner.

(d) Subject to the availability of funds, beginning thirty-six (36) months after the opening of the nursing home, NHC shall establish a depreciation and replacement reserve fund, and each month thereafter shall deposit a sum of not more than Five Thousand and no/100 (\$5,000.00) Dollars to said fund until said fund is equal to One Hundred Fifty Thousand and no/100 (\$150,000.00) Dollars, at which time said contributions shall be discontinued except as needed from time to time to restore the fund to the specified amount provided, however, that said deposits shall be used first to repay any amounts advanced by NHC from its own funds for repair or replacements of the nursing home or depreciable equipment and secondly to establishing and maintaining the funds. This fund shall be used for repair, maintenance, and replacement of the nursing home facilities and equipment on the basis of depreciation and wear and tear.

(e) Subject to the further availability of funds, beginning

eighteen (18) months after opening of the nursing home and continuing for forty two (42) months thereafter, NHC shall deposit a pro-rata amount into the debt service reserve funds, which together with interest earned by such debt service reserve fund, is calculated to provide one (1) year's debt service reserve sixty (60) months after opening of the nursing home.

(f) NHC, on behalf of the Owner, shall establish a patient trust account at a bank readily available to the nursing home. NHC shall establish and maintain records and procedures to account for all patients' funds deposited to the patient trust account, which records and procedures shall conform to the requirements of the Medicare and Medicaid Manual and all other applicable requirements.

5. NHC Not to Pledge Owner's Credit. NHC shall not in the purchase of goods, wares, merchandise, materials, supplies and services reasonably required in the ordinary course of business in the operation of the nursing home and any departments thereof operated by NHC, except may be otherwise directed by the Owner in the performance by NHC of its obligations under this Agreement, pledge the credit of Owner, nor shall NHC in the name of, or on behalf of, Owner borrow any money or execute any promissory note, bill of exchange or other obligation without the express written consent and authorization of the Owner.

6. Reimbursement for Expenses. Everything done by NHC in the performance of its obligations and all its expense incurred under the portion of this Agreement relating to managerial services shall be for and on behalf of Owner and for Owner's account.

In the event that NHC shall have advanced any funds in payment of expense in the maintenance or operation of the nursing home, then Owner agrees to reimburse NHC, but only out of profits or cash flow generated by the operation of the facility and not otherwise. NHC shall notify the Owner of such advancements and shall furnish the Owner with receipts evidencing such advancements.

It is understood that no salaries of employees of NHC shall be paid from the operation unless such employees are actually in an employee status with NHC in the operation of this nursing home.

7. Insurance. Reasonable and adequate insurance protection in the management and operation of the nursing home shall be maintained by NHC, including, but not limited to, premises and professional liability insurance with limits of not less than One Million Dollars each occurrence and all such insurance shall be subject to the approval of Owner. All policies shall have riders or endorsements which shall fully protect the interest of Owner in the same manner as if it were the insured thereunder. NHC, at its expense, will have the right to bond any employee, whether of NHC or the Owner, who will be handling funds of the nursing home. NHC will obtain a quotation on the insurance and give Owner an opportunity to approve and/or substitute insurance coverage.

8. Independant Contractors. Nothing herein contained shall be construed as creating a partnership or joint venture between the parties hereto or any relationship other than independent

contractor. All salaries, costs, purchases and expenses incurred in the operation of the property shall be incurred solely for the account of NHC, and Owner shall not be liable therefore; it being expressly understood that Owner's liability for expenses and costs shall be limited to the salaries and expenses of its own officers and employees carried on its own payroll and for the costs incurred at its home office in the performance of its obligations hereunder. NHC shall be responsible for the fees of outside consultants and professional people reasonably incurred hereunder, specifically including the fees of certified public accounts, incurred for an annual audit and preparation of tax returns, it being agreed that the Owner shall select the certified public account so employed, with such selection, contingent upon NHC's approval.

9. Indemnification.

A. NHC agrees to save, hold harmless and indemnify Owner from any and all liability and suits for damages, including attorney's fees and court costs incurred in connection with management of the Facility, unless such suits or liabilities arise from Owner's own negligence.

B. NHC further agrees to save the Owner from liability for claims for injuries suffered by an employee or other person arising out of or relating to the management of the Facility, and to carry, at the expense of the Facility, necessary public liability and worker's compensation insurance adequate to protect the parties hereto, which policy or policies shall name Owner as co-insured.

10. Cooperation by Owner.

(a) It is the intent of the parties that the nursing home be operated as a first-class nursing home, and Owner hereby agrees to cooperate fully with NHC to that end and to do all acts necessary for the performance of this Agreement.

(b) Owner agrees to establish and maintain a committee comprised of no less than three (3) and no more than five (5) individuals, which committee shall be delegated by appropriate Ordinance all of Owner's right and authority with regard to the operation of the nursing home in question as same are granted to Owner under the terms of this Agreement. This committee shall meet on a regularly scheduled basis with representatives of NHC to discuss, advise and recommend the necessary policies and procedures for the management of the facility as a first class nursing home. Owner agrees that once said committee is appropriately organized and in existence, that all notices and communications between Owner and NHC shall be the responsibility and province of said committee.

(c) Owner hereby agrees that all proceeds derived from the operation of the nursing home, as remitted pursuant to paragraph 4 (c) above, shall be placed in a special account in Owner's name, which shall be managed to Owner's best interest by NHC. Owner covenants, promises and agrees that said funds in this account shall be used by the committee created above solely for the operation, improvements, expansion and any other purposes necessary therefor in connection with the nursing home managed by NHC, or funding other health care purposes such as indigent

care which the Owner may fund or supervise and that said funds will not be utilized or appropriated by Owner for any other public or private purposes whatsoever during the term of this Agreement or that certain Guaranty Agreement between Owner and NHC entered into contemporaneously herewith, whichever shall last expire.

11. Term of Agreement. This Agreement shall be for a period of five (5) years. NHC grants to Owner the right to renew this Agreement for as many as four (4) consecutive 5-year terms, on the same terms as contained herein except for the per day management fee specified in Paragraph 12 hereinafter. In the event Owner desires to renew, then the per patient day management fee shall be increased each renewal term by the same percentage that the Consumer Price Index For All Urban Consumers, Medical Care Group, for the month and year of renewal exceeds the same Index for October 1980.

Upon termination of this Agreement all sums due NHC from Owner, whether evidenced by note or otherwise, shall become immediately due and payable.

In the event of default hereunder as same is defined in Paragraph 15, the party against whom such default occurs may terminate this Agreement.

12. Compensation of NHC for Management and Operating Services.

(a) As compensation for the services to be rendered by NHC during the operating period, as set forth in this Agreement, Owner shall pay to NHC sums equal to 4% of the total gross revenues of the nursing home as shown on the monthly operating statement (and as adjusted annually on the year-end statement) payable by the

15th of the following month; provided, however, that in the event such an arrangement is deemed by law, regulation, or appropriate administrative ruling to be a non-allowable and/or non-reimbursable cost under either the Medicare or Medicaid programs or substantially equivalent successor programs thereto, then the parties hereby agree that NHC's compensation for services hereunder shall be calculated and paid on the basis of \$1.25 per patient day, payable monthly during the life of this Agreement.

(b) As compensation for services rendered by NHC in the over-seeing of the construction of the facility, NHC shall be paid from bond proceeds or repaid from operating revenues for its employees reasonable time required (including travel time) at \$40.00 per hour, plus travel expenses.

13. Working Capital. Owner shall make available to NHC for initial working capital the sum of \$215,000.00 to be derived solely from the bond proceeds.

14. Default. In the event either party to this agreement deems the other party to be in default under its obligations as contained hereunder, then said party shall be required to provide the alleged defaulting party with written detailed specifications of the nature of the alleged default. Upon the receipt of said written detailed specifications (which shall be deemed to have occurred on the date the specifications were mailed to the party by Certified Mail, Return Receipt Requested) the party being charged with the default shall have 30 days in which to (a) correct the alleged default or provide appropriate

assurances to the charging party that the default will be timely corrected, or (b) file notice with the charging party that the party against whom the default has been charged denies that the factual matters alleged constitute a default under this Management Agreement. In the event this latter course is chosen, the parties do hereby covenant, promise and agree to each appoint (within 10 days of the above denial) an individual who shall be (1) an acting and licensed administrator of any long-term health care facility in the United States certified for both Medicare and Medicaid and (2) which individual shall also hold the title of Fellow in the American College of Health Care Administrators. These two individuals as chosen shall meet within two (2) weeks of their appointment and shall pick a third individual suitable to themselves (but with identical qualifications), which third individual shall be the third member of the panel. The panel thus chosen shall review (within two (2) weeks of the appointment of the third member) the written detailed specifications and the denial and responses thereto by the charged party and shall provide their professional opinion as to whether the matters before them constitute a default in the management of a certified Medicaid/Medicare long-term care facility as same is known and understood within the custom of the long-term care industry. The party against whom the decision is rendered shall be responsible for the costs incurred in this arbitration panel. If said panel finds by a majority vote that a default has occurred, the party in default shall have 30 days therefrom to correct the default to the satisfaction of the panel or provide reasonable.

assurances of its correction, and if same is not accomplished, then the party shall be deemed in default, and this Agreement may then be terminated at the option of the charging party.

14. Notices. Any notice, statement or demand required or permitted by this Agreement to be given by NHC to Owner shall be in writing, and shall be sent by registered or certified mail to Owner, said Aiken County Council, Attention County Chairman, P. O. Box 2040, Aiken, South Carolina, 29801, or such other address as Owner may, from time to time designate to NHC in writing. Any notice required or permitted by this Agreement to be given by Owner to NHC shall be in writing and shall be sent by registered or certified mail to P. O. Box 1398, Murfreesboro, Tennessee 37130, or such other address as NHC may, from time to time, designate to Owner in writing. Any such notice shall be deemed given as of the date of its receipt at the address to which such notice is to be directed regardless of any other date that may appear thereon.

15. Assignability of this Agreement. NHC shall have the right, only upon approval of Owner, to assign its respective rights, interests and obligations hereunder to any associate or subsidiary company in which, at the time of such Agreement, it or a subsidiary shall own directly or indirectly, a majority of the voting stock, or to any corporation with which it merges or is consolidated, or to which it sells a majority of its assets provided that such assignee expressly assumes, by a writing delivered to Owner, all of the obligations of NHC hereunder. Except as provided herein, NHC shall have no right to assign its

rights or obligations hereunder without consent of Owner as said rights and obligations are personal to NHC.

Owner shall have the right to assign this Agreement to any Purchaser, lessee or other transferee of substantially all of the assets comprising the facility, provided such purchaser, lessee, or transferee expressly assumes by a writing delivered to NHC all of the obligations of Owner hereunder, and upon such assumption, Owner shall be relieved of its liabilities hereunder. Except as provided, Owner shall have no right to assign its right hereunder without consent of NHC.

16. Enforceability. Should any provisions of this Agreement be unenforceable as between the parties, such unenforceability shall not affect the enforceability of the other provisions of the contract.

17. Waiver of Provisions. None of the conditions or provisions of this Agreement shall be held to have been waived by any act or knowledge of NHC, its agents or employee, but only by an instrument in writing, signed by an officer of NHC.

18. Entire Agreement. This Agreement shall constitute the entire Agreement between the parties relative to the subject matter hereof, notwithstanding any oral statements to the contrary, and this Agreement may be executed simultaneously in two more more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement cannot be changed or terminated orally, but only by writing signed by the party against whom such change or termination is asserted.

19. Burdens and Benefits. This Agreement shall be binding upon and shall inure to the benefit of the respective legal representative, successors and assigns of NHC, Owner and any future owner or lessee of the nursing home. Owner agrees not to sell, lease, or otherwise transfer the nursing home during the term of this Agreement, unless the purchaser, lessee or transferee expressly assumes by writing delivered to NHC, all of Owner's obligations hereunder, with the same force and effect as if such purchaser, lessee or transferee was the Owner mentioned herein.

20. Law to Govern. This contract shall be construed and governed under the laws of the State of South Carolina.

21. Subordination. The rights granted to NHC under the terms of this Agreement shall be subordinate to the interest of any mortgage loans against the nursing home now existing or hereafter created.

IN WITNESS WHEREOF, the parties hereto have hereunto set their Hands and Seal as of the day and year first above written.

# EXHIBIT

FEB 26 1981

NO. 12

STATE BUDGET & CONTROL BOARD

## FULL SERVICE AGREEMENT FOR MANAGEMENT AND OPERATING SERVICES

THIS AGREEMENT made and entered into as of the 1st day of January, 1981, by and between NATIONAL HEALTH CORPORATION, a corporation organized under the laws of the State of Tennessee and qualified to do business in the Commonwealth of South Carolina, hereinafter referred to as NHC, and AIKEN COUNTY, SOUTH CAROLINA, a body politic by and through its County Council, hereinafter referred to as OWNER;

### W I T N E S S E T H:

WHEREAS, Owner is desirous of entering into a contract with NHC for the overseeing of actual operation and management of Aiken County Health Care Center, and

WHEREAS, NHC is qualified in the supervision, operation and management of nursing homes and has been chosen by Owner from a large group of applicants for this position, and

WHEREAS, Owner desires to employ NHC to act as its general manager in supervising and directing said nursing home, and

WHEREAS, NHC is willing to furnish such services, all subject to the terms and conditions set forth in this Agreement,

NOW, THEREFORE, for and in consideration of the mutual covenants hereinafter contained, it is agreed as follows:

1. Appointment and Employment of NHC as Agent and General Manager of the Nursing Home. Owner hereby appoints and employs NHC as general manager to supervise and direct, and control the management and operation of the aforesaid nursing home upon the terms and conditions hereinafter

15265

stated, said appointment and employment to be effective as of the date hereof, and to continue in force thereafter for the period herein specified.

2. Management, Operation and Maintenance. NHC shall be solely responsible for managing, operating and maintaining the nursing home of the Owner from the funds and revenues generated by the nursing home and from the reserve funds associated therewith. In connection with such management, operational and maintenance, NHC shall perform the following services:

(a) The selection, employment, termination of employment, supervision, direction, training of such employees as NHC determines to be reasonably necessary, and the assigning of the duties of all employees engaged in the operation of the nursing home, including an administrator and/or assistant administrator and all other such employees. The selection, terms of employment and termination thereof, including rates of compensation, and the supervision, direction, training and assignment of duties of all such employees, shall be the duty and responsibility of and shall be determined solely by NHC. In order to avoid any semblance or appearance of political favoritism in the employment of personnel, it is agreed that all employees shall be the employees and agents of NHC and not of Owner, provided further that all salaries and remuneration of every nature and type for employees shall be reimbursed to NHC out of project revenues and not out of NHC's management fee.

(b) The establishment of all prices, price schedules, rates and rate schedules, and in connection therewith the collection, receipt and giving receipts for all services and income of any nature from the nursing home operation.

**15266**

(c) The making of such repairs, alterations and decorations for the nursing home as NHC may deem reasonable and necessary to the proper maintenance and operation thereof. However, no contract for repairs, alterations or decorations involving a single expenditure in excess of \$10,000.00 shall be entered into without Owner's prior written approval. In the event of an emergency requiring prompt action for the protection or safety of the building or to residents, NHC shall be empowered to take necessary action without prior written approval upon verbal notification to Owner, following which a written report of the occasion for such action and the action taken shall be made to Owner without delay. Further, NHC shall have authority including, but not limited, to furnish and replace furnishings with those of appropriate quality, maintaining the nursing home in excellent condition, and maintaining the highest reputation all from the depreciation and replacement reserve fund to be established for such purposes.

(d) The obtaining and granting of such concessions and privileges, including but not limited to, speech therapy, occupational therapy, inhalation therapy, physical therapy and rental of equipment as NHC may deem reasonably necessary or desirable in connection with the operation of the nursing home, provided that the local services, personnel and facilities shall be used when qualified and when available on terms and conditions no less favorable than those otherwise attainable by NHC.

(e) The installation of suitable accounting and internal auditing systems, including suitable books of control and account, and the preparation and filing of all required State and Federal cost reports.

(f) Generally, the negotiation of service and other contracts reasonably necessary or desirable in connection with the operation of the nursing home in the usual course of business, except as otherwise

provided in this Agreement.

(g) The purchasing of such inventories, provisions, supplies, and equipment as NHC may deem reasonably necessary in order to properly maintain and operate the nursing home. The Owner will have same rights that NHC may have to purchase products at discounts from various suppliers as a result of national contracts obtained by NHC. No equipment, etc. shall be purchased over \$10,000.00 without prior notification to and written approval from Owners.

(h) The planning, preparation of, and contracting for advertising and promotional programs for the nursing home.

(i) Generally, the performance of all acts reasonably necessary in connection with the operation of the nursing home in an efficient and proper manner and in accordance with standards and policies established or to be established by NHC for the operation of its nursing homes.

(j) To obtain and maintain all state and federal licenses, permits and other authorizations in accordance with recognized standards and regulations in order to operate a licensed nursing home.

(k) To incorporate the proposed nursing home in the NHC Patient Assessment System for the purpose of properly evaluating and auditing the required patient care, but in no event will any charge levied be greater than that charged a facility owned by NHC.

3. Inspection of Accounts and Records, etc. All books, accounts and records maintained for the operation of the nursing home shall be open at all reasonable hours for inspection and audit by Owner or any qualified and experienced accountants selected by Owner for that purpose. Promptly after the close of each fiscal year an audit shall be made of the books and accounts of the nursing home by qualified and experienced

auditors selected by Owner, the cost of which shall be an expense of operating the nursing home. The Owner shall retain the privilege of an independent audit by an auditor of his choice at his expense and at his discretion. However, this shall not be done to the point of undue harrassment to the operators of the nursing home. NHC shall furnish Owner with an unaudited operating statement on a monthly basis at no additional cost to Owner.

4. Handling and Disposition of Funds. Funds originating from the financing of the construction of the home, as well as from the nursing home operation or from the Owner and coming into NHC's hands shall be received, handled, managed and disposed of as follows:

(a) All funds generated by the financing of the nursing home shall be managed for Owner by NHC and the investment thereof both before, during and after construction shall be as directed by NHC in accordance with bond document requirements. All funds received and generated by the operation of the nursing home, including any working capital furnished by Owner, shall be funds of Owner and shall be deposited in a reputable bank or banks chosen by NHC, in an agency account or accounts. NHC shall be under no liability or responsibility for any loss resulting from insolvency of any bank or banks in which funds, whether same are financing funds, working capital funds or operating funds, are deposited.

(b) Out of such agency accounts and bond document accounts where appropriate and allowable, NHC shall be free to pay operating expenses of the nursing home and to make other payments, including amortization of any loans and NHC compensation hereunder, in accordance with the terms of this Agreement or in accordance with the terms of any financing instrument controlling and directing the management and placement of funds.

(c) Subject to the provisions of paragraph 10(c) hereinafter, NHC shall remit to the Owner such funds in the agency account which are in excess of the normal operating and working capital requirements of the nursing home, loan amortization requirements and reserves established by direction of the Owner.

(d) NHC, on behalf of the Owner, shall establish a patient trust account and shall establish and maintain records and procedures to account for all patients' funds deposited to the patient trust account, which records and procedures shall conform to the requirements of the Medicare and Medicaid Manual and all other applicable requirements.

5. NHC Not to Pledge Owner's Credit. NHC shall not in the purchase of goods, wares, merchandise, materials, supplies and services reasonably required in the ordinary course of business in the operation of the nursing home and any departments thereof operated by NHC, except as may be otherwise directed by the Owner in the performance by NHC of its obligations under this Agreement, pledge the credit of Owner, nor shall NHC in the name of, or on behalf of, Owner borrow any money or execute any promissory note, bill of exchange or other obligation without the express written consent and authorization of the Owner.

6. Reimbursement for Expenses. Everything done by NHC in the performance of its obligations and all its expense incurred under the portion of this Agreement relating to managerial services shall be for and on behalf of Owner and for Owner's account. In the event that NHC shall have advanced any funds in payment of expense in the maintenance or operation of the nursing home, then Owner agrees to reimburse NHC, with interest calculated at the prime rate charged by the Trustee to its best corporate accounts on 90-day unsecured notes, but only out of

profits or cash flow generated by the operation of the facility and not otherwise. NHC shall notify the Owner of such advancements and shall furnish the Owner with receipts evidencing such advancements. No interest shall be paid by Owner on deferred management or guarantee fees due NHC. It is understood that no salaries of employees of NHC shall be paid from the operation of the facility unless such employees are actually in an employee status with NHC in the operation of the nursing home facility at Aiken.

7. Insurance. Reasonable and adequate insurance protection in the management and operation of the nursing home shall be maintained by NHC for the protection of Owner, including, but not limited to, public and personal liability insurance, worker's compensation insurance, and all such insurance shall be subject to the approval of Owner and in accordance with bond document requirements. All policies shall have riders or endorsements which shall fully protect the interest of NHC in the same manner as if it were the insured thereunder.

8. Independent Contractors. Nothing herein contained shall be construed as creating a partnership or joint venture between the parties hereto or any relationship other than independent contractor. All salaries, costs, purchases and expenses incurred in the operation of the property shall be incurred solely by National Health Corporation as Agent for the account and benefit of Owner, and Owner shall be liable therefor, but only to the extent of project revenues and funds.

9. Indemnification.

A. NHC agrees to save, hold harmless and indemnify Owner from any and all liability and suits for damages, including attorney's fees

15271

and court costs incurred in connection with the management and operation of the Facility, unless such suits or liabilities arise from Owner's own negligence.

B. NHC further agrees to save the Owner from liability for claims for injuries suffered by an employee or other person arising out of or relating to the management and operation of the Facility, and to carry, at the expense of the Facility, necessary public liability and worker's compensation insurance adequate to protect the parties hereto, which policy or policies shall name Owner as co-insured.

10. Cooperation by Owner.

(a) It is the intent of the parties that the nursing home be operated as a licensed nursing home, and Owner hereby agrees to cooperate fully with NHC to that end and to do all acts necessary for the performance of this Agreement.

(b) Owner agrees to establish and maintain a Committee or Agency comprised of no less than three (3) and no more than nine (9) individuals, which committee shall be delegated by appropriate Ordinance all of Owner's right and authority with regard to the operation of the nursing home in question as same are granted to Owner under the terms of this Agreement. This committee shall meet on a regularly scheduled basis with representatives of NHC to discuss, advise and recommend the necessary policies and procedures for the management of the facility. Owner agrees that once said committee is appropriately organized and in existence, that all notices and communications between Owner and NHC shall be the responsibility and province of said committee.

(c) Owner hereby agrees that all proceeds derived from the operation of the nursing home, as remitted pursuant to paragraph 4 (c) above, shall be placed in a special account in Owner's name, which shall be managed for Owner by NHC. Owner covenants, promises and agrees that said funds in this account shall be used by the committee created above solely for the operation, improvements, expansion and any other purposes necessary therefor in connection with the nursing home managed by NHC, or funding other health care purposes such as indigent care which the Owner may fund or supervise and that said funds will not be utilized or appropriated by Owner for any other public or private purposes whatsoever during the term of this Agreement or that certain Guaranty Agreement between Owner and NHC entered into contemporaneously herewith, whichever shall last expire.

11. Term of Agreement. The initial term of this Agreement shall be for a period of ten (10) years. This Agreement will automatically renew for three (3) 5-year terms, all on the same terms as contained herein except for the per day management fee specified in Paragraph 12 hereinafter, unless there has been a default in this agreement as same is defined in Paragraph 14 hereinafter. Further, Owner may retain, at each renewal period, other management for the facility and concurrently therewith agrees to indemnify and hold NHC harmless from any liability incurred by NHC in connection with NHC's guarantee of the Revenue Bond Issue used to finance the nursing home project. At any time after 5 years from the date hereof, Owner may pay or otherwise unconditionally assume all responsibility for the remaining indebtedness and for costs and fees due NHC and terminate this agreement concurrently therewith.

In the event this term, or any renewal term, is deemed (by law, regulation or final administrative ruling) to be unreasonable for Medicaid/Medicare Reimbursement purposes, then the term and all renewal terms shall be immediately and retroactively amended by agreement between the parties hereto. Upon termination of this Agreement all sums due NHC from Owner, whether evidenced by note or otherwise, shall become immediately due and payable.

In the event of default hereunder as same is defined in Paragraph 14, the party against whom such default occurs may terminate this agreement.

12. Compensation of NHC for Management and Operating Services.

(a) As compensation for the services to be rendered by NHC during the operating period, as set forth in this Agreement, Owner shall pay to NHC sums equal to 4% of the total gross revenues of the nursing home as shown on the monthly operating statement (and as adjusted annually on the year-end statement) payable by the 15th of the following month; provided, however, that in the event such an arrangement is deemed by law, regulation, or appropriate administrative ruling to be a non-allowable and/or non-reimbursable cost under either the Medicare or Medicaid programs or substantially equivalent successor programs thereto, then the parties hereby agree that NHC's compensation for services hereunder shall be calculated and paid on the basis of \$1.50 per patient day, payable monthly during the life of this agreement. Each year during the term of this agreement or its renewals, the alternative per patient day management fee shall be increased by the same percentage that the Consumer Price Index for all Urban Consumers, Medical Care Group, for the month and year of renewal exceeds the same Index for December, 1981, which index is \_\_\_\_\_.

15274

(b) As compensation for services rendered by NHC in the review of the construction of the facility, NHC shall be reimbursed for its reasonable travel and living expenses.

13. Working Capital. Owner shall make available to NHC for initial working capital the sum of \$166,275.00 from bond proceeds only.

14. Default. In the event either party to this agreement deems the other party to be in default under its obligations as contained hereunder, then said party shall be required to provide the alleged defaulting party with written detailed specifications of the nature of the alleged default. Upon the receipt of said written detailed specifications (which shall be deemed to have occurred on the date the specifications were mailed to the party by Certified Mail, Return Receipt Requested) the party being charged with the default shall have 30 days in which to (a) correct the alleged default or provide appropriate assurances to the charging party that the default will be timely corrected, or (b) file notice with the charging party that the party against whom the default has been charged denies that the factual matters alleged constitute a default under this Management Agreement. In the event this latter course is chosen, the parties do hereby covenant, promise and agree to each appoint (within 10 days of the above denial) an individual who shall be (1) an acting and licensed administrator of any long-term health care facility in the United States and (2) which individual shall also hold the title of Fellow in the American College of Health Care Administrators. These two individuals as chosen shall meet within two (2) weeks of their appointment and shall pick a third individual suitable to themselves (but with identical qualifications), which third individual

15275

shall be the third member of the panel. The panel thus chosen shall review (within 2 weeks of the appointment of third member) the written detailed specifications and the denial and responses thereto by the charged party and shall provide their professional opinion as to whether the matters before them constitute a default in the management of a licensed long-term care facility as same is known and understood within the custom of the long-term care industry in South Carolina. The party against whom the decision is rendered shall be responsible for the costs incurred in this arbitration panel. If said panel finds by a majority vote that a default has occurred, the party in default shall have 30 days therefrom to correct the default to the satisfaction of the panel or provide reasonable assurances of its correction, and if same is not accomplished, then the party shall be deemed in default, and this agreement may then be terminated at the option of the charging party.

15. Notices. Any notice, statement or demand required or permitted by this Agreement to be given by NHC to Owner shall be in writing, and shall be sent by registered or certified mail to Owner, said Aiken County Council, Attention Chairman-County Council, P. O. Box 2040, Aiken, South Carolina 29801, or such other address as Owner may, from time to time designate to NHC in writing. Any notice required or permitted by this Agreement to be given by Owner to NHC shall be in writing and shall be sent by registered or certified mail to P.O. Box 1398, Murfreesboro, Tennessee 37130, or such other address as NHC may, from time to time, designate to Owner in writing. Any such notice shall be deemed given as of the date of its receipt at the address to which such notice is to be directed regardless of any other date that may appear thereon.

**15276**

16. Assignability of this Agreement. NHC shall have the right to assign its respective rights, interests and obligations hereunder to any associate or subsidiary company in which, at the time of such Agreement, it or a subsidiary shall own directly or indirectly, a majority of the voting stock, or to any corporation with which it merges or is consolidated, or to which it sells a majority of its assets; provided, however, that such assignee expressly assumes, by a writing delivered to Owner, all of the obligations of NHC hereunder.

Owner shall have the right to assign this Agreement to any Purchaser, lessee or other transferee of substantially all of the assets comprising the facility, provided such purchaser, lessee, or transferee expressly assumes by a writing delivered to NHC all of the obligations of Owner hereunder, and upon such assumption, Owner shall be relieved of its liabilities hereunder. Except as provided, Owner shall have no right to assign its right hereunder without consent of NHC.

17. Enforceability. Should any provisions of this Agreement be unenforceable as between the parties, such unenforceability shall not affect the enforceability of the other provisions of the contract.

18. Waiver of Provisions. None of the conditions or provisions of this Agreement shall be held to have been waived by any act or knowledge of either party hereto, or its agents or employee, but only by an instrument in writing, signed by an officer of the party.

19. Entire Agreement. This Agreement shall constitute the entire Agreement between the parties relative to the subject matter hereof, notwithstanding any oral statements to the contrary, and this Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall

15277

constitute one and the same instrument. This Agreement cannot be changed or terminated orally, but only by writing signed by the party against whom such change or termination is asserted.

20. Burdens and Benefits. This Agreement shall be binding upon and shall inure to the benefit of the respective legal representatives, successors, and assigns of NHC, Owner and any future owner or lessee of the nursing home.

21. Law to Govern. This contract shall be construed and governed under the laws of the State of South Carolina.

22. Subordination. The rights granted to NHC under the terms of this Agreement shall be subordinate to the interest of any mortgage loans against the nursing home now existing or hereafter created and also as to actual expenses incurred by the operation of the facility.

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

NATIONAL HEALTH CORPORATION

BY: \_\_\_\_\_  
W. Andrew Adams, President

ATTEST:

\_\_\_\_\_  
Richard F. LaRoche, Jr., Secretary

AIKEN COUNTY, SOUTH CAROLINA

BY: \_\_\_\_\_  
Chairman - County Council

ATTEST:

\_\_\_\_\_  
Clerk

15278

THIS INDENTURE OF MORTGAGE AND DEED OF TRUST, being also a SECURITY AGREEMENT, made and entered into as of the 1st day of December, 1980, by and between Aiken County, South Carolina, a political subdivision of the State of South Carolina (herein called "Grantor"), party of the first part, and \_\_\_\_\_, a banking corporation organized and existing under and by virtue of the laws of \_\_\_\_\_ and being authorized by its charter to accept and administer the trusts hereby created in the State of \_\_\_\_\_ (herein called the "Trustee"), party of the second part.

WITNESSETH:

WHEREAS, Article 11, Sections 44-7-1410 et seq. of the Code of Laws of South Carolina, 1976, as amended, the "Hospital Revenue Bond Act" (the "Act"), authorizes and empowers the governing bodies of the several counties of the State of South Carolina to finance the acquisition, enlargement, improvement, construction, equipping and providing of hospital facilities, as defined in the Act to include nursing homes, to the end that the public health and welfare of the people of the State of South Carolina will be promoted at the least possible expense to those utilizing such facilities so provided and to that end the several counties functioning through their respective county boards are empowered to acquire and in connection with such acquisition, to enlarge or expand, whether by purchase, gift or lease, nursing homes and to issue bonds for the purpose of defraying the cost of providing such facilities and secure the payment of such bonds, and to mortgage any nursing home facilities and the site thereof for the benefits of the holders of the bonds issued to finance the same, and to enter into agreements with private for profit companies, in connection therewith and to do such other things as are authorized by the Act; and

WHEREAS, the Grantor has acquired or will acquire certain real property in Aiken County, South Carolina and will construct thereon a 132-bed facility, and install equipment therein and will cause the real property, the nursing home and related facilities and improvements and equipment (hereinafter collectively referred to as the "Project") to be operated and managed by National Health Corporation, a Tennessee corporation (the "Company") for the benefit of the County; and

WHEREAS, the Grantor, pursuant to ordinance duly adopted and approved, has entered into a Agreement for Management and Operating Services, an Agreement to Guarantee and an Option and Right of First Refusal Agreement with the Company whereby the Company will operate and manage the Project and enter into a Guaranty Agreement dated as of December 1, 1980 (the "Guaranty Agreement") with the Trustee for the benefit of the Bondholders guaranteeing the payment of the Bonds; and

WHEREAS, the acquisition, construction and operation of the Project and the issuance of revenue bonds by the Grantor as herein recited and provided will serve the intended purposes and in all respects conform to the provisions and requirements of the Act; and

EXHIBIT

FEB 26 1981

NO. 1 215279

STATE BUDGET & CONTROL BOARD

WHEREAS, the Grantor is authorized by law and deems it necessary to borrow money for the purposes of acquiring, constructing and equipping the Project and to that end has duly authorized and directed the issue of its Bonds, to be known as the First Mortgage Revenue Bonds, Series 1980 to be issued as coupon bonds and/or bonds registrable as to principal only or as to both principal and interest in one or more series (all bonds from time to time outstanding under the terms of the Indenture are hereinafter referred to as the "Bonds") and to secure the payment of the principal thereof and of the interest and redemption premiums thereon and the performance and observance of the covenants and conditions herein contained, the Grantor has authorized the execution and delivery of this Indenture; and

WHEREAS, the Grantor has determined to issue a series of Bonds hereunder, designated First Mortgage Revenue Bonds, Series 1980 (hereinafter called the "Bonds") in the aggregate principal amount of Two Million Seven Hundred Thousand Dollars (\$2,700,000); and

WHEREAS, the Grantor has elected with respect to the Bonds, that the provisions of Section 103(b)(6)(D) of the Internal Revenue Code of 1954, as amended, shall be applied thereto, all as more fully set forth therein.

NOW, THEREFORE, THIS INDENTURE OF MORTGAGE AND DEED OF TRUST FURTHER WITNESSETH:

That in order to secure the payment of the principal of and interest upon all the Bonds at any time issued and outstanding under this Indenture according to their tenor and effect, and to secure the performance and observance of all the covenants and conditions herein contained, and to declare the terms and conditions upon which the Bonds are or shall be issued, received and held in consideration of the premises and of the purchase and acceptance of the Bonds of the holders thereof and in consideration of the acceptance by the Trustee of the Trusts hereby created and for other good and valuable consideration to it hereunto moving, receipt whereof is hereby acknowledged, the Grantor, party of the first part, does hereby grant, bargain, sell, warrant, convey, confirm, assign, transfer in trust, mortgage, pledge and set over unto the Trustee, party of the second part, and to its successors in the trusts hereby created, all and singular the property, real and personal, hereinafter described, said property being herein sometimes referred to as the "trust estate", "mortgaged property", "Trust Estate", as follows:

#### GRANTING CLAUSE FIRST

The real estate or the property specifically described in Schedule A hereto and by this reference made a part hereof, whether now owned or hereafter acquired, subject to the matters set forth as exceptions to the title to said real estate, as set forth herein, and together with any and all improvements, now or hereafter located thereon.

#### GRANTING CLAUSE SECOND

All machinery, equipment, fixtures and other personal property acquired by the Grantor with proceeds from the Bonds, whether now owned or hereafter acquired including the machinery, equipment and fixtures, described in Schedule B attached hereto and by this reference made a part hereof and all machinery, equipment, fixtures and other personal property installed in and about the real property described in Granting Clause First in replacement, substitution or renewal of such machinery, equipment, fixtures and personal property. In the event any such machinery, equipment, fixtures or other personal property is not sufficiently ascertainable at the time of the execution of this Indenture to be specifically described in Schedule B, in order to constitute this Indenture a valid and enforceable lien thereon, this Indenture shall be supplemented from time to time in order to bring within the lien of this Indenture any and all such machinery, equipment, fixtures and other personal property acquired by the Grantor.

#### GRANTING CLAUSE THIRD

All right, title and interest of the Grantor in and to the Net Operating Revenues derived from the Trust Estate or any part thereof.

#### GRANTING CLAUSE FOURTH

All rights, privileges, licenses, permits, immunities and easements of every kind and nature appurtenant to the properties and estates described in the preceding Granting Clauses hereof 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 hereunder to be held as part of the mortgage 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, and all the estate, right, title and claim whatsoever, at law as well as in equity, which the Grantor now has or may hereafter acquire in and to the property and estates described in the preceding Granting Clauses hereof or any part thereof, whether now owned or hereafter acquired.

#### GRANTING CLAUSE FIFTH

All property which is by the express provisions of this Indenture 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 Grantor 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 encumbrances of this Indenture unto the Trustee and its successors and assigns forever:

SUBJECT, NEVERTHELESS, as to the properties covered hereby, to the following "Permitted Encumbrances": (a) the lien of taxes for the then current year, (b) the lien of taxes and assessments not delinquent, (c) the lien of taxes and assessments already due but whose validity is being contested at the time by the Grantor in good faith unless thereby, in the opinion of the Trustee upon advice by counsel, any of the property upon which any such lien exists may be lost or forfeited, (d) liens permitted by this Indenture, (e) easements of record, (f) zoning and building restrictions and governmental regulations now or hereafter affecting the Trust Estate, and rights, if any, of persons in possession, and (g) an Option and Right of First Refusal Agreement with National Health Corporation, a Tennessee corporation.

IN TRUST, however, for the equal and proportionate benefit and security of the holders from time to time of the Bonds and coupons authenticated and delivered hereunder and issued by the Grantor and outstanding, without preference, priority or distinction as to lien or otherwise of any on eof the Bonds over any other or others of the Bonds to the end that each holder of such Bonds has the same rights, privileges and lien unde and by virtue of this Indenture; and conditioned, however, that if the Grantor 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 attorneys 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 be and become void and of no further force and effect, otherwise the same shall remain in full force and effect and upon the trust and subject to the covenants and conditions hereinafter set forth.

ARTICLE I  
DEFINITIONS

Section 1.01. Primary Definitions. In addition to words and terms elsewhere defined in this Indenture, the following words and terms as used in this Indenture and in the Bonds shall have the following meanings, unless some other meaning is plainly intended:

"Annual Budget" shall mean the annual Budget of the Grantor with respect to the Facility prepared in accordance with Section 6.25 hereof.

"Annual Operating Budget" shall mean the annual budget of the Grantor with respect to the Facility without taking into account capital expenditures and debt service prepared in accordance with Section 6.25 as part of the Annual Budget.

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

"Authorized Representative" with respect to the Grantor, the Independent Architect or Professional Management Company means the Agent of Grantor, the Independent Architect or the Professional Management Company, as the case may be, designated in writing by the respective parties to the Trustee.

"Bondholder" or "holder" shall mean the bearer of a Bond not registered as to principal, and the registered owner of a coupon Bond registered as to principal.

"Bond Counsel" shall mean Waring, Cox, Sklar, Allen, Chafetz & Watson, Memphis, Tennessee or another attorney or firm of attorneys which is nationally recognized in the area of municipal finance and which is acceptable to the Trustee.

"Bond Fund" shall mean the fund by that name referred to in Article IV hereof.

"Bond Retirement Account" shall mean the account by that name in the Bond Fund referred to in Article IV hereof.

"Bonds" means the Bonds of all series from time to time authenticated and delivered under this Indenture. Any series of Bonds issued after the initial series of Bonds shall be given a designation to clearly differentiate them from the initial series, which are hereby designated the Series 1980 Bonds.

"Bond Year" shall mean the period beginning on December 2 of a calender year and ending on December 1 of the following calendar year.

"Certified Resolution or Ordinance" with reference to the Grantor means a copy of a resolution certified by the Clerk of the County Council of the Grantor to have been duly passed and adopted in accordance with law by the County Council at a meeting duly called and convened.

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

"Company" shall mean National Health Corporation, a Tennessee corporation.

"Construction Fund" shall mean the construction fund created in Article III hereof.

The word "Continuing" as applied to an Event of Default means any event of default not cured or waived.

"Debt Service Reserve Fund" shall mean the fund by that name referred to in Article IV hereof.

"Facility" shall mean the real estate described in Schedule A attached hereto, together with the 132-bed nursing home and related facilities located and to be constructed on such real estate and the furnishings and equipment described in Schedule B attached hereto, and all facilities provided in this Indenture to be subject to the lien hereof.

"Grantor" shall mean Aiken County, South Carolina, a political subdivision of the State of South Carolina, and its successors and assigns under this Indenture, party of the first part hereunder.

"Guarantor" shall mean National Health Corporation, a Tennessee corporation, its successors and assigns.

"Guaranty Agreement" shall mean the Guaranty Agreement dated as of December 1, 1980 from the Guarantor to the Trustee whereby the Guarantor guarantees payment of the Bonds to the Trustee for the benefit of the Bondholders.

"Guaranty fees" shall mean amounts payable to the Guarantor in consideration for the operation and delivery of the Guaranty Agreement.

"Herein", "hereunder", "hereof" and other equivalent words refer to this Indenture as an entirety and not solely to the particular portion thereof in which any such word is used.

"Indenture" shall mean this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto.

"Independent Architect" means an architect or firm of architects or a registered engineer, firm of engineers or engineering corporation acceptable to the Trustee.

"Interest Account" shall mean the account by that name in the Bond Fund referred to in Article IV hereof.

"Net Operating Revenues" shall mean the revenues remaining in the hands of Grantor after the payment of all the Grantor's normal operating expenses of the Facility. However, normal operating expenses shall not include fees charged by any professional management company.

"Mortgaged Equipment" shall mean the machinery, equipment and personal property mortgaged and to be mortgaged hereunder, including the machinery, equipment and personal property set forth in Schedule B hereto or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto.

"Officers' Certificate" with reference to the Grantor shall mean a certificate in writing signed by the Chairman or Vice Chairman and by the Clerk or any Assistant or Deputy Clerk of the County Council of the Grantor.

"Operating Reserve Account" shall mean the account by that name in the Revenue Fund referred to in Article IV.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Grantor, which opinion may rely upon any opinion of other counsel, satisfactory in form and substance to the counsel rendering the Opinion of Counsel, to the extent necessary for the purpose of forming the Opinion of Counsel.

"Outstanding" when used with reference to Bonds shall, subject to the provisions of Section 9.04, mean as of any particular time all the Bonds authenticated and delivered by the Trustee under this Indenture, except (a) Bonds theretofore cancelled by the Trustee or delivered to the Trustee cancelled or for cancellation; (b) Bonds for the payment or redemption of which moneys in the necessary amount shall have been deposited in trust with the Trustee, provided that if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been given as provided in Article V or provision satisfactory to the Trustee shall have been made for giving such notice; and (c) Bonds in substitution for which other Bonds shall have been authenticated and delivered.

"Permitted Encumbrances" shall mean those encumbrances set forth following the Granting Clauses of this Indenture.

"Principal Underwriter" shall mean Buchanan & Co., Inc., Jackson, Mississippi, its successors and assigns.

"Principal User" shall mean National Health Corporation, a Tennessee corporation, and any other firm, person or corporation which is a "principal user" for purposes of Section 103 of the Code.

"Professional Management Company or Consulting Firm" shall mean National Health Corporation, a Tennessee corporation authorized to do business in the State of South Carolina, or any other firm or person holding itself out to be an expert in the field or area of medical care delivery or service or nursing home operations and which may be employed on a contract basis to provide expertise regarding the operation of the Facility.

"Qualified Investments" shall mean: (a) obligations issued or guaranteed by the United States of America; and (b) obligations issued or guaranteed by any person controlled or supervised by and acting as an instrumentality of the United States of America pursuant to authority granted by the Congress of the United States; and (c) certificates of deposit of any commercial bank, including the Trustee secured by (a) or (b).

"Repair and Replacement Fund" shall mean the fund by that name referred to in Article IV hereof.

"Responsible Officers" of the Trustee or any separate trustee or co-trustee hereunder 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 such trustee, other than those specifically above mentioned, to whom any corporate trust matter is referred because of his knowledge of, and familiarity with, a particular subject.

"Registered Owner" shall mean the person or persons in whose name or names a Bond shall be registered on the books of the Grantor kept for that purpose in accordance with the terms of this Indenture.

"Revenue Fund" shall mean the account by that name referred to in Article IV hereof.

"Series 1980 Bonds" shall mean the \$2,700,000 principal amount of First Mortgage Revenue Bonds from time to time issued and outstanding under this Indenture.

"Trustee" shall mean \_\_\_\_\_, party of the second part to this Indenture and its successors in interest, the principal office of which is located in \_\_\_\_\_.

"Trust Estate", "trust estate" or "mortgaged property" shall mean the property of the Grantor which is subject to the lien of this Indenture.

"Written Request" with reference to the Grantor shall mean a request in writing signed by the Chairman (or Vice-Chairman) of the County Council and attested by the Clerk (or any Deputy Clerk) of the County Council or signed by the Grantor's Authorized Representative and with reference to the Professional Management Company or the Independent Architect shall mean a request in writing signed by the President or any Vice-President and by the Secretary or Assistant Secretary or signed by the Authorized Representative of the Professional Management Company or the Independent Architect, as the case may be.

Section 1.02 Other Definitions. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. The word "Bond", "coupon", "holder" and "person" shall include the plural as well as the singular number unless the context shall otherwise indicate. The word "person" shall include corporations, associations and natural persons unless the context shall otherwise indicate.

Section 1.03. Certificates Of Grantor. Any certificate or opinion made or given by an officer of the Grantor 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 used (insofar as it relates to factual matters, information with respect to which is in the possession of the Grantor) upon the certificate or opinion of or representations by an officer or officers of the Grantor, 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

### EXECUTION, AUTHENTICATION, MATURITY, FORM, AND REGISTRATION OF BONDS

Section 2.01. Description Of Bonds. (a) The Bonds authorized to be issued under this Indenture shall be designated First Mortgage Revenue Bonds, Series 1980 (National Health Corporation, Guarantor), shall be in the aggregate sum of Two Million Seven Hundred Thousand Dollars (\$2,700,000) payable solely from the net operating revenues of the Facility or receipts derived from the leasing or sale of the Facility and secured by a pledge of the net operating revenues of the Facility and receipts from the Trust Estate and the lien of this Indenture on the Trust Estate.

(b) The Bonds shall be issued as coupon Bonds, registrable as to principal only or as to both principal and interest in the denominations of \$5,000 and \$1,000 each and numbered consecutively from 1 upward. The Bonds shall be dated December 1, 1980 and interest shall be payable on June 1, 1981 and semi-annually thereafter on the first day of December and June of each year.

The Bonds shall mature on December 1 in the following years and the following amounts and bear interest at the following rates:

<u>Year</u>	<u>\$1,000 Denomination</u>	<u>\$5,000 Denomination</u>	<u>Total</u>	<u>Interest Rate</u>
<u>Serial Bonds</u>				
1983	\$ -0-	\$ 15,000	\$ 15,000	9.25%
1984	-0-	20,000	20,000	9.50%
1985	-0-	30,000	30,000	9.75%
1986	-0-	35,000	35,000	10.25%
1987	-0-	40,000	40,000	10.25%
1988	-0-	40,000	40,000	10.50%
1989	-0-	45,000	45,000	10.50%
1990	25,000	25,000	50,000	11.00%
<u>Term Bonds</u>				
2005	175,000	2,250,000	2,425,000	13.00%

The Term Bonds are subject to mandatory redemption pursuant to Section 5.04 hereof.

Section 2.02. Payable In Legal Tender. Both the principal of and interest on the Bonds shall be payable 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, and both such principal and interest shall be payable at the main

office of the Trustee. Payment of the interest on the Bonds shall be made only upon presentation and surrender of the coupons representing such interest as the same respectively falls due.

Section 2.03. Authentication By Trustee. Only such Bonds as shall be authenticated by the endorsement thereon of a certification substantially in the form hereinbelow recited, executed by the Trustee by one of its authorized officers, shall be secured by this Indenture or shall be entitled to any benefit hereunder; and every such certification of the Trustee upon any Bond purporting to be secured hereby shall be conclusive evidence that the Bond so certified has been duly issued hereunder. The Trustee shall remove and cancel any coupons thereon then matured which shall have been duly paid.

Section 2.04. Execution By Grantor. All Bonds issued and to be issued under this Indenture except as provided in Section 13.05 hereof, shall be executed in the name of the Grantor by either the manual or facsimile signatures of its Chairman or Vice Chairman and attested by either the manual or facsimile signature of his Clerk or an Assistant or Deputy Clerk. The seal of the Grantor may be affixed to the Bonds either manually or by a facsimile reproduction thereof. In case any officer or the Grantor who shall have signed or sealed any Bond shall cease to be such officer before the Bond so signed or sealed shall have been actually authenticated by the Trustee or delivered or issued, such Bond may be authenticated and delivered and issued with the same effect as though the person who has signed and sealed such Bond had not ceased to be an officer of the Grantor. The coupons to be attached to the Bonds shall be executed by the engraved or lithographed facsimile signatures of the present Chairman and Clerk and the Grantor may use for that purpose the engraved or lithographed signatures of such Chairman and Clerk, notwithstanding the fact that either or both may have ceased to be such Chairman and Clerk at the time when such Bonds shall be actually authenticated and delivered or issued.

Section 2.05. Registration Of Bonds. The Trustee shall act as Bond Registrar and shall maintain registration books for the registration and the registration of transfer of the Bonds. Any of the Bonds may, at the request of the holder thereof, be registered as to principal alone upon presentation at the principal office of the Bond Registrar, which shall note such registration on the registration books and on the Bond. Thereafter the transfer of such Bond may be made only by the registered owner in person or by his duly authorized attorney or legal representative on such registration books and similarly noted on the Bond upon presentation to the Bond Registrar. Such Bond may be discharged from registration by being in like manner registered to bearer, after which it shall again become transferable by delivery, but it may be registered again as before. Registration of any Bond as to principal alone shall not affect the negotiability of the coupons appertaining thereto, and title to every coupon shall continue to pass by delivery. Any of the Bonds may be registered as to both principal and interest upon presentation at the principal

office of the Bond Registrar who shall detach and retain in his custody all unmatured coupons and shall make notation of such registration as to both principal and interest in the registration books and on the Bonds. Thereafter such Bond may be transferred only by the registered owner in person or by his duly authorized attorney or legal representative in such form as shall be satisfactory to the Trustee, on such registration books and similarly noted on the Bond upon presentation to the Bond Registrar. Any Bond so converted into a Bond registered as to both principal and interest may be reconverted at the expense of the registered owner into a coupon Bond upon presentation thereof to the Bond Registrar in like manner, whereupon the Bond Registrar shall reattach thereto the coupons representing the interest to become due thereafter on such Bond to the date of maturity and shall make a notation in the registration books and on the Bonds whether the Bond is to be registered as to principal only or is payable to bearer. The Bond Registrar shall not be required to make any such registration or registration of transfer during the 15 days immediately preceding an interest payment date or, in the case of any proposed redemption of Bonds, after such Bond has been selected for redemption. Prior to due presentment for registration of transfer, the Bond Registrar shall treat the registered owner, if registered as to principal, as the person exclusively entitled to payment of principal and the exercise of all other rights and powers of an owner of a Bond registered as to principal only. If the Bond is registered as to principal and interest, prior to due presentment for registration of transfer, the Bond Registrar shall treat the registered owner as the person exclusively entitled to payment of principal and interest and the exercise of all other rights and powers of the owner.

Section 2.06. Ownership Of Bonds. As to any Bond registered as to principal, the person in whose name the same shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal of any such Bond registered as to principal 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 hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bonds to the extent of the sum or sums so paid. The Grantor and the Trustee may deem and treat the bearer of any Bond which shall not at the time be registered as to principal, and the bearer of any coupon appertaining to any Bond whether such Bond shall be registered as to principal or not as the absolute owner of such Bond or coupon, as the case may be, whether such Bond or coupon shall be overdue or not, for the purpose of receiving payment thereof and for all other purposes whatsoever, and neither the Grantor nor the Trustee shall be affected by any notice to the contrary.

Section 2.07. Amount Of Bonds Authenticated. The Trustee forthwith upon the execution and delivery of this Indenture, or from time to time thereafter, upon the execution and delivery to it by the Grantor of Bonds as hereinabove provided, and without any further

action on the part of the Grantor, shall authenticate Bonds in the aggregate principal amount of not to exceed the amount authorized by Section 2.01(a) hereof, and shall deliver them to or upon the written request or written order of the Grantor.

Section 2.08. Temporary Bonds. Bonds of any series may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary bonds shall be of such denomination or denominations, without coupons, as may be determined by the Grantor, and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary bond shall be executed by the Grantor and be authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Grantor issues temporary bonds, it will execute and furnish definitive Bonds without delay and thereupon the temporary bonds may be surrendered for cancellation in exchange therefor at the office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary bonds an equal aggregate principal amount of definitive Bonds of the same series and maturity of authorized denominations. Until so exchanged, the temporary bonds shall be entitled to the same benefits under this Indenture as definitive Bonds authenticated and delivered hereunder.

Section 2.09. Bonds Not Liability Of Aiken County, South Carolina. Aiken County, South Carolina shall not in any event be liable for the payment of the principal of or interest on any of the Bonds issued hereunder, or for the performance of any pledge, mortgage, obligation or agreement of any kind whatsoever undertaken by it herein or otherwise, except out of the property specifically pledged hereunder or subject to this Indenture, and none of the Bonds of the Grantor issued hereunder or any of its agreements or obligations herein or otherwise shall be construed to constitute an indebtedness of Aiken County, South Carolina within the meaning of any constitutional or statutory provisions whatsoever.

Section 2.10. Form of Bonds. The Bonds and the interest coupons to be attached thereto shall be substantially in the following forms with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture:

UNITED STATES OF AMERICA  
STATE OF SOUTH CAROLINA

AIKEN COUNTY

FIRST MORTGAGE REVENUE BOND, SERIES 1980  
(NATIONAL HEALTH CORPORATION, GUARANTOR)

No.

\$5,000/\$1,000

Aiken County, a political subdivision of the State of South Carolina (hereinafter called the "Issuer"), for value received, hereby promises to pay to the bearer, or if this Bond be registered as to principal, to the registered owner hereof, unless previously called for redemption, on the first day of December, 19\_\_, the principal sum of

FIVE/ONE THOUSAND DOLLARS (\$5,000/\$1,000)

in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts and to pay interest thereon, but solely from said source and as so provided and not otherwise in like coin or currency from the date hereof at the rate of \_\_\_\_\_ per cent (\_\_\_\_%) per annum payable semi-annually upon presentation and surrender of the attached coupons as they become due on the first days of June and December of each year until payment of such principal sum, or if this Bond shall be duly called for redemption, until the redemption date, and to pay interest on overdue principal, premium, if any, and interest (to the extent legally enforceable) at the rate per annum above specified. Both principal of and interest on this Bond are payable at the principal office of \_\_\_\_\_ or its successor, as Trustee (herein referred to as the "Trustee").

This Bond is one of a duly authorized issue of Bonds of the Issuer known as its "First Mortgage Revenue Bonds, Series 1980 (National Health Corporation, Guarantor)" and aggregating Two Million Seven Hundred Thousand Dollars (\$2,700,000) [the "Bonds"]. The Bonds are issued for the purpose of constructing, acquiring and equipping a 132 bed nursing home and related facilities (the "Project") to be operated by the Issuer and secured both as to principal and interest by an Indenture of Mortgage and Deed of Trust (including any supplements thereto, herein called the "Indenture"), dated as of December 1, 1980, executed by the Issuer and the Trustee, which creates a first mortgage (subject to certain permitted encumbrances) on the Project. Reference is hereby made to the Indenture for a further description of the trust estate, the nature and extent of the security, a statement of the terms and conditions upon which the Series 1980 Bonds are issued and secured, and the rights of the holders thereof and the other matters set forth therein. As provided in the Indenture, Bonds of other

series ranking equally with Series 1980 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".

This Bond is issued in full compliance with the Constitution and statutes of the State of South Carolina, including among others Sections 44-7-1410 et seq., Code of Laws of South Carolina 1976, as amended, for the purpose of acquiring, constructing and equipping the Project. Pursuant to law and the proceedings under which this Bond is issued, this Bond is payable solely out of revenues and receipts derived from the operation of the Project, which as of the date of the issuance of the Bonds was to be managed by National Health Corporation, a Tennessee corporation (the "Management Company"). The net operating revenues of the Project have been assigned to the Trustee as further security for the Bonds, and it is anticipated that such revenues will be sufficient to pay the principal of and interest on the Bonds as the same become due and payable. National Health Corporation has guaranteed to the Trustee the payment of the Bonds and has an option or is obligated to purchase or lease the Project in certain events.

Aiken County, South Carolina shall not in any event be liable for the payment of principal of or interest on the Bonds or for the performance of any pledge, mortgage, obligation or agreement of any kind whatsoever except out of the revenues of the Project and the property specifically pledged under the Indenture and none of the Bonds nor any of the Issuer's agreements or obligations shall ever constitute an indebtedness of Aiken County, South Carolina within the meaning of any state constitutional provision or statutory limitation or ever constitute or give rise to a pecuniary liability of Aiken County or a charge against its general credit or taxing powers.

The Series 1980 Bonds maturing December 1, 1986 and thereafter are redeemable at the option of the Issuer, in whole or in part, (but if in part, in inverse order of maturities and if less than all of a single maturity is to be redeemed, the particular Series 1980 Bonds of such maturity which are to be redeemed shall be selected by lot or in any customary manner of selection by the Trustee) on December 1, 1985 and on any interest payment date thereafter at the redemption prices (expressed as percentages of the principal amount of the Series 1980

Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>REDEMPTION DATES</u> (inclusive dates)	<u>REDEMPTION PRICES</u>
December 1, 1985 to June 1, 1987	103%
December 1, 1987 to June 1, 1989	102%
December 1, 1989 to June 1, 1991	101%
December 1, 1991 and thereafter	100%

As provided in the Indenture, this Bond may be called for redemption at not more than par and accrued interest at any time if, among other things, the Trustee on behalf of the Issuer has received a condemnation award or has received the proceeds of insurance from the partial or substantial destruction of the Project and the Project is not to be reconstructed or restored under the terms of the Indenture.

The Series 1980 Bonds maturing December 1, 2005 shall be called for redemption by lot or in any customary manner of selection as determined by the Trustee on December 1, at the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date of redemption and without premium, in the following years and amounts:

<u>AMOUNT</u>	<u>YEAR</u>	<u>AMOUNT</u>	<u>YEAR</u>
\$ 55,000	1991	\$160,000	1999
65,000	1992	180,000	2000
75,000	1993	205,000	2001
85,000	1994	230,000	2002
95,000	1995	260,000	2003
110,000	1996	300,000	2004
125,000	1997	340,000	2005
140,000	1998		

The Series 1980 Bonds are subject to mandatory redemption at any time out of certain moneys received by the Trustee from the mandatory purchase of the Project by the Management Company resulting from a violation by the Management Company of restrictions and limitations contained in the Internal Revenue Code of the United States pursuant to which the interest on the Bonds becomes taxable at the principal amount of the Bonds to be redeemed and accrued interest to the date of redemption and a redemption premium calculated by multiplying twelve months' interest at the coupon rate thereof times the number of years (counting as an entire year any uncompleted fraction thereof) which elapse between the occurrence of the event giving rise to the redemption and the date of the purchase of the Project by the Management Company.

The principal hereof may be accelerated 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.

Notice of redemption (unless waived) shall be published at the direction of the Trustee at least once not more than sixty (60) nor less than thirty (30) days prior to the redemption date in a financial newspaper or journal published and of general circulation in New York, New York. If any Bond called for redemption is registered as to principal, notice of redemption thereof shall also be mailed by first class mail, postage prepaid, not less than thirty (30) nor more than (60) days before the redemption date, to the registered owner of such Bond, but neither failure to mail such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption.

As provided in and to the extent permitted by the Indenture, modifications correcting minor errors and omissions may be made in the Indenture; provided, however, that no such modifications shall effect the reduction of or permit the creation of any lien prior to or on a parity with the lien of the Indenture (except as therein expressly permitted), or deprive the holder hereof (except as aforesaid) of the lien created by the Indenture.

The Series 1980 Bonds are issuable as coupon Bonds in the denominations of \$5,000 and \$1,000 and may be registered as to principal alone and also as to both principal and interest on the books of the Issuer kept by the Trustee. Such registration shall be made on such books and endorsed on the Bonds by the Trustee, and after such registration no transfer hereof shall be valid unless made on said books of registration at the request of the registered owner or his duly authorized attorney and similarly noted thereon. If this Bond is registered as to both principal and interest, it may be reconverted into a coupon bond in accordance with the provisions endorsed on the back hereof and subject to the terms set forth in the Indenture. This Bond may be discharged from registration by like transfer to bearer and thereby transferability by delivery shall be restored, but this Bond shall again be subject to successive registrations and transfers as before. If this Bond is registered as to principal only, unless registered to bearer, it shall be payable only to or upon the order of the registered owner or his legal representative. Notwithstanding the registration of this Bond as to principal only, the coupons shall remain payable to bearer and shall continue to be transferable by delivery. If the Bond is registered as to principal and interest, the Trustee, as Bond Registrar, shall prior to due presentment for registration of transfer, treat the registered owner as the person exclusively entitled to payment of principal and interest and the exercise of all rights and powers of the owner.

Subject to the provisions for registration included herein and contained in the Indenture, this Bond and the coupons appurtenant hereto shall have all the qualities and incidents of and shall be negotiable instruments.

No recourse under or upon any obligation, covenant or agreement contained in the Indenture, or in any Bond or coupon thereby secured, or under any judgment obtained against the Issuer or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise or under any circumstances, under or independent of the Indenture, shall be had against any official, employee or officer as such, past, present or future, of the Issuer, either directly or through the Issuer or otherwise, for the payment for or to the Issuer or any receiver thereof, or for or to the holder of any Bond or coupon issued thereunder or otherwise, of any sum that may be due and unpaid by the Issuer upon any such Bond or coupon. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such official, employee or officer, as such, to respond by reason of any act or omission on his part or otherwise, for the payment for or to the holder of any Bond or coupon issued thereunder or otherwise, of any sum that may remain due and unpaid upon the Bonds and coupons thereby secured or any of them, is, by the acceptance hereof, expressly waived and released as a condition of and consideration for the execution of the Indenture and the issue of the Bonds and coupons.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until it shall have been authenticated by the certificate of the Trustee endorsed hereon.

IN WITNESS WHEREOF, Aiken County, South Carolina, acting by and through the Aiken County Council, has caused this Bond to be duly executed in its name by the manual or facsimile signature of the Chairman of the Aiken County Council and its seal to be impressed or imprinted hereon and attested by the manual or facsimile signature of

the Clerk of the Aiken County Council and has caused coupons for the interest bearing the facsimile signature of said Clerk to be attached hereto as of December 1, 1980.

AIKEN COUNTY, SOUTH CAROLINA

(SEAL)

By \_\_\_\_\_  
Chairman, Aiken County Council

ATTEST:

\_\_\_\_\_  
Clerk, Aiken County Council

(Form of Interest Coupon)

On \_\_\_\_\_, 19\_\_, Aiken County, South Carolina, will pay, but solely from the source and in the manner specified in the Bond mentioned below and not otherwise, to bearer, unless such Bond shall previously have been called for redemption as provided in the Indenture referred to in said Bond and provision for payment thereof shall have been duly made, at the principal office of \_\_\_\_\_ upon the presentation and surrender hereof, the sum of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, for the interest then due upon its First Mortgage Revenue Bonds, Series 1980 (National Health Corporation, Guarantor) dated as of the 1st day of December, 1980.  
No. \_\_\_\_\_.

\_\_\_\_\_  
Clerk, Aiken County Council

(Form of Trustee's Certificate of Authentication)

This Bond is one of an issue described in the Indenture within mentioned.

BY

\_\_\_\_\_  
Authorized Signature

(Form of Certificate of Registration)

PROVISIONS FOR REGISTRATION AND RECONVERSION

This Bond may be registered as to principal alone on books to be kept by the Trustee as Bond Registrar at its principal office upon presentation hereof to such Bond Registrar which shall make note thereof in the registration blank below. Thereafter the transfer of this Bond may be registered only by the registered owner in person or by his duly authorized attorney or legal representative so noted on such books and in the registration blank below. If this Bond is registered as to principal alone, this Bond may be discharged from registration by being registered to bearer, after which it shall again be transferable by delivery, but it may be registered again as before. Notwithstanding the registration of this Bond as to principal, the coupons attached hereto shall be transferable by delivery. This Bond may be registered as to both principal and interest upon presentation hereof to the Bond Registrar, who shall detach and retain in his custody all unmatured coupons and shall make notation of such registration as to both principal and interest on the registration books and in the registration blank below. Thereafter the transfer of this Bond may be registered only by the registered owner or his duly authorized attorney so noted on such books and in the registration blank below. This Bond, if converted into a bond registered as to both principal and interest, may be reconverted into a coupon bond only by and at the expense of the registered owner or his duly authorized attorney, upon presentation hereof to the Bond Registrar, whereupon the Bond Registrar shall reattach hereto the coupons

representing all unpaid interest on this Bond to the date of maturity and shall make notation in the registration blank below whether this Bond is registered as to principal alone or is payable to bearer.

(NOTE: There must be no writing in the space below except by the Trustee.)

<u>Date of Registration</u>	<u>Name of Registered Owner</u>	<u>Manner of Registration</u>	<u>Signature of Trustee as Bond Registrar</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

### ARTICLE III

#### APPLICATION OF BOND PROCEEDS, CONSTRUCTION FUND AND ADDITIONAL SERIES OF BONDS

Section 3.01. Disposition Of Bond Proceeds. The Grantor shall deposit with the Trustee all of the proceeds from the sale of the Bonds (including accrued interest on the Bonds from their date to the date of their delivery to the purchasers thereof) as set forth in the Written Request of the Grantor and the Trustee shall out of such proceeds:

(a) Deposit to the credit of the Interest Account of the Bond Fund established under Article IV hereof to the accrued interest on the Bonds from their date of their delivery plus the sum of \$\_\_\_\_\_.

(b) Deposit to the credit of the Debt Service Reserve Fund the sum of \$100,000.

(c) Deposit to the credit of the Operating Reserve Account the sum of \$\_\_\_\_\_.

(d) Pay upon the Written Request of the Grantor any legal and underwriting fees and expenses, recording expenses, trustee's and depository's fees, title insurance costs, developer's fees, charges and profits and expense reimbursement and other reasonable fees and expenses incurred or to be incurred by or on behalf of the Grantor as may be necessary or incident to the financing of the Facility through the issuance and sale of the Bonds.

(e) Place the balance of the proceeds from the sale of the Bonds into a special account hereby created by the Grantor and ordered established with the Trustee as a trust fund hereby designated the "Construction Fund".

Section 3.02. Cost Of Facility. The cost of the Facility shall include the following:

(a) The actual cost of the land and interests in land acquired by the Grantor for the Facility;

(b) The actual cost of labor, materials, machinery and equipment as payable to contractors, builders and materialmen in connection with the construction and equipping of the Facility;

(c) Governmental charges levied or assessed during construction upon the Facility or on any property acquired therefor, and premiums on insurance in connection with the Facility during construction;

(d) Fees and expenses of architects and engineers for estimates, surveys and other preliminary investigations, preparation of plans,

drawings and specifications and supervision of construction, as well as for the performance of all other duties of architects and engineers in relation to the construction of the Facility or the issuance of the Bonds;

(e) Expenses of administration, supervision and inspection properly chargeable to the Facility, legal expenses and fees, fees and expenses of the Trustee, fees and expenses of financial advisors or brokers in arranging for the sale or placement of the Bonds, financing charges, cost of audits, cost of preparing, issuing and selling the Bonds, abstracts and reports on titles to real estate, title insurance premiums, items which might have been paid pursuant to the Written Request provided for by Section 3.01(c) but not paid for any reason and all other items of expense not elsewhere specified herein incident to the construction, financing and placing the Facility in operation as permitted by the Act and as limited by Section 103 of the Code; and

(f) Reimbursement to the Grantor or its agents or the Management Company for any of such costs paid by them the obligation for which was incurred after a proper initial or inducement resolution and paid by them, either before or after the execution of this Indenture.

Section 3.03. Disbursement For Construction. Before any payment shall be made from the Construction Fund, there shall be filed with the Trustee:

(a) A requisition, signed by the Authorized Representatives of the Grantor, the Independent Architect and the Professional Management Company, stating:

(1) the name of the person, firm or corporation to whom the payment is due;

(2) the amount to be paid; and

(3) the purpose in reasonable detail for which the obligation to be paid was incurred;

(b) A certificate attached to the requisition, signed by the Authorized Representative of Grantor, the Independent Architect and the Professional Management Company, stating that:

(1) the obligation stated on the requisition has been incurred by the Grantor in or about the acquisition, construction or equipping of the Facility and that each item is a proper charge against the Construction Fund and that the obligation has not been the basis for a prior requisition which has been paid;

(2) the Grantor has not received a written notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable under such requisition to any of the persons, firms or corporations named

therein, or if any notice of such lien, attachment or claim has been received, that such lien, attachment or claim has been released or discharged or will be released or discharged upon payment of the requisition; and

(3) such requisition contains no item representing payment on account of any retained percentages which the Grantor is entitled to retain at the date of the certificate; and

(4) that all applicable public bidding laws have been complied with and that no portion of the contract or purchase price will be paid or will flow either directly or indirectly to any County official, to the Management Company, its shareholders, officers, directors or to any other corporation, partnership or person owning directly or indirectly 10% or more of the outstanding stock of the Management Company or of which the Management Company owns directly or indirectly 10% or more of the outstanding stock, except as a reimbursement for actual out-of-pocket costs incurred in compliance with the preceding criteria.

(c) If any requisition includes an item for payment for labor or to contractors, builders or materialmen, a certificate signed by the Authorized Representative of the Grantor, the Independent Architect and the Professional Management Company stating (1) that obligations as stated on the requisition have been properly incurred, (2) that such work was actually performed or such materials, supplies or equipment were actually furnished or installed in or about the construction or equipping of the Facility, and (3) either that such materials, supplies or equipment are not subject to any lien or security interest or that the funds are to be used to satisfy any such lien or security interest.

Upon receipt of each such requisition and accompanying certificate, the Trustee shall make payment from the Construction Fund in accordance with such requisition.

Section 3.04. Certification Of Completion. When the Facility shall have been completed and after the Trustee has received a certificate from the Independent Architect that the Facility has been completed according to the plans and specifications contained in the Construction Contract, and a certificate of the Authorized Representative of the Grantor stating the date of completion and what items of the cost of the Facility, if any, have not been paid and for the payment of which moneys should be reserved in the Construction Fund shall have been filed with the Trustee, the balance of any moneys remaining in the Construction Fund in excess of the amount to be reserved for payment of unpaid items of the cost of the Facility shall be paid or deposited by the Trustee in accordance with Section 4.05 (Disposition of Moneys).

Section 3.05. Other Series Of Bonds. (a) Subject to the provisions of this Article III, Bonds of any series other than Series

1980 Bonds shall contain such variant provisions, if any, as to date, maturity or serial maturities, interest rate or interest rates, redemption, shall be entitled to such sinking fund provisions and shall be limited to such aggregate principal amount, if any, as shall be determined by resolution or ordinance of the Grantor and set forth in an indenture supplemental hereto at the time any such other series is created.

(b) Bonds of additional series other than Series 1980 Bonds shall be coupon Bonds which may or may not be registrable as to principal and/or principal and interest, shall be of such denomination or denominations and shall be in such form or forms, not substantially different from the form of Series 1980 Bonds, except as may be occasioned by variant provisions applicable to such series. Bonds of any series may be endorsed with such notations or legends as may be required by any indenture supplemental hereto or as may be required to conform to usage or law or be approved by the Trustee.

(c) One or more series of Bonds in addition to the Series 1980 Bonds may be authenticated and delivered from time to time when to the extent permitted by this Indenture and authorized by resolution or resolutions or ordinance of the Grantor which shall specify:

(1) The authorized principal amount of such series, the designation and denomination or denominations thereof and the directions for the authentication and delivery of the Bonds upon payment of the purchase price therein set forth.

(2) The purposes for which such series are being issued.

(3) The date of such series and maturity dates and amounts of the Bonds thereof.

(4) The interest rate or rates of such series and the interest payment dates therefor, provided that the interest rate or rates shall be identical for all Bonds of a like maturity in such series and the interest payment dates shall be semi-annual and shall be identical for all bonds of a series.

(5) The redemption premium and redemption term, if any, for such Bonds.

(6) Any other matters deemed appropriate or necessary by the Grantor and not inconsistent with the provisions of this Indenture.

(d) Additional Bonds (on a parity with the Series 1980 Bonds) may be authenticated and delivered from time to time for one or more of the following purposes: (i) refunding and prepaying any series of Outstanding Bonds; (ii) advance refunding of any series of Outstanding Bonds by depositing with the Trustee, in trust for the sole benefit of such series of Bonds, direct obligations of, or obligations the principal and interest on which are guaranteed by, the United States

of America (herein called "United States government securities") in a principal amount and satisfactory to the Trustee which will, together with the income or increment to accrue thereon, be sufficient to pay or redeem (when redeemable) and discharge the indebtedness of all Outstanding Bonds to be refunded for such series at or before their respective maturity dates; (iii) obtaining funds to complete construction of the Facility, but only upon receipt by the Trustee of a Certificate of the Independent Architect or some other Architect acceptable to the Trustee, containing the estimated amount needed to complete the Facility, provided, further, that such completion bonds may not exceed such estimate in principal amount plus such other expenses and capitalized interest and debt service reserve funds as may be specified under any supplement to the Indenture and permitted by the Act and Section 103 of the Code; (iv) obtaining funds to acquire, construct and/or equip additional improvements or facilities and/or equipment for the Grantor and/or any Principal User of the Facility, provided that such improvements and facilities shall be located on the Real Property or located on other real estate which is made subject to the lien of this Indenture and such equipment is made subject to the lien of this Indenture.

If it is determined by the Grantor that Additional Bonds should be issued, the Grantor shall file with the Trustee an estimate indicating the amount of costs to be incurred for the purposes for which Additional Bonds may be issued. Thereupon, the Grantor and any Principal User may from time to time agree upon and approve the issuance and delivery of Additional Bonds. All Additional Bonds shall rank *pari passu* with the Series 1980 Bonds, but shall bear such date or dates, bear such interest rate or rates, have such maturity dates, redemption dates and redemption premiums and shall be issued at such prices as shall be approved in writing by the Grantor and any Principal User. Upon the execution and delivery in each instance of appropriate supplements to this Indenture, the Grantor shall execute and deliver to the Trustee, and the Trustee shall authenticate, such Additional Bonds and deliver them to the purchasers as may be directed by the Grantor, as hereinafter provided.

It is a requirement of this Indenture that prior to the delivery by the Trustee of any Additional Bonds, the following shall be filed with the Trustee:

(1) Except in the case of completion Bonds, refunding Bonds or advance refunding Bonds, a written report of a Certified Public Accountant which may be the same firm then auditing Grantor's financial records with respect to the Facility addressed to the Grantor and the Trustee setting forth (i) the amount of Net Income Available for Debt Service with respect to the Facility for the full fiscal year next preceding the issuance of such Additional Bonds, (ii) the amount of maximum annual principal and interest requirements on the Outstanding Bonds, (iii) that the Net Income Available For Debt Service with respect to the Facility for the fiscal year next preceding the issuance of the Additional Bonds is not less than 110%

of the maximum annual principal and interest required on the Outstanding Bonds; and (iv) a written report of a nationally recognized financial consultant acceptable to the Grantor and the Trustee setting forth (1) the consultant's estimate of the Net Income Available For Debt Service with respect to the Facility for each of the first two fiscal years immediately following the anticipated completion date of the improvements or addition to be acquired or constructed with the proceeds of such Additional Bonds, and (2) stating the maximum annual principal and interest requirements on the Outstanding Bonds and the Additional Bonds then proposed to be issued, occurring in the years following issuance of the proposed Additional Bonds, and further stating (3) that the consultant's estimate of the Net Income Available For Debt Service with respect to the Facility in each of such years so reported is not less than 125% of the maximum annual principal and interest requirements of both the Outstanding Bonds and the Additional Bonds, and (4) that the construction of such improvements on facilities and the issuance of such Additional Bonds to finance the same will be financially feasible.

(2) A written statement by each Principal User approving (i) the issuance and delivery of the Additional Bonds and, if the Facility shall then be under lease to such principal user, agreeing that the Basic Rent payable under such lease shall be computed so as to include such Additional Bonds to the same extent as is therein provided with respect to Series 1980 Bonds and (ii) any other matters to be approved by such Principal User pursuant to any lease and this Indenture, including a supplemental guaranty covering payment of such Additional Bonds in similar form as that executed with respect to the Series 1980 Bonds;

(3) A copy, duly certified by the Clerk of the County Council of the Grantor, of the resolution or ordinance theretofore adopted and approved authorizing the execution and delivery of such supplemental indenture, any amendments to any lease and the issuance of the Additional Bonds;

(4) A copy, duly certified by the Secretary or an Assistant Secretary or other appropriate representative of any Principal User, of the resolutions theretofore adopted and approved authorizing the execution and delivery of any amendments to any lease or the Guaranty and the issuance and sale of such Additional Bonds;

(5) An original executed counterpart of any amendment to any lease and an original executed counterpart of the supplemental Guaranty;

(6) An appropriate endorsement to the mortgagee's title policy on file with the Trustee increasing the amount thereof, if any, as may be determined by the Grantor and updating such policy to the date of the issuance of the Additional Bonds; in lieu of such endorsement, a new ALTA mortgagee's title insurance policy may be delivered in the amount of the original policy plus any additional amount required to cover issuance of the Additional Bonds;

(7) A written Opinion of Counsel for each Principal User to the effect that (i) the Company is a for-profit corporation validly existing and in good standing under the laws of the State of South Carolina and has full power and authority and all necessary licenses and permits to own, operate and conduct its business as contemplated by any lease and Indenture, (ii) the execution, making and performance of any lease and the Guaranty and all supplements and amendments thereto have been duly authorized by all necessary corporate action of the Principal User, and any lease and the Guaranty and all amendments and supplements thereto relative to the Additional Bonds have each been duly executed and delivered by the Principal User and each constitutes a binding and valid agreement of the Principal User in accordance with its terms, respectively, (iii) no provision in any lease or the Guaranty as amended and supplemented violates any provision of the Principal User's articles of incorporation or by-laws or results in the breach of, or constitutes a default under, any agreement, indenture or other instrument to which the Principal User is a party or by which it may be bound, (iv) if the Facility is being leased to the Principal User, the lessee has all necessary licenses, approvals and permits under federal, state and local law to improve or expand the Facility and to lease and operate the Facility as contemplated under the lease and all supplements and amendments thereto, (v) the execution, making and performance by the Principal User of any lease and the Guaranty as amended and supplemented is not subject to any authorization, consent, approval or review of any governmental body or regulatory authority not theretofore obtained or effected, as required, (vi) to counsel's knowledge there is no material litigation pending or threatened against the Principal User, except as disclosed and described in such opinion letter, and (vii) all of any addition, improvement or expansion of the Facility which is subject to the lien of the Indenture or upon recording of the supplemental indenture, will be so subject. In giving an opinion, counsel for the Principal User may rely upon a title policy or the title policy above referred to and to a survey plat prepared by a licensed surveyor or engineer;

(8) An unqualified opinion of nationally recognized Bond Counsel to the effect that the Additional Bonds are valid and binding obligations of Grantor and that the interest thereon is excludable from the gross income of the recipients thereof for federal income tax purposes and that no action has been taken that would endanger or adversely affect the tax-exempt status of any Outstanding Bonds;

(9) An opinion of counsel for the Grantor stating that (i) Grantor is a political subdivision of the State of South Carolina authorized to issue the Bonds and Additional Bonds by virtue of the Act, (ii) Grantor has full and lawful authority and all necessary licenses and permits to construct the Facility and to enter into any lease, (iii) the Grantor has legal title in the Real Property free and clear of all liens and encumbrances except any lease, the Indenture and Permitted Liens, and (iv) Grantor has full and lawful authority to lease as lessor (if applicable), and cause the Facility to be operated and maintained as provided in the lease (if applicable) and in this

Indenture. With respect to licenses and permits to construct the Facility, counsel for Grantor may rely upon the opinion of counsel for any Principal User, and with respect to title of the Facility being free and clear of all liens and encumbrances except for any lease, the Indenture and Permitted Liens, counsel for Grantor may rely upon the policy of title insurance referred to in Section 4.06 as brought down to the date of the opinion;

(10) A Written Request to the Trustee on behalf of Grantor and signed by its Chairman to authenticate and deliver the Additional Bonds (specifically stating the principal amount to be issued to the purchasers therein identified) upon payment to the Trustee, but for the account of the Grantor, of a sum specified in such Written Request, plus accrued interest, if any, thereon to the date of delivery. The Trustee shall out of such proceeds deposit to the Interest Account of the Bond Fund and the Debt Service Reserve Fund under the Indenture the amounts, if any, set forth in the supplemental indenture with respect to the Additional Bonds and to set aside an amount sufficient to pay the fees and expenses properly chargeable to issuance of the Additional Bonds. The deposit to the Debt Service Reserve Fund shall be sufficient to equal the Maximum Debt Service Reserve Deposit, taking into consideration the issuance of the Additional Bonds. The balance of the Bond proceeds from the Additional Bonds shall be deposited in the Construction Fund or in a new Construction Fund established in the same manner as provided in Section 3.01(d) hereof and shall be paid out in substantially the same manner and against substantially the same showings as required in Sections 3.02 and 3.03 hereof;

(11) An executed counterpart of a supplemental indenture setting forth the provisions of the new series and subjecting to the lien hereof any and all property paid for with the proceeds of such new series of Bonds.

(12) An Opinion of Counsel to the effect that (i) such Bonds are valid and binding obligations of the Grantor and enforceable in accordance with their terms and the terms of this Indenture, subject to bankruptcy and insolvency laws, (ii) such Bonds have been duly and validly authorized and issued in accordance with law and this Indenture, and that the interest upon such Bonds is excludable from the gross income of the recipients thereof under the existing statutes; and (iii) the Indenture constitutes a valid first mortgage lien on the property described in the granting clauses thereof, as supplemented and amended, subject only to Permitted Encumbrances and to encumbrances, rights and interests which will not weaken, diminish or impair the security intended to be given by or under this Indenture and will not interfere with the use and operation of the Facility.

(13) An Officers' Certificate of the Grantor stating that on the date of the authentication and delivery of such Bonds the Grantor is not in default in the performance or observance of any of the covenants, conditions, agreements or provisions of this Indenture.

(14) The purchase price of the Bonds being delivered as stated in the resolution or ordinance referred to in Section 3.05(c) hereof.

(15) A copy of the Plans and Specification which have been prepared by the Independent Architect with relation to the improvement or addition to and/or expansion of the Facility; and

(16) Such other closing documents, certified resolutions, opinions of counsel and certificates of the Grantor as the Trustee or Bond Counsel may reasonably specify.

(e) All Bonds of all series from time to time authenticated and delivered under this Indenture shall be equally and ratably secured both as to principal, premium, if any, and interest by this Indenture, unless specifically made junior or subordinated to the Series 1980 Bonds. However, Grantor shall not have the power to issue, nor shall the Trustee have the authority to authenticate Bonds issued hereunder, which are prior to the Series 1980 Bonds.

## ARTICLE IV

### FUNDS, ACCOUNTS AND APPLICATION OF REVENUES

Section 4.01. Funds And Accounts Created. The following funds and accounts are hereby created, and the moneys deposited therein shall be held by the Trustee in trust for the purposes set forth herein:

- (a) Revenue Fund,
- (b) Bond Fund,
  - (1) Bond Retirement Account,
  - (2) Interest Account,
- (c) Debt Service Reserve Fund,
- (d) Operating Reserve Account
- (e) Repair and Replacement Fund. (Renewal, Replacement and Depreciation Fund.)

Section 4.02. Payment Of Monthly Expenses. (a) During each calendar month, Grantor shall collect all charges for health care and ancillary and related services furnished in or by the Facility and other moneys payable to Grantor, and hold the same in a general operating account in the name and under the control of Grantor. Grantor shall on the 25th day of each calendar month retain in the general operating account an amount, not exceeding 1/6 of the Annual Operating Budget, as Grantor deems necessary to operate the Facility, and shall pay the remainder of the amounts on deposit in the general operating account to the Trustee for deposit in the Revenue Fund. Grantor shall pay all necessary regular operating and maintenance expenses from the general operating account, including fees to the Trustee for its services hereunder, Management Company fees and Guaranty fees and the payment of any other sums which the Grantor is either authorized or required to pay under the terms hereof, subject to the limitation of 4.02(b).

(b) There shall be no payment of Professional Management Company fees or Guaranty fees, if any, by Grantor (or on behalf of Grantor by the Trustee) unless the amounts paid to the Trustee out of the general operating account from current income are sufficient to make all of the payments required by subsection (a) of Section 4.03 hereof for the corresponding period of time for which the then payable management fees are due; however, such Professional Management Company fees and Guaranty fees may be paid at such later time as the payments required by subsection (a) of Section 4.03 have been brought current.

Section 4.03. Payments By Grantor And Application Of Moneys By Trustee. From moneys on deposit in the Revenue Fund, the Trustee shall, on the 25th day of each month deposit into the following funds of the moneys herein provided for in the priorities set forth below, to-wit:

(a) Bond Fund.

(1) To the Interest Account of the Bond Fund 1/6 of the next maturing interest on the Bonds, until an amount sufficient to make such interest payment is on deposit therein.

(2) To the Bond Retirement Account of the Bond Fund 1/12 of the next maturing principal of the Bonds, until an amount sufficient to pay such principal is on deposit therein.

(3) To the Bond Retirement Account of the Bond Fund 1/12 of the principal amount of the Bonds to be redeemed on the next succeeding December 1, pursuant to Section 5.04 (Mandatory Redemption of Term Bonds), until an amount sufficient to redeem the Bonds required to be redeemed pursuant to Section 5.04 (Mandatory Redemption of Term Bonds) is on deposit therein.

Moneys in the Bond Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the interest and premium, if any, on the Bonds as they shall become due and payable.

(b) Debt Service Reserve Fund. To the Debt Service Reserve Fund an amount (to the extent available) equal to one sixtieth (1/60) of the Maximum Debt Service Reserve Deposit until the Trustee has accumulated an amount equal to the largest amount of principal of and interest on the Bonds to be paid in any one Bond Year during the term of the Bonds into the Debt Service Reserve Fund, which amount of money shall be known as the "Maximum Debt Service Reserve Deposit". Moneys in the Debt Service Reserve Fund shall be expended and used solely to prevent any default in the payment of interest and redemption premium, if any, on or principal of the Bonds, if moneys in the Bond Fund are insufficient to pay the same as they become due.

When, and so long as, there is on hand in the Debt Service Reserve Fund the Maximum Debt Service Reserve Deposit, no further deposits into this fund shall be required, but in the event that moneys in the Debt Service Reserve Fund are used for any purpose authorized by this Indenture or are reduced by losses on investments, the Debt Service Reserve Fund shall be continued or resumed at the rate aforesaid, until there is on deposit in the Debt Service Reserve Fund the Maximum Debt Service Reserve Deposit.

(c) Operating Reserve Fund. To the Operating Reserve Fund, all remaining amounts after making the payments required pursuant to (a) and (b) above, until the amount on deposit in the Operating Reserve Fund is \$200,000. So long as the amount on deposit in the Operating Reserve Fund is at least \$200,000, no further deposits shall be required therein. Moneys on deposit in the Operating Reserve Fund may, upon written request of the Grantor and Professional Management Company, be withdrawn at any time for the purpose of paying operating expenses of the Facility for which amounts available in the Grantor's general operating account shall not be sufficient. However, amounts

withdrawn from the Operating Reserve Fund shall not be treated as current income of the Facility for the purpose of determining whether Professional Management Company fees or Guaranty fees are payable under Section 4.02(b) hereof.

(d) Repair And Replacement Fund. To the Repair and Replacement fund an amount (to the extent available) equal to one sixtieth (1/60) of the Maximum Repair and Replacement Deposit until the Trustee has accumulated a sum equal to 50% of the Maximum Debt Service Reserve Deposit in the Repair and Replacement Fund, which amount of money shall be known as the "Maximum Repair and Replacement Deposit". Moneys in the Repair and Replacement Fund shall be expended and used for structural repairs to and reroofing of the Facility, repair and replacement of major mechanical components of the Facility and the repair or replacement of the equipment, furniture and fixtures used in the Facility, upon the written request of Grantor and Professional Management Company for the purpose of maintaining the Facility in first class condition. In making any decision regarding the use of moneys in the Repair and Replacement Fund, the Trustee may rely upon the opinion of a third party expert.

When, and so long as, there is on hand in the Repair and Replacement Fund the Maximum Repair and Replacement Deposit, no further deposits into this fund shall be required, but in the event that moneys herein are used for any purpose authorized by this Indenture or are reduced by losses on investments, the Repair and Replacement Deposit shall be continued or resumed at the rate aforesaid, until there is on hand and on deposit in the Repair and Replacement Fund the Maximum Repair and Replacement Deposit.

(e) Moneys Remaining after Required Payments. After the payments required by subsections (a), (b), (c) and (d) above have been made, the Trustee shall deposit any remaining moneys in the following order or priority:

(1) To the Debt Service Reserve Fund, until the Maximum Debt Service Reserve Deposit is on deposit therein;

(2) To the Repair and Replacement Fund, until the Maximum Repair and Replacement Deposit is on deposit therein;

(3) To the Redemption Fund.

(f) Redemption Fund.

The following shall be paid into the Redemption Fund:

(1) The amounts paid by the Grantor or others for deposit into the Redemption Account in accordance with Sections 4.03(e)(3);

(2) The amounts specified in Sections 4.05 (Disposition Of Moneys), 4.06 (Title Insurance) and 6.01 (Insurance) of this Indenture;

(3) The amount specified in Section 6.02(a) (Release of Unimproved Land, Equipment And Granting Of Easements) of this Indenture; and

(4) All other amounts that are expressly required by this Indenture to be paid into the Redemption Fund or are to be used for redemption of the Bonds.

Moneys in the Redemption Fund may be used to redeem Bonds prior to their respective maturities or to purchase Bonds in accordance with this subsection.

Whenever there is on deposit in the Redemption Fund moneys sufficient to redeem not less than \$50,000 principal amount of the Bonds then subject to redemption, the Trustee will notify the Grantor and the Professional Management Company, whereupon the Grantor and the Professional Management Company may take such action as is necessary under the provisions of this Indenture to exhaust as nearly as may be practicable the moneys on deposit in the Redemption Fund by redeeming Bonds on the earliest practicable redemption date thereafter on which, under the terms hereof, they may be redeemed at the election of the Grantor. However, the Grantor need not redeem the Bonds if it would be more advantageous to purchase Bonds in the market.

If so requested in writing by the Grantor to the Trustee, and if there shall be in the Redemption Fund amounts not expected to be required for the payment of principal, interest and premium, if any, coming due or otherwise becoming payable on the Bonds within the next ensuing six months, such amounts or such portion thereof as the Grantor may request shall be used by the Trustee to purchase Bonds in such manner and at such prices as the Trustee, with the approval of the Grantor, shall determine.

(g) Money deposited in any of the above accounts may be withdrawn by the Trustee and used (i) for the payment of interest on and principal of the Bonds if no other moneys are available therefor; (ii) for the payment of the principal amount of the last maturity of the Bonds; and (iii) for the redemption of the Bonds with accrued interest and redemption premiums, if any, computed in the same manner as if such redemption were being made pursuant to Section 5.03 hereof at any time on or after, but not before January 1, 1996 when such money, together with other funds held by the Trustee and available for such purpose, are sufficient to redeem all of the Bonds then outstanding.

Section 4.04. Trust Funds. All moneys received by the Trustee under the provisions of this Indenture shall be trust funds under the terms hereof and shall not be subject to the lien or attachment or any creditor of the Grantor or the Corporation. Such moneys shall be held in trust and applied in accordance with the provisions of this Indenture.

Section 4.05. Disposition Of Moneys. (a) Until the Construction Fund has been closed, all income (net of losses) realized on

investments made with moneys in all Funds shall be credited to the Construction Fund. Any amount remaining in the Construction Fund upon completion of the Project, as evidenced by the delivery of the Certificate of Completion in accordance with Section 3.04 hereof, may be deposited by the Trustee in the Operating Reserve Account to the extent permitted by the Act and by Section 103 of the Code, and to the extent not so permitted to the Debt Service Reserve Fund, but only to the extent required to cause the Maximum Debt Service Reserve Deposit to be on deposit therein and the remainder shall be deposited to the Redemption Fund. In determining the amounts permitted by the Act and by Section 103 of the Code, the Trustee shall rely on an opinion of Bond Counsel and the Grantor and Trustee shall supply Bond Counsel with such affidavits, statements and other information as may be requested by such Bond Counsel in the rendering of such opinion.

(b) Upon substantial completion and occupancy of the Facility (without regard as to whether the Certificate of Completion has been delivered pursuant to Section 3.04 (hereof)), all unused bond proceeds which are on deposit in the Interest Account of the Bond Fund and which are not allocable to interest then accrued on the Bonds, shall be removed from the Interest Account of the Bond Fund and deposited to the Construction Fund, if (or to the extent) needed to pay costs of the Facility, and if not so needed, shall be subject to disposition by the Trustee in accordance with subsection (a) above in the same manner as amounts remaining in the Construction Fund upon completion of the Project.

(c) After the Construction Fund has been closed all the income (net of losses) and loss realized on investments made with moneys in Funds created by Section 4.01, shall be credited to the fund or account from which the investments were made.

(d) Money deposited in any of the accounts or funds established hereby may be withdrawn by the Trustee and used (i) for the payment of the principal amount of the last maturity of the Bonds; and (ii) for the redemption of the Bonds with accrued interest and premium computed in the same manner as if redemption were being made pursuant to Article V hereof at any time on or after but not before the earliest optional redemption date of the Bonds, when such moneys, together with other funds held by the Trustee and available for such purpose, are sufficient to redeem all of the Bonds then outstanding.

(e) When all of the Bonds shall have been paid in full, any money remaining in any of the accounts or fund established under this Indenture shall be paid to the Grantor or its assignees.

Section 4.06. Title Insurance. A mortgage title insurance policy will be issued in standard ALTA form by a title insurance company acceptable to Trustee, at the expense of Grantor insuring the Trustee for the benefit of the holders of the Bonds. In the event that payment is made to the Trustee under said policy, the Trustee shall use such moneys to remedy title defects resulting in the payment

thereof, deposit such moneys to the Redemption Fund and shall apply such moneys for the purpose of redeeming Bonds in the manner, upon the terms and at the premium provided therein, or for such other purposes authorized therein.

Section 4.07. Restriction On Investment. Sums credited to the various accounts established hereby shall not be invested in such a manner as to result in a loss of exemption from federal income taxation of interest on the Bonds, by virtue of the Bonds constituting taxable "arbitrage bonds" within the meaning of Section 103(c), Internal Revenue Code of 1954, and any subsequent amendments, and the Income Tax Regulations issued thereunder; but such sums may be otherwise invested if and when such Act and Regulations permit the investment to be made in the manner made without causing the Bonds to be taxable "arbitrage bonds".

## ARTICLE V

### REDEMPTION OF BONDS

Section 5.01. Bond Redemption. Under the terms of this Indenture, moneys may be paid to the Trustee and deposited by the Trustee in Redemption Fund to be used for the purpose of redeeming Bonds. The Series 1980 Bonds shall be redeemable pursuant to the provisions of Section 5.03 and 5.04 hereof and Bonds of other series shall be so redeemable pursuant to the provisions of Section 5.09 hereof. The Grantor covenants that any and all such moneys received by it which are to be used to redeem Bonds shall be paid to the Trustee under this Indenture, and in such event, (a) the Trustee shall apply any and all moneys deposited in the Bond Retirement Account of the Bond Fund to redeem Bonds in accordance with the provisions of Sections 5.03 and 5.04 hereof, and (b) in the further event that the Bonds are not then redeemable pursuant to Section 5.03 and 5.04 herof, the Trustee shall, if and to the extent practicable, purchase Bonds at the written direction of the Grantor at such time, in such manner and at such price as Grantor may specify.

Section 5.02. Investments. Subject to Section 4.07 of this Indenture, moneys held by the Trustee pursuant to Section 5.01 shall be invested and reinvested by the Trustee in Qualified Investments maturing not later than the earliest date on which the Bonds are redeemable, and interest, profit or loss on such investments shall be credited or charged to the Redemption Fund.

Section 5.03. Optional Redemption. The Series 1980 Bonds maturing on December 1, 1986, and thereafter are subject to redemption at the option of the Grantor on December 1, 1985, and on any interest payment date thereafter, as a whole or in part (but if in part, in inverse order of maturities and if less than all of a single maturity is to be redeemed, the particular Series 1980 Bonds of such maturity which are to be redeemed shall be selected by lot by the Trustee) at the redemption prices (expressed as percentages of principal amount) set forth in the table below, plus accrued interest to the redemption date:

<u>REDEMPTION DATES</u> <u>(Both dates inclusive)</u>	<u>REDEMPTION</u> <u>DATES</u>
December 1, 1985 to June 1, 1987	103%
December 1, 1987 to June 1, 1989	102%
December 1, 1989 to June 1, 1991	101%
December 1, 1991 and thereafter	100%

Section 5.04. Extraordinary Redemption Without Premium. The Series 1980 Bonds are subject to redemption as a whole, at any time, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, upon the

occurrence of any of the following events: (a) condemnation of all or a material part of the Project as provided in Article XIII hereof, (b) the happening of a major casualty as provided in Article XIV hereof, (c) frustration of purpose as provided in Section 5.09 hereof at the price of par and accrued interest to the date of redemption.

Section 5.04. Mandatory Redemption of Term Bonds. The Series 1980 Bonds maturing on December 1, 2005, shall be called redemption by lot or in any customary manner of selection as determined by the Trustee on December 1, at the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date of redemption and without premium, in the following years and amounts:

<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>
\$ 55,000	1991	\$160,000	1999
65,000	1992	180,000	2000
75,000	1993	205,000	2001
85,000	1994	230,000	2002
95,000	1995	260,000	2003
110,000	1996	300,000	2004
125,000	1997	340,000	2005
140,000	1998		

Section 5.06. Notice To Trustee. In the event the Grantor shall elect to redeem the Bonds pursuant to Section 5.03 hereof, the Grantor shall, at least 15 days prior to the date upon which the notice of redemption provided for in Section 5.06 hereof is to be given, notify the Trustee in writing of such election, stating the aggregate principal amount of the Bonds to be redeemed.

Section 5.07. Notice To Bondholders. Notice of redemption shall be given by publication by the Trustee at least once in an Authorized Newspaper, the publication to be not less than 30 nor more than 60 days before the redemption date. If any Bond called for redemption is registered as to principal, notice of redemption thereof shall also be mailed by first class mail not less than 30 nor more than 60 days prior to the redemption date, to each registered owner of such Bond, but 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 any of the Bonds. Each notice of redemption shall state the redemption date, the place of redemption, to the principal amount and, if less than all of a serial maturity, the distinctive sequential numbers of the Bonds to be redeemed, and shall also state that the interest on the Bonds in such notice designated for redemption shall cease to accrue from and after such redemption date and that on said date there will become due and payable on each of said Bonds the principal amount thereof to be redeemed, interest accrued thereon to the redemption date and the premium, if any, thereon (such premium to be specified). If at the time of giving notice of redemption no Bonds are outstanding hereunder except Bonds registered as to principal,

publication of such notice shall be deemed to have been waived if such notice shall have been mailed first class postage prepaid to the registered owner or owners of such Bonds.

Section 5.08. After Provision Made For Redemption. Notice having been given in the manner and under the conditions hereinabove provided, and moneys for payment of the redemption price being held by the Trustee as provided in this Indenture, (i) the Bonds, or portions thereof, so called for redemption shall, on the redemption date designated in such notice, become due and payable at the redemption price provided for redemption of such Bonds or portions thereof on such date and interest on the Bonds or portions thereof so called for redemption shall cease to accrue, (ii) the coupons for interest thereon maturing subsequent to the redemption date shall be void, (iii) such Bonds or portions thereof shall cease to be entitled to any lien, benefit or security under this Indenture, and (iv) the holders of said Bonds or portions thereof shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All unpaid interest installments represented by coupons which shall have matured on or prior to the date of redemption designated in such notice shall continue to be payable to the bearers severally and respectively upon the presentation and surrender of such coupons. Bonds so redeemed and unmatured coupons appertaining thereto shall be cancelled upon surrender thereof.

Section 5.09. Frustration Of Purpose. The Grantor shall have the option to redeem the Bonds at any time while the Bonds are outstanding as provided in Section 5.03 hereof, if as a result of any changes in the Constitution of the State of South Carolina or the Constitution of the United States of America, or of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal) entered after the contest thereof by the Grantor in good faith, the Indenture shall have become unduly burdensome or void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties expressed in the Indenture, or unreasonable burdens or excessive liabilities shall have been imposed on the Grantor, including without limitation federal, state, local or other ad valorem, property, income or other taxes not being imposed on the date of the Indenture. The determination of whether an unreasonable burden or excessive liability shall have been imposed upon the Grantor shall be made by the Grantor.

Section 5.10. Other Redemptions. Bonds of each other series are redeemable in the manner, at the time or times and at the premiums, if any, specified in the supplemental indenture relating to such series.

## ARTICLE VI

### COVENANTS OF THE GRANTOR

Section 6.01. Insurance. (a) The Grantor agrees to procure and maintain policies of insurance as follows:

(i) Fire And Extended Coverage. Grantor shall keep the Facility insured against loss or damage by fire with extended coverage endorsement covering loss or damage by explosion, vandalism, malicious mischief and such other hazards as are normally covered by such endorsement in amounts that are not less than the full insurable value of the Facility (with deductible provisions not to exceed \$10,000). The term "full insurable value" as used in this Indenture means the actual replacement value.

(ii) Use And Occupancy Insurance. Grantor shall procure and maintain use and occupancy insurance on the Facility in an amount sufficient to enable it to pay for a period of one year to the Trustee for deposit in the Revenue Fund established pursuant to this Indenture an amount equal to the sum which would normally have been available for a period of one year from revenues of the damaged Facility during the time that the damaged Facility or any substantial part thereof is non-revenue producing as a result of loss of use caused by the perils covered by fire and extended coverage insurance.

(iii) Public Liability. Grantor shall maintain general public liability insurance against claims for bodily injury, death or property damage occurring on, in or about the Facility, such insurance to afford protection to Grantor of not less than \$300,000 with respect to bodily injury or death of any one person, not less than \$1,000,000 with respect to any one accident, and not less than \$100,000 with respect to property damage.

(iv) Professional Liability And Malpractice Insurance. Grantor shall, at its expense, maintain insurance against liability for death, injury, loss or damage incurred in the examination, diagnosis, treatment or care of and professional services rendered or which should have been rendered by Grantor or any person or firm for whose acts Grantor is legally liable to any patient or occupant of the Facility and protecting Grantor from any such liability in the minimum amount of \$300,000 to any one person and to the extent of at least \$1,000,000 in the aggregate. Grantor shall require any individual physician practicing his or her own profession in the Facility to carry his or her own malpractice insurance with limits as high as those set forth above and to furnish Grantor with a certificate of such insurance annually.

(b) All policies of insurance required hereunder shall provide that the proceeds of such insurance shall be payable to Grantor and Trustee as their respective interests may appear.

Certificates from the insurers evidencing the existence of all policies required by this Article shall be filed with the Trustee. The policies of insurance required by this Article shall contain an undertaking by the respective insurers, to the extent obtainable, that such policies shall not be modified or cancelled without at least 10 days' prior written notice to Grantor and to Trustee. Not less than 10 days prior to the expiration date of the policies, originals of the renewal policies (or certificates therefor from the insurers evidencing the existence thereof) shall be deposited with the Trustee.

All proceeds from insurance maintained pursuant to this Article shall be disbursed as follows:

(i) Casualty insurance proceeds shall be deposited in a special account hereby established for such purpose and shall be disbursed as hereinafter provided. Such account shall be held by the Trustee in trust for the benefit of Bondholders and shall be known as the "Reconstruction Account".

(ii) Use and occupancy insurance proceeds shall be deposited in the Redemption Fund.

(iii) Title insurance proceeds shall be used to remedy title defects resulting in the payment thereof or deposited in the Redemption Fund.

(iv) Public liability, professional liability and malpractice insurance proceeds shall be held by the Trustee in trust for payment of any loss or liability for damages for personal injury or death occasioned by reason of the operation, acts, control or construction upon the Trust Estate.

(c) If all or any part of the Facility shall be destroyed or damaged and the Grantor repairs, rebuilds, replaces, restores or reconstructs the damaged Facility, the Trustee shall pay to the Grantor from time to time during the course of such repairs, rebuilding, replacing and restoring the proceeds received and held by it on account of such damage or destruction up to the full amount of such insurance proceeds, and the balance, if any, shall be deposited in the Redemption Fund to be used for the redemption of Bonds. Such payments shall be made upon receipt of an Officers' Certificate of the Grantor accompanied by an approving certificate of an engineer or architect employed by the Grantor stating that the Grantor has repaired, rebuilt, replaced, restored or reconstructed the damaged Facility in such manner as to restore the Facility, or portion thereof, to at least the value thereof prior to such damage or destruction, that such repair, rebuilding, replacement, restoration and reconstruction has been completed, or a portion thereof has been completed, and that the cost thereof was the amount stated in such certificate.

Upon completion of such repairs, rebuilding, replacement, restoration or reconstruction, the Grantor shall furnish to the Trustee (i) an Opinion of Counsel specifying the instruments of further assurance and supplemental indenture, if any, which will be sufficient to subject to the direct lien of this Indenture (so far as permitted by law) all of the Grantor's right, title and interest in and to the repaired, rebuilt, replaced, restored or reconstructed Facility and stating that the instruments and supplemental indenture, if any, have been recorded or filed in such a manner so as to constitute this Indenture as supplemented and amended a valid first mortgage lien upon all of the Grantor's right, title and interest in and to all such property as against all creditors and subsequent purchasers subject to Permitted Liens 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 this Indenture, and will not interfere with the use and operation of the Facility, and (ii) the instruments of further assurance and supplemental Indenture specified in such Opinion.

Section 6.02. Release Of Equipment And Granting Of Easements.

(a) The Trustee shall, at the request of the Grantor, release and confirm that any Mortgaged Equipment is no longer subject to the lien of this Indenture upon compliance with the applicable provisions hereof.

(b) The Grantor may at any time or times grant or dedicate easements with respect to any portion or portions of any property included in the Trust Estate free from the lien of this Indenture or subordinate thereto, and the Trustee shall execute and deliver a release of said portion from the lien of this Indenture upon receipt by the Trustee of (i) an Officers' Certificate of the Grantor stating that the conveyance of said portion does not adversely affect the market value of the remaining portion thereof, nor the use of such remaining portion in the Grantor's operation; and (ii) an undertaking of the Grantor in form and substance satisfactory to the Trustee to the effect that the Grantor shall remain obligated under the terms hereof to the same extent as if said conveyance had not been made and that the Grantor shall, if necessary, restore and rebuild said property to good condition and repair.

Section 6.03. Payment Of The Bonds. Subject to the provisions of Section 2.01 and 6.19 hereof, the Grantor covenants that it will promptly pay the principal of and interest on every Bond issued under the provisions of this Indenture at the places and the dates and in the manner provided herein and in said Bonds and in any coupons appertaining to said Bonds, and any premium required for the retirement of said Bonds by purchase or redemption, according to the true intent and meaning thereof and subject to the provisions of Article IV hereof, at least five business days before each date on which any principal of or premium, if any, or interest on any of the Bonds becomes payable whether at stated maturity thereof, by call for redemption, by declaration or otherwise, and that the Grantor will

irrevocably deposit with the Trustee under the trusts hereof the entire amount necessary to pay all the principal, premium if any, and interest payable on such date on all Bonds then outstanding; and that it will pay interest (to the extent enforceable under applicable law) on any overdue installments of principal or interest at the rate per annum specified in each such Bond.

Section 6.04. No Extension For Payment Of Bonds. So long as any of the Bonds shall remain outstanding, the Grantor will not directly or indirectly extend or assent to the extension of the time for the payment of any interest coupon 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 coupon or claim for interest or otherwise; that in case the payment of any such interest coupon or claim for interest shall be so extended by or with or without the consent of the Grantor, then anything in this Indenture contained to the contrary notwithstanding, such interest coupon or claim for interest so extended shall not be entitled, in case of default hereunder, to any benefit of or from this Indenture, except after the prior payment in full of the principal of all Bonds issued hereunder, premium, if any, thereon, and of such interest coupons and claims for interest as shall not have been so extended.

Section 6.05. Operate Revenue Producing Facility. The Grantor covenants that while any Bonds are outstanding hereunder the operation of the Facility will, in aggregate, produce revenues which will be sufficient (a) to pay all expenses of the proper operation, maintenance and repair of the Facility without any allowance or deduction for interest or depreciation, and (b) to make all payments which the Trustee is obligated to set aside in the various Funds and Accounts established under Article IV hereof.

Section 6.06. Trust Estate Records. The Grantor covenants and agrees and hereby appoints the Trustee to keep or cause to be kept proper books of record and account in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of the revenues accruing to the Trust Estate and amount thereof forwarded to the Trustee, and such books shall be available for inspection by the holder of any of the Bonds at reasonable hours and under reasonable conditions. The Trustee shall prepare a statement for each fiscal year of all transactions relating to the Trust Estate and the application and allocation of the revenues thereof.

Section 6.07. Statement Of Transactions Required. Not more than 120 days after the close of each fiscal year of the Grantor, the Grantor shall furnish to the Trustee and to each holder of any of the Bonds who may so request a complete financial statement including operating statement, balance sheet, allocation and application of revenues for such fiscal year accruing to the Trust Estate and dates and amount thereof forwarded to the Trustee for such fiscal year,

certified as of the end of such fiscal year by reputable certified public accountants. The Trustee shall at all times have access to the books and records of the Grantor. Also, the records of the Trustee pertaining to the issue shall be available to, and open for inspection by, any Bondholder, and the Grantor covenants that it shall promptly furnish the Trustee such additional information as is deemed necessary by the Trustee to carry out the provisions of this Indenture and the trust created hereby.

Section 6.08. Grantor Pay Charges Of Trustee. The Grantor covenants that all charges made by the Trustee for services rendered and for payment of principal of and interest and premium, if any, on the Bonds will be paid by the Grantor from revenues of the Trust Estate and will not be required to be paid by the holders of the Bonds or coupons.

Section 6.09. Title To Trust Estate. The Grantor covenants that so long as any Bonds are outstanding hereunder it will retain good title to the Trust Estate, subject to the provisions of this Indenture. The Grantor covenants that it lawfully owns and is lawfully possessed of all property described in the granting clauses hereof as being a part of the Trust Estate, and, in the case of the realty described in Granting Clause First, subject to presently existing liens described herein; has a good and indefeasible estate therein in fee simple; that it warrants and will defend the title thereto and every part thereof to the Trustee, its successors and assigns, for the benefit of the holders and owners of the Bonds, against the claims and demands of all persons whomsoever; that it is duly authorized to secure the payment of the Bonds in the manner prescribed herein, and has lawfully exercised such rights; and that it will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such indentures supplemental hereto and such further acts, deeds, conveyances, mortgages and transfers as the Trustee shall reasonably require for the better assuring, conveying, transferring, mortgaging, pledging, assigning and confirming unto the Trustee all and singular the hereditaments and premises, estates, income and property conveyed, transferred, mortgaged, pledged or assigned or intended so to be.

Section 6.10. No Additional Mortgage. The Grantor covenants and agrees that it will not, except as permitted herein, mortgage, encumber, hypothecate, sell, transfer, assign or otherwise dispose of all or any part of the Trust Estate or the revenues and receipts thereof (other than to the Trustee hereunder) or assign, transfer or hypothecate (other than to the Trustee hereunder) the operating income of the Facility.

Section 6.11. Prompt Discharge Of Obligations. Should the Grantor fail to make any payment or to do any act as herein provided within the time permitted herein, then the Trustee, but without obligation so to do and without notice to or demand on the Grantor, and without releasing the Grantor from any obligation contained

herein, 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, 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.

Section 6.12. Interest On Bond To Remain Tax Exempt. The Grantor covenants and agrees that it will not engage in any activities or take any action or fail to take any action which might result in any interest payment on the Bonds becoming taxable to the recipient thereof under the federal income tax laws and agrees to obtain like covenants from all persons or entities which may be deemed "principal users" of the Facility for the purposes of Section 103 of the Code.

Section 6.13. Compliance With Laws. Grantor shall throughout the term of this Indenture and at no expense to Trustee promptly comply or cause compliance with all laws, ordinances, orders, rules, regulations and requirements of duly constituted public authorities, which may be applicable to the Facility or the repair and alteration thereof, including, without limitation, the Facility and the streets, sidewalks and passageways adjoining the Facility, and the use or manner of use of the Facility, 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. Grantor shall likewise comply with the requirements of all policies of public liability, fire and other insurance at any time in force with respect to the Facility which, if not complied with, would result in any revocation of any such policy or reduction of the risks insured against or the amounts recoverable under any such policy.

Section 6.14. Permitted Liens And Contests. Grantor 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 any other lien or encumbrance, or any other imposition or charge against the Facility or any part thereof, so long as Grantor shall, after prior written notice to Trustee, at Grantor's expense, contest the same or the validity thereof in good faith, by appropriate proceedings which shall operate to prevent the collection of the tax, lien, assessment, encumbrance, imposition or charge so contested and the sale of said Trust Estate or any part thereof to satisfy the same. Such contest may be made by Grantor in the name of Trustee or of Grantor, or both, as Grantor shall determine, the Trustee agrees that it will, at Grantor's expense, co-operate with Grantor in any such contest to such extent as Grantor may reasonably request. It is understood, however, that Trustee shall not be subject to liability for the payment of any costs or expenses in connection with any such proceeding brought by Grantor, and Grantor covenants to pay, and to indemnify and save harmless Trustee from any such costs or expenses. Pending any such proceedings, Trustee shall not have the the right to pay, remove or

cause to be discharged the tax, lien, assessment, encumbrance, imposition or charge thereby being contested, provided, that Grantor shall have given such security as may be required in the proceeding and such reasonable security as may be demanded by Trustee to insure such payment and prevent any sale or forfeiture of the Trust Estate or any part thereof by reason of such non-payment, and provided, further, that Trustee would not be in substantial danger of civil or any danger of criminal liability by reason of such non-payment.

Section 6.15. Maintenance and Title. The Grantor further covenants and agrees as follows:

(a) To maintain the Facility or cause it to be maintained in good repair and condition, ordinary wear and tear excepted, and not to commit or allow any waste.

(b) To promptly take such actions as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Trust Estate or any part thereof, whether now existing or hereafter developing, and to prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and to indemnify and save the Trustee and every Bondholder harmless from all loss, cost, damage and expense, including attorney's fees, which they or either of them may incur by reason of such defect, cloud, suit, action or proceedings.

Section 6.16. Grantor To Act For Benefit Of Trustee. The Grantor will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered all and every such further acts, deeds, conveyances, mortgages, assignments, transfers and assurances as the Trustee shall require for the better assuring, conveying, mortgaging, assigning and confirming unto the Trustee all and singular the Trust Estate hereby mortgaged, conveyed or assigned or intended so to be, or which the Grantor may be or may hereafter become bound to mortgage, convey or assign to the Trustee, or for carrying out the intention of facilitating the performance of the terms of this Indenture.

Section 6.17. Re-execution Of Indenture And UCC Filings. (a) The Grantor, forthwith upon the execution and delivery of this Indenture and thereafter from time to time, will cause this 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 and re-filed, re-registered and re-recorded as a mortgage upon the Trust Estate, in such manner and in such place 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 this Indenture, and 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. In the event that any question shall be raised as to the requirements of any present or future lien regarding the matters covered by this subsection (a), the decision of the Trustee in all such matters shall be final and conclusive.

(b) The Grantor will pay or cause to be paid all filing, registration and recording taxes and fees incident to such filing, re-filing, registration, re-registration, recording and re-recording and all expenses incidental to the preparation, execution and acknowledgment of this Indenture, 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 this Indenture, the Bonds, any instrument of further assurance, and any supplements to any of said instruments.

Section 6.18. Opinion Of Counsel. Promptly after any filing, registration or recording or any re-filing, re-registration or re-recording of this Indenture or any filing, registration, recording, re-filing, re-registration or re-recording of any supplement to any of said instruments, or any instruments of further assurance which is required pursuant to Section 6.17, the Grantor will deliver to the Trustee an Opinion of Counsel to the effect that such filing, registration, recording, re-filing, re-registration or re-recording has been duly accomplished and setting forth the particulars thereof.

Section 6.19. Limitation On Performance By Grantor. The performance by the Grantor of all duties and obligations imposed upon it hereby, the exercise by it of all powers granted to it hereunder, the carrying out of all covenants, agreements and promises made by it hereunder, and the liability of the Grantor for all warranties and other covenants hereunder are the limited or special obligations of Grantor and shall be limited solely to the Trust Estate. Grantor shall not be required to effectuate its duties, obligations, powers or covenants hereunder except to the extent of the Trust Estate.

Section 6.20. Public Purpose. Grantor hereby acknowledges that the Facility consists of real estate, building, appurtenances and equipment acquired, constructed, installed in or which add to an create a modern facility suitable for the reception, care and treatment of members of the general public to be operated by the Grantor for the promotion of the health and wellbeing of the citizens of Aiken County, South Carolina, and the neighboring area, and they further acknowledge that the actions taken by Grantor have been directed to the accomplishment of that purpose, which is deemed to be a public and charitable purpose recognized by both federal and state statutes.

Section 6.21. Licensure. Lessee shall apply for such license or licenses for the operation of the Facility and any additions thereto. Such initial application and subsequent applications, or amendments

thereto, shall be made within sufficient time so that the Facility shall become licensed within the minimum time period specified therefor. Grantor shall execute (or cause to be executed) such documents, supply such information and require such compliance by the medical and administrative staffs as the licensure granting or issuing authority or authorities may request, in order to achieve licensure, as specified. Licensure of the Facility shall be continually maintained, and Grantor shall comply with all requirements for maintaining such licensure. Grantor shall be required to send to the Trustee upon request of the Trustee a certified copy of its licensure documents. Immediately upon the failure to obtain licensure after eligibility therefor, or any subsequent loss of licensure, a certified statement by Grantor that the Facility has not complied with this Section shall be sent by the Grantor to the Trustee. Such certification shall set forth the reason for non-licensure.

Section 6.22. Covenant Of Non-Sectarian Use. Grantor covenants that no part of the Facility shall be used at any time for sectarian instruction, as a place of religious worship or as a part of any religious program or activity. No part of the Facility may be used in any way for, or in connection with, any part of the program of a church, school or department of divinity of any religious denomination, or for the training or instruction of ministers, priests, rabbis or other professional persons in the field of religion, or encouragement of any religious beliefs, rituals or customs. Grantor shall not have authority to sell, convey or lease any part of the Facility to any sectarian group for any religious purpose.

Section 6.23. No Discrimination. Grantor shall not in the provision of service or in the admission of patients or the treatment of same or in any other manner discriminate against any person on the ground of race, color, creed, sex, or national origin.

Section 6.24. Employment Of Health Care Consultant or Professional Management Company. Grantor hereby covenants and agrees to employ or retain a firm of health care consultants or a Professional Management Company knowledgeable in the operation of nursing homes and acceptable to the Trustee. On or before the first day of the last month of each Fiscal Year of the Grantor, the consultant or Professional Management Company shall prepare and submit to the governing body of Grantor recommendations for the preparation of the Annual Budget for the next succeeding year. Grantor shall cause to be prepared by the health care consultant or Professional Management Company, and a copy to be furnished within 90 days after the close of each Fiscal Year, to the Trustee, and upon written request thereof to the holder of any Bonds then outstanding, an annual report, study and analysis of the operation of the Facility for the preceding Fiscal Year, the number of beds occupied, the percentage of occupancy, the balance in each fund or account provided for in this Indenture, the recommendations of the health care consultant or Professional Management Company for improvement of the services and

operations of the Facility, and the extent to which prior recommendations of the health care consultant or Professional Management Company have been heeded. If a health care consultant rather than a Professional Management Company is employed, the health care consultant may be the firm of certified public accountants which certifies to the annual balance sheet and income and expense statement of Grantor with respect to the Facility.

Section 6.25. Preparation Of Annual Budget. (a) Grantor covenants that on or before 30 days prior to the first day of each Fiscal Year it will prepare and adopt a preliminary budget with respect to the Facility, which shall fully reflect the best estimates of all revenue and all expenses, including reserve appropriations for the ensuing fiscal year and which shall include as a part thereof a preliminary operating budget which reflects the amounts estimated to be required to operate the Facility without taking into account capital expenditures and debt service. Copies of each such preliminary budget shall be filed with the Trustee and mailed to the Principal Underwriter and to any bondholder filing his name and address with the Clerk of the governing body of the Grantor for such purpose. Grantor further covenants that it will comply with any reasonable request of the firm of certified public accountants which certifies the annual balance sheet and income and expense statement of the Grantor with respect to the Facility, as to the chart of accounts into which the budget shall be set.

(b) If the holders of twenty percent (20%) in the aggregate principal amount of the Bonds then outstanding, or the Principal Underwriter, shall so request in writing on or before the 15th day prior to the first day of said new Fiscal Year, Grantor shall hold a public hearing on or before the first day of such Fiscal Year in which any bondholder may appear in person or by agent or attorney and present any objections he may have to the final adoption of such budget. Notice of the time and place of such hearing shall be mailed at least 10 days before the date fixed by Grantor for the hearing to the Trustee, the Principal Underwriter and each bondholder who shall have filed his name and address with the Clerk of the governing body of the Grantor for such purpose. The Grantor further covenants that on or before the first day of each Fiscal Year it will finally adopt the budget with respect to the Facility for the Fiscal Year beginning on that date (the "Annual Budget") and that the total appropriations in any division thereof will not exceed the total appropriations in the corresponding division in the preliminary budget. The Annual Budget shall contain an annual operating budget ("Annual Operating Budget") therein which shall set for the amounts estimated to be required to operate the Facility without taking into account capital expenditures and debt service. Copies of the Annual Budget shall be filed with the Trustee and mailed to the Principal Underwriter and to any bondholder filing his name and address with the Secretary of the Grantor for such purpose.

If for any reason the Grantor shall not have adopted the Annual Budget before the first day of any Fiscal Year, the preliminary budget for such Fiscal Year, or, if there is none, the budget for the preceding Fiscal Year, shall, until the adoption of the Annual Budget, be deemed to be in force and shall be treated as the Annual Budget under the provisions of this Article.

(c) Grantor may, with the advice, consent and written approval of a health care consultant or Professional Management Company, at any time prepare and adopt an amended or other supplemental budget for the remainder of the then current fiscal year, and, when so adopted, the Annual Budget so amended or supplemented shall be treated as the Annual Budget under the provisions of this Article. Copies of such amended or other supplemental budget shall be filed with the Trustee and mailed to the Principal Underwriter and to any bondholder filing his name and address with the Clerk of the governing body of the Grantor for such purpose. Grantor covenants that the operating expenses incurred in any Fiscal Year will not exceed the reasonable and necessary amount thereof, and that it will not expend any amount or incur any obligations for maintenance, repair and operation in excess of the amounts provided for operating expenses in the Annual Budget, except in the case of emergency situations. Nothing in this Section shall limit the amount which the Grantor may expend for operating expenses in any year, provided that any amounts expended therefor in excess of the Annual Budget shall be received by the Grantor from source other than the revenues of the Facility, and the Grantor shall not be entitled to reimbursement for such expenditures or amounts.

Section 6.26. Employment Of Nursing Home Administrator. Unless the Facility is being operated by a Professional Management Company, Grantor hereby covenants and agrees to employ continuously on a full time basis (except for short periods of time in which a new Administrator is being selected and the prior Administrator is no longer employed by the Grantor), commencing on or before the completion of the Facility, as Nursing Home Administrator a person of good moral character, experienced and skilled in the operation and management of health care facilities, against whom the Trustee, on the advice of the firm of certified public accountants which certifies to the annual balance sheet and income and expense statements of the Grantor and the health care consultant, if any, makes no reasonable objection. The Nursing Home Administrator shall supervise the preparation of the Annual Budget. The Grantor shall give written notice to the Principal Underwriter, the Trustee, the firm of certified public accountants which certifies to the annual balance sheet and income and expense statements of the Grantor, and the health care consultant, if any, of the name, address and qualifications of any person it proposes to appoint as Nursing Home Administrator and the salary which it proposes to pay such person, at least 10 days before effecting such employment. In the event that the Trustee shall, for such period of 10 days, fail to deliver to the Grantor written objections against such proposed appointment, specifying the

reasonable grounds upon the basis of which such objection is made, the proposed person shall be considered to be acceptable and the Grantor shall be free to make such appointment.

Section 6.27. Accreditation. Grantor shall apply for accreditation of the Facility and any additions thereto. Such initial application and subsequent applications, or amendments thereto, shall be made within sufficient time so that the Facility shall be accredited as soon as reasonably practicable. Grantor shall execute (or cause to be executed) such documents, supply such information and require such compliance by the medical and administrative staffs as the accreditation granting, or issuing authority may request, in order to achieve accreditation as specified. Such accreditation shall be continually maintained, and Grantor shall comply with all requirements for maintaining such accreditation. Upon request of the Trustee, Grantor shall be required to send the Trustee a certified copy of accreditation documents. Immediately upon failure to obtain accreditation after eligibility therefor, or any subsequent loss of accreditation, a certified statement by Grantor that the Facility has not complied with this Section shall be sent by the Grantor to the Trustee. Such certificate shall set forth the reasons for non-accreditation. The Grantor covenants and agrees that it will at all times use its best efforts to maintain and operate the Facility to meet the standards and requirements and provide health care of such quality and in such manner as will enable the Facility to participate in and provide services in connection with Medicare, Medicaid, Blue Cross, Blue Shield and other recognized health insurance programs, and represents that the Grantor presently complies therewith and agrees that, so long as it shall remain a participating health care facility under the Medicare, Medicaid, Blue Cross, Blue Shield or other programs, it will use its best efforts and comply with the standards and requirements for remaining a participating health care facility thereunder.

Section 6.28. Official Statement. Grantor agrees that whenever requested by the Trustee or the Principal Underwriter, the Grantor shall provide and certify, or cause to be provided and certified, in form satisfactory to the Trustee and the Principal Underwriter, such information concerning itself, the Facility, its operations and finances and other matters that the Trustee and the Principal Underwriter considers necessary to enable them to complete and publish an Official Statement relating to the Bonds, when any of such Bonds are to be offered for sale, or to enable the Principal Underwriter or the Trustee to make any reports required by law, governmental regulations or the Indenture in connection with any Bonds.

## ARTICLE VII

### EVENTS OF DEFAULT AND REMEDIES OF HOLDERS

Section 7.01. Events Of Default. An event of default shall consist of any one of the following conditions, acts or occurrences:

(a) default in the due and punctual payment of any installment of interest on the Bonds;

(b) default in the due and punctual payment of the principal of any Bonds;

(c) default by a breach of any other covenants, agreements or conditions on the part of the Grantor in this Indenture or in the Bonds contained;

(d) the term of the corporate existence of the Grantor shall expire;

(e) the Grantor shall (1) admit in writing its inability to pay its debts generally as they become due, (2) file a petition in bankruptcy or to take advantage of any insolvency act, (3) make an assignment for the benefit of its creditors, (4) consent to the appointment of a receiver of itself or of the whole or any substantial part of its property, or (5) on a petition in bankruptcy filed against the Grantor be adjudicated a bankrupt;

(f) the Grantor shall file a petition or answer seeking reorganization or arrangement under the Federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof;

(g) a court of competent jurisdiction shall enter an order, judgment or decree appointing a receiver of the Grantor or of the whole or any substantial part of its property or approving a petition seeking reorganization of the Grantor under the Federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof, and 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;

(h) under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Grantor or of the whole or any substantial part of its property, 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;

(i) any of the Trust Estate including any rentals or revenues from the operation of the Facility are attached or taken into custody under any court process;

(j) the occurrence of an event of default under Section 14.02 hereof.

(k) default in the making of any payment required by Article IV hereof other than principal of and interest on the Bonds;

(l) the interest on the Bonds shall become taxable to the recipient thereof for federal income tax purposes.

Section 7.02. Remedies Of Bondholder. (a) Upon the occurrence and continuation of any Event of Default unless cured by the Grantor within 30 days after written notice thereof, except for an Event of Default specified in subsections (a) or (b) above, in which case immediately, and, unless the principal of all the Bonds shall have become due and payable, the Trustee by notice in writing to the Grantor may, and upon the written request of the holders of not less than twenty-five percent (25%) in principal amount of the Bonds at the time then outstanding, shall declare the principal of all the Bonds then outstanding hereunder, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration, the payment of principal and interest on the Bonds shall be accelerated and the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding.

(b) This provision is 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 Bonds due shall have been obtained or entered as hereinafter provided, Grantor shall pay to or shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and 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 the reasonable expenses of Trustee, and any and all other defaults known to the Trustee (other than in the payment of principal of an interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured or adequate provisions shall have been made therefor, then in every such case, the holders of at least a majority of the aggregate principal amount of the Bonds then outstanding, by written notice to the Grantor and to the Trustee, may, on behalf of the holders of all the Bonds, rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Section 7.03. Remedies Exercisable By The Trustee. If one or more of the above defined events of default shall happen and be continuing, then and in each and every such case the Trustee, either personally or by its agents or attorneys, may in its discretion and upon the written request of the holders of not less than twenty-five percent (25%) in principal amount of the Bonds then outstanding, and upon being indemnified to its satisfaction forthwith, shall seek any or all of the following remedies:

(a) If an to the extent then permitted by law, the Trustee, personally or by its agents or attorneys, may enter into and take possession of all the Trust Estate and forthwith lease, operate, and manage the same and exercise all rights, powers and franchises of the Grantor in respect thereof, collect the earnings and income therefrom, pay all principal charges, including taxes and assessments levied thereon and operating and maintenance expenses and all disbursements and liabilities of the Trustee hereunder and apply the net proceeds arising from any such operation of the Trust Estate as provided in Section 7.13 hereof, in respect to the proceeds of a sale of the Trust Estate.

(b) The Trustee may proceed to protect and enforce its rights and the rights of the holders of the Bonds under this 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 this Indenture, or for the enforcement of any other appropriate legal or equitable remedy, as the Trustee, being advised by counsel, may deem most effectual to protect and enforce any of the rights or interests under the Bonds or this Indenture or both. All rights of action under this 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 on any trial or other proceeding relative thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee, and any recovery of judgment shall be for the ratable benefit of the holders of the Bonds.

(c) The Trustee may, with or without entry, sell the Trust Estate 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 and its successors are hereby irrevocably appointed the true and lawful attorney of the Grantor, in its name and stead, to execute and deliver all necessary deeds, bills of sale, assignments and transfers, the Grantor hereby ratifying and confirming all that its said attorneys shall lawfully do by virtue hereof.

(d) The Trustee, upon the bringing of a suit to foreclose this Indenture, as a matter of right, without notice and without giving bond to the Grantor or anyone claiming under it, may have a receiver

appointed of all the Trust Estate and of the earnings, income, rents, issues and profits as the court making such appointment may confer, including such powers as may be necessary or usual in such cases for the protection, possession, control, management, leasing and operation of the Trust Estate, and the Grantor does hereby irrevocably consent to such appointment.

(e) The Trustee is hereby appointed, and the successive respective holders of the Bonds by taking and holding the same shall be conclusively deemed to have so appointed the Trustee, the true and lawful attorney-in-fact of the respective holders of the Bonds, with authority to make or file, in the respective names of the holders of the Bonds or in behalf of all holders of the Bonds, as a class, 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 and documents and to do and perform any and all acts and things for and in behalf of all holders of the Bonds as a class, as may be necessary or advisable in the opinion of the Trustee, in order to have the respective claims of the holders of the Bonds against the Grantor allowed in any equity receivership, insolvency, liquidation, bankruptcy or other proceedings to which the Grantor shall be a party. The Trustee shall have full power of substitution and delegation in respect of any such powers. Upon the occurrence of an event of default hereunder, the Trustee may enforce any and all rights of the Grantor hereunder.

(f) In the event of any sale to enforce the security of this Indenture, any and all real estate, buildings, machinery, equipment and personal property mortgaged and pledged hereunder may be sold as an entirety or in such lots and/or parcels as the Trustee, in its discretion, shall determine.

Section 7.04. Repossession Of Facilities. Upon every such entry, the Trustee from time to time and at the expense of the Trust Estate may hold, lease, operate, maintain and restore and insure and keep insured the Trust Estate and make all necessary repairs, renewals, replacements, alterations, additions, betterments and improvements as it may deem judicious. The Trustee in case of such entry shall have the right to manage the Trust Estate, including the right to lease the Facility or any part thereof in the name of Grantor or the Bondholders, and to carry on the business of the Grantor with respect thereto and shall keep such moneys invested to the fullest extent possible, but such investments shall be made so that funds will be available to make required principal and interest payments on the Bonds. The Trustee may sell or present for redemption any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment, and the Trustee shall not be liable or responsible for any loss resulting from such investment.

Section 7.05. Consent Required To Sell Trust Estate. Upon the occurrence of an event of default, the lien on the Trust Estate created and vested by this Indenture may foreclosed, (i) by public

sale, provided, however, that the Trustee may not sell the Trust Estate for less than the aggregate principal amount of the outstanding Bonds without the written consent of the holders of 66-2/3% or more of the principal amount of Bonds then outstanding, or (ii) by proceedings in equity.

Section 7.06. Judicial Sale. Should any such sale be made pursuant to judicial proceedings, such sale shall be made either as an entirety or in such parcels as may be directed by the court, or should such sale be made by the Trustee under the power of sale hereby granted, it shall exercise all the rights and powers of the Grantor, either in the name of the Grantor or otherwise, as the Trustee shall deem best, and shall be entitled to collect, take and receive all earnings, income, rents, issues and profits of the Trust Estate.

Section 7.07. Adjournment Of Sale. The Trustee from time to time may adjourn any sale to be made by it by announcement of the time and place appointed for such sale or for such adjourned sale or sales, and without further notice or publication, it may make such sale at the time to which the same shall be so adjourned, but in the event of such adjournment or adjournments, sale shall be made within six (6) months from the date of sale fixed in the advertisement unless notice of sale on some later date shall be given again in the manner provided in Section 7.08.

Section 7.08. Completion Of Sale. (a) Upon completion of any such sale or sales, the Trustee shall execute and deliver to the accepted purchaser or purchasers a good and sufficient deed and assignment of the property or properties sold or shall execute and deliver in conjunction with the deed or assignment of the court officer conducting such sale a proper release for such properties. The Trustee hereby is appointed the true and lawful attorney irrevocably of the Grantor in its name and stead to make all necessary deeds and assignments of such properties thus sold, and for that purpose the Trustee may execute all necessary instruments or conveyance, assignment and transfer, and may substitute one or more persons or corporations with like power; and the Grantor hereby ratifies and confirms all that its said attorney or attorneys or such substitute or substitutes shall lawfully do by virtue hereof. Nevertheless, the Grantor, if so requested by the Trustee, shall execute and deliver to the purchaser or purchasers such deeds, assignments, transfers and releases as may be designated in such request.

(b) In the event of a sale of said Trust Estate or any part thereof and the execution of a deed or assignment thereof under these trusts, then the recital therein of default and of publication of notice of sale and of demand that such sale be made, postponement of sales, terms of sale, purchaser, payment of purchase money and any other fact or facts affecting the regularity or validity of such sale shall be effectual and conclusive proof of the facts recited therein

as against the Grantor, its successors and assigns, and all other persons.

Section 7.09. Sale To Divest Title. Any such sale or sales shall divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Grantor, its successors and assigns of, in and to the property and premises sold, and shall be a perpetual bar both at law and in equity against the Grantor, its successors and assigns, and against any and all persons claiming or to claim the property sold or any part thereof from, through or under the Grantor, its successors or assigns.

Section 7.10. Receipt Of Proceeds From Sale. The receipt of the Trustee or of the court officer conducting such sale shall be a sufficient discharge for the purchase money of any purchaser of the property or any part thereof sold as aforesaid, and no purchaser or his representatives, grantees or assigns after paying such purchase money and receiving such receipt shall be bound to see to the application of such purchase money upon or for any trust or purpose of this Indenture or in any manner whatsoever be answerable for any loss, misapplication or non-application of such purchase money or any part thereof or be bound to inquire as to the authorization, necessity, expedience or regularity of any such sale.

Section 7.11. Exchange Of Bonds For Sales Price. In case of any such sale for the purpose of making settlement or payment for the property purchased, the purchaser shall be entitled to turn in or apply toward the payment of the purchase price any Bond issued hereunder and any matured and unpaid coupons and to be credited therefor to the extent of the value of or amount which would be payable upon such Bonds and coupons upon a distribution among the holders of Bonds and coupons of the net proceeds of such sale after making the deductions allowable under the terms hereof for the costs and expenses of the sale and otherwise; but such Bonds and coupons so applied in payment by the purchaser shall be deemed to be paid only to the extent so applied.

Section 7.12. Bondholder May Bid At Sale. At any such sale, the Trustee or any holder of Bonds may bid for and purchase such property and may make payment on account thereof as aforesaid, and upon compliance with the terms of sale may hold, retain and dispose of such property without further accountability therefor.

Section 7.13. Sale Proceeds Added To Trust Estate. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, together with any sums which then may be held by the Trustee or be payable to and received by it under any of the provisions of this Indenture as part of the Trust Estate or of the proceeds thereof, shall be applied as follows:

First: To the payment of the costs, expenses, fees and other charges of such proceedings, a reasonable compensation to the Trustee,

its agents and attorneys, all expenses and liabilities incurred and advances made by the Trustee in managing and maintaining the property, instituting, defending or carrying on litigation and administering its trusts hereunder with interest on all such advances at the maximum legal rate per annum, and all taxes, assessments, water rates or liens thereon prior to the lien of this Indenture except any taxes, assessments or other superior liens subject to which sale such shall have been made.

Second: (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 in the following order:

(i) To the payment to the persons entitled thereto of all installments of interest then due on the Bonds, 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 of the unpaid principal of any of the Bonds which shall have become due in the 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 principal of and interest on the Bonds due on any particular date, then to the payment ratably, according to the amount of the principal and interest due on such date, to the persons entitled thereto without any discrimination or privilege.

(b) If the principal of all 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, 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.

Third: Any surplus then remaining to the Grantor, its successors and assigns, or to whomsoever may be lawfully entitled to receive the same, upon lawful demand being made therefor.

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 funds, it shall fix the date (which shall be an interest payment date unless it shall deem

another date more suitable) 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 money and of the fixing of any such date, and shall not be required to make payment to the bearer of any unpaid coupons or the holder of any Bond until such coupon or such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Section 7.14. Non-Exclusive Remedies. No remedy herein conferred upon or reserved to the Trustee or to any holder of the Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder.

Section 7.15. No Equity Of Redemption. Except as limited by Section 7.02(c) hereof, the Grantor will not at any time claim, take or insist upon any benefit for the valuation or appraisal of the trust property or any part thereof prior to any sale or sales thereof to be made pursuant to any provision herein contained or pursuant to the decree, judgment or order of any court of competent jurisdiction, nor after any such sale or sales will it claim or exercise any right under any statute now or hereafter made or enacted to redeem the property so sold or any part thereof; and the Grantor hereby expressly waives all benefit and advantage of any such law or laws and covenants that it will not invoke or utilize any such law or laws in order to hinder, delay or impede the execution of any power herein granted and delegated to the trustee, but will suffer and permit the execution of every such power as though no such law or laws had been made or enacted.

Section 7.16. Limitation On Right Of Bondholder To Sue. (a) No holder of any Bond or coupon issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity for the execution of any trust or power of this Indenture or for any other remedy under or upon this Indenture unless (i) such holder shall have previously given to the Trustee written notice of the occurrence of an event of default hereunder, (ii) the holders of at least twenty-five percent (25%) in aggregate principal amount of all the Bonds then outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, and (iii) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by a tender of indemnity shall have been made to Trustee.

(b) Notification, request, tender of indemnity and refusal or omission pursuant to Section 7.16(a) above are hereby declared in every case to be conditions precedent to the exercise by any holder of Bonds of any remedy hereunder, it being understood and intended that no one or more holders of Bonds or coupons shall have any right in any manner whatever by his or their action to enforce any right under this

Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provisions of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all holders of the outstanding Bonds and coupons.

Section 7.17. Obligation Of Grantor Unconditional. Nothing in Section 7.16 or in any other provisions of this Indenture or in the Bonds or in the coupons contained shall affect or impair the obligations of the Grantor which is absolute and unconditional subject to Section 6.19 (Limitation on Performance by Grantor) to pay the principal of and interest on the Bonds to the respective holders of the Bonds and coupons at their respective dates of maturity or upon call for redemption as herein provided and at the place in such Bonds and coupons expressed.

Section 7.18. No Individual Liability Of Officials, Employees or Officers. No recourse shall be had for the payment of the principal of or interest on the Bonds or for any claim based thereon or otherwise in respect thereof or based on or in respect of this Indenture or any indenture supplemental hereto against any official, employee or officer as such, past, present or future, of the Grantor, or of any predecessor or successor corporation either directly or through the Grantor or otherwise, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty coupons and all obligations of the Grantor under this Indenture are solely corporate obligations and that all such personal liability of such officials, employees and officers are hereby expressly waived and released as a condition of and as a consideration for the execution of this Indenture and the issue of the Bonds.

ARTICLE VIII  
CONCERNING THE TRUSTEE

Section 8.01. Duties Of Trustee. The Trustee shall prior to an event of default as defined in Section 7.01 and after the curing of all such events of default which may have occurred perform such duties and only such duties as are specifically set forth in this Indenture. The Trustee shall during the existence of any such event of default (which has not been cured) exercise such of the rights and powers vested in it by this 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.

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

(a) prior to such an event of default hereunder and after the curing of all such events of default which may have occurred:

(1) The duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) 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, opinion, request, order or other instruments furnished to the Trustee conforming to the requirements of this Indenture; but in the case of any such certificate, opinion, request, order or other instrument which by any provisions hereof is specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not it conforms to the requirements of this Indenture.

(b) at all times, regardless of whether or not any such event of default shall exist:

(1) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer or officers of the Trustee unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(2) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of not less than a majority (or such

larger percentage as is otherwise specifically required by the terms hereof) in aggregate principal amount of all the Bonds at the time outstanding.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

Unless an event of default hereunder shall have occurred of which the Trustee shall have actual knowledge and be continuing, the Trustee shall have no obligation to take any action or make any investigation in respect to the subject matter of this Indenture unless requested in writing so to do by the holders of not less than 10% in principal amount of the Bonds at the time outstanding whether or not an event of default shall have occurred. The Trustee shall have no obligation to take any action under this Indenture which in its opinion may involve it in any expense or liability unless and until requested in writing so to do by one or more holders of Bonds and furnished with such reasonable security and indemnity as it may require.

Section 8.02. Rights Of Trustee. Except as otherwise provided in Section 9.01:

(a) The Trustee may rely and shall be protected in acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, Bond, coupon or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) Any notice, request, direction, election, order or demand of the Grantor mentioned herein shall be sufficiently evidenced by an instrument signed in the name of the Grantor by its Chairman or Vice Chairman of its County Council or Clerk or Deputy Clerk of its County Council (unless other evidence in respect thereof be herein specifically prescribed); and any resolution of the County Council of the Grantor may be evidenced to the Trustee by a resolution certified by the proper officer; provided, however, the Trustee may rely without liability upon the signatures contained in the Certificate of the officers of Grantor delivered with the Bonds as conclusive evidence of the signature of a proper officer or party until actually notified by a like instrument of a change of officer;

(c) The Trustee may consult with counsel (who may be counsel for the Grantor) and the opinion 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 this Indenture the Trustee shall deem it necessary or desirable that a matter be provided or established prior to taking or suffering any

action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may in the absence of bad faith on the part of the Trustee be deemed to be conclusively proved and established by a certification of the Grantor, and such certification of the Grantor shall in the absence of 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 this Indenture upon the faith thereof.

Section 8.03. Trustee Not Accountable For Acts And Statements Of Grantor. The recitals contained herein and in the Bonds shall be taken as the statements of the Grantor and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Bonds or coupons. The Trustee shall not be accountable for the use or application by the Grantor of any of the Bonds authenticated or delivered hereunder or of the proceeds of such Bonds or as to the security afforded hereby or as to the title of the Grantor to the Trust Estate or any other instrument referred to herein or of any funds paid or disbursed by the Trustee pursuant to the provisions hereof.

Section 8.04. Trustee And Its Officers May Own Bonds. The Trustee and its officers and directors may acquire and hold or become the pledgees of the Bonds and coupons and otherwise deal with the Grantor in the manner and to the same extent and with like effect as though it were not Trustee hereunder.

Section 8.05. Segregation Of Funds Limited. Subject to the provisions of this Indenture, all moneys received by the Trustee shall until used or applied as herein provided be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any moneys received by it hereunder except such as it may agree with the Grantor to pay thereon.

Section 8.06. Payment Of Fees, Costs And Expenses To Trustee. The Grantor covenants and agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation for all services rendered by it in the execution of the trusts hereby created and in the exercise and performance of any of the powers and duties hereunder of the Trustee, which compensation shall not be limited by any provision of law in regard to the compensation of a Trustee of an express trust, and the Grantor will pay or reimburse the Trustee upon its request for all expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ), except any such expense, disbursement or advances as may arise from its negligence or bad faith. If any property other than cash shall at any time be held by the Trustee subject to this Indenture or any supplemental indenture as security

for Bonds, the Trustee, if and to the extent authorized by a receivership, bankruptcy or other court of competent jurisdiction or by the instrument subjecting such property to the provisions of this Indenture as such security for the Bonds, shall be entitled to make advances for the purpose of preserving such property or of discharging tax liens or other prior liens or encumbrances thereon. The Grantor also covenants to indemnify the Trustee for and to hold it harmless against any loss, liability, expense or advance incurred or made without negligence or bad faith on the part of the Trustee arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim of liability in the premises. The obligations of the Grantor under this Section to compensate the Trustee for services and to pay or reimburse the Trustee for expenses, disbursements, liabilities and advances shall constitute additional indebtedness hereunder. Such additional indebtedness shall have priority over the Bonds in respect of all property and funds held or collected by the Trustee as such except funds held in trust by the Trustee for the benefit of the holders of particular Bonds or coupons.

Section 8.07. Required Size Of Trustee. There shall at all times be a trustee hereunder which shall be a corporation organized and doing business under the laws of the United States or any state of the Union, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least Ten Million Dollars (\$10,000,000), and subject to supervision or examination by Federal or State authority. If such corporation published reports of conditions 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 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 conditions so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, the Trustee shall resign immediately in the manner and with the effect specified in the Section here following.

Section 8.08. Trustee May Resign. The Trustee may at any time resign by giving written notice to the Grantor and by giving to the Bondholders notice by publication of such resignation, which notice shall be published at least once in an Authorized Newspaper. Upon receiving such notice of resignation, the Grantor shall promptly appoint a successor trustee by an instrument in writing executed by order of its Board of Directors. If no successor trustee shall have been so appointed and have accepted appointment 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 holder who has been a bona fide holder of a Bond or Bonds for at least six (6) 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.

(a) In case at any time any of the following shall occur:

(1) The Trustee shall cease to be eligible in accordance with the provisions of Section 8.07 and shall fail to resign after written request therefor by the Grantor or by any holder who has been a bona fide holder of a Bond or Bonds for at least six (6) months, or

(2) The Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. Then, in any such case, the Grantor may remove the Trustee and appoint a successor trustee by an instrument in writing executed by order of its Board of Directors or any such holder 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.

(b) The holders of a majority in aggregate principal amount of all the 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 such holders.

(c) Any resignation or removal of the Trustee and appointment of a successor trustee pursuant to any of the provisions of this Section shall become effective upon acceptance of appointment by the successor trustee as provided in Section 8.09.

Section 8.09. Successor Trustee. Any successor trustee appointed as provided in Section 8.08 shall execute, acknowledge and deliver to the Grantor 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 hereunder, but nevertheless, on the written request of the Grantor or the request of the successor trustee, the trustee ceasing to act shall execute and deliver an instrument transferring without warranty or other liability 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 Grantor shall execute any and all instruments in writing and more fully and certainly vesting in and confirming to such successor trustee all such rights, powers and duties. Any trustee ceasing to act shall nevertheless retain a lien

upon all property or funds held or collected by such trustee to secure the amounts due it as compensation, reimbursements, expenses and indemnity afforded to it by Section 8.06.

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 8.07.

Upon acceptance of appointment by a successor trustee as provided in this Section, the Grantor shall publish notice of the succession of such trustee to the trusts hereunder at least once in an Authorized Newspaper. If the Grantor fails to publish such notice within ten (10) days after acceptance or appointment by the successor trustee, the successor trustee shall cause such notice to be published. The expenses of such publication shall be an expense of the Trust Estate.

Section 8.10. Merger Of Trustee. Any corporation into which the Trustee may be merged or with which it may be consolidated or any corporation resulting from any merger or consolidation to which the Trustee shall be party or any corporation succeeding to the business of the Trustee shall be the successor of the Trustee hereunder without the execution of filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding, providing that such successor trustee shall be eligible under the provisions of Section 8.07.

## ARTICLE IX

### EVIDENCE OF RIGHTS OF HOLDERS

Section 9.01. Execution Of Instruments. Any request, consent or other instrument required by this Indenture to be signed and executed by Bondholders may be in any number of concurrent writings of substantially similar tenor and may be signed or executed by such Bondholders in person or by agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or writing appointing any such agent or of the holding by any person of Bonds transferable by delivery shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and of the Grantor if made in the manner provided in this Article.

Section 9.02. Date Of Execution Proven. The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer of any jurisdiction authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof.

Section 9.03. Certificate Of Delivery. The amount of Bonds transferable by delivery held by any person executing any such request, consent or other instrument or writing as a holder and the distinguishing numbers of the Bonds held by such person and the date of his holding the same may be proved by a certificate executed by any trust company, bank, banker or other depository (wherever situated), if such certificate shall be deemed by the Trustee to be satisfactory, showing that at the date therein mentioned such person had no deposit with such depository or exhibited to it the Bonds therein described; or such facts may be proved by the affidavit of the person executing such request, consent or other instrument or writing as a holder if such affidavit shall be deemed by the Trustee to be satisfactory. The Trustee and the Grantor may conclusively assume that such ownership continues until written notice to the contrary is served upon the Trustee. The fact and the date of execution of any request, consent or other instrument and the amount and distinguishing numbers of the Bonds held by the person executing such request, consent or other instrument may also be proved in any other manner which the Trustee may deem sufficient. The Trustee may, nevertheless, in its discretion, require further proof in cases where it may deem further proof desirable.

The ownership of Bonds registered as to principal shall be proved by the register of such Bonds, maintained by the Trustee.

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 exchange therefor or in lieu thereof in respect of anything done or suffered to be done by the Trustee or the Grantor in pursuance of such request, consent or vote.

Section 9.04. Determination Of Concurrence By Bondholders. In determining whether the holders of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned by the Grantor or any other obligor on the Bonds or by any person directly or indirectly controlling or controlled by or under common control with the Grantor or any other obligor on the Bonds 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'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 with the Grantor or any other obligor on the Bonds. In case of a dispute as to such rights, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

ARTICLE X

DEFEASANCE: UNCLAIMED MONEYS

Section 10.01. Discharge Of Bond Debt. If the Grantor shall pay and discharge the entire indebtedness of all Bonds outstanding hereunder in any one or more of the following ways, to-wit:

A. By well and truly paying or causing to be paid the principal of and interest on Bonds outstanding hereunder as and when the same become due and payable;

B. By depositing with the Trustee in trust either moneys in an amount which shall be sufficient, or direct obligations of or obligations guaranteed by the United States of America, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal and interest due and to become due on the Bonds on the maturity date thereof; and/or

C. By delivering to the Trustee for cancellation by it all Bonds outstanding hereunder together with all unpaid coupons thereto belonging;

and if the Grantor shall also pay or cause to be paid all other sums payable hereunder to the Bondholders, then and in that case the Indenture shall cease, terminate and become null and void, and thereupon the Trustee shall upon written request of the Grantor and upon receipt by the Trustee of a certification of the Grantor and an opinion of counsel stating that in the opinion of the signers all conditions precedent to the satisfaction and discharge of this Indenture have been complied with, forthwith execute proper instruments acknowledging satisfaction of and discharging this Indenture. The satisfaction and discharge of this Indenture shall be without prejudice to the rights of the Trustee to charge and be reimbursed by the Grantor for any expenditure which it may thereafter incur in connection herewith.

The Grantor may at any time surrender to the Trustee for cancellation by it any Bonds previously authenticated and delivered hereunder, together with all unpaid coupons thereto belonging which the Grantor may have acquired in any manner whatsoever, and such Bonds and coupons upon such surrender and cancellation shall be deemed to be paid and retired.

Section 10.02. Deposit Of Amount To Discharge Debt With Trustee. Upon the deposit with the Trustee in trust at or before maturity of money in the necessary amount to pay or cause to be paid or redeem Bonds outstanding hereunder (whether upon or prior to their maturity or the redemption date of such Bonds), provided tht if such Bonds are

to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided herein or provision satisfactory to the Trustee shall have been made for the giving of such notice, all liability of the Grantor in respect of such Bonds and the coupons appertaining thereto shall cease, terminate and be completely discharged and the holder thereof shall thereafter be entitled only to payment out of the money deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of Section 10.03. The Trustee may in its discretion take earnings on Qualified Investments into account when making the computations necessary to determine whether investments held by the Trustee hereunder will be sufficient to discharge the indebtedness of the Bonds at their respective maturities.

Section 10.03. Unclaimed Moneys. Notwithstanding any provisions of this Indenture, any moneys deposited with the Trustee or any other paying agent in trust for the payment of the principal of or interest on any Bonds remaining unclaimed for five (5) years after the principal of all the Bonds outstanding hereunder has become due and payable (whether at maturity or upon call for redemption or by declaration as provided in this Indenture), shall then be repaid to the Grantor for repayment thereof, and all liability of the Trustee or any other paying agent with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Grantor as aforesaid, the Trustee may at the cost of the Grantor first publish at least once in an Authorized Newspaper a notice in such form as may be deemed appropriate by the Trustee or such paying agent in respect of the Bonds or coupons so payable and not presented and in respect of the provisions relating to the repayment to the Grantor of the moneys held for the payment thereof. In the event of the repayment of any such moneys to the Grantor as aforesaid, the holders of the Bonds and coupons in respect of which such moneys were deposited shall thereafter be deemed to be unsecured creditors of the Grantor for amounts equivalent to the respective amounts deposited for the payment of such Bonds and coupons and so repaid to the Grantor (without interest thereon).

Section 10.04. Release Of Lien To Obtain Substituted Collateral. Notwithstanding any other provisions of this Indenture, the Trustee at the request of the Grantor shall release the lien upon any personalty or equipment secured hereby which is being sold or credited for new personalty or equipment which will be used for and perform the same or a similar function as the personalty or equipment being sold, and shall subject said new personalty or equipment to a similar lien for the benefit of the holders of the Bonds.

## ARTICLE XI

### SUPPLEMENTAL INDENTURES

Section 11.01. Purpose For Which Supplemental Indentures Authorized. The Grantor and the Trustee from time to time and at any time, subject to the conditions and restrictions in this Indenture contained, may enter into an indenture or indentures supplemental hereto, which indenture or indentures thereafter shall form a part hereof, for any one or more or all of the following purposes:

(a) To add to the covenants and agreements of the Grantor in this Indenture contained, other covenants and agreements thereafter to be observed or to surrender any right or power herein reserved to or conveyed upon the Grantor;

(b) To make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provisions contained in this Indenture, or in regard to matters or questions arising under this Indenture, as the Grantor may deem necessary or desirable and which shall not adversely affect the interests of the holders of the Bonds;

(c) To subject, describe or redescribe any property subjected or to be subjected to the lien of this Indenture;

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

(e) To provide for additional series of Bonds to the extent permitted by this Indenture.

Any supplemental indenture authorized by the provisions of this Section 11.01 may be executed by the Grantor and the Trustee without the consent of the holders of any of the Bonds at the time outstanding, notwithstanding any of the provisions of Section 11.02.

Section 11.02. Vote Of Bondholders Required. With the consent (evidenced as provided in Article IX) of the holders of not less than sixty-six and two-thirds percent ( $66\frac{2}{3}\%$ ) in aggregate principal amount of the Bonds at the time outstanding, the Grantor and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture; provided, however, that no such supplemental indenture shall

(a) extend the fixed maturity of the Bonds or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the holder of each Bond so affected, or

(b) reduce the aforesaid percentage of holders of Bonds required to approve any such supplemental indenture, or

(c) permit the creation of any lien on the properties mortgaged and conveyed hereunder prior to or on a parity with the lien of this Indenture (except for the issuance of additional Bonds permitted hereunder) or deprive the holders of the Bonds of the lien created by this Indenture upon said properties, without the consent of the holders of all the Bonds then outstanding. Upon receipt by the Trustee of a Certified Resolution authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of Bondholders, as aforesaid, the Trustee shall join with the Grantor in the execution of such supplemental indenture.

It shall not be necessary for the consent of the Bondholders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Section 11.03. Supplemental Indenture To Modify. Upon the execution of any supplemental indenture pursuant to the provisions of this Article XI, this Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, duties and obligations under this Indenture of the Grantor, the Trustee and all holders of Bonds outstanding thereunder shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendments, and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 11.04. Opinion Of Counsel. Subject to the provisions of Section 8.01, the Trustee may rely on an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant to the provisions of this Article XI complies with the requirements of this Article XI.

Section 11.05. Bonds Issued Under Supplemental Indenture. Bonds authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article XI may bear a notation, in form approved by the Trustee, as to any matter provided for in such supplemental indenture and if such supplemental indenture shall so provide, new Bonds, so modified as to conform, in the opinion of the Trustee, to any modification of this Indenture contained in any such supplemental indenture, may be prepared by the Grantor,

authenticated by the Trustee and delivered without cost to the holders of the Bonds then outstanding, upon surrender for cancellation of such Bonds with all unmatured coupons and all matured coupons not fully paid, in equal aggregate principal amounts.

## ARTICLE XII

### MISCELLANEOUS PROVISIONS

Section 12.01. Indenture Inures To Benefit Of Grantor's Successors. All the covenants, stipulations, promises and agreements in this Indenture contained by or in behalf of the Grantor shall bind and inure to the benefit of its successors and assigns, whether so expressed or not.

Section 12.02. Limitation On Rights Under Indenture. Nothing in this Indenture or in the Bonds or coupons expressed or implied is intended or shall be construed to give to any person other than the Grantor, the Trustee and the holders of the Bonds and coupons issued hereunder any legal or equitable right, remedy or claim under or in respect to this Indenture or any covenant, condition or provisions therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Grantor, the Trustee and the holders of the Bonds and coupons issued hereunder.

Section 12.03. Waiver Of Notice Permitted. Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 12.04. Cancellation Of Bonds And Coupons. Whenever in this Indenture provision is made for the cancellation by the Trustee and the delivery to the Grantor of any Bonds or any coupons, in lieu of such cancellation and delivery, the Trustee may cremate or shred such Bonds and coupons in the persence of an officer of the Grantor (if the Grantor shall so require); and deliver a certificate of such cremation or shredding to the Grantor.

Section 12.05. Lost Bonds. Upon receipt of evidence satisfactory to the Trustee that any Bond and unmatured attached coupons are lost, stolen, destroyed or mutilated and the filing of sufficient indemnity with the Trustee satisfactory to said Trustee, the Grantor will reissue said lost, stolen, destroyed or mutilated Bond in fully registered manuscript form to the lawful holder thereof, all at the expense of said holder.

Section 12.06. Severability. In case any one or more of the provisions contained in this Indenture or in the Bonds or coupons shall for any reason be held to be invalid, illegal or unenforceable, such holding shall not affect any other provision of this Indenture, but this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. Supplemental

Indentures correcting minor errors or omissions not affecting maturities, security or rates of interest may be entered into.

Section 12.07. Notice. Any notice to or demand upon the Trustee may be served or presented, and such demand may be made at the principal office of the Trustee. Any notice to or demand upon the Grantor shall be deemed to have been sufficiently given or served for all purposes by being deposited, postage prepaid, in a post office letter box addressed to the Grantor at such address as may be filed in writing by the Grantor with the Trustee, or if no such address has been filed with the Trustee, then at an address contained in any document or correspondence in the files of the Trustee as the address of the Grantor.

Section 12.08. Fidelity Bonds. Grantor will, at its expense, provide fidelity bonds on all officers, employees and agents of Grantor who collect or have custody of or access to any funds from the Facility, such bonds to be in such amounts as are customarily carried by like organizations engaged in like activities of comparable size.

Section 12.09. Grantor's Records, Accounts And Financial Statements. Grantor shall install and maintain proper books of record and account in which full and correct entries shall be made in accordance with standard accounting practice in all its business and affairs. Grantor shall furnish to the Trustee and, upon written request therefor, to any requesting Bondholder monthly profit and loss statements and fund balances and annual balance sheets and profit and loss statements showing, in reasonable detail, the financial condition of the Grantor at the close of each such period and its financial operations during each such period. Each such annual balance sheet and profit and loss statement shall be prepared in accordance with generally accepted accounting principles by an independent certified public accountant acceptable to Trustee.

Section 12.10. Indenture Executed In Counterparts. This Indenture may be executed in any number of counterparts, and each such counterpart shall for all purposes be deemed to be an original, and all such counterparts or as many of them as the Grantor and the Trustee shall preserve undestroyed shall together constitute but one and the same instrument.

Section 12.11. Applicable Law. This Indenture shall be governed by the laws of the State of South Carolina.

## ARTICLE XIII

### CONDEMNATION

Section 13.01. Awards Assigned To Trustee. If, during the time that any Bond Indebtedness is outstanding, all or any part of the Trust Estate shall be taken by the exercise of the power of eminent domain or condemnation by any governmental body or by any person, firm or corporation acting under governmental authority, any net proceeds received from any condemnation award made in such eminent domain proceedings shall be paid to and held by the Trustee in a separate Condemnation Award Account, and Grantor hereby irrevocably assigns all of its right, title and interest in and to such award to the Trustee for so long as Bond Indebtedness remains outstanding, and after Bond Indebtedness has been retired, to the Grantor. If any such award is paid to the Grantor, the Grantor shall immediately pay the same to the Trustee to be held in the Condemnation Award Account. All moneys received by the Trustee shall be held in the Condemnation Award Account and disbursed by the Trustee as follows:

(a) If in the opinion of an independent consulting engineer acceptable to the Trustee the amount in the Condemnation Award Account, together with any other moneys available for such purpose, will be sufficient to pay the cost of restoring the Facility to a condition suitable for use as an income-producing general health care facility, said amount shall be applied to the payment of the cost of such restoration. The Trustee shall direct the Grantor in writing to promptly effect such restoration, and if the Grantor shall fail promptly to comply with such direction, the Trustee shall cause such restoration to be made without further consultation with the Grantor. Any balance of the net proceeds of the condemnation award shall be paid into the Redemption Fund.

(b) If the Trustee shall not make such direction to restore the Facility based upon the opinion of a consulting engineer required by Subsection (a) above, there shall have occurred an event of default under this Indenture and all moneys in the Condemnation Award Account shall be transferred to the Redemption Fund.

Section 13.02. Application Of Excess Condemnation Award And Co-operation Between Grantor And Trustee. If the Bonds have been fully paid (a provision for payment thereof has been made in accordance with the provisions of this Indenture), all net proceeds of the condemnation award shall be paid to the Grantor. Grantor shall cooperate fully with the Trustee in the handling and conduct of any prospective or pending condemnation proceedings with respect to the Trust Estate or any part thereof. In no event will Grantor voluntarily settle or consent to the settlement of any prospective or pending condemnation proceedings with respect to the Trust Estate or any part thereof without the written consent of the Trustee. In the event that proceedings shall be instituted for the exercise of the

power of eminent domain, both the Grantor and the Trustee shall be made parties thereto and, if not made parties thereto by the condemnor, shall be brought into the proceedings by appropriate action on the part of the Grantor or Trustee so that adjudication may be made of such damages, if any, as are to be paid to the Grantor or the Trustee as compensation for loss of their rights in the Trust Estate.

## ARTICLE XIV

### CASUALTY

Section 14.01. Grantor To Rebuild Or Repair. (a) Subject to the provisions of Section 14.02 hereof, if, while any Bond Indebtedness is outstanding, all or any part of the Facility shall be destroyed or damaged, Grantor shall promptly notify Trustee and promptly and diigently rebuild, restore, replace and repair the Facility to the extent that insurance proceeds are available therefor in such manner as to restore the Facility to at least the value thereof immediately prior to such damage or destruction.

(b) So long as any Bond Indebtedness remains outstanding, upon compliance with the applicable provisions of this Indenture by the Grantor and the receipt by the Trustee of the certificates and instruments provided for herein, the Trustee shall pay to the Grantor the amount so certified by the Grantor as having been spent in the rebuilding, restoration, replacement and repair of the Facility up to the full amount of the insurance proceeds. The balance of the insurance proceeds over and above the amount required to rebuild, restore, replace and repair the Facility shall be paid by the Trustee into the Redemption Fund.

Section 14.02. Major Casualty. (a) If, during the term, the entire Facility, or any substantial part thereof (for the purposes of this Section 14.02, "any substantial part thereof" shall mean a loss or casualty exceeding \$250,000 in the aggregate), shall be damaged or destroyed to such an extent as to render the Facility unsuitable to Grantor for the purpose for which the same was used immediately prior to such damage or destruction and if Grantor deems it unwise to rebuild, repair or restore (to be determined in the sole judgment of Grantor) or if the restoration costs would exceed the proceeds of the insurance, Grantor in lieu of rebuilding, restoring, replacing and repairing the Facility shall give notice to the Trustee of its election to abandon the Facility. If the Grantor shall elect to abandon the Facility, there shall have occurred an event of default hereunder and all of the net insurance proceeds held by the Trustee shall be transferred to the Redemption Fund.

(b) Upon the abandonment of the Facility, Grantor shall be relieved of any obligation to rebuild, restore, replace and repair the Facility pursuant to Section 14.01 hereof. The election to abandon the Facility shall be delivered by grantor to Trustee within 60 days after the date of such damage or destruction and the receipt of the insurance proceeds therefor. The election shall certify to the Trustee that the governing body of Grantor has determined in good faith that the Facility has been damaged or destroyed to such an extent as to render the Facility unsuitable to Grantor for the purposes for which the same was used immediately prior to such damage

or destruction and that Grantor deems it unwise to rebuild, repair or restore or that the restoration costs would exceed the proceeds of insurance.

Section 14.03. Damage Or Destruction When No Bond Indebtedness Is Outstanding. Notwithstanding any other provision hereof, if all or any part of the Facility shall be destroyed or damaged and at such time Grantor shall have no Bond Indebtedness, any insurance proceeds payable on account of such damage or destruction shall be paid to Grantor.

IN WITNESS WHEREOF, Aiken County, South Carolina has caused this Indenture to be signed in its name by the Chairman of the Aiken County Council and its official seal to be hereto affixed and attested by the Clerk of the Aiken County Council, and \_\_\_\_\_, in acceptance of the trust created hereunder, has caused this Indenture to be signed in its corporate name by its \_\_\_\_\_ and its corporate seal to be hereunder affixed and attested by one of its \_\_\_\_\_ all as of the day and year first above written.

AIKEN COUNTY, SOUTH CAROLINA

(SEAL)  
ATTEST:

BY: \_\_\_\_\_  
Chairman, Aiken County Council

\_\_\_\_\_  
Clerk, Aiken County Council

Signed, sealed and delivered in  
the presence of:

\_\_\_\_\_  
\_\_\_\_\_

(SEAL)  
ATTEST:

BY: \_\_\_\_\_

\_\_\_\_\_

Signed, sealed and delivered in  
the presence of:

\_\_\_\_\_  
\_\_\_\_\_

This instrument prepared by:  
B. Douglas Earthman  
Waring, Cox, Sklar, Allen,  
Chafetz & Watson  
1100 First Tennessee Building  
Memphis, Tennessee 38103

STATE OF SOUTH CAROLINA

COUNTY OF AIKEN

Before me, the undersigned authority, a Notary Public in and for the State and County aforesaid, personally appeared \_\_\_\_\_ who, being duly sworn says that he saw the seal of Aiken County, South Carolina, affixed to the foregoing instrument and that he also saw \_\_\_\_\_, Chairman, and \_\_\_\_\_, Clerk of the County Council of the said Aiken County, South Carolina, sign and attest the same, and that he with \_\_\_\_\_ witnessed the execution and delivery thereof as the act and deed of the said Aiken County, South Carolina.

\_\_\_\_\_ SWORN TO AND SUBSCRIBED before me this \_\_\_\_\_ day of \_\_\_\_\_, 1980.

\_\_\_\_\_  
Notary Public

(SEAL)

My commission expires:  
\_\_\_\_\_

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

Before me, the undersigned authority, a Notary Public in and for the State and County aforesaid, personally appeared \_\_\_\_\_, who being duly sworn says that he saw the corporate seal of \_\_\_\_\_, a banking corporation, affixed to the foregoing instrument and that he also saw \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_, of the said \_\_\_\_\_, sign and attest the same, and that he with \_\_\_\_\_ witnesses the execution and delivery thereof as the act and deed of the said \_\_\_\_\_.

SWORN TO AND SUBSCRIBED before me this \_\_\_\_\_ day of \_\_\_\_\_, 1980.

\_\_\_\_\_  
Notary Public

(SEAL)

My commission expires:

\_\_\_\_\_

# EXHIBIT

FEB 26 1981

NO. 12

BOND ORDINANCE  
OF  
AIKEN COUNTY, SOUTH CAROLINA

STATE BUDGET & CONTROL BOARD

AN ORDINANCE OF THE COUNTY COUNCIL OF AIKEN COUNTY, SOUTH CAROLINA, AUTHORIZING AND PROVIDING FOR THE ISSUANCE OF \$2,700,000 PRINCIPAL AMOUNT FIRST MORTGAGE REVENUE BONDS OF THE COUNTY PAYABLE SOLELY AND ONLY FROM THE REVENUES AND RELATED INCOME OF CERTAIN HOSPITAL FACILITIES (AS DEFINED IN THE SOUTH CAROLINA HOSPITAL REVENUE BOND ACT) FOR THE PURPOSE OF DEFRAYING THE COST (TO THE EXTENT NOT OTHERWISE PROVIDED) OF A PUBLIC PROJECT CONSISTING OF THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF FACILITIES SUITABLE FOR USE AND OCCUPANCY FOR NURSING HOME PURPOSES IN ORDER TO SERVE THE PEOPLE OF THE STATE AND TO MAKE ACCESSIBLE TO THEM MODERN AND EFFICIENT HOSPITAL FACILITIES ( AS DEFINED IN THE SOUTH CAROLINA HOSPITAL REVENUE BOND ACT) AT THE LOWEST POSSIBLE EXPENSE TO THOSE UTILIZING SUCH FACILITIES AND TO PROMOTE THE GENERAL WELFARE OF THE COUNTY AND ITS CITIZENS AND INHABITANTS; AUTHORIZING THE EXECUTION AND DELIVERY OF AN INDENTURE OF MORTGAGE AND DEED OF TRUST; AUTHORIZING THE EXECUTION OF AN AGREEMENT FOR MANAGEMENT AND OPERATING SERVICES, AGREEMENT TO GUARANTEE, AND OPTION AND RIGHT OF FIRST REFUSAL AGREEMENT WITH NATIONAL HEALTH CORPORATION, A TENNESSEE CORPORATION QUALIFIED TO DO BUSINESS IN THE STATE OF SOUTH CAROLINA; AND AUTHORIZING THE FILING OF AN ELECTION UNDER SECTION 103 OF THE INTERNAL REVENUE CODE.

WHEREAS, Aiken County, South Carolina (hereinafter referred to as the "Issuer") is a political subdivision of the State of South Carolina and is authorized under the provisions of Sections 44-7-1410 et seq. of the Code of Laws of South Carolina 1976, as amended (the "Act"), to finance the acquisition, enlargement, improvement, construction, equipping and providing of hospital facilities, as defined in the Act to include nursing homes, to the end that the public health and welfare of the people of the State of South Carolina will be promoted at the least possible expense to those utilizing such facilities so provided and to that end the several counties functioning through their respective county boards are empowered to acquire and in connection with such acquisition, to enlarge or expand, whether by purchase, gift or lease, nursing homes and to issue bonds for the purpose of defraying the cost of providing such facilities and secure the payment of such bonds, and to mortgage any nursing home facilities and the site thereof for the benefits of the holders of the bonds issued to finance the same, and to enter into agreements with hospital agencies, as defined in the Act, including corporations for profit, as necessary or incidental to the issuance of the Bonds, and to do such other things as are authorized by the Act; and

WHEREAS, in furtherance of the purposes of the Act and in order to promote the common good and general welfare of the County and the State, the Issuer proposes to acquire, construct and equip a 132-bed nursing home and related facilities (the "Project") on certain real property in Aiken County, South Carolina, with the Project to be operated and managed by National Health Corporation (the "Company") on the terms and conditions contained in an Agreement for Management and Operating Services (the "Management Agreement") dated as of December 1, 1980, to be entered into by and between the Issuer, as Owner, and the Company, as Manager; and

WHEREAS, in order to obtain funds for such purposes, the Issuer proposes to authorize the issuance, sale and delivery pursuant to the provisions of the Act of \$2,700,000 principal amount First Mortgage Revenue Bonds, Series 1980 (National Health Corporation, Guarantor) [the "Bonds"], to be secured by and to contain such terms and provisions as are set forth in an Indenture of Mortgage and Deed of Trust (the "Indenture") dated as of December 1, 1980, to be entered into between the Issuer and \_\_\_\_\_, as Trustee (the "Trustee"), the proceeds from the sale of the Bonds to be deposited with the Trustee and disbursed (i) for the payment of costs incurred by the Issuer in connection with the acquisition, construction and equipping of the Project, and (ii) for such other purposes as are set forth in the Indenture, all as provided therein; and

WHEREAS, The South Carolina Department of Health and Environmental Control approved the issuance of a Certificate of Need for the Project as required by Section 44-7-1490 of the Act on \_\_\_\_\_; and

WHEREAS, the South Carolina State Budget and Control Board approved the Project and the issuance of the Bonds as required by Section 44-7-1590 of the Act on \_\_\_\_\_; and

WHEREAS, the officials of the Issuer have caused to be presented to this County Council the following documents which the Issuer proposes to execute and deliver:

1. The form of The Agreement for Management and Operating Services with respect to the Project (as defined therein) dated as of

December 1, 1980 (the "Management Agreement"), by and between the Issuer, as Owner, and the Company, as Manager;

2. The form of Indenture of Mortgage and Deed of Trust dated as of December 1, 1980, by and between the Issuer and the Trustee;

3. The form of the financing statements between the Issuer, as Debtor, and the Trustee, as the Secured Party; and

4. The form of the Official Statement and the preliminary Official Statement used and to be used in connection with the offering and sale of the Bonds; and

5. The form of the Bond Purchase Agreement to be entered into between the Issuer and Buchanan & Co., Inc.

6. The form of the Agreement to Guarantee between the Company and the Issuer and the form of the Guaranty Agreement from the Company to the Trustee.

7. The form of Option and Right of First Refusal Agreement between the Company and the Issuer.

NOW, THEREFORE, BE IT AND IT IS HEREBY ORDAINED by the County Council of Aiken County, South Carolina, as follows:

1. That the form, terms and provisions of the Indenture which is before this meeting be and it is hereby approved and the Chairman and Clerk of the Issuer be and they are hereby authorized, empowered and directed to execute, acknowledge and deliver the Indenture in the name and on behalf of the Issuer, and thereupon to cause the Indenture to be executed acknowledged and delivered by the Trustee therein named and the Indenture shall constitute a first mortgage lien for the security of the Bonds upon the property of the Issuer described in the Indenture; that the Indenture is to be in substantially the form now before this meeting and hereby approved, or with such changes therein as shall be approved by the officials of the Issuer executing 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; and that from and after the execution and delivery of the Indenture the officials of the Issuer are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry

out and comply with the provisions of the Indenture as executed, and further

2. That the form, terms and provisions of the Agreement for Management and Operating Services, Agreement to Guarantee, Option and Right of First Refusal Agreement, Bond Purchase Agreement, Preliminary Official Statement, Official Statement and the Financing Statements which are before this meeting be and they are hereby approved and the Chairman and Clerk of the Issuer be and they are hereby authorized, empowered and directed to execute, acknowledge and deliver the Agreement for Management and Operating Services, Agreement to Guarantee, Option and Right of First Refusal Agreement, Bond Purchase Agreement, Official Statement and Financing Statements in the name and on behalf of the Issuer and thereupon to cause such instruments to be delivered to the parties thereto. That the Agreement for Management and Operating Services, Agreement to Guarantee, Option and Right of First Refusal Agreement, Bond Purchase Agreement, Official Statement and Financing Statements are to be in substantially the forms now before this meeting and hereby approved, or with such changes therein as shall be approved by the officials of the Issuer 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 Agreement for Management and Operating Services, Agreement to Guarantee, Option and Right of First Refusal Agreement, Bond Purchase Agreement, Official Statement and Financing Statements now before this meeting; and that from and after the execution and delivery of the Agreement for Management and Operating Services, Agreement to Guarantee, Option and Right of First Refusal Agreement, Bond Purchase Agreement, Official Statement and Financing Statements, the officials of the Issuer are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Agreement for Management and Operating Services, Agreement to Guarantee, Option and Right of First Refusal Agreement, Bond Purchase Agreement, Official Statement and Financing Statements as executed; that the form, terms and provisions of the Preliminary Official Statement and

Official Statement which are before this meeting are hereby approved, ratified and adopted by the Issuer and the distribution of the Official Statement and Preliminary Official Statement prior to the date hereof and the distribution of the Official Statement at any time hereafter are hereby approved, ratified and authorized by the Issuer; and further,

3. That the forms, terms and provisions of the Guaranty Agreement from National Health Corporation to the Trustee are hereby approved and the Guaranty Agreement shall be delivered by such party as part of this financing and as an inducement for the execution and delivery of the Bonds.

4. That the Chairman or any other official of the Issuer be and is hereby authorized, empowered and directed to cause to be prepared an issue of \$2,700,000 First Mortgage Revenue Bonds and having the other terms and provisions specified in said Indenture (as executed and delivered); that the Bonds shall be executed in the name of the Issuer with the manual or facsimile signature of its Chairman and attested by the manual or facsimile signature of its Clerk and the seal of the Issuer or a facsimile thereof shall be affixed thereto or imprinted thereon and the coupons to be attached to said Bonds shall be authenticated by the facsimile signatures of the Chairman and Clerk of the Issuer; and the Chairman or any other official of the Issuer shall cause the Bonds, as so executed and attested together with the coupons appertaining thereto as so authenticated, to be delivered to the Trustee for authentication.

5. That the forms of the Bonds submitted to this meeting, subject to appropriate insertion and revision in order to comply with the provisions of said Indenture, be and the same hereby are approved and when the same shall be executed on behalf of the Issuer in the manner contemplated by the Indenture and this ordinance in an aggregate principal amount of \$2,700,000, they shall represent the approved forms of the Bonds of the Issuer.

6. That the Bonds shall be in the denominations of \$5,000 and \$1,000 and shall bear interest payable December 1 and June 1 and mature as follows:

\$275,000 Serial Bonds, as follows:

<u>Total</u>	<u>Amount</u> \$5,000 Denomi- nation	<u>Amount</u> \$1,000 Denomi- nation	<u>Interest</u>	<u>Year</u> (Dec. 1)
\$15,000	15,000	-0-	9.25	1983
20,000	20,000	-0-	9.50	1984
30,000	30,000	-0-	9.75	1985
35,000	35,000	-0-	10.25	1986
40,000	40,000	-0-	10.25	1987
40,000	40,000	-0-	10.50	1988
45,000	45,000	-0-	10.50	1989
50,000	25,000	25,000	11.00	1990

\$2,425,000 Term Bonds 13% due December 1, 2005 (\$2,250,000 in \$5,000 denomination; \$175,000 in \$1,000 denomination)

The Bonds maturing December 1, 2005 shall be subject to mandatory redemption without premium in the following years and amounts:

<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>
\$ 55,000	1991	\$140,000	1998
65,000	1992	160,000	1999
75,000	1993	180,000	2000
85,000	1994	205,000	2001
95,000	1995	230,000	2002
110,000	1996	260,000	2003
125,000	1997	300,000	2004
		340,000	2005

7. That the Issuer hereby elects that the provisions of Section 103(b)(6)(D) of the Internal Revenue Code of 1954, as amended, shall be applicable to the Bonds of the Issuer and the Chairman and the Clerk of the Issuer be and they hereby are authorized to file such statements or documents which are necessary to effectuate such election.

8. That the County Council of the Issuer does hereby find and determine as follows:

(a) There is a need for the project in Aiken County, South Carolina.

(b) National Health Corporation is financially responsible and capable of fulfilling its obligations under the Agreement for Management and Operating Services, Agreement to Guarantee and Guaranty Agreement, including the obligations to make the payments required thereunder, to operate on behalf of the County the Project and to discharge such other responsibilities as may be imposed under such agreements.

(c) Adequate provisions have been made in the Indenture for the payment of the principal of and interest on the Bonds and any necessary reserves therefor.

(d) The Agreement for Management and Operating Services obligates the Company to provide for the maintenance and insurance with respect to the Project out of the revenues derived from the Project.

(e) The public facilities, including utilities and public services necessary for the Project, will be made available.

(f) The acquisition, construction, equipping, financing and operating of the properties described in the aforesaid Indenture will serve a public purpose by providing necessary nursing home facilities and will promote the common good and general welfare of the County and serve the health care needs and nursing home requirements of persons residing in Aiken County South Carolina, and the surrounding area.

(g) The Project is to be provided pursuant to the provisions of the Act.

9. That the Chairman or any other official of the Issuer be and is hereby authorized, empowered and directed to issue, sell and deliver the Bonds to Buchanan & Co., Inc., Jackson, Mississippi, at a price of \$2,565,000 (which is 95% of the par value of the Bonds) plus accrued interest from the date of the Bonds to the date of delivery and is further authorized to pay Buchanan and Co., Inc. an underwriting fee of \$108,000 (which is 4% of the par value of the Bonds).

First Reading:

Second Reading:

Introduced and unanimously adopted by the County Council of Aiken County, South Carolina on third reading at the special session of said

Council on \_\_\_\_\_, there being present then and there a quorum for the transaction of business.

COUNTY COUNCIL OF AIKEN COUNTY,  
SOUTH CAROLINA

By: \_\_\_\_\_  
Chairman

(SEAL)

ATTEST:

\_\_\_\_\_  
Clerk

# EXHIBIT

STATE BUDGET AND CONTROL BOARD

REGULAR SESSION AGENDA

MEETING OF February 26, 1981

FEB 26 1981

NO. 13

ITEM NUMBER

3

## STATE BUDGET & CONTROL BOARD

Agency: Finance Division (Engineering)

Subject: Establishment and Release of Permanent Improvement Project for South Carolina State College

South Carolina State College has requested Board approval of the establishment and release of a project providing for the renovation of Bradham and Manning Halls at an estimated cost of \$1,760,000. The project is to be financed by means of Student and Faculty Housing Revenue Bonds. The College has been negotiating for a three percent Housing and Urban Development loan for this purpose.

The Joint Bond Review Committee, at its February 10, 1981 meeting, approved the referenced project.

Board Action Requested:

Approve

Staff Comment:

Attachments:

E-1 form; McInnis December 29, 1980 letter to Hodges; Hodges February 12, 1981 letter to McInnis

15369



House of Representatives - State of South Carolina

FEB 13 1981

EXHIBIT

Charles E. Hodges  
District No. 104-Horry County  
4307 Broad Street  
Loris, S.C. 29569

FEB 26 1981

NO. 13

228 Blatt Building  
Columbia, S.C. 29211

STATE BUDGET & CONTROL BOARD

Tel. (803) 758-8316

Committees:

Ways and Means  
Capital Improvements Bond Review Committee - Chairman  
S.C. Committee on Tourism and Trade - Chairman  
Public Transportation Study - Vice Chairman  
State Reorganization Commission - Chairman  
Majority Leader

February 12, 1981

Mr. William A. McInnis  
Deputy Executive Director  
State Budget & Control Board  
212 Wade Hampton Bldg.  
Columbia, South Carolina 29201

In re: S27-81; Permanent Improvement Projects for:  
Clemson University, Dept. of Mental Retardation,  
S. C. State College, & USC

Dear Mr. McInnis:

Transmitted herewith is Summary #27-81, pages 1, 2, and 4, indicating the Joint Bond Review Committee's approval of various Permanent Improvement Projects for the above referenced agencies. Committee actions, taken at our meeting of February 10, are indicated by each project.

Page 3 of this Summary containing Committee approvals of various PRT projects was forwarded to you by my letter of January 29, 1981.

With kind regards,

Sincerely,

*Charles E. Hodges*  
Charles E. Hodges, Chairman  
Joint Bond Review Committee

CEH:lc

Enc. - #S27-81, pgs.1,2,4

15370

# SUMMARY OF PERMANENT IMPROVEMENT PROJECT ACTIONS PROPOSED BY STATE AGENCIES AND INSTITUTIONS

Assembled by staff of State Budget and Control Board. Summary forwarded to Joint Bond Review Committee 12/29/80.

NUMBER

27-81

Date

Page 2 of 4.

NAME OF AGENCY OR INSTITUTION	ACTION PROPOSED	FUNDING CHANGE PROPOSED Amount / Source	PROJECT NUMBER	PROJECT NAME/PURPOSE OF REVISION/IMPACT ON SCOPE	COMMITTEE REVIEW	BOARD APPROVAL
(b) Support documents pp. 11-13 and 17-19.	Revise budget (increase) to \$780,322.79	Increase \$7,006.00 Excess Debt Service Funds	J16-012	Renovation of Buildings 23, 24, 7, 8 & 9 - Whitten Center (Clinton) - Renovation of restrooms, laundry area, electrical system, and adding some service sinks.	JBR COMMITTEE APPROVED 2/10/81	
(c) Support documents pp. 11-13 and 20-22.	Revise budget (increase) to \$1,758,292.15	Increase \$15,911.00 Excess Debt Service Funds	J16-026	Center Development Phase I - Pee Dee Center (Florence) - To convert to underground electric line and to expand from 28 to 32 beds in each dormitory at the Center.	JBR COMMITTEE APPROVED 2/10/81	
(d) Support documents pp. 11-13 and 23-25.	Revise budget (increase) to \$1,522,918.35	Increase \$2,023.00 Excess Debt Service Funds	J16-005	Sprinkler, Heating, A/C - Partial Partitioning Buildings 19, 20, 21, 22 - Whitten Center (Clinton) To improve plumbing and ventilation for four buildings.	JBR COMMITTEE APPROVED 2/10/81	
3. S. C. STATE COLLEGE Support documents pp. 26-27.	Establish Project and Source of Funding	\$1,760,000.00 3% HUD Loan	Not yet Assigned	Renovation of Bradham and Manning Halls (Orangeburg) - To correct fire safety deficiencies and to provide new heating and cooling systems.	JBR COMMITTEE APPROVED 2/10/81	
4. UNIVERSITY OF SOUTH CAROLINA - AIKEN Support documents pp. 28.	(a) Revise budget (increase) to \$256,774.07	Increase \$34,648.63 Cap. Improve. Bonds Transfer from Project H31-001	H31-003	Campus Development Phase II - To add sidewalks, drainage systems, and underground electrical systems at the Aiken campus.	JBR COMMITTEE APPROVED 2/10/81	
(b) Support documents pp. 29.	Revise budget (decrease) to \$1,030,844.29	Decrease \$34,648.63 Transfer to Project H31-003 Cap. Improve. Bonds	H31-001	Auxiliary Service Center and Campus Development - To close the project, and residual funds are due to cost underruns.	JBR COMMITTEE APPROVED 2/10/81	

FEB 26 1981  
NO. 13  
STATE BUDGET & CONTROL BOARD

EXHIBIT

15371

State of South Carolina

## State Budget and Control Board

RICHARD W. RILEY, CHAIRMAN  
GOVERNOR

GRADY L. PATTERSON, JR.  
STATE TREASURER

EARLE F. MORRIS, JR.  
COMPTROLLER GENERAL

Box 12444  
Columbia  
29211

REMBERT C. DENNIS  
CHAIRMAN, SENATE FINANCE COMMITTEE  
TOM G. MANGUM  
CHAIRMAN, WAYS AND MEANS COMMITTEE

WILLIAM T. PUTNAM  
EXECUTIVE DIRECTOR

December 29, 1980

# EXHIBIT

FEB 26 1981 NO. 13

STATE BUDGET & CONTROL BOARD

The Honorable Charles E. Hodges, Chairman  
Joint Bond Review Committee  
228 Blatt Office Building  
Columbia, SC 29201

Dear Representative Hodges:

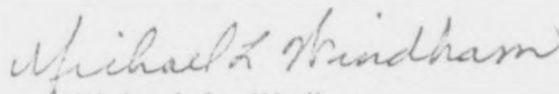
Re: Summary 27-81, Permanent Improvement Actions Proposed by  
Clemson University; Department of Parks, Recreation and Tourism;  
Department of Mental Retardation; S. C. State College; and  
University of South Carolina

The referenced summary consisting of eighteen proposed actions is  
enclosed.

Your attention is invited to items 5a-5e which are a series of requests  
by the Department of Parks, Recreation and Tourism to advance funds to two  
projects authorized by Act 518 of 1980. Advances from both federal funds  
and Capital Improvement Bond funds previously authorized for General Park  
Improvements are proposed. The Department has guaranteed the funding from  
these proposed sources should circumstances prevent issuing the 1980 bonds.

Please let us know if you desire additional information on these  
projects.

Sincerely,



Michael L. Windham  
Management Analyst

MLW:dw

Enclosure

cc: Lib Croft

John McPherson

Kitty Clarke

Mike Ey

Scott Inkley

W. A. McInnis

15372

27-81(3)

Form E-1  
(Revised 7-1-61)  
Submit in Duplicate

## APPLICATION FOR APPROVAL OF A PERMANENT IMPROVEMENT PROJECT

DATE December 3, 19 80Institution or Agency South Carolina State CollegeName of Project Renovation of Bradham and Manning HallsTotal Estimated Cost - - - - - \$ 1,760,000.00To:—State Budget and Control Board  
Columbia, South Carolina

In accord with procedures outlined in your "Manual for the Planning and Execution of State Permanent Improvement Projects", your approval of the project described herein is requested.

## I. JUSTIFICATION

(The Owner should attach hereto a full and complete resume of facts contributing to the need of this proposed project. The objective should be to provide sufficient information to fully acquaint the Board with conditions, prospective growth and/or other circumstances that led the Owner to propose this particular project.

Copies of studies or surveys, made either by the Owner or by an outside commercial or other firm, should be made available to the Board. Comments should be included concerning any alternative proposals, if any, considered by the Owner).

## II. DESCRIPTION OF PROJECT

A. Type (New building, addition to existing building, renovation, alteration, etc.):

Renovation

EXHIBIT

FEB 26 1981 NO. 13

B. Intended Use: Dormitories

STATE BUDGET &amp; CONTROL BOARD

C. If New Construction is Involved:

1. Attach (a) Architect's schematic drawing with facilities labeled.
- (b) Outline specifications.
- (c) Small scale locality map.
- (d) Analysis of Architect's Preliminary Construction Estimate.

2. No. Square Feet: \_\_\_\_\_

3. Principal Facilities (No. of stories, rooms, offices, etc.) \_\_\_\_\_

D. If renovation and/or alteration of an existing building is involved, attach a statement outlining generally the principal work to be done.

E. If land acquisition is involved, attach a plat of the property, showing general location and acreage. Comment on any problems of acquisition or title that may exist.

F. For any unusual type project, the Owner should confer with the Board in the preparation of this Request, and attach such descriptive data as the Board may require in this particular instance.

15373

26

## III. ESTIMATED COST

FEB 2-6 1981 NO. 13

Site - - - - -	
Grading - - - - -	
Construction - - - - -	
Fees - - - - -	108,337
Renovation - - - - -	1,605,000
Basic Equipment <del>XXXXXXXXXX</del> - - - - -	
Landscaping - - - - -	
Builder's Risk Insurance - - - - -	1,663
Other (Specify) <u>Administrative and Legal Expenses</u>	5,000
Contingencies - - - - -	40,000
TOTAL ESTIMATED COST - - - - -	\$ 1,760,000

It is further estimated that this project will add \$\_\_\_\_\_ per year to operation and maintenance costs of this agency.

## IV. FINANCING PLAN

- A. Funds Already in Hand - - - - - \$\_\_\_\_\_
- Source: \_\_\_\_\_
- B. Proposed Bond Issue - - - - - 1,760,000  
(If a bond issue is proposed, the Board should be consulted prior to preparation of this application, to determine the details to be submitted herewith).
- C. Other (describe) A 3% HUD Loan Agreement has been executed by the College with the approval of the Budget and Control Board.
- TOTAL - - - - - \$ 1,760,000

Has your governing board taken formal action authorizing the submission of this application? Yes

(Signed) [Signature]

Title Vice President for Business & Finance

## BOARD'S ACTION

APPROVED: \_\_\_\_\_  
State Auditor

DATE: \_\_\_\_\_

15374

# EXHIBIT

STATE BUDGET AND CONTROL BOARD

REGULAR SESSION AGENDA

MEETING OF February 26, 1981

FEB 26 1981

NO. 14

ITEM NUMBER

4

## STATE BUDGET & CONTROL BOARD

Agency: Finance Division (Engineering)

Subject: Release of Permanent Improvement Projects

The University of South Carolina has requested that the following permanent improvement projects be established and released:

(a) Russell House Modification/Greene Street/Signage/Commissary, \$1,800,000, excess Student Facilities Bond debt service funds;

(b) Parking Facilities West of Sumter Street, Phase I, \$500,000, excess Parking Facilities bond debt service funds;

(c) Woodrow Dormitory Renovations, \$750,000, excess Student and Faculty Housing Revenue Bond debt service funds;

(d) McKissick Renovation, \$400,000, Renovation Reserve Funds.

The Joint Bond Review Committee, at its February 10, 1981 meeting, approved the referenced projects.

All of these projects were approved by the Commission on Higher Education at its January 8, 1981 meeting.

### Board Action Requested:

Establish and release the referenced projects for the University of South Carolina Columbia Campus and approve sources of funding indicated.

### Staff Comment:

### Attachments:

Brunton Janaury 16 letter to McPherson plus attachments; Michael January 9 letter to Putnam; McInnis January 21 letter to Hodges; Hodges February 13 letter to McInnis plus attachments

15375



House of Representatives - State of South Carolina

FEB 13 1981

Charles E. Hodges  
District No. 104-Horry County  
4307 Broad Street  
Loris, S.C. 29569

228 Blatt Building  
Columbia, S.C. 29211

Tel. (803) 758-8316

Committees:

Ways and Means  
Capital Improvements Bond Review Committee - Chairman  
S.C. Committee on Tourism and Trade - Chairman  
Public Transportation Study - Vice Chairman  
State Reorganization Commission - Chairman  
Majority Leader

February 13, 1981

EXHIBIT

FEB 26 1981 NO. 14

STATE BUDGET & CONTROL BOARD

Mr. William A. McInnis  
Deputy Executive Director  
State Budget & Control Board  
212 Wade Hampton Building  
Columbia, South Carolina 29201

In re: S32-81; USC-Columbia Campus  
Projects

Dear Mr. McInnis:

Transmitted herewith is Summary #32-81 indicating the Joint Bond Review Committee's approval at our meeting of February 10 of 7 projects for the University of South Carolina - Columbia Campus.

With kind regards,

Sincerely,

Charles E. Hodges, Chairman  
Joint Bond Review Committee

CEH:lc

Enc. - #S32-81

15376

State of South Carolina  
**State Budget and Control Board**

RICHARD W. RILEY, CHAIRMAN  
GOVERNOR  
GRADY L. PATTERSON, JR.  
STATE TREASURER  
EARLE F. MORRIS, JR.  
COMPTROLLER GENERAL

Box 12444  
Columbia  
29211

REMBERT C. DENNIS  
CHAIRMAN, SENATE FINANCE COMMITTEE  
TOM G. MANGUM  
CHAIRMAN, WAYS AND MEANS COMMITTEE

WILLIAM T. PUTNAM  
EXECUTIVE DIRECTOR

January 21, 1981

**EXHIBIT**

FEB 26 1981 NO. 14

STATE BUDGET & CONTROL BOARD

The Honorable Charles E. Hodges, Chairman  
Joint Bond Review Committee  
228 Blatt Office Building  
Columbia, SC 29201

Dear Representative Hodges:

Re: Summary #32-81, Proposed Permanent Improvement Actions  
by the University of South Carolina - Columbia Campus

Enclosed is the referenced summary containing seven proposed actions by the University of South Carolina at the Columbia Campus. Two of these [items (a) and (b)] were before your Committee previously but were withdrawn by the Budget and Control Board after the Board determined that these requests had not been considered by the Commission on Higher Education. They now have been approved by the Commission on Higher Education (see supporting documents, page 2).

Please let us know if you need any additional information on these proposals or if we might be of any assistance in the Committee's review of them.

Sincerely,

*William A. McInnis*

William A. McInnis  
Deputy Executive Director

WAM:dw

Enclosure

cc: Lib Croft  
Mike Ey  
Scott Inkley  
Kitty Clarke  
John McPherson  
Mike Windham  
David Rinker

15377



cc: Vice President David F. Rinker  
Vice President James B. Campbell  
Mr. Robert A. Stewart  
Asst. V.P. W. S. Turbeville

**32-81**

UNIVERSITY OF SOUTH CAROLINA

COLUMBIA, S. C. 29208

DIVISION OF OPERATIONS

January 16, 1981

**EXHIBIT**

**FEB 26 1981 NO. 14**

**STATE BUDGET & CONTROL BOARD**

Mr. John A. McPherson, Jr., P.E.  
Chief Engineer of B&CB  
P. O. Box 11333  
Columbia, South Carolina 29211

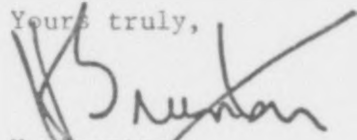
Dear John:

As you know, on January 8th, the Commission on Higher Education approved seven projects submitted by the University, each of which used funds currently available in various reserves. In accordance with your request, we are now submitting the following forms:

1. Six E-1 forms, and one E-11 form on the Davis Renovation Project. (Phase I of this project was approved by the Budget Board on July 11, 1980.)
2. Addendum to Form A-1, Item 8B. for each of the seven projects. You will note that only two of the projects will require any additional operating costs and there are no additional personal costs involved.

We believe that this material, plus the A-1 forms submitted to you through CHE for each of the projects, should be all the information you require. However, if anything else is needed, please let me know.

Yours truly,

  
H. Brunton  
Vice President - Operations

HB/mf/as

Enclosures

P.S. Per your request, I am also attaching a copy of the "McBryde Renovation" E-1 we submitted 8/5/80, together with a copy of the 12/4/80 approval letter from the Honorable Charles E. Hodges.

# EXHIBIT

FEB 26 1981

NO. 14

32-81

INSTITUTION AGENCY SUMMARY - STATE BUDGET & CONTROL BOARD  
(Summary of A-1 Forms Submitted)

PERMANENT IMPROVEMENT PROJECTS PROPOSED FOR FISCAL YEAR BEGINNING JULY 1, 1980

Institution/Agency: University of South Carolina - Columbia				
Contact Person: David Rinker/H. Brunton			Phone: 777-5993	
PRIORITY #	PROJECT NAME	ESTIMATED COST	PROPOSED SOURCES OF FUNDS (Alternate #1)	
			Source(s)	Amount
1	Russell House Modification/Greene St./ Signage/Commissary	\$ 1,800,000	Student Facilities Bonds Reserve	\$ 1,800,000
2	Parking Facilities - West of Sumter(I)	500,000	Parking Facilities Bonds Reserve	500,000
3	Woodrow Dormitory Renovation	750,000	Student/Faculty Housing Bonds Reserve	750,000
4	Renovation of 1719 Greene Street	50,000	"	50,000
5	Preston/Maxcy Rewiring	150,000	"	150,000
6	Davis Renovation (Phase II)	200,000	Renovation Reserve	200,000
7	McKissick Renovation	400,000	"	400,000
8				
9				
10				
11				
12				
TOTAL (Enter only once - here or at bottom of any additional FORM A sheets required.)		\$ 3,850,000	Stud. Fac.B. Res. Parking Bond Res. Housing Bond Res. Renovation Res.	\$ 1,800,000 \$ 500,000 \$ 950,000 \$ 600,000 \$ \$

INSTITUTION AGENCY University of South Carolina - Columbia FORM A # 1 OF 1

15379

3

JAN 13 1981

32-91

SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION

RUTLEDGE BUILDING  
1429 SENATE STREET  
COLUMBIA, S. C. 29201

EXHIBIT

FEB 26 1981 NO. 14

HOWARD R. BOOZER  
EXECUTIVE DIRECTOR

STATE BUDGET & CONTROL BOARD  
TELEPHONE 58.2407

January 9, 1980

Mr. William T. Putnam  
Executive Director  
State Budget and Control Board  
Wade Hampton Building  
Columbia, SC 29211

Dear Bill:

Enclosed are requests from U.S.C.-Columbia for approval of seven permanent improvement projects totalling \$3,850,000 for which funds are on hand. The seven projects are summarized on the enclosed Form A and described in detail on the enclosed Forms A-1.

On January 8, 1981, the Commission approved all seven projects.

Sincerely,

James R. Michael  
Assistant Director

JRM:dm

Enclosure

cc: President James B. Holderman

15380

2

# EXHIBIT

STATE BUDGET AND CONTROL BOARD

REGULAR SESSION AGENDA

MEETING OF February 26, 1981

FEB 26 1981

NO. 15

ITEM NUMBER

5

## STATE BUDGET & CONTROL BOARD

Agency: Department of Education (Vocational Education)

Subject: Requested Release of 1980 Capital Improvement Bond Funds *Projects*

Director Moody Oswald of the Office of Vocational Education advises that the following three school districts for which Capital Improvement Bond funds are authorized in Act 518 of 1980 have requested that the funds authorized be released: York #1, \$50,000; Spartanburg #3 - Broome, \$290,000; and Aiken - New High School, \$500,000.

Dr. Oswald also advises that officials of these three districts have agreed with the usual commitments required to release 1980 bond funds in that they have indicated that unencumbered alternate funds are available to finance the projects temporarily and they have agreed to finance them from the alternate sources on a permanent basis in the event the 1980 State bond authorizations are never made available to them. A letter to this effect is attached from Superintendent Thomas B. Pettit, Jr., of York School District #1; from Superintendent James A. Buie of Spartanburg County School District #3; and from Superintendent T. B. Willis of the School District of Aiken County.

The Joint Bond Review Committee, at its February 10, 1981 meeting, approved the release of the referenced funds.

Board Action Requested:

Approve release of referenced *projects* ~~funds~~ for the three school districts cited.

Staff Comment:

Attachments:

Oswald January 9, 1981 letter to Putnam plus referenced letters from the three school districts; McInnis January 21 letter to Hodges; Hodges February 13 letter to McInnis

15381



House of Representatives - State of South Carolina

FEB 13 1981

EXHIBIT

Charles E. Hodges  
District No. 104-Horry County  
4307 Broad Street  
Loris, S.C. 29569

FEB 26 1981

NO. 15

228 Blatt Building  
Columbia, S.C. 29211

STATE BUDGET & CONTROL BOARD

Tel. (803) 758-8316

February 13, 1981

Committees:

Ways and Means  
Capital Improvements Bond Review Committee - Chairman  
S.C. Committee on Tourism and Trade - Chairman  
Public Transportation Study - Vice Chairman  
State Reorganization Commission - Chairman  
Majority Leader

Mr. William A. McInnis  
Deputy Executive Director  
State Budget & Control Board  
212 Wade Hampton Bldg.  
Columbia, South Carolina 29201

In re: S31-81; Vocational Education  
Facilities - York, Spartanburg,  
and Aiken

Dear Mr. McInnis:

At the meeting of the Joint Bond Review Committee held February 10, the Committee reviewed your letter of January 21 (Summary 31-81) advising that the York, Spartanburg, and Aiken School Districts have requested that the Capital Improvement Bond funds allocated to these Districts in the 1980 Capital Bonds Act (#518) be released on the basis that each of these Districts currently has alternate funds available for the temporary financing of these vocational education facilities and further, that each District has agreed to the condition that should the 1980 bond authorizations not be made available in the future, they would finance these projects from alternate sources on a permanent basis.

The Committee therefore approved the release of funds for the following:

York School Dist. #1	-----	\$ 50,000
Spartanburg School Dist. #3(Broome)	-----	290,000
Aiken School Dist. (new school)	-----	500,000

With kind regards,

Sincerely,

Charles E. Hodges, Chairman  
Joint Bond Review Committee

CEH:lc

15382

State of South Carolina  
**State Budget and Control Board**

RICHARD W. RILEY, CHAIRMAN  
GOVERNOR  
GRADY L. PATTERSON, JR.  
STATE TREASURER  
EARLE E. MORRIS, JR.  
COMPTROLLER GENERAL

Box 12144  
Columbia  
29211

REMBERT C. DENNIS  
CHAIRMAN, SENATE FINANCE COMMITTEE  
TOM G. MANGUM  
CHAIRMAN, WAYS AND MEANS COMMITTEE

WILLIAM PUTNAM  
EXECUTIVE DIRECTOR

January 21, 1981

**EXHIBIT**

**FEB 26 1981 NO. 15**

**STATE BUDGET & CONTROL BOARD**

The Honorable Charles E. Hodges, Chairman  
Joint Bond Review Committee  
228 Blatt Office Building  
Columbia, SC 29201

Dear Representative Hodges:

Re: Summary 31-81, Proposed Release of 1980 Capital Improvement  
Bond Funds for Vocational Education Facilities

Office of Vocational Education Director Moody Oswald advises that the following three school districts for which Capital Improvement Bond funds are authorized in Act 518 of 1980 (in Item 12, Subitem 1f, York #1; Subitem 1g, Spartanburg #3 - Broome; and Subitem 1k, Aiken - new high school) have requested that these funds be released. Dr. Oswald also advises that officials of these three districts have agreed with the usual commitments required to release 1980 bond funds in that they have indicated that unencumbered alternate funds are available to finance the projects temporarily and they have agreed to finance the projects from the alternate sources on a permanent basis in the event the 1980 State bond authorizations are never made available to them. A letter to this effect is attached from Superintendent Thomas B. Pettit, Jr., of York School District Number 1; from Superintendent James A. Buie of Spartanburg County School District No. 3; and from Superintendent T. B. Willis of the School District of Aiken County. The funds involved are \$50,000 for York, \$290,000 for Spartanburg and \$500,000 for Aiken.

If your Committee agrees to release these funds, we will pursue the matter with the Budget and Control Board at the earliest available meeting.

Please let us know if you need additional information on these requests or if we might be of assistance to your Committee in its review of them.

Sincerely,

*William A. McInnis*

William A. McInnis  
Deputy Executive Director

WAM:dw

Enclosures

cc: Lib Croft  
Mike Ey  
Scott Inkley  
Moody Oswald

John McPherson  
Mike Windham  
Kitty Clarke

**15383**



Charlie G. Williams  
State Superintendent of Education

STATE OF SOUTH CAROLINA  
DEPARTMENT OF EDUCATION  
COLUMBIA 29201

January 9, 1981

Mr. William T. Putnam  
Executive Director  
Budget and Control Board  
P.O. Box 12444  
Columbia, SC 29211

Dear Mr. Putnam:

In your letter of November 25 you indicated that the Board and the Joint Bond Review Committee have previously approved arrangements similar to those whereby school districts could begin construction of a vocational education facility (for which capital improvement bonds are authorized in Act 518 of 1980) using locally available funding, with the understanding they could be reimbursed from bond funds when they become available. You asked that we furnish two commitments:

1. Unencumbered alternative funds are available to totally finance the project and
2. The school district agrees to finance the project totally on a permanent basis from alternate sources in the event the 1980 state bond authorizations are never made available.

Of the fourteen vocational projects authorized in Act 518, Spartanburg School District #3 has furnished the two commitments. The Board and Joint Bond Review Committee are hereby requested to authorize construction to begin in this case (letter from Dr. James A. Buie, District Superintendent, is attached).

Three other projects of the fourteen authorized were already in process when 518 was enacted. The superintendents in two cases readily agree to the conditions (attached letters from Aiken and York School District #1). These are forwarded for your information. However, Dr. Durham of Anderson School District #4 reports he has no unencumbered alternative funds to totally finance his construction (letter enclosed). Your guidance is requested in this case.

Your assistance is appreciated. If you have any questions, please advise.

Respectfully,

*Moody Oswald*

Moody Oswald, Director  
Office of Vocational Education

MO:JJS:cls  
Attachments

RECEIVED

JAN 12 1981

BUDGET AND CONTROL BOARD  
OFFICE OF EXECUTIVE DIRECTOR

EXHIBIT

FEB 26 1981

NO. 15

STATE BUDGET & CONTROL BOARD

15384

# EXHIBIT

FEB 26 1981

NO. 15 York School District Number One

STATE BUDGET & CONTROL BOARD

OFFICE OF THE SUPERINTENDENT

York, South Carolina 29745

684-9916

DEC 19 1980

December 18, 1980



Dr. Moody Oswald, Director  
Office of Vocational Education  
State Department of Education  
Rutledge Building  
Columbia, South Carolina 29201

Re: Floyd D. Johnson Vocational Center - First Expansion - Project No. 80-0004

Dear Dr. Oswald:

This is in response to your letter of December 11, 1980, concerning the issuance of bonds to fund previously approved projects, and the furnishing to your office commitments to fund these projects from alternative sources in the event bond monies do not become available.

As you know, our project has been completed. Therefore, we state our commitments as follows:

- (1) Alternative funds have been used to complete the financing of this project -
- (2) Since we have already financed the balance of the project, we have no alternative but to state that we will finance it if state bond monies do not become available.

However, we wish to state that this would impose a hardship on our district, since we have used operational money to finance the balance of the project with the full expectation that this money would be replaced in our operational fund upon receipt of our approved state bond money.

I trust that the above response will be adequate for your needs.

Sincerely,

*Thomas B. Pettit, Jr.*

Thomas B. Pettit, Jr.  
Superintendent

TBP/hw

15385

Spartanburg County School District No. 3

P. O. Box 267

Glendale, South Carolina 29346

December 15, 1980

BOARD OF TRUSTEES  
LARRY HODGE, Chairman  
CONRAD LIPSCOMB, Vice Chairman  
PATTY HOYLE, Secretary  
ROBERT CHAPMAN  
WILLIAM BIGGERSTAFF  
BUDD B. ARTHUR  
EDDIE W. SMILEY  
LANNY F. LITTLEJOHN  
KENNETH P. WELLS  
BOARD OF EDUCATION  
HENRY C. GILES, JR.  
TOM LAWSON

ADMINISTRATION

JAMES A. BUIE  
Superintendent

ROY FOWLER  
Assistant Superintendent  
for Instruction

WARREN F. GRIFFIN  
Assistant Superintendent  
for Business

DEC 16 1980

EXHIBIT

FEB 26 1981

NO. 15

STATE BUDGET & CONTROL BOARD

Dr. Moody Oswald, Director  
Office of Vocational Education  
Rutledge Building  
State Department of Education  
Columbia, South Carolina 29201

Dear Dr. Oswald:

In my letter to you dated December 12, 1980 wherein I stated incorrectly the amount of State Bond funds being \$200,000, which have been approved by your office to be allocated to us that are not currently available for construction of our vocational building at Broome High School. However, I will repeat my letter with the correct figure, \$290,000 as follows:

I have received your letter dated December 11, 1980, which is your response to my telephone call requesting that we be allowed to proceed with our plans to construct a vocational building addition to Broome High School even though State bond funds of \$290,000 which have been approved by your office to be allocated to us are not currently available.

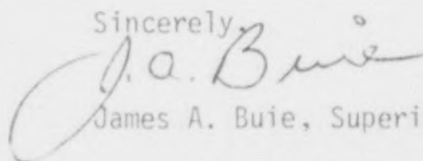
I clearly understand that the bonds have not been sold yet, but I understand that when the bonds are sold that the funds will be made available to us as reimbursement toward the cost of constructing the facility.

We have local funds on hand to finance the project. The reason the funds are on hand, however, is because we have chosen to redesignate the funds which were planned to be used for two other projects. We will now postpone those projects until funds can be made available to handle them. Therefore, unencumbered alternative funds are available to totally finance the vocational project. School District Three agrees to finance the vocational project totally on a permanent basis from alternate sources in the event the 1980 State bond authorizations are never made available.

I do hope that when and if the 1980 State bond authorized funds are available that we can be reimbursed the \$290,000 as soon as possible. We appreciate having our request honored since inflation is so great. We know that by moving ahead with this project we will save in the long run. Also, we need the facility. We are currently using three regular classrooms for our program.

Thanks again for everyone's consideration.

Sincerely,



James A. Buie, Superintendent

JAB/se

cc: Representative T. W. Edwards, Jr.  
Senator Horace Smith

15386

*The School District of Aiken County*  
*Office of District Superintendent*  
*P. O. Box 1137*  
*Aiken, South Carolina 29801*

T. B. WILLIS  
DISTRICT SUPERINTENDENT

January 5, 1981

Dr. Moody Oswald, Director  
Office of Vocational Education  
State Department of Education  
Columbia, SC 29201

Dear Dr. Oswald:

Your letter of December 11, 1980 informed me that it was possible for construction to begin on projects authorized by the 1980 Legislature for vocational construction provided two commitments could be met;

- (1) Unencumbered alternative funds are available to totally finance the project and
- (2) The school district agrees to finance the project totally on a permanent basis from alternate sources in the event the 1980 state bond authorizations are never made available.

The school district can meet these two commitments. We can use unencumbered alternative funds to finance the project and if state funds do not become available, we will be able to keep our other commitments. However, let me stress the fact that the school district has many needs and we are very hopeful that state bond funds will be available in the not too distant future so that the local funds that we are committing to these projects can be freed to meet other local needs.

Your continued efforts in our behalf are greatly appreciated. If additional information is needed please let me know.

Yours very truly,

*T. B. Willis*

T. B. Willis  
District Superintendent

TBW:sb

JAN 0 5 1981  
EXHIBIT

FEB 26 1981 NO. 15

STATE BUDGET & CONTROL BOARD

15387

FEB 17 1981

SINKLER GIBBS & SIMONS  
PROFESSIONAL ASSOCIATION  
ATTORNEYS & COUNSELLORS AT LAW  
160 EAST BAY STREET  
CHARLESTON, S. C. 29402

POST OFFICE BOX 340

TELEPHONE 722-3366  
AREA CODE 803

February 16, 1981

EXHIBIT

FEB 26 1981 NO. 16

STATE BUDGET & CONTROL BOARD

Mr. William A. McInnis  
Secretary  
State Budget and Control Board  
Post Office Box 12444  
Columbia, South Carolina 29211

Re: \$65,900,000 General Obligation Bonds of the  
State of South Carolina

Dear Bill:

I enclose herein an original Resolution to be  
adopted by the State Board on Thursday of this week.

The original, so marked, is for your records and  
seven copies when certified should be returned to me.

With best regards,

Sincerely yours,

*Huger*

HS:pc  
Enclosure

15388

FEB 19 1981

SINKLER GIBBS & SIMONS

PROFESSIONAL ASSOCIATION

ATTORNEYS & COUNSELLORS AT LAW

160 EAST BAY STREET

CHARLESTON, S. C. 29402

POST OFFICE BOX 340

TELEPHONE 722-3366

AREA CODE 803

EXHIBIT

February 18, 1981

FEB 26 1981

NO. 16

STATE BUDGET & CONTROL BOARD

Mr. William A. McInnis  
Secretary  
State Budget and Control Board  
Post Office Box 12444  
Columbia, South Carolina 29211

Re: \$65,900,000 General Obligation Bonds  
of the State of South Carolina

Dear Mr. McInnis:

At Mr. Sinkler's request, I have had page 2  
of the Resolution in this issue corrected to re-  
flect the General Fund Revenues figure as  
\$1,598,000,000. I enclose seven copies of the  
corrected page.

Very truly yours,

*Polly Clark*

Polly Clark  
for Huger Sinkler

pc  
Enclosures

15389

# EXHIBIT

# ORIGINAL

FEB 26 1981 NO. 16

## STATE BUDGET & CONTROL BOARD

### A RESOLUTION

MAKING PROVISION FOR THE ISSUANCE AND SALE OF SIXTY MILLION DOLLARS (\$60,000,000) STATE CAPITAL IMPROVEMENT BONDS, SERIES M, TO BE DATED APRIL 1, 1981.

BE IT RESOLVED BY THE STATE BUDGET AND CONTROL BOARD OF  
THE STATE OF SOUTH CAROLINA:

#### SECTION 1

As an incident to the adoption of this Resolution and the issuance of the Bonds herein authorized, the State Budget and Control Board of the State of South Carolina (the State Board) finds:

1. The State Board is authorized by Act No. 1377 of the Acts of the General Assembly of the State of South Carolina for the year 1968, as amended (Act 1377) to make provision for the issuance of State Capital Improvement Bonds in order to raise funds for the expenditures authorized by Act 1377.

2. Act 1377 was duly enacted by the General Assembly in the year 1968 and became effective upon its approval by the Governor on June 24, 1968. It has been amended by statutes enacted by the General Assembly during each annual session of the General Assembly thereafter.

3. The statutory limit now controlling the issuance of State Capital Improvement Bonds is fixed at \$774,520,624.10, exclusive of bonds issued on behalf of the Mental Health Commission as provided in Act 1276 of 1970 and Act 1272 of 1970, and bonds issued on behalf of the Commission on Mental

15390

Retardation as provided in Act 1087 of 1970. Heretofore, \$410,380,000 of State Capital Improvement Bonds have been issued, leaving unissued a substantial balance of the existing authorization. Notwithstanding, State Capital Improvement Bonds must be issued in such fashion that the provisions of subparagraph "c" of paragraph 6 of Section 13 of new Article X of the Constitution of South Carolina and the statutory limitation imposed by the General Assembly in 1980 are complied with. The cited provision of new Article X provides that the maximum annual debt service on all general obligation bonds of the State (excluding State highway bonds, State institution bonds, tax anticipation notes and bond anticipation notes) shall not exceed 7% of the general revenues of the State for the fiscal year next preceding the fiscal year in which the bonds are issued (excluding revenues which are authorized to be pledged for State highway bonds and State institution bonds). The statutory provision establishes a limitation of 5% instead of the 7% constitutional limitation. This statutory limitation appears at page 2204 of the Acts of 1980.

Insofar as the issuance of bonds is concerned during the fiscal year ended June 30, 1981, the 5% limitation referred to above would relate to General Fund Revenues of \$1,598,000,000 collected in the fiscal year ended June 30, 1980 and permit maximum annual debt service in future fiscal years of \$79,900,000.

## SECTION 2

The State Board finds that it is necessary to raise \$60 Million at this time in order to provide funds with which to pay a like amount of Bond Anticipation Notes dated April 10, 1980, and due April 10, 1981.

## SECTION 3.

The Governor of South Carolina and the State Treasurer of South Carolina be and they are hereby requested to effect the issuance of \$60 Million of State Capital Improvement Bonds in accordance with the provisions of this Resolution.

## SECTION 4.

The bonds shall be in the aggregate principal amount of \$60 Million, shall be designated "State Capital Improvement Bonds, Series M", shall be in the denomination of \$5,000 each, and shall be numbered from M-1 to M-12,000, inclusive.

## SECTION 5.

The said bonds shall be dated April 1, 1981, and shall mature without privilege of prior redemption, in annual series or installments, in numerical order, as follows:

\$2,000,000 on April 1 in the year 1982;

\$3,000,000 on April 1 in each of the years  
1983 to 1985, inclusive;

\$4,000,000 on April 1 in the year 1986;

\$7,000,000 on April 1 in the year 1987;

\$9,000,000 on April 1 in each of the years  
1988 and 1989, inclusive; and

\$10,000,000 on April 1 in each of the years  
1990 and 1991, inclusive.

SECTION 6.

The bonds shall bear such rate or rates of interest, payable on October 1 and April 1 of each year hereafter, commencing October 1, 1981, as shall at the sale of such bonds reflect the lowest interest cost to the State of South Carolina, at a price of not less than par and accrued interest to the date of delivery, but:

- (1) All bonds of the same maturity shall bear the same rate of interest;
- (2) All interest payments shall be evidenced by single coupons;
- (3) No interest rate named shall be more than  $1\frac{1}{2}\%$  higher than the lowest rate of interest named;
- (4) Each interest rate named shall be a multiple of  $\frac{1}{8}$ th or  $\frac{1}{20}$ th of 1%; and
- (5) Any sum named by way of premium shall be paid in cash as a part of the purchase price.

For the purposes of this Section, interest cost shall mean the aggregate of interest on the bonds from April 1, 1981, until their respective maturities, less any sum named by way of premium. Acting pursuant to Section 11-9-350, Code of Laws of South Carolina, 1976, the State Board expressly provides that the interest rates named may exceed the statutory limitation of seven per centum.

SECTION 7.

Both the principal of and interest on the bonds shall be payable in any coin or currency of the United States of America which is, at the time of payment, legal tender for the payment of public and private debts. The bonds shall be

issued as coupon bonds, payable to bearer, with the privilege of registration as to principal only, or as to both principal and interest, on registry books to be kept by the State Treasurer in the City of Columbia, South Carolina. If so registered in either manner, appropriate payments on account of principal, or principal and interest, will be made directly to the registered holder by the State Treasurer. Except as to bonds registered as to principal, or as to bonds registered as to both principal and interest, such payments of principal and interest shall be made, upon presentation of the bonds or coupons then due, at not more than two banks or trust companies (the Paying Agent), whose names will be printed on the bonds and coupons, to be mutually agreed upon by the State Treasurer and the successful purchaser, provided that:

(a) One shall be a bank organized under the laws of the State of South Carolina, or of the United States, having an office in the City of Columbia, State of South Carolina; and

(b) The second shall be a bank or trust company organized under the laws of one of the States of the United States, or of the United States located in a City agreeable to the State Treasurer.

Should it happen that the State Treasurer and the successful bidder shall fail to agree upon the banks or trust companies at which the bonds shall be payable, then, in such event, the bonds, both principal and interest, shall be payable at the principal office of a bank or trust

company located in the City of New York, State of New York, or, at the option of the holder, at a bank or trust company having an office in the City of Columbia, State of South Carolina, both to be designated by the State Treasurer.

SECTION 8.

The bonds are issued to pay, when due, \$60,000,000 of Bond Anticipation Notes of the State of South Carolina dated April 10, 1980, and maturing April 10, 1981. The principal proceeds of such bonds shall be expended by the State Treasurer for such purpose only and in accordance with Section 15 hereof.

SECTION 9.

The bonds shall be signed by the Governor of South Carolina and by the State Treasurer of South Carolina; the Great Seal of the State shall be reproduced thereon, attested by the Secretary of State of South Carolina; provided that any two of such officers required to execute or attest the execution of the bonds may employ a facsimile of their signature in lieu of the manual signing or attesting the bonds, but there shall be at least one manual signature on each of the bonds. The coupons attached to said bonds shall be authenticated by the facsimile signature of the State Treasurer in office on the date of the adoption of this Resolution. The execution of the bonds and coupons as provided for by this Section shall be valid notwithstanding any subsequent change in office of any of such officers.

SECTION 10.

For the prompt payment of the principal of and interest on the bonds, as they respectively mature, the full faith, credit and taxing power of the State of South Carolina are hereby irrevocably pledged, and as required by Act 426 of the Acts of 1978 the State Treasurer is hereby directed to set aside from the tax revenues received in each fiscal year in which the interest on and principal of State Capital Improvement Bonds will become due so much of such tax revenues as may be necessary in order to pay the principal of and interest on all State Capital Improvement Bonds due and falling due in such fiscal year and the State Treasurer shall thereafter apply such moneys to the punctual payment of such principal and interest as the same respectively fall due.

SECTION 11.

The form of the bonds, with interest coupons thereto attached, and the registration certificate to be endorsed thereon shall be substantially as set forth in Exhibit "A" attached hereto and made a part hereof.

SECTION 12.

Both the principal of and interest on the bonds shall be exempt from all state, county, municipal, school district, and all other taxes or assessments of the State of South Carolina, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except inheritance, estate or transfer taxes.

SECTION 13.

In case any bond shall become mutilated in respect to the body of such bond or the coupons, if any, appertaining thereto, or shall be believed to have been destroyed, stolen, or lost, upon proof of ownership, satisfactory to the Governor and the State Treasurer of South Carolina, and upon surrender of such mutilated bond, with its coupons, if any, to the State Treasurer of South Carolina, or upon receipt of evidence satisfactory to the State Treasurer of South Carolina of such destruction, theft or loss, and upon receipt also of indemnity satisfactory to the State Treasurer of South Carolina, and upon payment of all expenses incurred by the State of South Carolina for any investigation relating thereto, and all expenses incurred in connection with the issuance of any new bond under this Section, the Governor, State Treasurer and Secretary of State of South Carolina shall without further action of the Board execute and deliver a new bond of the same maturity, in either coupon or fully registered form, for the same aggregate principal amount, with the coupons, if any, appertaining thereto, of like tenor and date, bearing the same number, with such notations as the State Treasurer of South Carolina shall determine, in exchange and substitution for, and upon the cancellation of, the mutilated bond, its coupons, if any, or in lieu of and in substitution of the bonds and coupons, if any, so lost, stolen, or destroyed.

SECTION 14.

The bonds shall be sold at public sale, together with an issue of \$5,900,000 State School Bonds in such manner that persons bidding shall be required to bid on both the State Capital Improvement Bonds and the State School Bonds as though such issues constituted only a single issue of bonds. The purchase price shall not be less than par and accrued interest. The said bonds shall be advertised for sale in the following publications:

THE BOND BUYER, a financial journal published in the City of New York, State of New York; and

THE STATE, a daily newspaper published in the City of Columbia, State of South Carolina;

which Notice of Sale shall appear at least once, not less than ten days prior to the date set for said sale. The form of notice, time and conditions of sale shall be substantially as set forth in Exhibit "B" attached hereto and made a part and parcel hereof.

SECTION 15.

The proceeds derived from the sale of the bonds shall be applied and disposed of as follows:

(1) Any accrued interest shall be applied to the payment of the first installment of interest to become due on the bonds;

(2) The premium, if any, shall be applied to the payment of the first installment of principal of said bonds;

(3) The remaining proceeds shall be applied to effect the payment of Bond Anticipation Notes maturing on April 10, 1981.

In effecting the payment of the Bond Anticipation Notes, the State Treasurer shall utilize so much as may be required from the appropriations made by Section 117 of Act No. 517 of the Acts of 1980 to pay the interest on the outstanding \$60 Million Bond Anticipation Notes maturing on April 10, 1981.

SECTION 16.

The bonds shall be printed and shall be forthwith executed in the manner set forth in Section 9 hereof, in order to effect their delivery on the occasion prescribed by the Notice of Sale.

SECTION 17.

If all of the bonds and coupons representing interest thereon, issued pursuant to this Resolution, shall have been paid and discharged, then this Resolution and all rights granted hereby shall cease and determine. Bonds and coupons shall be deemed to have been paid and discharged within the meaning of this Section:

(a) If the Paying Agent shall hold, at their maturity in trust for and irrevocably appropriated thereto, sufficient moneys for the payment of the principal thereof and accrued interest to the date of maturity, or if default in such payment shall have occurred on such date, then to the date of the tender of such payments or

(b) If there shall have been deposited in an irrevocable Trust moneys or direct obligations of the United States of America or obligations guaranteed by the United States of America, the principal of and interest on which, when due, will provide moneys, which together with moneys, if any so deposited at the same time, will be sufficient to pay when due the principal and interest on the Bonds so defeased in accordance herewith.

Any moneys or securities which at any time shall be so deposited, by or on behalf of the State of South Carolina, for the purpose of paying and discharging any of the bonds or coupons, shall be, and are hereby, assigned, transferred and set over in trust for the respective holders of the bonds and coupons, and such moneys shall be and are hereby irrevocably appropriated to the payment and discharge thereof. But, if through lapse of time or otherwise, the holders of said bonds or coupons shall no longer be entitled to enforce payment of their obligations, then, in such event, said funds or securities shall revert to the State of South Carolina.

SECTION 18.

The Governor and the State Treasurer shall and they are hereby authorized and empowered to award the sale of the bonds to the bidder naming the lowest interest cost to the State, without further action on the part of this Board if they shall determine that it is in the interest of the State to make such award.

SECTION 19.

All prior Resolutions of the State Board inconsistent  
herewith are hereby repealed.

---

EXHIBIT

FEB 26 1981 NO. 16

STATE BUDGET & CONTROL BOARD

EXHIBIT A

UNITED STATES OF AMERICA  
STATE OF SOUTH CAROLINA  
STATE CAPITAL IMPROVEMENT BOND  
(SERIES M)

No. M-\_\_\_\_\_

\$5,000

The STATE OF SOUTH CAROLINA hereby acknowledges that it is indebted and for value received, promises to pay to the bearer hereof, or, if this bond be registered, to the registered holder hereof, the sum of

FIVE THOUSAND DOLLARS

on the first day of April, 19\_\_ with interest thereon, from the date of this bond, at the rate of \_\_\_\_\_ per centum ( %) per annum, payable on October 1 and April 1 of each year hereafter, commencing October 1, 1981, according to the tenor, and upon presentation and surrender, of the annexed coupons as they severally become due, or if this bond be registered as to both principal and interest, to the registered holder hereof. Both the principal of and interest on this bond are payable in any coin or currency of the United States of America which, at the time of payment, is legal tender for the payment of public and private debts. Unless this bond be registered, payment of both principal and interest will be made at the principal office of \_\_\_\_\_, in the City of \_\_\_\_\_, State of \_\_\_\_\_, or at the option of the holder, at the principal office of \_\_\_\_\_, in the City of Columbia, State of South Carolina.

At the written request of the holder, and upon presentation of this bond to the State Treasurer of South Carolina, this bond will be registered in the holder's name on the books of the State Treasurer as to principal only, or as to both principal and interest, and such registration noted hereon by the State Treasurer, after which no transfer of this bond shall be valid unless made on said books and noted hereon, or, unless in case of registration as to principal only, the last registered transfer so noted shall have been to bearer. Registration as to principal only shall not affect the negotiability of the coupons hereto attached, which shall continue to pass by delivery. If this bond be registered as to principal only, payment of the principal of this bond, upon maturity, will be made to the registered holder upon surrender of this bond to the State Treasurer. In case of registration as to both principal and interest, all unmatured coupons will be cut off and destroyed by the State Treasurer, and that fact noted hereon by him, and thereafter interest evidenced by such surrendered coupons will be paid by check or draft by the State Treasurer at the times provided herein by mail to the registered holder of this bond at the address shown on the registration books, and in such case, payment of the principal of this bond, upon maturity, will be made to the registered holder upon surrender of this bond to the State Treasurer.

This bond is one of an issue of bonds in the aggregate principal amount of Sixty Million Dollars (\$60,000,000) of like tenor, except as to number, rate of interest, date of maturity, and redemption provisions, issued pursuant to and in accordance with the Constitution and Laws of the State of South Carolina, including particularly the provisions of Act No. 1377 of the Acts of the General Assembly of the State of South Carolina for the year 1968, as amended, for the purpose of raising funds for purposes authorized by said Act.

For the payment of the principal of and interest on this bond there are hereby pledged the full faith, credit and taxing power of the State of South Carolina.

It is hereby certified and recited that all conditions, acts and things required by the Constitution and Statutes of the State of South Carolina to exist, be performed or happen precedent to or in the issuance of this bond, exist, have been performed and have happened, that the amount of this bond, together with all other indebtedness of the State of South Carolina, does not exceed any limit prescribed by such Constitution or Statutes, and that provision has been made for the allocation, on an annual basis, of sufficient tax revenues to provide for the punctual payment of the principal of and interest on this bond and the issue of bonds of which this bond is one.

IN WITNESS WHEREOF, the State of South Carolina has caused this bond to be signed by the facsimile signature of

the Governor of South Carolina and by the manual signature of the State Treasurer of South Carolina, the Great Seal of the State of South Carolina to be reproduced hereon and attested by the facsimile signature of the Secretary of State of South Carolina, the coupons attached hereto to be authenticated by the facsimile signature of the State Treasurer in office on the date of this bond, and this bond to be dated April 1, 1981.

(SEAL)

\_\_\_\_\_  
Governor

\_\_\_\_\_  
State Treasurer

Attest:

\_\_\_\_\_  
Secretary of State

(FORM OF COUPON)

On the first day of \_\_\_\_\_, the STATE OF SOUTH CAROLINA will pay to BEARER \_\_\_\_\_ DOLLARS \$\_\_\_\_\_, at the principal office of \_\_\_\_\_, in the City of \_\_\_\_\_, State of \_\_\_\_\_, or at the option of the holder, at the principal office of \_\_\_\_\_, in the City of Columbia, State of South Carolina, in any coin or currency of the United States of America which is then legal tender for the payment of public and private debts, being the interest then due on its STATE CAPITAL IMPROVEMENT BOND (SERIES M), dated April 1, 1981, NO. M-\_\_\_\_\_.

\_\_\_\_\_  
State Treasurer

(FORM OF REGISTRATION TO APPEAR ON THE REVERSE OF EACH BOND)

IT IS HEREBY CERTIFIED that upon the written request of the holder of the within bond for its registration as to both principal and interest, I have this day cut off and destroyed all unmatured coupons of said bond, being \_\_\_\_\_ in number, and that the principal and interest of said bond are payable to the registered holder or his legal representative or successor.

Dated:

\_\_\_\_\_, 19\_\_.

\_\_\_\_\_  
State Treasurer

NO WRITING ON THIS BOND EXCEPT BY  
THE STATE TREASURER OR HIS DEPUTY

The registration indicated below is to be deemed to be  
as to principal only, unless the above certificate has been  
executed by the State Treasurer.

<u>DATE OF REGISTRATION</u>	<u>NAME OF REGISTERED HOLDER</u>	<u>STATE TREASURER</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

OFFICIAL NOTICE OF SALE

\$65,900,000

GENERAL OBLIGATION BONDS

OF THE STATE OF SOUTH CAROLINA

SEALED PROPOSALS will be received by the Governor and the State Treasurer of the State of South Carolina, in the Office of the State Treasurer, in the Wade Hampton Office Building, in the City of Columbia, South Carolina, on Tuesday, March 17, 1981, until 11:00 A.M. (local time), at which time the proposals will be publicly opened and announced for the purchase of \$65,900,000 General Obligation Bonds of the State of South Carolina.

The foregoing bonds will consist of two issues enumerated below, which, in their aggregate, are offered as a single issue:

(1) \$60,000,000 State Capital Improvement Bonds, Series M, issued for the purpose of paying at maturity on April 10, 1981 a like principal amount of bond anticipation notes, the proceeds of which have been used to defray the cost of certain capital improvements pursuant to and in accordance with the Constitution and Laws of the State of South Carolina. The State Capital Improvement Bonds, Series M, are payable in installments on April 1 as follows:

\$2,000,000 on April 1 in the year 1982;

\$3,000,000 on April 1 in each of the years  
1983 to 1985, inclusive;

\$4,000,000 on April 1 in the year 1986;

\$7,000,000 on April 1 in the year 1987;

\$9,000,000 on April 1 in each of the years  
1988 and 1989, inclusive; and

\$10,000,000 on April 1 in each of the years  
1990 and 1991, inclusive.

(2) \$5,900,000 State School Bonds, Series MM, issued for the purpose of defraying the cost of certain capital improvements for school buildings pursuant to and in accordance with the Constitution and Laws of the State of South Carolina, payable in installments on April 1 as follows:

\$ 500,000 on April 1 in each of the years  
1982 to 1985, inclusive;

\$ 900,000 on April 1 in the year 1986;

\$1,000,000 on April 1 in each of the years  
1987 to 1989, inclusive.

The bonds will be dated April 1, 1981, and will be in the denomination of \$5,000 each. The bonds will bear interest from their date and such interest will be payable on October 1 and April 1 of each year, beginning October 1, 1981.

The bonds will be issued as coupon bonds, with the privilege of registration as to principal only, or as to both principal and interest, on registry books to be kept by the State Treasurer in the City of Columbia, South Carolina. If so registered in either manner, appropriate payments on account of principal, or principal and interest, will be made directly to the registered holder by the State Treasurer.

The State Capital Improvement Bonds will be numbered consecutively from 1 upwards in the order of their maturities and will bear the prefix "M".

The State School Bonds will be numbered consecutively from 1 upwards in the order of their maturities and will bear the prefix "MM".

The composite maturity schedule of the State Capital Improvement Bonds and the State School Bonds is as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
1982	2,500,000	1987	8,000,000
1983	3,500,000	1988	10,000,000
1984	3,500,000	1989	10,000,000
1985	3,500,000	1990	10,000,000
1986	4,900,000	1991	10,000,000

Neither the State School Bonds nor the State Capital Improvement Bonds are subject to redemption prior to their stated maturities.

The State Capital Improvement Bonds are issued pursuant to Act No. 1377 of the Acts of the General Assembly of the State of South Carolina for the year 1968, as amended.

The State School Bonds are issued pursuant to Title 59, Chapter 71, Article 5, Code of Laws of South Carolina, 1976, as amended.

Bidders are invited to name the rate or rates of interest which the bonds will bear, under the following conditions:

- (1) All bonds of the same maturity, as set forth in the composite schedule shown above, shall bear the same rate of interest;
- (2) All interest payments shall be evidenced by single coupons;
- (3) No interest rate named shall be more than  $1\frac{1}{2}\%$  higher than the lowest rate of interest named;
- (4) Each interest rate named shall be a multiple of  $1/8$ th or  $1/20$ th of 1%; and
- (5) Any sum named by way of premium shall be paid in cash as a part of the purchase price.

Interest cost will be determined by deducting premium, if any, from the aggregate of interest on the bonds from April 1, 1981, until their respective maturities. Bidders are requested to complete the tabulation on the official bid form, which must be used, but such tabulations are not required and will not be regarded as a part of the bid.

Bids will be accepted or rejected by 1:00 P. M. (local time) on the day of the sale. Unless all proposals are rejected, the proposal naming the lowest interest cost to the State will be accepted.

Both the principal of and interest on the bonds will be payable in any coin or currency of the United States of America which, at the time of payment, shall be legal tender for the payment of public and private debts. Except as to bonds registered as to principal or as to bonds registered as to both principal and interest, such payments will be made at not more than two banks or trust companies, whose names will be printed on the bonds and coupons, to be mutually agreed upon by the State Treasurer and the successful bidder, provided that:

(a) One will be a bank or trust company organized under the laws of the State of South Carolina, or of the United States, having an office in the City of Columbia, South Carolina.

(b) The second will be a bank or trust company organized under the laws of one of the States of the United States, or of the United States, located in a city agreeable to the State Treasurer.

Should it happen that the State Treasurer and the successful bidder fail to agree upon the banks or trust companies at which the bonds will be payable, then, in such event, the bonds, both principal and interest, will be payable at the principal office of a bank or trust company located in the City of New York, State of New York, or, at the option of the holder, at a bank or trust company having an office in the City of Columbia, South Carolina, both to be designated by the State Treasurer.

Each proposal must be submitted on the official bid form, must be enclosed in a sealed envelope and addressed to the State Treasurer of the State of South Carolina, Wade Hampton Office Building, Columbia, South Carolina, and marked on the outside in substance "Proposal for State General Obligation Bonds." As a condition precedent to the consideration of its proposal, each bidder must enclose with it a certified or cashier's or treasurer's check drawn upon a bank or trust company, payable to the order of the State Treasurer of South Carolina for \$700,000, as a good faith deposit. The check of the successful bidder will be applied in part payment of the bonds or to secure the State from any loss resulting from the failure of such bidder to comply with the terms of its bid. The good faith deposit will be returned to the successful bidder if the State of South Carolina fails to deliver the bonds as provided in this Notice of Sale. No interest will be allowed on the good faith deposit of the successful bidder.

No proposal for the purchase of less than all of the \$65,900,000 of bonds, or at a price of less than par and accrued interest to the date of delivery will be considered.

Payment for the bonds must be made in Federal Funds or other immediately available funds.

The right to reject all bids is reserved and any bid not conforming to this notice may be rejected, but the right is reserved to waive technicalities.

The State will furnish, without cost to the successful bidder, the printed bonds and the opinions of The Honorable Daniel R. McLeod, Attorney General of the State of South Carolina, and of Messrs. Sinkler Gibbs & Simons, Attorneys and Counsellors at Law, Charleston, South Carolina. The opinions with respect to each issue of bonds will state in substance: (1) the bonds are valid and legally binding obligations of the State of South Carolina; (2) the full faith, credit and taxing power of the State of South Carolina are pledged to the payment of the principal of and interest on the bonds as they become due and payable; and (3) that provision has been made for the allocation, on an annual basis, of sufficient tax revenues to provide for the

punctual payment of the principal of and interest on the bonds.

The opinions with respect to each issue will also state that (a) interest on the bonds is exempt from Federal income taxes under Federal Statutes existing on the date of the delivery of the bonds, as then judicially construed; and (b) the bonds and the interest thereon are exempt from all State, county, municipal, school district and all other taxes or assessments imposed thereon within the State of South Carolina, except inheritance, estate or transfer taxes. Upon the delivery of the bonds and payment therefor, the purchasers will also be furnished with the closing documents set forth under the heading "Legal Opinions and Certificates" in the Official Statement relating to the bonds.

It is anticipated that CUSIP identification numbers will be printed on the bonds, but neither the failure to print such numbers on any bond nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereto to accept delivery of and pay for the bonds in accordance with the terms of the purchase contract.

The Official Statement will be mailed on or about March 3, 1981. The successful bidder will be furnished with 250 copies without cost.

The opinion of Messrs. Sinkler Gibbs & Simons will be printed on the back of each of the bonds.

The bonds will be delivered in New York, New York, within thirty days after the award.

Prospective purchasers may obtain, in advance of the sale, copies of the bid form and the Official Statement relating to the bonds from the undersigned State Treasurer.

RICHARD W. RILEY, Governor  
GRADY L. PATTERSON, JR., State Treasurer

Publication Date:  
March 3, 1981

# EXHIBIT

STATE OF SOUTH CAROLINA

FEB 26 1981 NO. 16

COUNTY OF RICHLAND

STATE BUDGET & CONTROL BOARD

I, WILLIAM A. McINNIS, Secretary to the South Carolina State Budget and Control Board, DO HEREBY CERTIFY:

That the said State Budget and Control Board (the Board) is composed of the following:

His Excellency, Richard W. Riley, Governor  
and Chairman of the Board;

The Honorable Grady L. Patterson, Jr.,  
State Treasurer;

The Honorable Earle E. Morris, Jr.,  
Comptroller General;

The Honorable Rembert C. Dennis, Chairman  
of the Senate Finance Committee; and

The Honorable Tom G. Mangum, Chairman of  
the House Ways and Means Committee.

That due notice of a meeting of the Board, called to be held in Columbia, South Carolina at 9:00 A. M., Thursday, February 26, 1981, was given to all members in writing, and at least four (4) days prior to said meeting; that all members of said Board were present at said meeting, with the exception of:

None

That at said meeting, a Resolution, of which the attached is a true, correct and verbatim copy, was introduced by Mr. Patterson, who moved its adoption; said motion was seconded by Rep. Mangum, and upon the vote being taken and recorded it appeared that the following votes were cast:

## FOR MOTION

5

## AGAINST MOTION

0

That the Chairman thereupon declared the Resolution unanimously adopted and the original thereof has been duly entered in the permanent records of minutes of meetings of said Board in my custody as its Secretary.

\_\_\_\_\_  
Secretary

February 26, 1981

15413

FEB 24 1981

SINKLER GIBBS & SIMONS  
PROFESSIONAL ASSOCIATION  
ATTORNEYS & COUNSELLORS AT LAW  
160 EAST BAY STREET  
CHARLESTON, S. C. 29402

POST OFFICE BOX 340

TELEPHONE 722-3366  
AREA CODE 803

February 23, 1981

EXHIBIT

FEB 26 1981 NO. 16

STATE BUDGET & CONTROL BOARD

Mr. William A. McInnis  
Secretary  
State Budget and Control Board  
Post Office Box 12444  
Columbia, South Carolina 29211

Re: \$60,000,000 Bond Anticipation Notes of the  
State of South Carolina, Dated April 1, 1981,  
in Anticipation of the Issuance of State  
Capital Improvement Bonds of the State of  
South Carolina

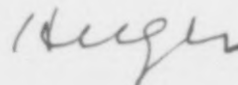
Dear Bill:

At this moment Grady is in the difficult position of trying to decide whether he should recommend to the State Board the sale of the \$65,900,000 of Bonds or the sale of \$60,000,000 (Renewal) Bond Anticipation Notes. The indexes went up last week and the Connecticut sale of bonds maturing 1991 to 2000 inclusive produced net interest cost to the State of Connecticut of 9.56%. Obviously, this is higher than would be paid by South Carolina since our bonds are scheduled to mature 1982 to 1991.

As an alternative to the sale, Grady would have to renew the \$60,000,000 Bond Anticipation Notes maturing April 10, 1981. In the event that this is determined, the State Board must adopt a resolution authorizing the renewal notes. A draft of such a resolution is herein enclosed, together with six copies for certification.

With best wishes,

Sincerely yours,



HS:pc  
Enclosures  
cc: The Honorable Grady L. Patterson, Jr.

15414

ORIGINAL

EXHIBIT

FEB 26 1981 NO. 16

A RESOLUTION STATE BUDGET & CONTROL BOARD

AUTHORIZING THE ISSUANCE OF SIXTY MILLION DOLLARS OF BOND ANTICIPATION NOTES OF THE STATE OF SOUTH CAROLINA, DATED APRIL 10, 1981, IN ANTICIPATION OF THE ISSUANCE OF STATE CAPITAL IMPROVEMENT BONDS OF THE STATE OF SOUTH CAROLINA.

BE IT RESOLVED BY THE STATE BUDGET AND CONTROL BOARD OF THE STATE OF SOUTH CAROLINA:

SECTION 1

As an incident to the adoption of this Resolution and the issuance of the Bond Anticipation Notes herein authorized, the State Budget and Control Board of the State of South Carolina (the State Board) finds:

1. The State Board is authorized by Act No. 1377 of the Acts of the General Assembly of the State of South Carolina for the year 1968, as amended (Act 1377) to make provision for the issuance of State Capital Improvement Bonds in order to raise funds for the expenditures authorized by Act 1377.

2. Act 1377 was duly enacted by the General Assembly in the year 1968 and became effective upon its approval by the Governor on June 24, 1968. It has been amended by statutes enacted by the General Assembly during each annual session of the General Assembly thereafter.

3. The statutory limit now controlling the issuance of State Capital Improvement Bonds is fixed at \$774,520,624.10, exclusive of bonds issued on behalf of the Mental Health Commission as provided in Act 1276 of 1970 and Act 1272 of 1970, and bonds issued on behalf of the Commission on Mental

15415

Retardation as provided in Act 1087 of 1970. Heretofore, \$410,380,000 of State Capital Improvement Bonds have been issued, leaving unissued a substantial balance of the existing authorization. Notwithstanding, State Capital Improvement Bonds must be issued in such fashion that the provisions of subparagraph "c" of paragraph 6 of Section 13 of new Article X of the Constitution of South Carolina and the statutory limitation imposed by the General Assembly in 1980 are complied with. The cited provision of new Article X provides that the maximum annual debt service on all general obligation bonds of the State (excluding State highway bonds, State institution bonds, tax anticipation notes and bond anticipation notes) shall not exceed 7% of the general revenues of the State for the fiscal year next preceding the fiscal year in which the bonds are issued (excluding revenues which are authorized to be pledged for State highway bonds and State institution bonds). The statutory provision establishes a limitation of 5% instead of the 7% constitutional limitation. This statutory limitation appears at page 2204 of the Acts of 1980.

Insofar as the issuance of bonds is concerned during the fiscal year ended June 30, 1981, the 5% limitation referred to above would relate to General Fund Revenues of \$1,598,000,000 collected in the fiscal year ended June 30, 1980 and permit maximum annual debt service in future fiscal years of \$79,900,000.

## SECTION 2

Heretofore on April 10, 1980, the State Board issued \$60 Million Bond Anticipation Notes maturing April 10, 1981 (the Outstanding Notes). The State Board has determined that market conditions are such that the Outstanding Notes should be refunded with the proceeds of the bond anticipation notes herein authorized rather than through the issuance of long term bonds.

In so determining, the State Board has taken note of the fact that following the issuance of the bond anticipation notes authorized herein (the proceeds of which will be immediately applied to the payment of the Outstanding Notes) there will be outstanding the bond anticipation notes herein authorized and \$60 Million of Bond Anticipation Notes dated December 15, 1980, due December 15, 1981, and \$50,000,000 of Bond Anticipation Notes dated February 3, 1981, and due February 3, 1982.

The margin between existing annual debt service requirements and that to result from the issuance of all bonds necessary to retire both issues of bond anticipation notes is ample to permit compliance with the statutory limitation of 5%.

## SECTION 3

The State Board is authorized by Chapter 17, Title 11, Code of Laws of South Carolina, 1976, to issue bond anticipation notes to provide the funds in anticipation of the receipt of proceeds of bonds authorized by law to be issued.

#### SECTION 4

Accordingly, it is the purpose of this Resolution to:

- a) authorize the Governor and State Treasurer to effect the issuance of \$60 Million of Bond Anticipation Notes to raise the moneys with which to pay and redeem the Outstanding Notes; and
- b) obligate the State of South Carolina to effect the issuance of sufficient State Capital Improvement Bonds to provide funds with which to pay the \$60 Million of Bond Anticipation Notes herewith authorized as well as all other Outstanding Notes.

#### SECTION 5

It is hereby determined that temporary financing pursuant to Chapter 17, Title 11, Code of Laws of South Carolina, 1976, to the extent of \$60 Million in anticipation of the issuance of State Capital Improvement Bonds, shall be immediately undertaken, and that authorization be given to the Governor and State Treasurer which will enable such officers to comply with the directives of this Resolution.

#### SECTION 6

There shall be issued by the State of South Carolina Bond Anticipation Notes of the State of South Carolina, in the aggregate principal amount of \$60 Million, which shall be dated April 10, 1981, and which shall be expressed to mature on a date not later than April 9, 1982, to be determined by the State Treasurer.

The proceeds of the Notes shall be immediately applied to pay and redeem the Outstanding Notes.

In effecting the payment of the Bond Anticipation Notes, the State Treasurer shall utilize so much as may be required from the appropriations made by Section 117 of Act No. 517 of the Acts of 1980 to pay the interest on the outstanding \$60 Million Bond Anticipation Notes maturing on April 10, 1981.

#### SECTION 7

The Notes shall bear interest from April 10, 1981, payable upon the stated maturity thereof, at the rate to be negotiated by the State Treasurer. Acting pursuant to Section 11-9-350, Code of Laws of South Carolina, 1976, the State Board expressly provides that the interest rate named may exceed the statutory limit of 7-1/2%.

#### SECTION 8

The Notes shall be numbered from 1 to 2400, inclusive, and shall be in the denomination of \$25,000 each. The Notes shall be payable, both principal and interest, in legal tender upon maturity, at the principal office of a bank named by the State Treasurer having its principal office located in the City of Columbia, State of South Carolina, or, at the option of the holder, at the principal office of Morgan Guaranty Trust Company of New York, in the City of New York, State of New York.

#### SECTION 9

The State Treasurer is hereby expressly authorized to negotiate the sale of the Notes herein authorized to any bank or investment banker or any group thereof as he may

select. He is also authorized to agree upon the maturity date of the Notes provided that such date shall not be later than April 9, 1982.

#### SECTION 10

The Notes shall be executed on behalf of the State of South Carolina by the Governor of the State of South Carolina and by the State Treasurer of South Carolina, and the Great Seal of the State of South Carolina shall be reproduced thereon, and the same shall be attested by the Secretary of State of South Carolina, provided that at least one of such signatures shall be a manual signature of the officer signing the Notes.

#### SECTION 11

The Notes shall be substantially in the form attached hereto as "EXHIBIT A".

#### SECTION 12

For the payment of the principal of and interest on the the Notes, as the same shall fall due, the full faith, credit and taxing power of the State of South Carolina shall be pledged. In addition thereto, so much of the principal proceeds of the State Capital Improvement Bonds which shall be issued to provide the funds with which to pay the Notes are hereby pledged and the State Treasurer, upon receipt of the proceeds of such State Capital Improvement Bonds, shall and he is hereby directed to apply such proceeds to such payment.

# EXHIBIT

FEB 26 1981

NO. 16

## SECTION 13

### STATE BUDGET & CONTROL BOARD

This Board authorizes, and on behalf of the State of South Carolina, covenants and agrees to effect the issuance of sufficient State Capital Improvement Bonds of the State of South Carolina in order that the proceeds thereof will be sufficient to provide for the retirement of all Bond Anticipation Notes hereafter to be outstanding.

## SECTION 14

The Notes shall be forthwith prepared, executed in the manner hereinabove set forth, and thereafter delivered to the purchaser thereof, upon receipt of the proceeds thereof. The proceeds shall be paid to the State Treasurer and applied to meet the purposes described in Section 6 hereof.

## SECTION 15

A certified copy of this Resolution shall be transmitted to the Governor and the State Treasurer, as a means of authorizing the issuance of the Notes and apprising them of the action taken by this Board as above set forth.

---

EXHIBIT A

\$25,000

\$25,000

UNITED STATES OF AMERICA

STATE OF

SOUTH CAROLINA

BOND ANTICIPATON NOTE

KNOW ALL MEN BY THESE PRESENTS That the STATE OF SOUTH CAROLINA hereby acknowledges itself indebted, and for value received, promises to pay to the BEARER hereof, the sum of

TWENTY FIVE THOUSAND DOLLARS

at the principal office of \_\_\_\_\_  
in the City of Columbia, State of South Carolina, or, at the  
option of the holder at the principal office of Morgan  
Guaranty Trust Company of New York, in the City of New York,  
State of New York, on the \_\_\_\_ day of \_\_\_\_\_, 19\_\_, and to  
pay interest on said principal sum from the date hereof, at  
the rate of \_\_\_\_\_ percentum  
(\_\_\_\_%) per annum, payable upon the maturity of this Note.

Both the principal of and interest on this Note are  
payable in any coin or currency of the United States of  
America which is, at the time of payment, legal tender for  
the payment of public and private debts.

15422

THIS NOTE is one of an issue of Bond Anticipation Notes, of like date, tenor and effect, except as to numbering, aggregating \$60,000,000 (the Notes), issued by the State of South Carolina, pursuant to the authorizations of Chapter 17, Title 11, Code of Laws of South Carolina, 1976, in anticipation of the receipt of the proceeds to be derived from the sale of State Capital Improvement Bonds of the State of South Carolina to be issued pursuant to Act 1377 of the Acts of the General Assembly of the State of South Carolina for the year 1968, as amended. The full faith, credit and taxing power of the State of South Carolina and the proceeds to be derived from the sale of the bonds, in anticipation of which the Notes are issued, are pledged for the payment of the principal of and interest on this Note.

THIS NOTE and the interest hereon are exempt from all State, County, Municipal, School District, and all other taxes or assessments of the State of South Carolina, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except inheritance, estate or transfer taxes.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and Laws of the State of South Carolina to exist, to happen, or to be performed precedent to or in the issuance of this Note, do exist, have happened, and have been performed in regular and due time, form and manner.

IN WITNESS WHEREOF, the STATE OF SOUTH CAROLINA has caused this Note to be signed by the facsimile signature of the Governor of South Carolina and by the manual signature of the State Treasurer of South Carolina, the Great Seal of the State to be reproduced hereon, the same to be attested by the facsimile signature of the Secretary of State of South Carolina, and this Note to be dated the 10th day of April, 1981.

\_\_\_\_\_  
Governor of the State of  
South Carolina

\_\_\_\_\_  
State Treasurer

Attest:

\_\_\_\_\_  
Secretary of State

(SEAL)

# EXHIBIT

FEB 26 1981 NO. 16

STATE OF SOUTH CAROLINA

COUNTY OF RICHLAND

STATE BUDGET & CONTROL BOARD

I, WILLIAM A. McINNIS, Secretary to the South Carolina State Budget and Control Board, DO HEREBY CERTIFY:

That the said State Budget and Control Board (the Board) is composed of the following:

His Excellency, Richard W. Riley, Governor and Chairman of the Board;

The Honorable Grady L. Patterson, Jr., State Treasurer;

The Honorable Earle E. Morris, Jr., Comptroller General;

The Honorable Rembert C. Dennis, Chairman of the Senate Finance Committee; and

The Honorable Tom G. Mangum, Chairman of the House Ways and Means Committee.

That due notice of a meeting of the Board, called to be held in Columbia, South Carolina at 9:00 A. M., Thursday, February 26, 1981, was given to all members in writing, and at least four (4) days prior to said meeting; that all members of said Board were present at said meeting, with the exception of:

None

That at said meeting, a Resolution, of which the attached is a true, correct and verbatim copy, was introduced by Rep. Mangum, who moved its adoption; said motion was seconded by Senator Dennis, and upon the vote being taken and recorded it appeared that the following votes were cast:

## FOR MOTION

5

## AGAINST MOTION

0

That the Chairman thereupon declared the Resolution unanimously adopted and the original thereof has been duly entered in the permanent records of minutes of meetings of said Board in my custody as its Secretary.

\_\_\_\_\_  
Secretary

February 26, 1981

15425

# EXHIBIT

STURKEY & JONES

ATTORNEYS AT LAW

MCCORMICK, SOUTH CAROLINA 29835

(803) 465-2518

FEB 26 1981

NO. 17

STATE BUDGET & CONTROL BOARD

O. LEE STURKEY  
J. RICHARD JONES

P. O. DRAWER E

October 6, 1980

Mr. John C. Shiflet, Superintendent  
John de la Howe School  
Rt. 1  
McCormick, South Carolina 29835

Dear John,

I am pleased to enclose herewith the Easement for the right of way from the master meter site to the existing water system and also the Deed to the very small lot up by the road which will be used for the master meter site itself. We must hold title to the master meter site in fee, whereas we only need an easement to the pipeline extending from the meter to your existing lines.

Constant with our agreement last Thursday, it would be my recommendation that you obtain the signatures of as many of the Trustees to the Easement and Deed as possible. We will of course need to obtain their signatures before the deed and easement will be valid. After the State has approved the funding vehicle, then and in that event, you can deliver the easement and deed to me for recordation. They do not become effective until that time. I would also suggest that you leave the instrument undated until then.

With kindest regards, I am

Yours very truly,

STURKEY & JONES

  
O. Lee Sturkey

OLS:sm  
Enclosures

RECEIVED  
OCT 7 1980  
JOHN DE LA HOWE

15426

## STATE BUDGET AND CONTROL BOARD

MEETING OF October 21, 1980

REGULAR SESSION AGENDA

ITEM NUMBER 1**EXHIBIT**Agency: John de la Howe School

FEB 26 1981

NO. 17

Subject: Water Line Funding and Related Matters

STATE BUDGET &amp; CONTROL BOARD

(a) As a follow-up to the Board action taken at the October 14 meeting, general agreement has been reached on the steps necessary to enable the John de la Howe School to proceed with the project to connect the School to the water lines of the McCormick Water and Sewer Authority. This approach calls for the granting of a loan of \$250,000 to the McCormick Water and Sewer Authority by the Division of Local Government from funds appropriated for rural improvements. That loan would be secured by an agreement between the John de la Howe School and the McCormick Water and Sewer Authority under which the School would agree to reimburse the Authority for the cost of the water line connection using Capital Improvement Bond funds authorized in Act 518 of 1980 when and if released and the Authority, in turn, would agree to repay the Division of Local Government Loan from such funds. This agreement would be subject to review by the Joint Bond Review Committee.

Staff also investigated the feasibility of recouping the State's investment in the water line and were advised that only six or seven homes are contiguous to the route of the line and that the remainder is in the ownership of the federal government.

→ (b) The John de la Howe School will have to grant an easement to McCormick County for the purpose of maintaining and improvement the water line or lines and appurtenances. The easement is ten feet in width and contains a total of twenty-six hundredths of an acre, more or less.

→ (c) The School will have to convey title to the County for a site for a master meter. This site, which contains eight one-thousandths of an acre, more or less (or about 348 square feet), is bounded on the north, east and south by other lands of the School and on the west by the right-of-way of South Carolina Highway 81.

Board Action Requested:

(a) Approve arrangement under which a loan of \$250,000 will be made by the Division of Local Government to the McCormick County Water and Sewer Authority on the understanding that John de la Howe School will provide the 1980 bond funds, when and if released, to the Authority so that the loan may be repaid, subject to review by the Joint Bond Review Committee;

→ { (b) Approve granting of an easement for the referenced water line; and  
(c) Approve the conveyance of eight one-thousandths of an acre, more or less, to McCormick County for a master meter site.

Attachments:

Sturkey October 6 letter to Shiflett and attachments

**15427**

# EXHIBIT

FEB 26 1981 NO. 17

STATE BUDGET & CONTROL BOARD

THE STATE OF SOUTH CAROLINA \*  
COUNTY OF McCORMICK \* TITLE TO REAL ESTATE TO A  
CORPORATION \*

KNOW ALL MEN BY THESE PRESENTS, THAT we, John A. McAllister, Jack R. Callison, James P. Sloan, Reverend L. G. Corder, Hugh Z. Graham, Thomas E. Kerns, Hugh W. McClure, III, Miss Ann C. Gilbert, and Mrs. J. D. Mars, as Trustees of John de la Howe School, in the State aforesaid for and in consideration of the sum of ten and 00/100 (\$10.00) dollars, and other good and valuable considerations to us in hand paid at and before the sealing and delivery of these Presents, by the County of McCormick, South Carolina in the State aforesaid (the receipt whereof is hereby acknowledged), have granted, bargained, sold and released, and by these Presents do grant, bargain, sell and release unto the said County of McCormick, South Carolina, its successors and assigns forever, the following described real property, to wit:

ALL and singular that certain piece, parcel, or lot of land, situate, lying, and being in Bordeaux Township, County of McCormick, State of South Carolina, containing eight one-thousandths (0.008) of an acre, more or less, and being BOUNDED: on the North, East, and South by other lands of John de la Howe School; and on the West by the eastern edge of the right of way of South Carolina Highway No. 81. Said lot commences at a point at the southwestern corner, common to this lot, lands of John de la Howe School and the right of way of South Carolina Highway No. 81, designated as the point of beginning. The point of the beginning bears North 7° 41' East for 37.50 feet to a point in the centerline of South Carolina Highway No. 81, thence turning and running southwesterly and westerly along the centerline of South Carolina Highway No. 81 for 3432 feet to the intersection of South Carolina Highway No. 81 and South Carolina Road No. S-33-7. From the point of beginning, this lot runs thence South 7° 41' East for 12 feet to a point; thence turning and running North 18° 19' East for 29.52 feet to a point; thence turning and running North 70° 41' West for 12 feet to a point; thence turning and running South 18° 19' West for 39.52 feet to the point of the beginning. This is a small portion of the lands of which the late Dr. John de la Howe was seized and possessed, and pursuant to the terms and provisions of his Last Will and Testament, dated January 2, 1797, which said Will is filed, probated, and recorded in the office of the Judge of Probate for Abbeville County, South Carolina (since the filing and probate of said will, McCormick County, South Carolina having been cut off from that portion of Abbeville County in which the said lands are situate) was devised to John de la Howe School for the uses and purposes therein mentioned.

The South Carolina Budget & Control Board confirms this conveyance as hereinafter provided.

15428

TOGETHER with all and singular the Rights, Members, Hereditaments and Appurtenances to the said Premises belonging, or in anywise incident or appertaining.

TO HAVE AND TO HOLD, all and singular, the said premises before mentioned, unto the said County of McCormick, South Carolina, its successors and assigns forever.

And we do hereby bind ourselves and our Successors, Executors and Administrators, to warrant and forever defend all and singular the said premises unto the said County of McCormick, South Carolina, its successors and assigns against us and our Successors, and any person or persons lawfully claiming, or to claim the same or any part thereof.

WITNESS our Hands and Seals, this \_\_\_\_ day of October, in the year of our Lord one thousand nine hundred and eighty and in the two hundred and fifth year of the Sovereignty and Independence of the United States of America.

TRUSTEES, JOHN DE LA HOWE SCHOOL

*John A. McAllister*  
JOHN A. McALLISTER

*Jack R. Callison*  
JACK R. CALLISON

*James P. Sloan*  
JAMES P. SLOAN

*L. G. Corder*  
REVEREND L. G. CORDER

*Mrs. Hugh Z. Graham*  
HUGH Z. GRAHAM

*Thomas E. Kerns*  
THOMAS E. KERNS

*Hugh W. McClure, III*  
HUGH W. McCLURE, III

*(Miss) Anne C. Gixbert*  
MISS ANNE C. GIXBERT GIBERT

*Mrs. J. D. Mars*  
MRS. J. D. MARS

THE STATE OF SOUTH CAROLINA

McCormick County

PERSONALLY appeared before me, the undersigned witness, and made oath that (s)he saw the within-named John A. McAllister, Jack R. Callison, James P. Sloan, Reverend L. G. Corder, Hugh Z. Graham, Thomas E. Kerns, Hugh W. McClure, III, Miss Ann C. Gilbert, and Mrs. J. D. Mars, as Trustees of John de la Howe School, sign, seal and, as their act and deed, deliver the within written Deed, and that (s)he with the other witness, witnessed the execution thereof.

SWORN to before me this  
\_\_\_\_ day of October, 1980.

\_\_\_\_\_(L.S.)  
Notary Public for South Carolina  
My Commission Expires: \_\_\_\_\_.

# EXHIBIT

FEB 26 1981

NO. 17

STATE BUDGET & CONTROL BOARD

THIS CONVEYANCE IS CONFIRMED AND RATIFIED PURSUANT TO  
RESOLUTION OF THE SOUTH CAROLINA BUDGET & CONTROL AT COLUMBIA,  
SOUTH CAROLINA, THIS THE 26 DAY OF ~~OCTOBER, 1980.~~ <sup>FEBRUARY, 1981. WAM</sup>

SOUTH CAROLINA BUDGET &  
CONTROL BOARD

By:

Richard W. Riley

Donna K. Williams

William A. McInnis

\*\*\*

THE STATE OF SOUTH CAROLINA

Richland County

PERSONALLY appeared before me, the undersigned witness,  
and made oath that (s)he saw the within-named South Carolina  
Budget & Control Board by Richard W. Riley, its  
Chairman, sign, seal and, as its act and deed, deliver  
the within written title, and that (s)he with the  
other witness witnessed the execution thereof.

Donna K. Williams

SWORN to before me this

26 day of ~~October, 1980.~~ <sup>February, 1981</sup>

Sue C. Crapps

(L.S.)

Notary Public for South Carolina

My Commission Expires: \_\_\_\_\_

My Commission Expires September 21, 1983

15431

# EXHIBIT

FEB 26 1981 NO. 17

STATE BUDGET & CONTROL BOARD

State of South Carolina

\*

County of McCormick

\*

EASEMENT GRANT

\*

KNOW ALL MEN BY THESE PRESENTS, That we, John A. McAllister, Jack R. Callison, James P. Sloan, Reverend L. G. Corder, Hugh Z. Graham, Thomas E. Kerns, Hugh W. McClure, III, Miss Ann C. Gilbert, and Mrs. J. D. Mars, as Trustees of John de la Howe School, in the State aforesaid, for and in consideration of the sum of one and 00/100 (\$1.00) dollar in hand paid by the County of McCormick, South Carolina, the receipt and sufficiency of which is hereby acknowledged, have granted, bargained, sold and released, and by these presents, do grant, bargain, sell and release unto the said County of McCormick, South Carolina, its successors and assigns, a perpetual easement, as hereinbelow described, with the right to construct, maintain, and operate thereon one or more water lines, consisting of pipes, conduits, meters, hydrants, and pumps, and further the right to clear and keep clear the said easement of brush, shrubbery, and trees, and the right to remove and dispose of brush, shrubbery, trees, and soil, with full rights of ingress and egress thereon for the purpose of maintaining and improving said water line or lines and appurtenances across lands of grantor situated in the County of McCormick, State of South Carolina, and being more particularly described as follows:

ALL and singular that certain piece, parcel, or strip of land situate, lying, and being in Bordeaux Township, County of McCormick, State of South Carolina, containing twenty-six hundredths (0.26) of an acre, more or less, commencing at the northern edge of the meter site this day conveyed from the Trustees of John de la Howe School to McCormick County, South Carolina, and running thence along the various courses and distances as shown on the plat hereinafter described to the filter plant at John de la Howe School, being ten (10) feet in width, and being bounded on all sides by lands of John de la Howe School, except on the side where this strip joins the meter site this day conveyed to McCormick County, South Carolina. For a more particular description of said strip, reference is made to a plat prepared by Heaner Engineering Company, Inc., dated September 24, 1980, a copy of which is recorded in the office of the Clerk of Court for McCormick County, South Carolina, in Plat Book \_\_\_, at page \_\_\_. This is a small portion of the lands of which the late Dr. John de la Howe was seized and possessed, and pursuant to the terms and provisions of this Last Will and Testament, dated January 2, 1797, which said will is filed, probated, and recorded in the office of the Judge of Probate for Abbeville County, South Carolina (since the filing and probate of the said will, McCormick County, South Carolina having been cut off from that portion of Abbeville County in which the said lands are situate) was devised to John de la Howe School for the uses and purposes

15432

therein mentioned.

TOGETHER with the right from time to time to redesign, rebuild, or alter said water lines, and to install such additional lines, apparatus and equipment as the County of McCormick, its successors and assigns, may at any time deem necessary, and the right to remove any line, any part thereof, or any appurtenances thereto.

PROVIDED, HOWEVER, that any damage to the property of the grantor (other than to property cleared or removed as hereinbefore specifically provided) caused by the County of McCormick, its successors and assigns, in the course of constructing, rebuilding, or repairing said lines shall be borne by the County of McCormick, South Carolina.

RESERVING, nonetheless, unto the grantor the right to cultivate and use the surface of the land within the said right of way provided that such use shall not interfere with or obstruct with the rights herein granted and provided further that no building or other structure shall be erected by the grantor, its successors and assigns, within the said right of way.

The word "grantor" shall include successors, executors, administrators, and assigns, as the case may be, and shall mean the owner of the property, whether singular or plural.

TO HAVE AND TO HOLD all and singular the easement before mentioned unto the said County of McCormick, its successors and assigns, forever. And we, the Trustees of John de la Howe School, do hereby bind ourselves and our successors, executors, and administrators to warrant and forever defend all and singular the said premises unto the said County of McCormick, South Carolina, its successors and assigns forever against us and our successors and every other person or persons whomsoever lawfully claiming or to claim the same or any part thereof.

WITNESS our hands and seals, this the \_\_\_\_ day of October, in the year of our Lord one thousand nine hundred eighty and in the two hundred and fifth year of the Sovereignty and Independence of the United States of America.

TRUSTEES, JOHN DE LA HOWE SCHOOL  
*John A. McAllister*  
John A. McAllister

*Jack R. Callison*  
Jack R. Callison

*James P. Sloan*  
James P. Sloan

*L. G. Corder*  
Reverend L. G. Corder

*Hugh Z. Graham*  
Hugh Z. Graham

*Thomas E. Kerns*  
Thomas E. Kerns

*Hugh W. McClure, III*  
Hugh W. McClure, III

*(Miss) Anne C. Gilbert*  
Miss Anne C. Gilbert GIBERT

*Mrs. J. D. Mars*  
Mrs. J. D. Mars

## EXHIBIT

FEB 26 1981 NO. 17

\*\*\*

STATE BUDGET & CONTROL BOARD

State of South Carolina

\*

County of McCormick

\*

PROBATE

\*

PERSONALLY appeared before me the undersigned witness,  
and made oath that (s)he saw the within named John A. McAllister,  
Jack R. Callison, James P. Sloan, Reverend L. G. Corder, Hugh Z.  
Graham, Thomas E. Kerns, Hugh W. McClure, III, Miss Ann C. Gilbert,  
and Mrs. J. D. Mars, as Trustees of John de la Howe School, sign,  
seal and, as their act and deed, deliver the within written Ease-  
ment Grant, and that (s)he with the other witness witnessed the  
execution thereof.

SWORN to before me this

\_\_\_\_ day of October, 1980.

(L.S.)

Notary Public for South Carolina

My Commission Expires: \_\_\_\_\_.

APPROVED BY STATE BUDGET AND  
CONTROL BOARD  
February 26, 1981

*W. T. Putnam*  
W. T. Putnam, Executive Director